Internal Marketing Dimensions and Organizational Commitment of Universal Banks’ Employees

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ABSTRACT
This correlation study explored the relationship between banks’ internal marketing dimensions, namely: job satisfaction, understanding and differentiation, training, interfunctional coordination and integration and motivation, and employees’ organizational commitment. The study used the Internal Marketing questionnaire drafted by Farzad, et. al (2008) and the Organizational Commitment Questionnaire (OCQ) by Allen and Meyer (1997). The study revealed that job satisfaction and understanding and differentiation were significantly correlated to employees’ organizational commitment. This implies that employees are committed when they feel satisfied with their jobs and when their individual differences are duly recognized. It was recommended that banks should continue or sustain operating in a clean and appropriately decorated workplace/atmosphere for it makes employees feel satisfied on their jobs; let employees’ suggestions be heard and rationalize employees’ salaries and fringe benefits.

Keywords: internal marketing, organizational commitment, banks’ employees

1. INTRODUCTION

Services have increasingly assumed a more vital role in the economic growth and development of countries worldwide. Services like telecommunication, hotel and hospitality, health and banking had led to a stiff and intensely competitive industry among various business firms. To a great extent, the level of customer satisfaction is embedded at the quality of service rendered by the service providers; hence, without the fundamental contribution of the customer-contact employees who provide the service, external customer-satisfaction cannot be achieved. In the majority of service activities, the customers interact with contact employees, whose roles have become an element of differentiation. Through contact employees’ attitude, they could influence the level of service quality perceived by the customer. For this reason, contact employees and their attitude are often considered as the full service by the consumers, thus, the roles they play are highly relevant to the success of any service organization.
In the case of banks, their front-line employees interact with the majority of customers and generally handle a wide range of banking transactions. Because of the importance of the service provided, bank firms should support customer-contact employees in order to acquire communicative sale skills and make them feel comfortable, and satisfied with their job (Boris, et al. 2005).

As an approach to service management, the concept of internal marketing was proposed. It entailed the application of traditional marketing concepts within the organization in order to improve corporate effectiveness. It was believed that a firm
must have satisfied employees in order to have satisfied customers. At the simplest context, the most basic way of achieving employee-satisfaction is to treat employees as customers as well. Many have contributed to the enrichment of the internal marketing concept. Two of them were Rafiq and Ahmed (2000) who postulated five (5) specific dimensions of internal marketing, namely: job satisfaction, training, understanding and differentiation, inter-functional coordination and integration and motivation.

One of the challenges which organizations face today is building employees’ commitment. Commitment is the relative strength of an individual’s identification with, and involvement in a particular organization. Meyer and Allen (1997), the two authorities in the field of organizational commitment, specified three dimensions of it namely: affective, continuance and normative. However, lack of commitment from employees can be detrimental to an organization, resulting in poorer performance arising from inferior service offerings and higher costs. It can, therefore, be said that internal marketing could be the answer to gaining employee commitment, succeeding where traditional internal communications programs have failed. Hence, it became comprehensible that successful marketing can only be implemented if the firm is involved not only in external but also in internal marketing. This ascertainment is where the concept of internal marketing (IM) emerged.

As of 2013, the Philippines’ banking system is healthy and stable. Total resources grew more than three-fold to Php 8.1 trillion in the first quarter from Php 4.4 trillion in 2005. With the phenomenal increase in the country’s population and the increased demand for banking services; speed, service quality employee and customer satisfaction are going to be the key differentiators for each bank’s future success. As the banking business continued to flourish in Tarlac City and the entire Philippines, competition became tighter. It is, therefore, imperative for banking institutions to put forth the importance of internal marketing. It appeared interesting to the researcher to closely look on the universal banks’ internal marketing dimensions and their rank and file employees’ organizational commitment.

2. STATEMENT OF THE PROBLEM

In order to look into the internal marketing dimensions and organizational commitment of universal banks’ employees in the city of Tarlac, the following questions have been proposed:

1. How is the level of banks internal marketing (IM) described in terms of the following dimensions:
   1.1. job satisfaction;
   1.2. understanding and differentiation;
   1.3. training,
   1.4. inter-functional coordination and integration; and
   1.5. motivation?

2. How is the level of the respondents’ organizational commitment (OC) described in terms of:
   2.1. affective,
   2.2. continuance, and
   2.3. normative?

3. How do IM dimensions influence the level of the respondents’ OC?
Hypotheses:
1. There is no significant relationship between internal marketing dimensions and organizational commitment.
2. Dimensions of internal marketing do not influence organizational commitment of universal banks’ employees.

3. RESEARCH METHODS AND MATERIALS

The study used the correlational research design as it investigated the relationship between internal marketing dimensions (namely: job satisfaction, understanding and differentiation, training, inter-functional coordination and integration and motivation) and organizational commitment (namely: affective, continuance and normative) of universal banks’ employees. Pearson Product Moment Coefficient of Correlation was employed to establish the relationship of the independent and dependent variables in the study. To identify which from among the five dimensions is a predictor to organizational commitment, a regression analysis was used in the study. The study considered the three biggest universal banks (main or head branches) in Tarlac City, namely: Banco de Oro (BDO)- SM Branch, Bank of the Philippine Islands (BPI)- Tarlac- Hi-Way Branch and Metrobank- San Roque Branch. All of the forty-three (43) rank and file bank employees were requested to answer the questionnaire intended for the study. From the total of forty-three (43) rank and file employee-respondents of the three universal banks as locale of the study, only forty-one (41) questionnaires were retrieved by the researcher.

The researcher used two sets of validated questionnaires to measure the level of banks’ (1) internal marketing dimensions and (2) organizational commitment of universal bank employees, combined together. The questionnaire included a perceptual measure that was rated on a five-point Likert scale. Each scale item was anchored at the numeral 1; 1 = “strongly disagree”; 5 = “strongly agree”. The survey questionnaire was divided into three parts: The first part mainly focused on the profile of the respondents in terms of their age, employment status, job position and years in service. The second part consisted of the five (5) dimensions of internal marketing quantified by twenty-five questions (five questions per dimension). The last part covered the questions to measure the respondents’ organizational commitment to which they belong to. On top of the questionnaire used in the study, an interview was also done by the researcher to make some validation, probing, attesting and some qualification and clarification with regard to the answers provided by the respondents.

For the level of banks’ internal marketing dimensions, the thirty-nine (39) - item questionnaire used by Farzad, Nahavandi and Caruana (2008) was utilized in this study. However, due to some intricacies and issues on the country-setting included in their used questionnaire, this study adopted the instrument with modification to fit in the local setting. The modified questionnaire was pilot tested to a number of respondents outside the coverage area. From a total of thirty-six (36) respondents of the pilot-test, a Cronbach alpha was performed. The result showed a 0.91 reliability score. If a Cronbach alpha for a set of scores turns out to be 0.90, it can be interpreted as 90% reliable, and 10% unreliable (Brown, James Dean, 2002).

Before the dry-run test was administered, the researcher consulted Marketing experts for validation of the modified questionnaire for banks’ internal marketing
dimensions. To measure banks’ employees-organizational commitment, the 24-item Organizational Commitment Questionnaire (OCQ) of Allen and Meyer (1990) was used. To determine the level of the bank employees’ internal marketing dimensions and to measure their organizational commitment, the weighted mean was computed.

4. RESULTS AND DISCUSSION

Table 1
Dimensions of Internal Marketing (IM) in Universal Banks

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Mean</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction</td>
<td>4.45</td>
<td>Moderately Agree</td>
</tr>
<tr>
<td>Understanding and Differentiation</td>
<td>4.34</td>
<td>Moderately Agree</td>
</tr>
<tr>
<td>Training</td>
<td>4.45</td>
<td>Moderately Agree</td>
</tr>
<tr>
<td>Inter-functional Coordination and Integration</td>
<td>4.18</td>
<td>Moderately Agree</td>
</tr>
<tr>
<td>Motivation</td>
<td>4.38</td>
<td>Moderately Agree</td>
</tr>
<tr>
<td><strong>Grand Mean</strong></td>
<td><strong>4.36</strong></td>
<td><strong>Moderately Agree</strong></td>
</tr>
</tbody>
</table>

For job satisfaction, the table shows that a great number of universal bank (rank and file) employees agreed that their respective banks are always clean and decorated. Since universal banks offer a wide variety of financial services and clients pay visit to the bank anytime of the day, banks should necessarily be tidy and appropriately decorated. The cleanliness and decoration of banks help employees move freely without many visual and physical distractions and thus making the employees more efficient in their respective works to perform.

The respondents moderately agreed that even private entities like banks succumb to some sort of formal relations or authority that paves the way to a system wherein tasks, roles and relationships are clearly defined. In addition, the table revealed that the respondents were designated based on their experience while moderately agreed on designating them based on education. This signifies that majority of the respondents believed that experience is a valid factor for the bank to decide where employees are to be designated in the bank departments. The work experience an employee got from the previous bank determines his designation at the bank he is currently working with.

Based on the interview conducted, the respondents claimed that the salary and fringe benefits they were receiving were not commensurate with their workloads because of the pressure and target given and expected of them, and so with numerous numbers of clients they were serving every day. Moreover, respondents agreed that the trainings provided by the bank were work related and were given free of charge. These trainings were given to Marketing Associate/Assistant position or that of Customer Service Associate position. On top of the free trainings given to employees, stipend allowance is granted to keep them motivated as they absorb new knowledge about the “how to’s” of doing things on the bank’s operations.

Employees believed that they do not have an absolute right/opportunity to access or get any information they wished to get. The interview conducted revealed that, “access to information mainly depends on what information is wished to be gotten by
employees, where will the information come from, and for what purpose more importantly.”

The respondents agreed that banks offered job security and moderately agreed on offering work which maximizes their fullest potential. Unlike other sectors/industries, bank employees may be regularized after a five (5) - month probationary period, at a minimum. Under this period, employees undergo observation with their behaviors and attitudes, tested through their performance (bonus points if an employee has recruited a client) and trained to become fully-equipped with the know-how of the banks’ “ins and outs.” However, as expected, probationary employees bearing a non-satisfactory rating based on criteria given may not get a permanent status. On the other hand, the respondents felt that (to some extent) their fullest potentials as employees were maximized because banks offer dynamic work. Although, for some employees, performing new tasks often makes them feel uncomfortable because they have to adjust every now and then.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affective Commitment</strong></td>
<td>3.06</td>
<td>Fairly Agree</td>
</tr>
<tr>
<td><strong>Continuance Commitment</strong></td>
<td>3.16</td>
<td>Fairly Agree</td>
</tr>
<tr>
<td><strong>Normative Commitment</strong></td>
<td>3.19</td>
<td>Fairly Agree</td>
</tr>
<tr>
<td><strong>Grand Mean</strong></td>
<td>3.13</td>
<td>Fairly Agree</td>
</tr>
</tbody>
</table>

Being employed gives the respondents confidence and ability to spend whatever they want. No one would dare or gamble leaving an organization if one not sure of being employed to another organization/company.

The level of investment employees have accumulated in an organization can be one of the many factors that lead to employees in continuing working with their current organization. Some employees made financial investments upon joining an organization. On the other side, some of them made non-financial investments to gain the role status within their organizations (they "sacrificed" to create it). Another factor may be the employees' perceived lack of alternatives outside of the organization. If employees believed that fewer work opportunities exist outside of their organizations, the perceived costs of leaving current organizations will be higher, developing a stronger sense of continuance commitment to their organization.

In addition, loyalty mattered to bank employees. Employees thought that they remained with an organization because they thought it was morally right to do so (employees have received scholarships, training investments, etc.).

Table 3 shows the correlation between the dimensions of Internal Marketing (IM) and Organizational Commitment (OC) of Universal Bank employees.
Table 3

Correlation of Internal Marketing (IM) Dimensions and Organizational Commitment (OC)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson Coefficient (r)</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>IM Dimension 1 vs. OC</td>
<td>0.459</td>
<td>0.002</td>
</tr>
<tr>
<td>IM Dimension 2 vs. OC</td>
<td>0.429</td>
<td>0.004</td>
</tr>
<tr>
<td>IM Dimension 3 vs. OC</td>
<td>0.352</td>
<td>0.015</td>
</tr>
<tr>
<td>IM Dimension 4 vs. OC</td>
<td>0.337</td>
<td>0.019</td>
</tr>
<tr>
<td>IM Dimension 5 vs. OC</td>
<td>0.345</td>
<td>0.017</td>
</tr>
</tbody>
</table>

As shown on Table 3, all the five internal marketing dimensions were related when paired with the respondents’ organizational commitment but differed in terms of the degree of significance from one dimension to another.

Yielding the strongest relationship when paired with Organizational Commitment (OC) is dimension 1 (Job Satisfaction) having a coefficient value of 0.459, followed by dimension 2 (Understanding and Differentiation) with 0.429 coefficient value generated. Dimensions 3, 5 and 4 (Training, Motivation and Inter-functional Coordination and Integration), were also considered related to OC with their 0.352, 0.345 and 0.337 computed Pearson’s r coefficient value, accordingly.

Since the five dimensions’ statistical significance was below 0.05, the first null hypothesis which states that “there is no significant relationship between internal marketing dimensions and organizational commitment” was rejected.

The level of employees’ job satisfaction generated from their work varied greatly. The banks’ atmosphere, methods, security and operations affected how employees feel satisfied with their jobs, which in turn was significantly related to employees’ organizational commitment. In addition, the involvement of employees in the decision-making processes and their initiative were also significant for their continuous organizational commitment. Their individual suggestions, recommendations and complaints were also important.

Moreover, training sessions given to banks’ employees can also be correlated to their organizational commitment. Trainings assisted employees in their development of holistic view of organization’s service strategy. It also provided employees with an understanding of the role each individual plays in relation to other individuals; the various functions within the firm; and the customers. Another important dimension is motivation. It is believed that when employees’ motivation increase, their productivity and retention can also increase, absenteeism can be reduced, teamwork can be improved, and more.

On the other hand, inter-functional coordination and integration which facilitated the dissemination and openness of information among the employees in various banks’ department as well as the harmonious relationship were proven to be related with employees’ organizational commitment. Thus, a good inter-functional coordination and integration may function as a necessary ingredient in the implementation of a successful marketing strategy.

The table revealed that there is a significant relationship between universal banks’ internal marketing dimensions and employees’ organizational commitment. Table 4 displays the regression analysis of the five dimensions of banks’ internal marketing as predictors to universal bank employees’ organizational commitment.
As a rule of thumb in regression analysis, .05 significance level and below means that a variable is a predictor to another variable (independent variable to dependent variable), hence, a value higher than .05 significance level is not a predictor to another. From Table 4, D1 (Job satisfaction) bearing 0.004 significance level and D3 (Training) with 0.030 significance level were good predictors to respondents’ organizational commitment. Bank employees believed that their commitment to their organization was due to job satisfaction they have felt in the bank.

### Table 4
Regression of Internal Marketing (IM) Dimensions to Universal Bank Employees’ Organizational Commitment (OC)

<table>
<thead>
<tr>
<th>Variables</th>
<th>F</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>IM Dimension 1</td>
<td>9.620</td>
<td>0.004</td>
</tr>
<tr>
<td>IM Dimension 2</td>
<td>8.135</td>
<td>0.007</td>
</tr>
<tr>
<td>IM Dimension 3</td>
<td>5.078</td>
<td>0.030</td>
</tr>
<tr>
<td>IM Dimension 4</td>
<td>4.620</td>
<td>0.038</td>
</tr>
<tr>
<td>IM Dimension 5</td>
<td>4.858</td>
<td>0.034</td>
</tr>
</tbody>
</table>

The result of the study supports previous findings of Al-Borie, et.al (2012), Azeem (2010) and Salim, Kamarudin and Kadir (2007). The same way with training, employees believed that their personal and professional growths were anchored at training. For they were pampered with trainings and some developments related to it, hence, they were committed to serve their clients better and so, serving the banks in their utmost commitment.

In addition, D4 (Inter-functional Coordination and Integration) and D5 (Motivation) produced 0.038 and 0.034 computed significance level were also considered predictors of rank and file employees’ organizational commitment. Their commitment was triggered and affected by how the bank departments work with one another harmoniously and coherently. Parallel to inter-functional coordination and integration was employees’ motivation. Bank employees felt committed to their organization when they were motivated. Since banks appreciated their contribution; counted on them; and made them feel belonged, they became committed to their organization in return.

Another predictor to employees’ organizational commitment was D2 (Understanding and differentiation), having 0.007 significance level. This fact explained that employees’ commitment depends on how banks involved them to some concerns needed to be decided upon; listened to their suggestions or criticisms; or even the rationale on where they were designated, were all important to them.

All the five dimensions of internal marketing were below significance level of .05. The second null hypothesis was, therefore, rejected.

### 5. RECOMMENDATIONS

1. Banks should continue or sustain operating in a clean and an appropriately decorated work place/atmosphere. It is what makes employees satisfied on their jobs.
2. Banks should rationalize or update employees’ salary and fringe benefits to keep abreast with the current trends on employee needs and motivation.

3. Banks should regularly offer relationship/team building of employees as part of their training. It could be in the form of an activity like group dynamics. This type of activity promotes camaraderie, unity, synergy and rapport among them.

4. The study can be used as reference material to Marketing Management, and Human Resource Management or Management professors and/or students. The study could provide significant data and clearer picture of what Internal Marketing and Organizational Commitment really is all about.

5. The study may serve as framework to replicate similar researches in the future. Other researches may look on the following:
   5.1. Organizational Commitment of Government Employees
   5.2. Impact of Internal Marketing to External Marketing
   5.3. Organizational Commitment and Job Performance
   5.4. Internal Marketing and Labor Turnover
   5.5. Organizational Commitment and Customer Satisfaction

6. IMPLICATIONS

The study has many implications, both for the banks’ management and future researchers. In general, all managers must realize the importance of internal marketing dimensions and put as much emphasis as they do on external marketing. This concerns not only bank managers, but all managers, especially within the service industry. Sometimes, managers tend to forget that a satisfying customer-experience is embedded at the service provided by their employees. Managers, therefore, must be aware, and find out how the organization might provide a sustaining internal marketing program. For instance, managers may actively encourage their employees to be involved in whatever the organization is doing, involve them in the decision making process, to be open and honest about their feelings that affect them in the office.

However, this study does not give information in what degree the different dimensions of internal marketing occur in banks, which would be interesting to look further into. A deeper research on job satisfaction, for instance, would be appropriate. Also, the comparison between different types of banks as to their internal marketing dimensions would be relevant.

REFERENCES


