



ADDIS ABABA UNIVERISTY
SCHOOL OF COMMERCE

**THE RELATIONSHIP BETWEEN INTERNAL MARKETING
PRACTICES AND EMPLOYEES' ORGANIZATIONAL COMMITMENT,
THE CASE OF AWASH INSURANCE COMPANY S.C.**

BY
HABTAMU ERTIRO

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ADDIS ABABA, ETHIOPIA



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**A THESIS SUBMITTED TO ADDIS ABABA UNIVERISTY, SCHOOL OF
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MANAGEMENT**

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COLLEGE OF BUSINESS AND ECONOMICS
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MARKETING MANAGEMENT GRADUATE PROGRAM UNIT

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Declaration

I, Habtamu Ertiro, declare that the thesis entitled- “**the relationship between internal marketing practices and employees’ organizational commitment, the case of awash insurance company s.c.**” is my original work. I have carried out the present study independently with the guidance and support of my advisor, Tewodros Mesfin (Ph.D.). Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any degree or diploma program in this or any other institution.

Name and Signature

Date

Dedication

This thesis work is dedicated to my mother-Aregash Alemu (Abaye), to whom I shall remain indebted for sacrificial generosity, unconditional love and all courage given to me.

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Abstract

The objective of this study is to investigate the relationship between internal marketing and employees' organizational commitment in Awash Insurance Company (AIC). This research uses a cross-sectional study to survey the relationship between internal marketing and employees' organizational commitment. The population of interest in this study was professional staff of AIC. One hundred and twenty three questionnaires were distributed and 106 questionnaires were returned, yielding a response rate of 86.16%. The findings reveal that there is significant relationship between internal marketing and employees' organizational commitment. It is recommended that there is need for AIC to sensitized of their role in spearheading internal marketing initiatives, for a more proactive approach and for effective implementation of internal marketing strategies. The study will be of value to future scholars by stimulating further research to develop a better understanding of internal marketing best practices applied in Ethiopian insurance industry.

Keywords: Internal marketing, employees' organizational commitment, human resource management and vision and development

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Marketing of services is the art of managing the customers' expectations and aspirations, created through the creative communication strategies. It is all about managing the promises-promises made to the customers and promises kept (Zeithaml & Bitner, 2005). The classical framework of services triangle, describes three types of marketing that must be carried out seamlessly for a service to succeed-external marketing, interactive marketing and internal marketing (Kotler, 1990).

In the service sector, quality is closely related to employee performance. An essential feature of any successful organization is motivated employees. Companies are spending large sums of money in training programs meant to improve their competitiveness and ability to deliver high quality service through their staff (Lings, 2004). Among the key strategies of financial institutions will use to meet the challenges of the next decade will be effective markets, effective use of technology, the measurement and management of risks, changes in internal organization and internal marketing practices.

The internal marketing concept emerged from service marketing and its main concern was to get everyone who was involved in service encounters - the front line or contact staff - to perform better in the interaction with customers (Lings, 2004).The usage of the concept has extended beyond its traditional field and is now accepted in all kinds of organizations (Pervaiz,. Ahmed and Mohammed, 2002).

Firms must put more care on and satisfy employees' the demand, commitment and inspiration in work and then push the employees to provide better service attitude and quality to customers. Lings (2004) pointed out that many researchers neglect one

important focus, the demand of internal employees, especially those who directly get touch with customers. Satisfied customers can be achieved if the employees are satisfied (Kotler, 1990).

The vitality of internal marketing more bring to light in selling of service like insurance product when customers evaluate service quality according to their predetermined expectations with respect to how service employees should behave. Thus, the willingness of service employees to deliver quality service plays a significant role in an organization's attempts to satisfy customer expectations (Yafang & Wang, 2011).

AIC has broke new ground for private insurance companies after the reinstatement of free market philosophy in Ethiopia. As clearly indicated on AIC's 10th Anniversary Special report and company profile as well, the company was established in 1995. "...the first meeting of the founding shareholders of AIC was held in August 6, 1994, obtained its license from the National Bank of Ethiopia on October 1, 1994 and started operation on January 2, 1995 (10th Anniversary Special Publication, 2005). Since its establishment, the company has registered success track record in which no loss has been reported (Company Profile, 2016). In last twenty one years of business tenure, AIC has grew its capital to 194 million birr, annual premium written reached 500 million with more than 40 business outlets and having a total of 445 permanent employees(Company Profile, 2016).

1.2. Statement of the Problem

Internal marketing is based on the notion that organizations providing employment security are committed to their workforce and that when internal customer needs are fulfilled through Internal marketing, their satisfaction will increase. The promotion of staff satisfaction should also increase, with good service quality resulting in promotional marketing activities (Yafang and Tang, 2008).

During a service encounter, the willingness of employees to engage in discretionary efforts determines the level of service quality delivered to customers, leading to customer satisfaction (Zeithaml & Bitner, 2005). The willingness of employees to accept and support organizational goals and behave in a manner that is likely to promote these goals influences the ultimate success of business (Boshoff & Tait cited in Yafang & Wang, 2011).

Internal marketing practice has been defined in various ways, but it can be viewed in terms of employee trainings and development, performance incentives, vision about service excellence, communication, understanding and differentiation (Berry & Parasuraman, 1991).

Internal marketing should focus on properly educating employees both internally and externally about the organizational mission, strategic mission and customer needs. They should subsequently become more focused on satisfying those needs and contribute significantly to organizational effectiveness (Zeithaml & Bitner, 2005).

Organizations can easily offer service promises, but promises can't easily be grasped by organizations if employees are not appropriately rewarded (Zeithaml & Bitner, 2005). Performance incentives – for example, bonuses, strategic rewards, praise, advancement - are likely to induce employees to comply with organizational goals. (Tsai & Tang, 2008)

Organization can also use internal marketing practices through offering and communicating organizational visions to employees with passion, to quickly establish the organizational service culture (Morgan, 1991). When service culture was formed, service providers have come to understand that superior customer service is expected, and they are more likely to provide service excellence (Lings, 2004).

Previous studies in the field have revealed that employee organizational commitment is positively correlated with job satisfaction (Morgan, 1991). Yafang and Tang (2008) finds that Internal Marketing is positively related to employee organizational commitment.

It is difficult to make insight conclusions out of the above researches for the reason all of the studies especially those considered as milestone in the area focused on Western and Asian markets. (Tsaia and Tang, 2008; Yafang & Wang, 2011)

In addition, most research in the field concentrated on conventional marketing method which only target external customers (Zeithaml & Bitner, 2005) Hence, there is great need to establish the internal marketing strategies which leads to satisfied employees and satisfied customers (Pervaiz et al., 2002).

And, little or no attention has been given to the impact of internal marketing on employees' organizational commitment in the insurance industry particularly in developing countries like Ethiopia, the already existing studies in the area has been done in hospital and health sectors. (Tsaia and Tang, 2008)

Awash Insurance Company, like any other insurers, is selling promise to its clients. In Ethiopia, insurance products are now become standardized and difficult to differentiate easily with other competing brands (Hailu, 2007). The only way standing out from the crowd is excellence through service. The presence of highly and dedicated employees are the order of the day to offer high service quality. On the other hand, awash faced serious problems of staff turnover, which is reached up to 12% (Annual report, 2015). The existing packages of competitive salary scheme, educational grant, training and development opportunities, the culture of awash family, etc couldn't save the company from high migration of professional staff and low levels of employees' commitment towards their company.

1.3. Main Research Questions

This research has tried to give answers to the following research questions:-

- ✓ Is there significant relationship between internal marketing practices and employees' commitment towards their company?
- ✓ Is there significant relationship between human resource management and employees' commitment towards their company?
- ✓ Is there significant relationship between vision and development and employees' commitment towards their company?
- ✓ Is there significant relationship among human resource management, vision and development, honour and loyalty?
- ✓ Is there significant difference among the demographics factor/s in relation with employees' commitment towards their company?

1.4 Objectives of the study

1.4.1 General Objective

To investigate the relationship between internal marketing and employees' organizational commitment in AIC.

1.4.2 Specific Objectives

Assuring that the above general objectives can be achieved, there are few specific objectives that need to accomplish in the case of AIC.

These specific objectives were the following:-

- To determine relationship between human resource management and employees' commitment towards their company.
- To examine relationship between vision and development and employees' commitment towards their company.

- To identify internal marketing dimension/s that associates strongly with employees' commitment towards their company.
- To examine the relationship among the dimensions of internal marketing and employees' organizational commitment.
- To find out the variation of demographic factor/s with regard to employees' commitment towards their company.

1.5 Significance of the Study

This study will have prominent benefit for the management of AIC in crafting their internal marketing strategies so as to enhance organizational commitment of their staff. And, it informs some information to the management how the existing internal marketing strategies of the company links with employees' organizational commitment.

The study will also serve as a reference for future related researches in the area. In addition to its contribution for the wider body of knowledge in marketing, HRM and corporate world.

1.6 Scope/Delimitation of the study

The study would be important in obtaining a lot of information if it covers all insurance companies in Ethiopia. And also the magnitude of the study must not be only confined in AIC. It could also affect all the Ethiopian Financial Institutions both private and governmental financial institutions. However, it is impractical or unmanageable to include all Ethiopian Insurance companies because of resource limitations. Therefore, the study delimited to AIC in Addis Ababa. In terms of constructs showing in the research framework, only two ways of internal marketing underpinnings (i.e. human resource management and vision and development) are focused and their links with employees' organizational commitment. Other elements that are involved in internal marketing and organizational commitment are excluded.

It is worth noting that the term employee in this study refers to all professional staff of AIC includes Underwriting Officers, Claims Officers, Accountants, Auditors, Soft and Hardware engineers and Branch Managers found in Addis Ababa.

1.7 Limitation of the study

The study has focused on AIC, which might limit the inference of the study's results to the entire companies in the industry.

Clearly cross sectional research design does not offer nearly the same insight into the dynamics of internal marketing and organizational commitment with a firm as a longitudinal design. As such a longitudinal design would afford greater insight into this in the future. The study's focus on cross sectional study design may limit the extent to which the findings can be generalized. In enhancing employees' organizational commitment, there are others important elements of internal marketing such as understanding and differentiation, coordination and commutations among department and user units, nature of task, family life, which could influence employees' organizational commitment, have not been discussed in this study. Thus, further research needs to contain more desirable dimensions, in order to gain better insight.

In this research, it uses the survey to collect the needed data from professional staff of the company. The research samples were taken from the total professional staff of the company. Inevitably, the survey findings will not be generalized across other group of the populations. It will also bring limitation to complete a deeper research about the influence of internal marketing on employees' organizational commitment since it exclude clerical and administrative employees.

1.8 Organization of the study

The paper is organized into five chapters. The first chapter deals with the introduction of the topic and the second chapter presents review of related literature which is about internal marketing and organizational commitment. The third chapter deals with the methodology of the research and the fourth chapter data presentations and interpretations. The fifth chapter presents the summary, conclusions and recommendations of the research.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical framework

2.1.1. Internal marketing overview

Internal marketing is one of the methods for human resources management which proposes the use of motivation, mobilization, co-opting and management of personnel to retain their services and serve external clients in ways that are constantly improving (Lings, 2004). Turkoz and Akyol (2008) believe that internal marketing stresses various plans that emphasize employee development and that a complete internal marketing program must necessarily include employee recruitment, training, encouragement, communication and retaining activities that lead to changes in employee attitudes and behavior. In other word, internal marketing is a company's human resources management activity for the successful hiring, training and encouraging of employees, and providing better services to clients (Kotler, 1990). George & Grönroos (1989) more clearly point out that internal marketing is a philosophy of managing human resources from the marketing perspectives.

Internal marketing is a coordinated philosophy using a traditional marketing approach to motivate, train, and guide employees to implement change (Turkoz and Akyol, 2008). It is the philosophy of treating employees as customers and it is the strategy of shaping job-products to fit human needs (Berry & Parasuraman, 1991).

Three theoretical development phases of internal marketing have been identified by Rafiq and Ahmed (2000):

Phase I: Employee Motivation and Satisfaction

In the early developmental phase, the majority of the work on internal marketing focused upon the issue of employee motivation and satisfaction. (Rafiq & Ahmed, 2000; Berry & Parasuraman, 1991).

The term internal marketing was not directly used in the previous studies of the field (George & Grönroos, 1989).

The deployment of marketing techniques in the personnel area is also indicated by Sasser and Arbeit by their depiction of jobs as products and employees as customers: Internal Marketing 'Viewing their job offerings as products and their employees as customers forces managers to devote the same care to their jobs as they devote to the purchasers of their services' (Sasser and Arbeit, 1976).

The fundamental tool for achieving employee satisfaction in this approach is the treatment of employees as customers. For instance, Berry and Parasuraman, who with a number of colleagues have carried out some of the most innovative research on service quality, state: 'Internal marketing is attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating employees as customers and it is the strategy of shaping job products to fit human needs. (Berry and Parasuraman, 1991)

Notwithstanding the appeal of the 'employees as customers' philosophy that underpins much of the logic of the first phase, there are a number of potential problems with this conceptualization of IM. Firstly, unlike the external marketing situation, the 'product' that employees are sold may in fact be unwanted by them or even possess negative utility.

Secondly, unlike the external marketing situation, employees are unlikely to have a choice in the ‘products’ that they can select. Thirdly, because of the contractual nature of employment, employees can, in the final analysis, be ‘coerced’ into accepting ‘products’ they do not want. Fourthly, the financial cost of having satisfied employees could be considerable. And finally, the notion of ‘employee as customer’ also raises the question as to whether the needs of external customers have primacy over those of the employees. For instance, the proposition that personnel is the most important market of a service company accords primacy to the employee market and demotes the external customer to a secondary level. This would appear to invert one of the most fundamental axioms of marketing, namely that the external customer has primacy (Pervaiz, et al., 2002). This brings on to the second phase of internal marketing.

Phase II: Customer Orientation

In this approach, viewing internal marketing as a vehicle for enhancing customer-oriented behavior (George and Gronroos, 1989).

According to this view, it is not sufficient that employees are motivated to perform better (as in the approach of Berry and his followers), but they must also be ‘sales minded’ (Gronroos, 1981). Furthermore, effective service also requires effective co-ordination between contact staff and backroom support staff (Pervaiz, et al., 2002).

Gronroos extended his original definition of IM as a method of motivating personnel towards customer consciousness and sales mindedness, to include the use of marketing-like activities in this pursuit and redefining internal marketing as: ‘. . . Holding that an organization’s internal market of employees can be influenced most effectively and hence motivated to customer-consciousness, market orientation and sales-mindedness by a marketing-like internal approach and by applying marketing-like activities internally’ (Gronroos, 1981).

However, the critical difference between Gronroos' approach and that of Berry and collaborators is that employees are not treated as customers, as is the case in the latter conceptualization. Additionally, Gronroos' conceptualization focuses attention on creating customer orientation in employees through a process of influencing, rather than satisfying and motivating employees per se (Pervaiz, et al., 2002).

Phase III: Broadening the internal marketing concept

In this view, internal marketing examine as a critical tool to implement organizational strategy and change management (Rafiq and Ahmed, 2000).

Winter (1985) was one of the earliest to bring to prominence the potential role of IM as a technique for managing employees towards the achievement of organizational goals. Winter emphasizes that the role of IM is that of: 'Aligning, educating and motivating staff towards institutional objectives the process by which personnel understand and recognize not only the value of the program but their place in it'

2.1.2. The Link between Internal and External Marketing

Mixed messages will create internal problems that will extend to the external market. This creates stronger internal beliefs and values. If employees do not agree with the external campaign the success of the product is impossible. It is important to create an external campaign that internal members agree with and embrace, then allow management to share success stories in order to reinforce the benefits of the new campaign (Mitchell, 2002).

The research by Lings (2004) stressed the importance of balancing the effort applied to both internal and external marketing in order to achieve maximum effectiveness. One method is to improve the interaction between internal suppliers and employees due to the ability of these groups to identify areas for improvement but warns of the differences between the needs of internal members and external customers. Prasad and Steffes (2002)

continued one step further and stated internal marketing must precede external marketing, if not the organization may offer a service it is unable to provide.

The external customer focuses on the process of the service experience and therefore, it is important to understand the behind the scenes process for proper implementation at the moment of truth, when the transaction occurs. The reason is due to increases in service industries where frontline employees constitute the majority of the contact with consumers, especially in industries where the customer is not a passive receiver (Lings, 2004).

Rafiq and Ahmed (2000) stated the best method to relate internal customers with external customers is to conduct similar market research. In order to understand the internal customers it is important to segment the employees, develop a marketing mix, and control for market activity.

This information may be compared and contrasted with data received from external customers to determine differences and similarities and allow for proper product and service development.

The research creates contradictory ideas of whether it is important to start with internal or external marketing in order to obtain success (Lings, 2004). The best method must include the use of internal market research simultaneously (Rafiq and Ahmed, 2002) with external research in order to compare and contrast results and then implement the ideas internally first. This will allow employees to feel involvement, create an attachment to the product, and sell it to external customers, but no matter how it is developed the employees are the key ingredient to this concept (Mitchell, 2002).

2.1.2.1. Internal Marketing and Employee Performance

Effective internal marketing responds to employee needs as it advances the organization mission and goals. Therefore, many scholars such as Mbengo and Chinakidzwa (2014), Amangala and Wali (2013) and Joung (2015) agreed that the internal marketing is concerned with helping the employees; to become more committed and motivated to the organization, and to retain the qualified employees, considering the employees in an organization as the internal market. It includes the ability of being able to convince employees to work together for the success of the organization. This eventually helps to meet the customer's need at the desired levels. This is guaranteed by improving quality of performance of human resources of the organization, especially in service providing institutions. According to Al-Hawary, Al-Qudah, Abutayeh, Abutayeh & Al-Zyadat. (2013), for any organization to achieve success, it is important for it; to search its employees' needs and try to satisfy them. Ghoniem and El-Tabie (2014) also clarified that an organization should aim to make its internal customers appreciate its brand, and by doing so, its external customers will appreciate it as well. Therefore, following that, the employee needs are considered first before those of the customer.

Regarding the relationship between internal marketing and employee performance, many scholars have examined; and stated that there is a relationship existed between internal marketing and employee performance. According to Berry and Parasuraman (1991), internal marketing is defined as that process of attracting, and retaining employees. This normally is done through taking into consideration, the interests of employees first before those of the consumers. In addition, Joung (2015) stated that the adoption of internal marketing practices and techniques has an effect on employee performance and employee retention. Joung (2015) argued that internal marketing influences organizational citizenship behavior which eventually has an impact on performance of the organization in total.

In addition, according to Joung (2015), there are a set of internal marketing dimensions which are: motivation, communication, empowerment, training and development. Within the same theme, Ghoniem and El-Tabie (2014) outlined that internal marketing entails but is not limited to communication, strategic reward and training. Also, Esmael et al. (2013) implied that the six aspects of internal marketing are: job security, extensive training, and generous rewards, sharing information, employee empowerment and reduced status distinctions.

2.1.2.2. Employee training and Performance

According to Al-Hawary et al. (2013), training is defined as the acquisition of skills and attitudes required to perform specific tasks. The employees should be trained and developed in such way that they get to understand the organization's objectives so that they can handle the tasks delegated to them quite perfectly. Consequently, staff training is preparing people to perform the service that enhances every sub-goal of IM; attracting, developing, motivating and retaining superior employees (Berry and Parasuraman, 1991). Effective training is offering employees a vision that would enrich their work with meaning and purpose. It also enhances the skills and knowledge of the employees to perform excellently, teamwork, with an effective measurement and rewards system, which lead to more motivation (Akroush et al., 2013). Mbengo and Chinakidzwa (2014) found a positive relationship between training programs and employees' performance. The notion is that the training programs fosters the feelings of reciprocity emerges in the high-performing employees to acquire new skills, knowledge and competencies in order to make the employees up to date according to the dynamic corporate environment, which motivate them to seek promotions to higher level jobs which is the main cause of motivation. Additionally, employees will be more motivated and able to satisfy customers' needs if they have the sufficient skills, knowledge and abilities needed to more effectively interact with customers (Ghoniem & El-Tabie, 2014). Therefore, staff training is a vital element for employees' performance.

Internal marketing will lead to greater service quality by providing service training to employees. External customers of organizations usually appraise the service quality delivered by organizations based on their experience of their interaction with service providers during service processes. Employees will be more able to satisfy customers' needs if employees have the sufficient skills, knowledge and abilities needed to more effectively interact with customers.

2.1.2.3. Performance Incentive and employee behavior

Motivation is considered the major factor that has a huge impact on the employee's productivity and behavior; so managers should understand how to motivate the employees to enhance their performance, motivation is the drive to act or behave in a certain way (Bigley & Steers, 2003). The managers can motivate the employees through appraisals, recognition and rewards. There is a difference between rewards, and wages, as the reward is received for an effective superior performance, and the wages is received for conducting the normal duties that are asked from the employees at a normal standard level (Bigley & Steers, 2003).

Organizations can easily offer service promises, but promises can't easily be grasped by organizations if employees are not appropriately rewarded (Zeithaml & Bitner, 2005). Performance incentives - for example, bonuses, strategic rewards, praise, advancement – are likely to induce employees to comply with organizational goals. To encourage service-contact employees to provide high-quality service, internal marketing uses reward systems that link the rewards service providers receive with the high-quality service they provide to customers. By providing incentives, service providers will be more willing to deliver high-quality service, resulting in service excellence being received by customers.

2.1.2.4. Vision and Development

People delivering service also want to know how their work fits in the broader scheme of organization operations, how their work contributes to the firm. They want to understand and believe in the mission that they are working for (Berry & Parasuraman, 1991). If organizations want to attract, develop, motivate and retain outstanding employees, they have to provide employees with a clear service vision worth pursuing (Berry & Parasuraman, 1991). Through offering and communicating organizational visions to employees with passion, organizations can use internal marketing practices to quickly establish the organizational service culture (Reynoso & Moores, 1996)). When service culture was formed, service providers have come to understand that superior customer service is expected, and they are more likely to provide service excellence (Reynoso & Moores, 1996). By offering and communicating organizational visions, an organization increases employees' attention to service quality and enhances service efficiency (Reynoso & Moores, 1996), thereby enhancing the service quality received by customers.

2.1.3. Organizational Commitment

Organizational commitment has been an interesting research topic to many management scholars for a long time. Organizational commitment has many concepts and definitions based on different researchers' views and research purposes. Mowday, Steers, & Porter(1979) considered organizational commitment is a kind of job attitude, which it is an extent to which employees agree organizational goals and hope to maintain a relationship with internal members in an organization. It is a relative degree of an individual's feeling to attach and participate in an organization (Mowday et al., 1979). It not only influences an individual's input strength but also signifies an attitude or an intention for an individual to connect with an organization. Such connection is important to an individual and even has valuable meaning to an organization and the whole society.

Porter (1979) discusses three major components of organizational commitment as being “a strong belief in and acceptance of the organization’s goals, a willingness to exert considerable effort on behalf of the organization, and a definite desire to maintain organizational membership”.

Affective commitment is defined as the emotional attachment, identification, and involvement that an employee has with its organization and goals (Porter, 1979). He further characterizes affective commitment by belief in and acceptance of the organization’s goals and values, a willingness to focus effort on helping the organization achieve its goals, and a desire to maintain organizational membership”.

Mowday et al. (1979) further state that affective commitment is when the employee identifies with a particular organization and its goals in order to maintain membership to facilitate the goal. They continue to say that employees retain membership out of choice and this is their commitment to the organization.

Continuance commitment is the willingness to remain in an organization because of the investment that the employee has with “nontransferable” investments which include things such as retirement, relationships with other employees, or things that are special to the organization (Bolon, 1997). Continuance commitment also includes factors such as years of employment or benefits that the employee may receive that are unique to the organization (Bolon, 1997). Meyer and Allen (1990) further explain that employees who share continuance commitment with their employer often make it very difficult for an employee to leave the organization.

Normative commitment (Bolon, 1997) is the commitment that a person believes that they have to the organization or their feeling of obligation to their workplace.

2.1.4. Internal marketing and organizational commitment

Internal marketing is based on the notion that organizations providing secure employment are committed to their workforce (Pfeffer, 1995). Additionally, the theory of reciprocity suggests that this commitment should be returned by employees by demonstrating enhanced job satisfaction and trust in management (Guest & Conway, 1999). Thus, firms can use internal marketing activities to improve employee job satisfaction (Guest & Conway, 1999).

Beside, internal marketing emphasizes that firms can hire employees who can be eligible for the organizational mission of business management to provide employees with clear vision and goals and improve the design of human resource management (Pfeffer, 1995). Organizational commitment indicates the degree to which individuals are emotionally attached to the organization and identify with organizational goals (Meyer & Allen, 1990). Commitment thus involves a desire by employees to consider the interests of their organization, and to want to perform the activities necessary for quality improvement (Guest & Conway, 1999). Internal marketing assume that organizations, through internal marketing activities, can improve the job satisfaction of internal customers. Previous studies have established that employee organizational commitment is positively correlated with job satisfaction (Guest & Conway, 1999; Pfeffer, 1995). When employee job satisfaction is enhanced, employee adopts a positive attitude when serving external customers, a situation that can help to improve service quality for customers.

2.2. Empirical Literature Review

Despite extended search of previous studies, it has possible and obtain a set of important studies that define the relationship between internal marketing and organizational commitment:

Nsour (2013) in his study proved that there is no statistical relationship between internal marketing and both of recruiting appropriate employees and retaining the best employees. On the contrary study results proved the positive relationships between internal marketing and internal service quality (employee's motivation, employees capabilities development and effective support system) in Saudi public hospitals working in Riyadh.

Olorunleke & Akinyele (2012) indicated that "inter-functional coordination and integration", training and motivation have positive effects on the organizational commitment of employees among Nigerian banks.

Ramos (2015) attempted to establish the relationship between banks' internal marketing dimensions, namely: job satisfaction, understanding and differentiation, training, inter-functional coordination and integration and motivation, and employees' organizational commitment. The study revealed that job satisfaction and understanding and differentiation were significantly correlated to employees' organizational commitment.

The study of Tsai (2014) showed there is a significant positive correlation was found between the existence of a 'learning organization', internal marketing, and organizational commitment. The study also indicated that internal marketing was a mediator between creating a learning organization and organizational commitment.

Abzari et al. (2011) obtained results of the questionnaire's data analysis; it has been determined that internal marketing affects organizational commitment directly and

indirectly through market orientation. It means that factors of internal marketing influence market orientation directly and then market orientation affects organizational commitment. Effects of these factors are significant on organizational commitment directly.

Farzad et al. (2008) the purpose of this research was to investigate the effects of internal marketing criteria on organizational commitment of employees among Iranian state-owned banks. A questionnaire survey of managers established that “inter-functional coordination and integration”, training and motivation have positive effects on organizational commitment of employees.

Vazifehdoost et al. (2012) confirmed that internal marketing, organizational commitment and market orientation have positive direct and indirect effects on bank’s both market performance (customer satisfaction and customer loyalty) and financial performance. The study introduced a new perspective of the interactions that take place between marketing, organizational behavior concepts which affect market and financial performance.

Markwei (2014) showed that retention policy, training, motivation, empowerment and communication have positive significant relationship with internal marketing. The study suggested that service providing firms must develop internal marketing as a distinct field of marketing because satisfied customer can be achieved if employees are satisfied.

Sadeghloo et al. (2014) confirmed in their study that there is significant positive correlation between internal marketing and organizational commitment in sports and youth offices staff. It is also recommended that sport managers by using proper internal marketing operations promote employee skills and commitment.

The study conducted by Ghorbani and Mostafavi (2013) indicated that Internal Marketing has a positive effect on organizational citizenship behavior, Organizational citizenship

behavior has a positive effect on service quality and Internal Marketing has a positive and direct effect on service quality.

Tsai and Wu (2012) the results of study showed a positive correlation between organizational commitment and internal marketing, and the age, professional title and seniority will influence staff's perception on organizational commitment and internal marketing.

The study made by Ghoniem and El-Tabie (2014) developed a list of eleven internal marketing practices that can be helpful for organizations when developing a comprehensive internal marketing program. Data analysis showed significant relationships between the research variables. Findings indicated that internal marketing has a significant effect on the bank performance via customer loyalty. It is recommended that more attention be directed towards enhancing employees' performance through the adoption of the internal marketing strategy to attract and retain external customer patronage.

2.3. Conceptual framework

Internal marketing is based on the notion that organizations providing employment security are committed to their workforce and that when internal customer needs are fulfilled through internal marketing, their satisfaction will increase (Bansal et al., 2001).

Internal marketing could create positive employee attitudes, including organizational commitment, job involvement, work motivation and job satisfaction (Tansuhaj et al., 1991). Thus, service providers can improve employees' organizational commitment through internal marketing efforts such as training, vision and development, motivation.

Based on the literature review so far, the following relationship is existed between internal marketing and organizational commitment.

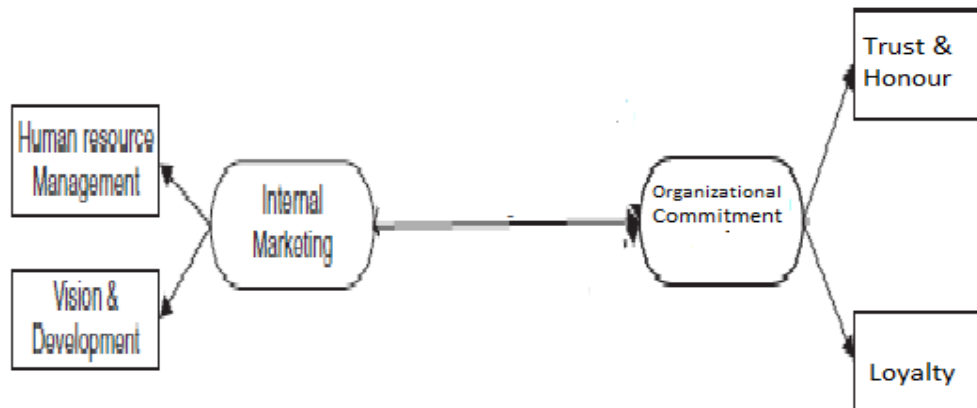


Figure 2.1: The conceptual model (Yafang Tsai & Shih-Wang Wu, 2011)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research approach

There are two types of research approach, i.e., deductive and inductive. Abiy, Alemayehu, Daniel, Melese and Yilma (2009) defined the deductive approach as one or more theory studied and analyzed in a specific field, and then can be examined and compared with reality to measure if the assumptions and hypotheses confirm or reject the theory while the inductive means that the theories and hypotheses are the outcome of the research.

The deductive approach has employed as a base of this study because it gives the ability to analyze the concepts discussed in the conceptual framework in internal marketing and employees' organizational commitment.

3.2. Research method

Basically there are three types of research methods; the first one is Qualitative research which involves studies that do not attempt to qualify their results through statically summary or analysis. In qualitative research, data are often in the form of descriptions not in numbers. The second one is Quantitative research, which engages in systematic and scientific investigation of quantitative properties and phenomenon and their relationship. The objective of quantitative research is to develop and employee mathematical models, theories and hypothesis pertaining to natural phenomena. The process of measurement is central to quantitative research because it provide the fundamental connection between empirical observation and mathematical expression of an attribute. (Abiy et al. 2009;

Yalew, 2011). The last one is mixed approach consisted of both qualitative and quantitative approach.

This study has pursued quantitative research method hence it involves quantitative analysis method like correlation, regressions, reliability test, one way ANOVA and other quantitative tests.

3.3. Research Design

This study used co-relational studies in order to trace relationships among two or more variables in order to gain greater situational insight. The purpose of co-relational studies is not to establish cause-effect relationship among variables but to determine whether the variables under study have some kind of association or not. Variables being studied may have positive or negative relationship or they may not have relationship at all. (Abiy et al. 2009)

A cross-sectional study was conducted on the mid April 2017 to measure the constructs of the study.

3.4. Population and Sampling

Sampling is the selection of a fraction of the total number of units of interest for the ultimate purpose of being able to draw general conclusions about the entire body of units (Patrick, 2008). There are several decisions to be made in organizing a sample such as identifying target population, selecting sample and determining the sample size.

3.4.1. Target population

Population is defined as the complete set of units of analysis that are under investigation (Yalew, 2011). Abiy et al. (2009) defines population as the total group to be studied. Therefore, the target population for this study was professional staff of AIC (i.e Claims Officers, Underwriting Officers, Auditors, Accountants, Hard and Software Engineers, and Branch Managers) in Addis Ababa city.

3.4.2. Sampling techniques

Based on the literature, there are two main sampling methods, probability and non-probability sampling (Yalew, 2011). In this study, probability sampling has used because the researcher has access to list of the entire population being studied.

Stratified sampling uses groups to achieve representativeness or to ensure that a certain number of elements from each group are selected (Patrick, 2008; Yalew, 2011). Therefore, respondents were selected based on stratified sampling techniques, the criterion was job position.

3.4.3. Sample Size

The company profile (2016) indicated that there are 400 employee in Addis Ababa of which 225 are professional staff.

Ruane (2005) suggested that for the population size from 201 to 500, taking 50% sample size is conventionally accepted. Therefore, a total of 123 (55%) professional staff were taken as a sample from all branches in Addis Ababa, claims department, underwriting and reinsurance departments by using the stratified proportionate sampling technique and individual employees were selected based on simple lottery system.

Table 3.1: Total number of professional staff in Addis Ababa and sample size determination

Level	Population(T)	P=t/T	Sample(t)
Branch Managers	43	.55	23
Senior Officers	20	.55	11
Middle level Officers	105	.55	58
Junior Officers	57	.55	31
Total professional staff	225	.55	123

3.5. Data Collection Instrument and variables

The study used both primary and secondary data as its source of information. Primary data was collected based on structured questionnaire. The secondary data was collected by reviewing books, previous research works, articles and journals

A structure questionnaire was used for the study under-mentioned. The rational is the method is easy to standardize and produce results that are easy to summarize, compare and generalize. The second reason is, it is easy to use large sample by fitting diverse experience into predetermine response categories. It also contributes to reliability by promoting greater consistency; since every respondent is asked the same questions (Yalew, 2011).

Besides, this theoretical supports; it is common to see a structured questionnaire in many empirical studies of internal marketing and organizational commitment (Ramos, 2015; Nsour, 2013; Tsai and Wu, 2011).

The structure questionnaire consists two parts. Part one was prepared to gather general information about the respondents' gender, age, education, position, monthly income and years of experience in the company. Part two was prepared to ask respondents to answer

internal marketing and employees' organizational commitment questions. This part consists 29 questions and measures the influence of internal marketing on employees' organizational commitment which is divided into four dimensions. The research used the 14 item scale designed by Money and Foreman and Organizational commitment, the 15-item scale by Mowday et al. was used to measure OC (Yafang Tsai & Shih-Wang Wu, 2011)

All items in part two were assessed by using a five point Lickert scale. Each item of the questionnaire is assigned a number indicating strongly disagree measures as 1, disagree measures as 2, neutral measured as 3, agree measured as 4, and strongly measured as 5.

The independent variable is internal marketing and measured by two dimensions such as human resource management and vision and development. The dependent variable is employees' organizational commitment and measured by the honour and loyalty towards the company.

3.6. Data analysis

After collecting the data through questionnaire, the process of analysis begins. Analysis of data in this research was done by using statistical tools. Correlation analysis was conducted to measure the strength of the association between internal marketing dimensions and employees' organizational commitment. And also descriptive analysis used for the demographic factors such as gender, age, education, position, monthly income and years of experience in AIC. Tools like tables and percentage are used. Data analysis was performed by using SPSS software version 16. In order to reduce the possibility of getting wrong answers, different actions were taken to ensure the soundness of this study.

1. Data was collected from reliable sources, from professional employees of the company.
2. The standardized questionnaire was used to ensure the soundness of the results.
3. SPSS software version 16.0 used to analyze the data and special emphasis was given during data coding.

3.7. Ethical considerations

The survey was conducted based upon the agreement of volunteer employees. All responses will be anonymous. The student researcher invited the respondents to participate in the research upon distributing the questionnaires. All respondents were informed that all information provided on a voluntary basis and would be used for research purposes only. The names are not required to disclose on the data collection forms so that privacy and anonymity will be ensured.

More specifically, for ethical clearance the study confirmed containing the following information:

- A brief description of the nature of the study
- A description of what participation will involve, in terms of activities and duration
- The guarantee that all response remains confidential and anonymous
- The researcher reports the findings in a complete and honest fashion and gives appropriate credit where credit is due and acknowledges any indebtedness to others.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

4.1. Sample and Response Rate

The cross sectional research took place during the month of April, 2017 where the researcher personally administered 123 questionnaires to professional staff of AIC.

During the survey a total of 123 questionnaires were distributed to permanent professional employees of AIC of which 106 questionnaires were returned, yielding a response rate of 86.16 percent.

Table 4.1: Response Rate of Questionnaires Administered

S/N	Questionnaire	Number	Percent
1	Returned	106	86.16
2	Unreturned	17	13.84
Total		123	100.00

4.2. Validity and reliability of the study

4.2.1. Validity of the study

All items are identified from the existing literature and reviewed by professionals and academicians.

Pilot test was conducted with staff who shared similar character with that of the target population for the study. The purpose of the pre-testing was to refine the questionnaire and to assess the validity of measures in line with Ethiopian context.

4.2.2. Reliability of the study

Alpha reliability is regarded as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another.

As shown in Table 4.2, two constructs (or subscales) were extracted as internal marketing constructs. Additionally, two constructs were identified i.e employees' organizational commitment and internal marketing. All Cronbach's coefficients exceeded .70; this is regarded as acceptable (DeVellis, 2003). Therefore, based on the test, the results for the items are reliable and acceptable.

Table 4.2: Reliability test result for the questionnaire

s/n	Items	Reliability Statistics		
		Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
1	Internal Marketing	.851	.853	14
2	Human Resource Management	.784	.778	10
3	Vision and Development	.700	.707	4
4	Organizational Commitment	.917	.917	15
5	Trust and Honour	.910	.912	9
6	Loyalty	.886	.883	6

(Source: Researcher's Survey, 2017)

4.3. Descriptive analysis

This descriptive analysis was used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general questions. The demographics factors used in this research were gender, age, education level, job title, monthly income, and years of experience in Awash Insurance Company..

4.3.1. Gender of respondents

The gender of the respondents, as shown in table 4.3, was male dominated. Most of the respondents were male (60%) while 40% were female.

Table 4.3: Gender of respondents

s/n	Gender	Frequency	Valid Percent
1	Male	62	59.6
2	Female	42	40.4
Total		104	100.0

(Source: Researcher's Survey, 2017)

4.3.2. Age of respondents

The respondents' age is shown in the following table. The table shows that 62.2 % of the respondents were between the age of 18 - 30 years old, followed by respondents who were between the age of 31 - 40 years old with 36.7. The rest 1% were between 41 - 50 years old.

Table 4.4: Age of respondents

S/N	Age	Frequency	Valid Percent
1	18-30	61	62.2
2	31-40	36	36.7
3	41-50	1	1.0
Total		98	100.0

(Source: Researcher's Survey, 2017)

4.3.3. Education qualification of the respondents

The education qualifications of respondents are shown in table 4.5. As it is indicated in the table, 86.7% hold a first degree. 9.5 % of them were postgraduate degree, while 3.8 % of the respondents achieved diploma and below.

Table 4.5: Educational level of respondents

S/N	Level	Frequency	Valid Percent
1	College Diploma & below	4	3.8
2	BSC/BA	91	86.7
3	MA/MSC	10	9.5
Total		105	100.0

(Source: Researcher's Survey, 2017)

4.3.4. Job title of the respondents

The results of respondents' job title are indicated in table 4.6. The table demonstrates that 49.5 % of the respondents were Middle level Officers, 23.8 % were Junior Officers, 14.9 % were Branch Managers and 11.9 % were Senior Officers.

Table 4.6: Job title of the respondents

S/N	Job title	Frequency	Valid Percent
1	Junior Officer	24	23.8
2	Middle level Officer	50	49.5
3	Senior Officer	12	11.9
4	Branch Manager	15	14.9
Total		101	100.0

(Source: Researcher's Survey, 2017)

4.3.5. Monthly income of respondents

The results of monthly income of respondents are shown in table 4.7. The table shows that 69.8% of the respondents had income of between 3,500 – 10, 000 birr and 27.4% had income of between birr 10,001-25,000. On the other hand, 1.9% had income of below 3,500 and only one the respondent .9% had income of above 25,000 birr.

Table 4.7: Monthly income of respondents

S/N	Monthly Income	Frequency	Valid Percent
1	3,500 and below	2	1.9
2	3,501-10,000	74	69.8
3	10,001-25,000	29	27.4
4	Above 25,000	1	.9
Total		106	100.0

(Source: Researcher's Survey, 2017)

4.3.6. Respondents' years of work in the company

The results of respondents' years of work experience in the company are indicated in table 4.8. As it is shown in the table, 52.8% of the respondents have served for 2-5 years, 21.7% have served less than two years and 14.2% have served the company for 5-10 years. On the other hand 11.3% of the respondents have served above 10 years.

Table 4.8: Respondents' years of work in the company

S/N	Experience in the Company	Frequency	Valid Percent
1	Less than two years	23	21.7
2	2-5 years	56	52.8
3	5-10 years	15	14.2
4	Above 10 years	12	11.3
Total		106	100.0

(Source: Researcher's Survey, 2017)

4.4. Inferential Analysis

One-way ANOVA - job title and employees' organizational commitment

A one-way between-groups analysis of variance was conducted to explore the impact of job position on employees' organizational commitment. Participants were divided into four groups according to their job title (Group 1: Junior Officer; Group 2: Middle level Officer; Group 3: Senior Officer; Group 4: Branch Manager). There was a statistically significant difference at the $p < .05$ level in employees' organizational scores for the four groups: $F(3, 91) = 5.6, p = .001$. In addition, the actual difference in mean scores between the groups was significantly wide. Post-hoc comparisons using the Tukey HSD test for job title indicated that the mean score for Group 1 ($M = 2.94, SD = .58$) and Group 2 ($M = 3.05, SD = .59$) was significantly different from Group 4 ($M = 3.65, SD = .49$) and Group 3 ($M = 3.22, SD = .44$) did not differ significantly from either Group 1, 2 and 4.

Table 4.9: One-way ANOVA between job title and employees' organizational commitment

S/ N	Job Title	N	Mean	Std. Deviation
1	Junior Officer	22	2.9394	.58297
2	Middle level Officer	47	3.0468	.59351
3	Senior Officer	11	3.2242	.43540
4	Branch Manager	15	3.6489	.49278
Total		95	3.1375	.60046

(Source: Researcher's Survey, 2017)

One-way ANOVA - educational level and employees' organizational commitment

A one-way between-groups analysis of variance was conducted to explore the impact of educational level on employees' organizational commitment. Participants were divided into three groups according to their level of education (Group 1: Diploma and below; Group 2: BA/BSC; Group 3: MA/MSc). There was a statistically significant difference at the $p < .05$ level in employees' organizational scores for the three groups: $F(2, 95) = 4.80$, $p = .001$. In addition, the actual difference in mean scores between the groups was significantly wide. Post-hoc comparisons using the Tukey HSD test for job title indicated that the mean score for Group 1 ($M = 3.27$, $SD = .52$) and Group 2 ($M = 3.07$, $SD = .52$) was significantly different from Group 3 ($M = 3.70$, $SD = .53$).

Table 4.10: One-way ANOVA - educational level and employees' organizational commitment

Level	N	Mean	Std. Deviation
College Diploma and below	4	3.2667	.52493
BSC/BA	85	3.0792	.58775
MA/MSc	9	3.7037	.52505
Total	98	3.1442	.60314

(Source: Researcher's Survey, 2017)

4.5. Correlation analysis

A correlation coefficient express quantitatively the magnitude and direction of the linear relationship between two variables, Pearson correlation coefficient reveal magnitude and direction of relationships (either positive or negative) and the intensity of the relationship

(-1 to 1). According to Cohen (1988) cited by Julie (2016) suggests that small $r=.10$ to $.29$, medium $r= .30$ to $.49$ and larger $r=.50$ to 1.0 . , the research used this decision rule as a parameter. In this section a correlation analysis were done to establish whether relationships do exists between variables conceptualized in the framework.

4.5.1. Correlation analysis between internal marketing and employees’ organizational commitment

Pearson correlation test was conducted to know the degree of relationship between the independent variable, internal marketing and the dependent variable, employees’ organizational commitment. The results of the correlation between these two variables are shown in table 4.7. As it is indicated in the table, there was strong, positive correlation between the two variables, $r = .76$, $p < .001$, the greater the level of internal marketing associated with the higher level of employees’ organizational commitment.

Table 4.11: Correlations - internal marketing and employees’ organizational commitment

		Internal marketing	Organizational commitment
Internal marketing	Pearson Correlation	1	.756**
	Sig. (2-tailed)		.000
Organizational commitment	Pearson Correlation	.756**	1
	Sig. (2-tailed)	.000	
**. Correlation is significant at the 0.01 level (2-tailed).			

(Source: Researcher’s Survey, 2017)

4.5.2. Correlation analysis - HRM, Vision and Development, Honour and Loyalty

As per table 4.10 below, the coefficient that the two factors measuring internal marketing practices were positively correlated with the measure of employees' organizational commitment i.e honour and loyalty within the range of .327 to 0 .750; all were significant at P=.01 level, the greater the level of human resource management and vision and development associated with the higher level of honour and loyalty.

Table 4.12: Correlations - HRM, Vision and Development, Honour and Loyalty

		HRM	Vision and development	Trust and Honour	Loyalty
HRM	Pearson Correlation	1			
	Sig. (2-tailed)				
Vision and development	Pearson Correlation	.754**	1		
	Sig. (2-tailed)	.000			
Trust and Honour	Pearson Correlation	.750**	.712**	1	
	Sig. (2-tailed)	.000	.000		
Loyalty	Pearson Correlation	.502**	.327**	.515**	1
	Sig. (2-tailed)	.000	.001	.000	
**. Correlation is significant at the 0.01 level (2-tailed).					

(Source: Researcher's Survey, 2017)

4.5.3. Partial correlation analysis – HRM, Trust and Honour and Loyalty

Partial correlation was used to explore the relationship among human resource management, honour and loyalty dimensions, while controlling for Vision and development dimension. There was weak, positive partial correlation, controlling for vision and development, $r = .46$, $p < .001$, high level of human resource management, honour and loyalty being associated with zero level of organizational commitment. An inspection of zero – order correlation ($r = .75$, $p < .001$) suggested that controlling for vision and development had greater effect on the strength of the relationship among human resource management, honour and loyalty dimensions.

Table 4.13: Partial correlations - HRM, Trust and Honour and Loyalty

Control Variables			HRM	Trust and Honour	Loyalty	Vision and development
Vision and development	HRM	Correlation	1.000			
		Significance (2-tailed)	.000			
	Trust and Honour	Correlation	.463	1.000		
		Significance (2-tailed)	.000	.		
	Loyalty	Correlation	.411	.426	1.000	
		Significance (2-tailed)	.000	.000	.	

(Source: Researcher’s Survey, 2017)

4.5.4. Partial correlation analysis – Vision and development, Honour and Loyalty

Partial correlation was used to explore the relationship among vision and development, honour and loyalty dimensions, while controlling for human resource management dimension. There was weak, positive partial correlation, controlling for human resource management, $r = .34$, $p < .001$, high level of human resource management, honour and loyalty being associated with zero level of organizational commitment. An inspection of zero – order correlation ($r = .71$, $p < .001$) suggested that controlling for human resource management had greater effect on the strength of the relationship among vision and development, honour and loyalty dimensions.

Table 4.14: Partial correlations – Vision and development, Trust and Honour and Loyalty

Control Variables			Trust and Honour	Loyalty	Vision and development	HRM
HRM	Trust and Honour	Correlation	1.000	.243	.337	
		Significance (2-tailed)	.	.016	.001	
	Loyalty	Correlation	.243	1.000	-.090	
		Significance (2-tailed)	.016	.	.375	
	Vision and development	Correlation	.337	-.090	1.000	
		Significance (2-tailed)	.001	.375	.	

(Source: Researcher’s Survey, 2017)

4.5.5. Partial correlation analysis –HRM, Vision and development , Honour

Partial correlation was used to explore the relationship among human resource management, vision and development and honour dimensions, while controlling for loyalty dimension. There was large, positive partial correlation, controlling for loyalty, $r = .72$, $p < .001$, high level of human resource management, vision and development, and honour being associated with zero level of organizational commitment, . An inspection of zero – order correlation ($r = .75$, $p < .001$) suggested that controlling for loyalty had lower effect on the strength of the relationship among human resource management, vision and development and honour dimensions.

Table 4.15: Partial correlations – Human resource, Vision and development and Trust and Honour

Control Variables			Trust and Honour	Vision and development	HRM	Loyalty
Loyalty	Trust and Honour	Correlation	1.000	.671	.663	
		Significance (2-tailed)	.	.000	.000	
	Vision and development	Correlation	.671	1.000	.721	
		Significance (2-tailed)	.000	.	.000	
	HRM	Correlation	.663	.721	1.000	
		Significance (2-tailed)	.000	.000	.	

(Source: Researcher’s Survey, 2017)

4.5.6. Partial correlation analysis –HRM, Vision and development, loyalty

Partial correlation was used to explore the relationship among human resource management, vision and development and loyalty dimensions, while controlling for honour dimension. There was small, positive partial correlation, controlling for honour, $r = .47$, $p < .001$, high level of human resource management, vision and development and loyalty being associated with zero level of organizational commitment, . An inspection of zero – order correlation ($r = .75$, $p < .001$) suggested that controlling for honour had greater effect on the strength of the relationship among human resource management, vision and development and loyalty dimensions.

Table 4.16: Partial correlations – Human resource, Vision and development and loyalty

Control Variables			Vision and development	HRM	Loyalty	Honour
Honour	Vision and development	Correlation	1.000	.473	-.066	
		Significance (2-tailed)	.	.000	.517	
	HRM	Correlation	.473	1.000	.203	
		Significance (2-tailed)	.000	.	.045	
	Loyalty	Correlation	-.066	.203	1.000	
		Significance (2-tailed)	.517	.045	.	

(Source: Researcher’s Survey, 2017)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary

This research is concerned about the relationship between internal marketing practices and employees' organizational commitment, taking the case of AIC. The objective of this study is to investigate the relationship between internal marketing and employees' organizational commitment in AIC by analyzing the relationship of the two constructs in the theoretical framework.

Demographic factors such as gender, age, job title, educational qualification, monthly income and years of service in the company have been taken to learn the general characteristics of the respondents.

The research took 62% male and 40% of female as respondents. In terms of age, the majority (62%) of respondents are found to be between 18-30 years of age and followed by 31-40 which constituted 37%. With regard to the level of education, 87% of the respondents are first degree holder which is followed by postgraduates which accounted 10%. Looking at the job title of the respondents, most of them are middle level officer which accounted 50% and followed by junior officer which accounted for 24%. In terms of monthly income, the majority had income of in between Birr 3,501-10,000 which accounted 70% and followed by 27% having income in between birr 10,001-25,000. With regard to the length of service years in the company, most of the respondents served the company for 2-5 years which accounted 53% followed by 22% served the company for less than two years.

Based on the result of one way ANOVA, there was statistically significant difference in the employees' organizational commitment scores of different job titles. Branch managers had scored greater organizational commitment result than junior officer and middle level

officer as well. Therefore, branch managers were more loyal and committed towards their Company (M =3.65, SD=.58). Employees are become more loyal and hold greater commitment as they go up and stay long in the company.

The one way ANOVA also showed that there was statistically significant difference between the employees' organizational commitment scores and educational level. The second degree holders had scored greater organizational commitment result than first degree holders. Employees are become more loyal and hold greater commitment as their educational level increase.

The Pearson correlation test indicates that, internal marketing is strongly, positively correlated with employees' organizational commitment($r = .76$) and all the sub constructs of internal marketing are also correlated positively and strongly with employees' organizational commitment($r = .73$ and $r = .66$ respectively)

The partial correlation analysis among human resource management, vision and development, trust and honour and loyalty suggested that controlling one of the dimensions had greater effect on the strength of the associations with others.

5.2. Conclusions

Different researches give extensive details about the importance of human resource in any organization above all in service industry. Besides this one can see that some organizations give more attention to their employees as they think them as the most valuable resource which needs a continuous nurture. Moreover, keeping talented individuals within the organization becomes imperative.

It is clear, therefore, that internal marketing is concerned with more than treating employee as a customer; it signifies that the organization should constantly endeavor to develop programmes and strategies for enhancing employee satisfaction in much the same

way as external marketing plans which are continuously updated and improved to meet external customer demands.

The main purpose of the study was to examine the relationship between internal marketing and employees' organizational commitment. Internal marketing is the philosophy of treating employees as customers and it is the strategy of shaping job products to fit human needs. (Berry and Parasuraman, 1991) and thereby improve the quality of service given by internal staff. Treating employees as customers are basic for the survival in a competitive environment and business performance. In this regard, internal marketing play great role in keeping employees satisfied in their job and committed towards their organization.

Based on previous theories and researches regarding internal marketing and its outcomes, this study showed clear links between internal marketing and employees' organizational commitment, which helps to deeply understand the relationship and interaction between internal marketing and employees' organizational commitment.

The findings support the view points that internal marketing dimensions can enhance the level of employees' organizational commitment.

With regard to the Pearson correlation analysis, it can be clearly seen as that the two internal marketing dimensions namely human resource management and vision and development are positively and strongly related to employees' organizational commitment which is measured by honour and loyalty.

Based on a one-way ANOVA analysis of job title with employees' organizational commitment indicated that Junior Officers and Middle level Officer was significantly different from Branch Managers and Senior Officer did not differ significantly from either of these groups.

5.3. Recommendations

In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to AIC for improving internal marketing activities in order to assure employees' organizational commitment.

- ✓ The company should recognize the importance of internal marketing in creating employees' organizational commitment. The Company must implement internal marketing strategies that will help them to build and maintain higher staff commitment. Since the company is providing services to external customers, it is a must to give high value for internal staff to build good service culture.
- ✓ There is need for the company to spearhead internal marketing activities in order to positively affect commitment of their employees for better performance that would contribute to the attainment of the overall objectives of the organization.
- ✓ The company should put more effort to attract more professional staff especially in human resource management dimension related to training, motivation, career development, etc
- ✓ The company should invest in its employees, especially on professional staff, to motivate them to serve customers best. Employees should be trained to act in a manner that recognizes customers as a valuable asset. To motivate employees and get their commitment, the company should offer them a challenging work, attractive salary package that recognizes the contribution of their effort towards the overall success of the business.
- ✓ Besides these, actions to make them participate in decision making activities, to provide an opportunity to learn and advance, and reward for their contribution have a lot to play in employees' organizational commitment.

- ✓ It is also recommended that the company should have the system to ask employees' to comment about the internal marketing practice. Collecting feedback is not an end by itself; the company should analyze the feedback periodically and must use them as a means of problem identification.
- ✓ To retain and develop loyal employees, the company should provide an individualized attention to employees and must recognize understanding and differentiations of various group, introduce competitive benefit packages. Nowadays employees are demanding not only attractive benefit packages but also how they are treated by their employer. Once they are satisfied in their job, they will be highly committed to their company and dedicated to serve external customers.
- ✓ When hiring employees, the company should look at the ability and interest of an employee to establish and maintain strong relationship with the company and other employees of the organization. Potential candidates who are strong in trusting behavior, strong commitment to the assigned tasks should be considered.

5.4. Directions for Future Research

The study has focused on Awash Insurance Company SC, used cross sectional study design which might limit the inference of the study's results to the entire companies in the industry and also used correlation study that failed to explain casual relationship between variables.

To provide a better and clear understanding of the causal relationship between research variables, longitudinal or experimental research designs are needed for future research.

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Appendices

Appendix 1: Questionnaire

Addis Ababa University



School of Commerce

Questionnaire to be filled by Awash Insurance Company S.C (AIC) employees

Dear respondents:-

This questionnaire is designed for preparing a master thesis on **‘The influence of internal marketing practices on employees’ organizational commitment: the case of Awash Insurance Company SC’**. I kindly request you to consider each question carefully to determine how you feel about the subject matter and fill the questionnaire as frank as and reasonable as possible. I inform you that, the information you provide will be consumed for academic purpose only. The information you provide is confidential. Therefore, you are not expected to write your name.

Contact Address

If you have any query, please do not hesitate to contact me and I am available at cell phone no.:
09-13-00-50-07

Thank you in advance for your cooperation!

Part I: Demographic information

Instruction 1: Please underline your response in the appropriate response category

<i>s/n</i>	<i>Demographic information</i>				
1	Age	18-30 years	31-40 years	41-50 years	Above 50 years
2	Gender	Male		Female	
3	Educational level	College diploma and below	BSC/BA	MA/MSC and Above	Others...
4	Monthly income	3,500 and below	3,501 - 10,000	10,001 - 25,000	Above 25,000
5	Years worked in the Company	Less than two years	2 - 5 years	5 - 10 years	Above 10 years
6	Job title	Junior Officer	Middle level Officer	Senior Officer	Branch Manager

Part II: Internal Marketing and Organizational commitment

Instruction 2: Please circle your response in the appropriate response category against each statement where 1=Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Internal Marketing						
I	HRM					
1	At our company, employees who provide excellent service are rewarded for their efforts.	1	2	3	4	5
2	Our company assesses and rewards employee performance that contributes for the achievement of organizational goal.	1	2	3	4	5
3	Our company places significant emphasis on communication with employees.	1	2	3	4	5
4	Our company communicates to employees the importance of their service roles.	1	2	3	4	5

5	Data gathered from employees are used to improve jobs and develop Company's strategies.	1	2	3	4	5
6	At our company, employees are properly trained to perform their service roles.	1	2	3	4	5
7	Our company has the flexibility to accommodate different employee needs.	1	2	3	4	5
8	Our organization goes beyond simple training and educates employees to work together.	1	2	3	4	5
9	Our company teaches employees why they should do things' and not just 'how they should do things.	1	2	3	4	5
10	Our company makes preparations that enable employees to perform well.	1	2	3	4	5
II	Vision and Development					
11	Our company offers employees a vision that they can believe in.	1	2	3	4	5
12	The vision of our company is communicated to all employees.	1	2	3	4	5
13	Our company views the development of knowledge and skills in employees as an investment rather than a cost.	1	2	3	4	5
14	Development of employee skills and knowledge is an ongoing process in our company.	1	2	3	4	5
Organizational Commitment						
I	Honour					
1	I am proud to tell others that I am part of this organization.	1	2	3	4	5
2	I find that my values and the organization's values are very similar.	1	2	3	4	5
3	I really care about the fate of this organization.	1	2	3	4	5
4	I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.	1	2	3	4	5
5	For me this is the best of all possible organizations for which to work.	1	2	3	4	5
6	This organization really inspires the very best in me in the way of job performance.	1	2	3	4	5
7	I talk up this organization to my friends as a great organization to work for.	1	2	3	4	5

8	I would accept almost any type of job assignment in order to keep working for this organization.	1	2	3	4	5
9	I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.	1	2	3	4	5
II	Loyalty					
10	There's not too much to be gained by sticking with this organization indefinitely.	1	2	3	4	5
11	It would take little change in my present circumstances to cause me to leave this organization.	1	2	3	4	5
12	I could just as well be working for a different organization as long as the type of work was similar.	1	2	3	4	5
13	Often, I find it difficult to agree with this organization's policies on important matters relating to its employees.	1	2	3	4	5
14	Deciding to work for this organization was a definite mistake on my part.	1	2	3	4	5
15	I feel little loyalty to this organization.	1	2	3	4	5

Appendix 2: Reliability Statistics

Scale: Vision and Development

Case Processing Summary

		N	%
Cases	Valid	106	100.0
	Excluded ^a	0	.0
	Total	106	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.700	.707	4

Scale: Human Resource Management

Case Processing Summary

		N	%
Cases	Valid	103	97.2
	Excluded ^a	3	2.8
	Total	106	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.784	.778	10

Scale: Internal Marketing

Case Processing Summary

		N	%
Cases	Valid	103	97.2
	Excluded ^a	3	2.8
	Total	106	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.851	.853	14

Scale: Honour

Case Processing Summary

		N	%
Cases	Valid	103	97.2
	Excluded ^a	3	2.8
	Total	106	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.910	.912	9

Scale: Loyalty

Case Processing Summary

		N	%
Cases	Valid	102	96.2
	Excluded ^a	4	3.8
	Total	106	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.886	.883	6

Scale: organizational commitment

Case Processing Summary

		N	%
Cases	Valid	99	93.4
	Excluded ^a	7	6.6
	Total	106	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.917	.917	15

Appendix 3: Correlation analysis

Correlations

		Internal marketing	Organizational com
Internal marketing	Pearson Correlation	1	.756**
	Sig. (2-tailed)		.000
	N	103	98
Organizational com	Pearson Correlation	.756**	1
	Sig. (2-tailed)	.000	
	N	98	99

** . Correlation is significant at the 0.01 level (2-tailed).

		HRM	Visiond	Honour	Loyalty
HRM	Pearson Correlation	1	.754**	.750**	.502**
	Sig. (2-tailed)		.000	.000	.000
	N	103	103	100	101
Visiond	Pearson Correlation	.754**	1	.712**	.327**
	Sig. (2-tailed)	.000		.000	.001
	N	103	106	103	102
Honour	Pearson Correlation	.750**	.712**	1	.515**
	Sig. (2-tailed)	.000	.000		.000
	N	100	103	103	99
Loyalty	Pearson Correlation	.502**	.327**	.515**	1
	Sig. (2-tailed)	.000	.001	.000	
	N	101	102	99	102

** . Correlation is significant at the 0.01 level (2-tailed).

Partial Corr

Correlations

Control Variables			HRM	Honour	Loyalty	Visiond
-none ^a	HRM	Correlation	1.000	.750	.502	.754
		Significance (2-tailed)	.	.000	.000	.000
		df	0	98	99	101
	Honour	Correlation	.750	1.000	.515	.712
		Significance (2-tailed)	.000	.	.000	.000
		df	98	0	97	101
	Loyalty	Correlation	.502	.515	1.000	.327
		Significance (2-tailed)	.000	.000	.	.001
		df	99	97	0	100
Visiond	Correlation	.754	.712	.327	1.000	
	Significance (2-tailed)	.000	.000	.001	.	
	df	101	101	100	0	
Visiond	HRM	Correlation	1.000	.463	.411	
		Significance (2-tailed)	.	.000	.000	
		df	0	97	98	
	Honour	Correlation	.463	1.000	.426	
		Significance (2-tailed)	.000	.	.000	
		df	97	0	96	
	Loyalty	Correlation	.411	.426	1.000	
		Significance (2-tailed)	.000	.000	.	
		df	98	96	0	

a. Cells contain zero-order (Pearson) correlations.

Partial Corr

Correlations

Control Variables			Honour	Loyalty	Visiond	HRM
-none ^a	Honour	Correlation	1.000	.515	.712	.750
		Significance (2-tailed)	.	.000	.000	.000
		df	0	97	101	98
	Loyalty	Correlation	.515	1.000	.327	.502
		Significance (2-tailed)	.000	.	.001	.000
		df	97	0	100	99
	Visiond	Correlation	.712	.327	1.000	.754
		Significance (2-tailed)	.000	.001	.	.000
		df	101	100	0	101
HRM	Correlation	.750	.502	.754	1.000	
	Significance (2-tailed)	.000	.000	.000	.	
	df	98	99	101	0	
HRM	Honour	Correlation	1.000	.243	.337	
		Significance (2-tailed)	.	.016	.001	
		df	0	96	97	
	Loyalty	Correlation	.243	1.000	-.090	
		Significance (2-tailed)	.016	.	.375	
		df	96	0	98	
	Visiond	Correlation	.337	-.090	1.000	
		Significance (2-tailed)	.001	.375	.	
		df	97	98	0	

a. Cells contain zero-order (Pearson) correlations.

Partial Corr

Correlations

Control Variables			Honour	Visiond	HRM	Loyalty
-none ^a	Honour	Correlation	1.000	.712	.750	.515
		Significance (2-tailed)	.	.000	.000	.000
		df	0	101	98	97
	Visiond	Correlation	.712	1.000	.754	.327
		Significance (2-tailed)	.000	.	.000	.001
		df	101	0	101	100
	HRM	Correlation	.750	.754	1.000	.502
		Significance (2-tailed)	.000	.000	.	.000
		df	98	101	0	99
Loyalty	Correlation	.515	.327	.502	1.000	
	Significance (2-tailed)	.000	.001	.000	.	
	df	97	100	99	0	
Loyalty	Honour	Correlation	1.000	.671	.663	
		Significance (2-tailed)	.	.000	.000	
		df	0	96	96	
	Visiond	Correlation	.671	1.000	.721	
		Significance (2-tailed)	.000	.	.000	
		df	96	0	98	
	HRM	Correlation	.663	.721	1.000	
		Significance (2-tailed)	.000	.000	.	
		df	96	98	0	

a. Cells contain zero-order (Pearson) correlations.

Partial Corr

Correlations

Control Variables			Visiond	HRM	Loyalty	Honour
-none ^a	Visiond	Correlation	1.000	.754	.327	.712
		Significance (2-tailed)	.	.000	.001	.000
		df	0	101	100	101
	HRM	Correlation	.754	1.000	.502	.750
		Significance (2-tailed)	.000	.	.000	.000
		df	101	0	99	98
	Loyalty	Correlation	.327	.502	1.000	.515
		Significance (2-tailed)	.001	.000	.	.000
		df	100	99	0	97
Honour	Correlation	.712	.750	.515	1.000	
	Significance (2-tailed)	.000	.000	.000	.	
	df	101	98	97	0	
Honour	Visiond	Correlation	1.000	.473	-.066	
		Significance (2-tailed)	.	.000	.517	
		df	0	97	96	
	HRM	Correlation	.473	1.000	.203	
		Significance (2-tailed)	.000	.	.045	
		df	97	0	96	
	Loyalty	Correlation	-.066	.203	1.000	
		Significance (2-tailed)	.517	.045	.	
		df	96	96	0	

a. Cells contain zero-order (Pearson) correlations.

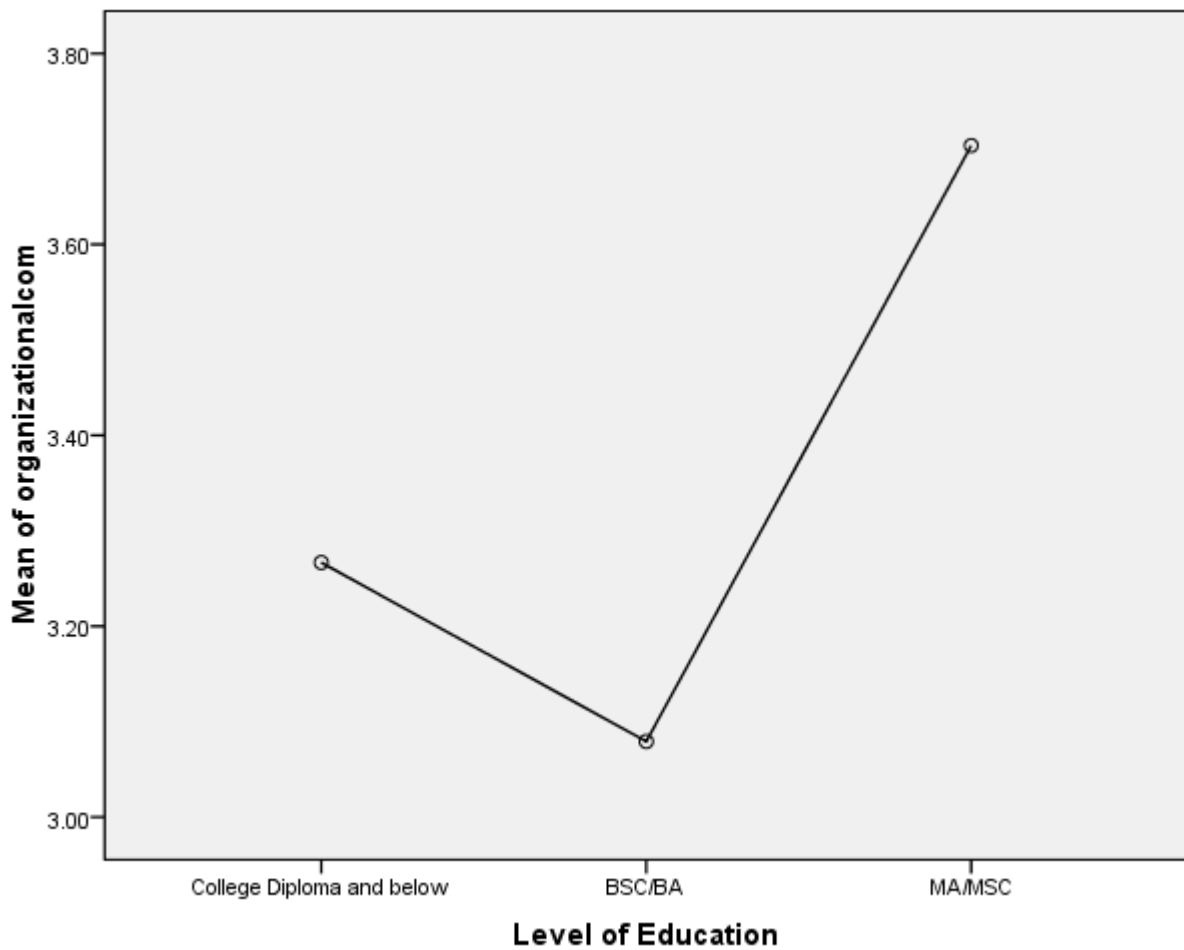
Appendix 4 One-way ANOVA

ANOVA

organizationalcom

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.236	2	1.618	4.796	.010
Within Groups	32.050	95	.337		
Total	35.286	97			

Means Plots



ANOVA

organizationalcom

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.256	3	1.752	5.567	.001
Within Groups	28.636	91	.315		
Total	33.892	94			

Means Plots

