

Impact of Internal Marketing on Market Orientation and Business Performance

Khansa Zaman

Riphah School of Leadership
Faculty of Business Administration
Islamabad, Pakistan

Neelum Javaid

Riphah School of Leadership
Faculty of Business Administration
Islamabad, Pakistan

Asma Arshad

Riphah School of Leadership
Faculty of Business Administration
Islamabad, Pakistan

Samina Bibi

Riphah School of Leadership
Faculty of Business Administration
Islamabad, Pakistan

Abstract

The purpose of this paper is to investigate the impact of internal marketing on commercial banks' organization commitment, market orientation, and business performance. Data collection from 12 commercial banks of Pakistan was targeted. Quantitative approaches were used for data collection from 500 bank employees and effective data was further analyzed by using inferential techniques on SPSS 18.00. The findings of the study suggested that internal marketing programs had a significant impact on employees' commitment, their market orientation and overall profitability of the firm. In addition, the mediating relationship of organization commitment with internal marketing and market orientation was not supported. The paper investigates the associations by adding a cultural value aspect of Hofstede suggested by Awwad and Agti (2011), and study is extended by incorporating element of business performance and market orientation in a single study. The findings support the originality of the work. Additionally, parsimonious aspect is followed by taking the only mediating variable i.e. organization commitment. Lastly, this paper is one of few papers that focus on internal marketing in Pakistani banking industry adds to its originality.

Keywords: Internal marketing, organization commitment, market orientation, business performance, commercial banks, Pakistan

Paper type: Research paper

Introduction

Internal marketing was first introduced as solution to provide quality products to customers by Berry et.al (1976). Further the relationship of internal marketing is explored with different outcome variables and antecedents which further lead to explore the relationship between Internal Marketing and Market orientation to determine that satisfied employees will show high commitment with their organization which will increase the market orientation of the firm (Mohrw-Jackson, 1991). Researchers suggest that employees should be treated as internal customers and those organizations which effectively manage their internal customer will efficiently intermingle with their external customers (Conduit & Mavondo, 2001). Later on extensive work has been done determining the relationship among Internal Marketing (IM) and Market Orientation (MO) (Awwad & Agti, 2011; Conduit & Mavondo, 2001) and Business Performance (BP) (Panigyrakis & Theodoridis, 2008).

This concept is more acceptable in service sector (banks) where employees directly interact with their customers so managers should recognize new processes to manage their contact employees to increase the market orientation (Hartline & Ferrell, 1996; Donovan, Brown, & Mowen, 2004).

Internal marketing leads towards market orientation through organizational commitment because market orientation cannot be perceptible in the absence of firm commitment (Awwad & Agti, 2011). Caruana and Calleya (1998) emphasized that lack of commitment will lead towards low performance by providing inferior service offering and higher costs. Internal Marketing impacts the business performance of the organization. It helps in maintaining workforce which is highly satisfied and motivated (Dunne & Barnes, 2000) and this work force will help in accomplishing the performance targets set by organization.

A recent study has investigated the impact of Internal Marketing on market orientation while taking organization commitment and organization citizenship behavior as mediators (Awwad & Agti, 2011). Another study has also explored the impact of internal marketing on Business Performance (Panigyrakis & Theodoridis, 2008).

The arguments of researchers for conducting this research is that previous studies are done in other economies i.e. Jordan, so the implication of those studies cannot be generalized for a developing country like Pakistan where the service culture is still emerging and not very mature. Secondly, only a modest amount of research has been conducted where internal marketing is studied with market orientation (MO) and business performance (BP) in a single study with a single mediating variable of organization commitment (OC). So the model is novel in the context of banking industry of Pakistan. Thirdly, in previous studies organization commitment and organization citizenship behavior is taken as mediating variable (Awwad & Agti, 2011), which may confuse the original effect of IM on market orientation. Fourthly, Awwad and Agti (2011) recommend investigating internal marketing and market orientation in other cultures as well, since the results in different cultures i.e. individual and collective cultures may vary from their study. So we are also incorporating the effect of culture in our study which was proposed by Hofstede. Lastly, previous studies also predict the relationship of Internal marketing and Business performance by taking organizational competencies as mediating variable with two or more moderator variables between IM and business performance (Ahmed, Rafiq, & Saad, 2003), this can also confuse the finding. We argue that an excessive amount of moderating and mediating variables in previous studies may give ambiguous results so in this study parsimonious is followed to see the unique effects of IM with MO and BP by taking a organization commitment as a mediating variable.

To maintain and establish a competitive business performance has become an ultimate objective of the service firms, particularly in banking industry. Another challenge faced by firms is to make their employees loyal by committing them to the firm. So Managers need to know the factors that can determine the organization commitment of employees by making them aware about their customers and competitors, without compromising on profitability of the firm. The aim of the current study is to address these problems of managers regarding services sector i.e. banking industry of Pakistan by focusing on successful implementation of internal marketing programs by providing evidence from current study.

We start the paper by introducing the topic of internal marketing and with detail conceptual backgrounds of all constructs of variables and their relationship with each other. In third section, methodology of the study is described in great detail which is followed by the results, analysis, and its discussion. Additionally, the paper is concluded by presenting some managerial and academic implications with limitations of the study and future scope of the topic.

Literature Review

Internal Marketing (IM)

Internal marketing is critical and fundamental activity to create a customer-focused organizational culture with an aim to establish internal and external awareness of customers by removing barriers which are obstacles of organizational effectiveness (Christopher et. al., 1991). Berry and Parasuraman (1991) define internal marketing as:

“attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs...the philosophy of treating employees as customers... and the strategy of shaping jobs to fit human needs.”

It is argued that internal marketing programs and managerial influence strategies must be aligned, if internal marketing is to become an effective part of the practice of management (Tim & Davis, 2001). Similarly, internal marketing is also viewed as a critical issue faced by marketing professionals, HR managers, and executives in general, (Pitt, Bruwer, Nel & Berthon, 1999). Researchers such as, Ahmed & Rafiq (2003) define IM practice encompasses several activities that have been grouped in four major themes that appear to constitute IM: training and education, the image of the internal customer, quality standards and rewards systems. Furthermore, the basic purpose for applying internal marketing concept is to get motivated employees and to make them conscious at each and every level to serve customer in a better way (George, 1990; George & Grönross, 1989; Grönross, 1981). Researchers also view Internal marketing as a management approach in which frontline employees work as support staff area included; this approach enables and motivate employees of the firm to do their own evaluation and for adoption of customer oriented services (Cowell, 1984).

Likewise, Papasolomou and Vrontis, (2006) argue that IM through its emphasis on “internal customers” creates a people oriented culture that sets the foundation for building a strong corporate service brand. Researchers have also identified some issues related to IM include: the link between employee satisfaction and organizational performance; the need for research on how inter-functional co-ordination can be achieved for the effective implementation of marketing strategies; the need for relationship marketing perspective in internal marketing; the need for research in internal communication strategies; and the role of internal marketing for developing organizational competences, (Ahmed & Rafiq, 2003). Budhwar, Varma, Malhotra and Mukherjee, (2009) suggested that well-structured and rationalized internal marketing approach can significantly improve employee relations with management and overall organizational competitiveness and performance.

Organizational Commitment (OC)

Organization commitment is defined as the commitment and/or loyalty of employees with the firm as if they feel obliged to stay with the bank and to work for it in the future as well (Cichy, Cha, & Kim 2009). Researchers have categorized this commitment into three dimensions: (i) affective commitment – emotional attachment to the firm, (ii) Normative commitment – socialization experience with other employees, and (iii) Continuance commitment – self sacrificing when quitting a job (Meyer & Allen, 1991). Similarly, the employee or organizational commitment is also viewed as multidimensional (Kuruvilla & Iverson, 1993). It is also argued that organization commitment become strong if it acts as a mediating variable in establishing organizational outcomes with respect to internal marketing programs (Morgan & Hunt, 1994). In contingency view of marketing; organizational desirable outcomes can be achieved by administrating factors that direct toward mediators such as, organizational commitment and employee trust (Iverson, McLeod & Erwin, 1996). Parasuraman (1987) argued that committed employees used to spend more time, efforts, and talents to their organizations than those who are not committed. Likely, studies also showed that organizational commitment lasts a positive influence in internal (Boshoff & Mels, 1995) and external service environments (Boshoff & Tait, 1996). Likewise, it is also argued that organizations focus on customer orientation and flexibility require a formulation with employees and organization commitment by using appropriate internal strategies (Iverson, McLeod, & Erwin, 1996).

Market Orientation (MO)

Narver and Slater (1990) define market orientation as “the organization culture that most effectively creates the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for the business,” (p. 21). Their model identified three main categories which are constituted in market orientation, these are defined as: customer orientation, competitor orientation, and inter-functional coordination. Many previous researchers have identified Market Orientation as an instrument to increase organizational performance, increased productivity, and profitability, (Cole, et al., 1993) profit maximization, (Balakrishnan, 1996) New Product success (Slater & Narver, 1994). Similarly, market orientation conceptualization is an area of study that is in the situation of continuous evolution (Harris, 2000). Naude, Desai and Murphy (2002) suggested some terms that are used as interchangeably with market orientation i.e. “Market driven”, “Market oriented”, “marketing oriented” and “customer oriented”. According to researchers, in market orientation discussion two main views are dominant (Homburg & Pflesser, 2000). The first market orientation as business philosophy signifies marketing concept (Lichtenthal & Wilson, 1992; Webster, 1992). Second, marketing orientation is as a set of behaviors showing marketing concept implementation (Brady, 2004; Kohli & Jaworski, 1990; Narver & Slater, 1990; Kohli et al., 1993; Slater & Narver, 1994).

Additionally, it is claimed that market orientation in behavioral camp become broad agreement, as market oriented behaviors comprises of collection, analysis, dissemination of market information and according to that information implementation of appropriate responses (Day & Wensley, 1988; Kohli & Jaworski, 1990; Narver & Slater, 1990; Deng & Dart, 1994; Hunt & Morgan, 1995; Jaworski & Kohli, 1993; Heiens, 2000; Siguaw et al., 1996; Wright et al., 1997). Similarly, in a number of research contexts market orientation conceptualization and operationalizations is shown to be vigorous (Pitt et al., 1996; Siguaw et al., 1996; Martin et al., 1998; Vorhies et al., 1999).

Business Performance (BP)

Business performance is broader concept encompassing both financial performance and operational performance indicators (Venkatraman & Ramanujam, 1986). It is defined in both financial and non-financial context as Panigyrakis and Theodoridis (2009) discussed that financial indicators of the performance of an organization are the return on investment (ROI) and Return on Assets (ROA). Mehra, Joyal, and Rhee (2011) used return on asset and return on equity as financial indicators for computing the retail banking performance.

Performance measures based on mere financial indicators are not enough so non-economic indicators including market share, product development, or production efficiency are used for business performance (Helgesen, Nesset & Voldsund, 2009). Further Venkatraman & Ramanujam (1986) quoted in Panigyrakis & Theodoridis (2009) examined non-financial indicators like product or service quality, market share, customer loyalty and customer satisfaction influencing the overall performance of the firm.

Hypotheses Development and Proposed Model

Internal marketing and Organization commitment: Application of internal marketing program is one of the best ways to achieve commitment of employees in an organization (Caruana & Calleya, 1998; Farzad, et al., 2008). A research done by Souchon & Lings (2001) suggested that one of the key mean of enhancing commitment of employees towards their organization is application o internal marketing approach. Kyriazopoulos et al. (2007) explored the positive impact of internal marketing practices on employee's commitment for organization by examining the Bank's branches. In addition, Farzad et al. (2008) examined Iranian financial service sector with the perspective of internal marketing practices and found their significant impact on organizational commitment. Caruana and Calleya (1998) assured the existing link between organizational commitment and internal marketing. Additionally, Hung and Lin (2008) worked on Taiwan's International Hotel Industry management system and found positive relationship between internal marketing and organizational commitment. A study of 27 large Korean firms analyzed commitment antecedents and found that commitment is significantly related to employee focused structure or environment (Sommer, Bae, & Luthans, 1996).

Literature empirically supports the internal marketing link with the end customers' satisfaction (Tansuhaj, *et al.*, 1987). Hogg (1996) also suggested that to gain personnel commitment internal marketing could be the solution and internal marketing actions can be used by any firm to convey clearer firm's vision and goals to its personnel. Job satisfaction, motivation and commitment of employees towards whole organization can be achieved and enhanced through effective design and implementation of HR systems of management for the approach of internal marketing (Tsai & Wu, 2006). Internal marketing is also positively related with organization commitment in which effective training, reward systems, a positive interaction between employees and sharing vision among them emotionally attach employee to their organization (Awwad & Agti, 2011). Chang & Chang (2009) point out that employee can be retained through satisfying their needs and expectations so internal marketing strategies can be used effectively enhance and develop organizational commitment. Hence internal marketing has positive effects on organizational commitment (Sheng & Hsin, 2007). It is therefore hypothesized that:

H₁: IM has a significant and positive impact on OC.

Internal marketing and Market Orientation: Internal marketing is taken as a management philosophy in the previous studies while considering it as a framework for employees' management toward market orientation practices, and one of the main antecedents of market orientation (Gronroos, 1990). As an antecedent of MO, the implications of IM programs have become more significant because these programs are of critical success as they let the employees to be updated with market situations i.e. customers and competitors and fundamentals to increase the business performance of a firm.

Researchers also view Market Orientation (MO) and Internal Marketing Orientation (IMO) as two inter-related concepts, probably falling under the marketing philosophy umbrella (Gounaris, Vassilikopoulou, & Chatzipanagiotou, 2010). They claim that through MO adoption, customer perceived value and customer perceived quality of the service increase, and the company improves the level of employee perceived value, which also results in higher levels of customer perceived service quality. Interestingly enough, IMO adoption is also found to have a direct impact on customer perceived service quality, (Gounaris, et al, 2010). Further it is explored that when a firm recognized and accompanied its market orientation with IM only then the successful marketing can be comprehend (Caruana & Calleya, 1998; Conduit & Mavondo, 2001). Furthermore, Bouranta et al., (2005) specified that IM and its components applied strong positive influence on market orientation. Similarly, Voola et al., (2003) point out that the IM play a significant role in development of market orientation of employees and competitors, also found positive relationship among IM and MO. Moreover, Kyriazopoulos et al., (2007) explored IM concept adoption from employees of bank branches and found positive effect of IM on MO.

H₂: IM has a significant and positive impact on MO.

Market Orientation and Organization commitment: Previous studies have emphasized the significance of MO as an antecedent to enhance organizational performance and profitability (e.g. Farrell et al., 2008; Gonzalez-Benito et al., 2009; Subramanian et al., 2009; Silva et al., 2009; Qu, 2009; Van Raaij & Stoelhorst, 2008). Jaworski & Khohli (1993) explored that OC can be enhanced through adoption of MO and found OC has a direct effect on MO. Similarly, Awwad and Agti (2011) revealed MO as a culture and behavior cannot be implemented without compact commitment from top management and by all employees within organization. So for market-based reward system it is obligation to formulate a MO culture and point out OC has direct influence on organization's MO (Sivaramakrishnan et al., 2008). Also, Lings (2004) specified that external MO has been directly affected by organizational performance internal aspects (employee satisfaction, employee commitment and employee retention). Likewise, Jones et al., (2003) suggested that market orientation of the firm acknowledged by the salesperson would increase OC of the salespersons and lack of commitment from employees toward an organization can be destructive (Caruana & Calleya, 1998). Further, Waris (2005) explored a positive relationship between OC and MO, and explains that top level commitment of employees to provide service excellence acts as stimulus for employees as well to be aware about the needs and wants of customers and the moves of competitors. Therefore, it is hypothesized that:

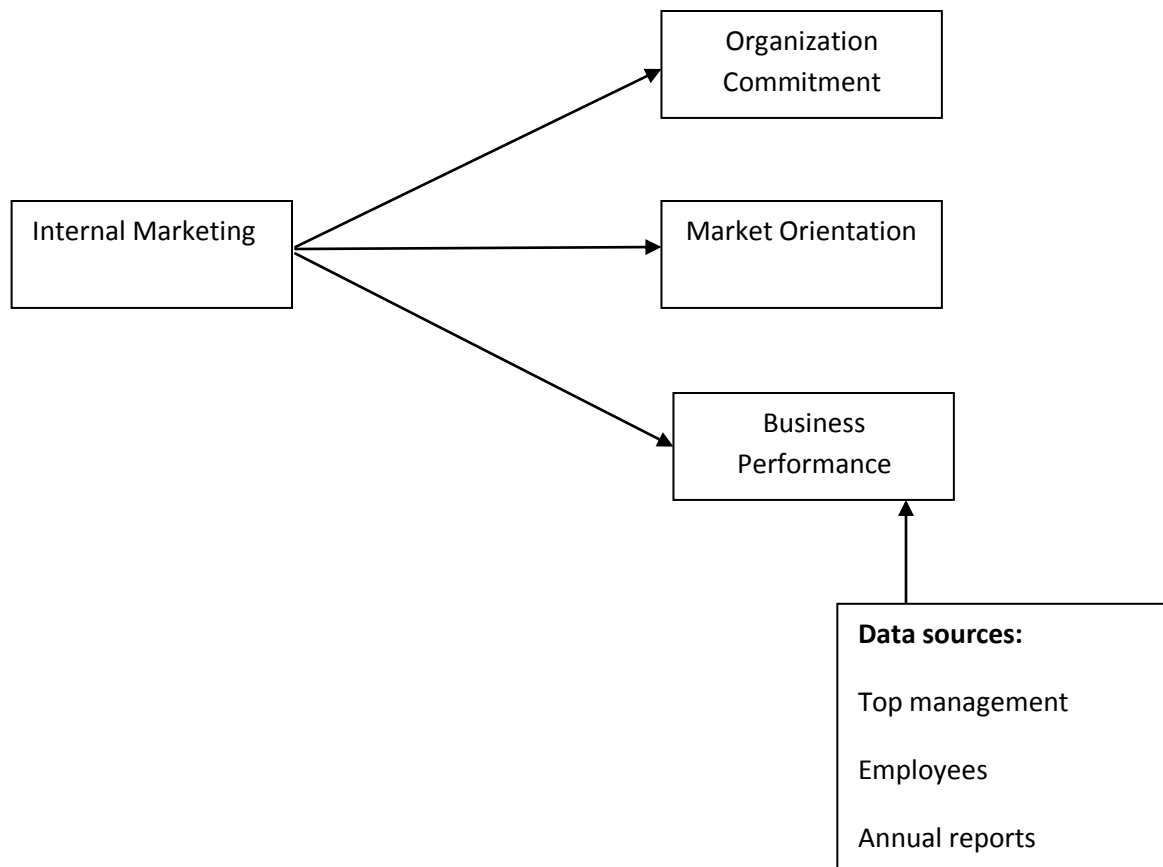
H₃: Organization commitment fully mediates relationship of IM with MO.

Internal marketing and Business Performance: Internal marketing helps in attaining business performance through their satisfied internal customers (Sheng & Hsin, 2007). IM is an important driver for business performance, financial and non-financial and IM has positive impact on business performance (Panigyrakis & Theodoridis, 2009). Tortosa, Moliner, and Sa´nchez (2009) examined the relationship among internal marketing and firm performance and impact on internal (influence on the satisfaction of the contact personnel) and external factors (perceived service quality and customer satisfaction). Mehra, Joyal, and Rhee (2011) highlighted the importance of training of employees for improving profitability of the firm because satisfied and trained employees will be more able to implement quality properly to satisfy customers.

Main purpose of the organization is to earn profit through satisfying their employees and customers encompassing the concept of stakeholder's theory. Tortosa, Moliner, and Sa´nchez (2009) point out the challenges faced by organization in maintaining relationships with their stakeholders among which the employees of that organization are playing most crucial part. When employees will be more satisfied and perceive their output more than their input, they will take it as obligation to increase quality and profitability of the firm (Tortosa, Moliner, & Sa´nchez, 2009). So we hypothesize that:

H₄: IM has a significant and positive impact on BP.

Figure I: Theoretical model of internal marketing



Methodology

Research context: the banking sector in Pakistan

Banking sector as a financial intermediary plays a key in an economy, and it is considered very important sector of services industry due to their active role in customer dealing and financial handling. This is the reason we have selected an active services industry to study the impact of their internal marketing programs mainly toward their market orientation practices and business performance. As there are different types of financial, commercial, non-commercial, foreign banks etc but our focus of the study is 12 leading commercial banks of Pakistan due to two main reasons: First, these banks are the largest sector of the financial services industry in Pakistan. Second, these banks are in direct contact with a large scale of Pakistani citizens, which makes them a more relevant context to study the application of particularly internal marketing programs.

Sampling design and data collection

A field study with minimal researcher interface was conducted by focusing on 12 leading commercial banks of Pakistan. Due to time and cost constraints; convenience sampling technique was used for data collection from the branch managers, the senior managers and the front line employees of banks to check an overall perception of the employees toward internal marketing. Three data sources were used for data collection related to business performance: top management, employees, and secondary sources of annual reports. The responses which were gathered form business performance was further analyzed by comparing them with the annual reports of each bank and found correct. For data collection, different branches of commercial banks located in main cities of Pakistan were targeted: Jhelum, Gujranwala, Faisalabad, Rawalpindi and Islamabad. The instrument used for data collection was close ended self administered questionnaire distributed by hand to 550 employees who showed their consent to fill the questionnaire, later on a call of reminder was made to them.

After screening the data, the total 350 effective questionnaires were returned which were properly filled, with response rate of 63.6% that is considered a large sample size by Waris (2005). The male to female ratio in the sample was 206 and 144 respectively. The reason for this ratio was logical as in Pakistan the ratio of female to male at working place is low. Data collection was completed during the period of November 2011 to December 2011.

Variables measurement

As the respondents appointed in the banks were well educated so were responsible enough to understand the terminologies used in the questionnaires but for their facilitation of respondents operational definitions of the constructs were also mentioned in the questionnaire. Since operational definition is a measurable definition of constructs which assist to minimize the level of abstraction through its given dimensions and elements (Sekaran, 2004). The variables were adopted from previous studies and were slightly modified. The study survey was consisted of five sections:

- (1) Internal marketing, measured by using seven items; adapted from Caruana & Calleya (1998); Tsai (2008) and Ahmed et al., (2003)
- (2) Organizational commitment, measured by using five items; adapted from Cichy et al., (2009)
- (3) Market Orientation, measured by using six items; adapted from Jime'nez-Jime'nez & Cegarra-Navarro (2007)
- (4) Business performance, measured by using five items; adapted from Venkatraman & Ramanujam (1986)
- (5) Demographic information (gender, age, bank name, position/post).

All the four constructs had a total of 23 items and these four variables were measured on five-point Likert scale ranging from strongly disagree (1) to strongly agree (5).

Instrument Reliability and Validity

Reliability: Cronbach's coefficient alpha was first assessed to ensure reliability of the measures. The Cronbach coefficient alpha value exceeding minimum standard of 0.70 (Nunnally & Bernstein, 1994) specifies that with the acceptable reliability, the scale can be used for the analysis. Based on these appraisals, measures used in this study were within the acceptable levels supporting the reliability of the constructs in Table I.

Validity: Face validity and content validity was checked by showing the questionnaire to a focus group of 10 members. The focus group was constituted of specialists who were having greater research background, publications in reputed international journals, and supervisors of M. Phil and PhD programs in Pakistan. Measures used within study were in acceptable range of reliability and support the reliability of constructs Table I.

Table I: Reliability Analysis

Variables	Cronbach alpha	Items
IM	.739	7
OC	.804	5
MO	.805	6
BP	.770	5

Source: Derived from survey data

Data analysis techniques and treatment

Data was made ready for analysis after handling the missed and reverse questions. Age and gender was treated as controlled variables to found a unique effect of independent variable on dependent variables. The reason for controlling age and gender was that organization commitment can vary from age to age, as young employees might be more committed and passionate to work than those who were old. Similarly, males might be more committed to workplace as female used to have home related tasks as well. On the basis of these reason, demographics were controlled.

For data analysis, descriptive statistics were used for frequencies, and inferential statistics were used to run correlation analysis and regressions, followed by a mediation analysis in order to analyze mediating variable by using SPSS 18.00. The hypotheses were rejected and accepted on the basis of final results of the study.

Data Analysis and Research Findings

Table II: Correlation Analysis

Variables	Mean	Std. Dev	IM	OC	MO	BP
IM	3.6865	.55475	1			
OC	3.4120	.52072	.360**	1		
MO	3.6471	.60877	.502**	.249**	1	
BP	3.8251	.73695	.419**	.126*	.406**	1

N= 350: Source: Derived from Survey data

**** Correlation is significant at 0.01 levels (2-tailed). * Correlation is significant at 0.05 levels (2-tailed).**

The above table shows values of Pearson correlation, if the values are in range of 0-0.3, it predicts a weak positive correlation of correlation coefficients and with the increase in the value of coefficient correlation, the strength of the variables also increase. In above table, N shows the number of respondents as 350 and all correlation values are significant at $p < 0.01$ and $p < 0.05$ level. Tables predicts a weak positive and significant relationship between Internal marketing and organization commitment ($r = .360$, $p < 0.01$), strong positive and significant correlation between internal marketing and Market orientation ($r = .502$, $p < 0.01$) as the r value is .5, and medium positive and significant correlation between internal marketing and business performance ($r = .419$, $p < 0.01$).

Table III: Regression Analysis

Variables	Beta	t-value	p-value	Adjusted R ²
OC	.359	7.161	.000	.125
MO	.503	10.837	.000	.251
BP	.405	8.744	.000	.242

Source: Derived from Survey data

The regression table predicts the measures of association of dependent variables with independent variables. The above table predicts results in that 12.5 percent of the observed variance in organization commitment is explained by internal marketing, also the values (beta = .359, $p = .000$, and $t = 7.161$) supports that H1 is accepted, as there is a significant linear impact of internal marketing on organization commitment. Second measure of association is also predicted by observing the relationship of internal marketing and market orientation, where 25.1 percent of the observed variability in service market orientation is explained by internal marketing with beta = .503, $p = .000$, and $t = 10.837$. These values also grant acceptance of H2. To predict the variability in business performance, regression table explain 24.2 percent variability in business performance by internal marketing with supporting values of beta = .405, $t = 8.744$, and $p = .000$, which puts H4 on safe side as well.

Testing for mediator variable

Table IV: Mediation Analysis

Variables	Beta	t-value	p-value	Adjusted R ²
IM → MO	.503	10.837	.000	.251
IM → OC	.359	7.161	.000	.125
OC → MO	.249	4.790	.000	.059
IM → OC → MO	.477	9.594	.000	.253

Source: Derived from Survey data

According to Barrens & Kenny (1986), mediator variable explains the relationship between predictor and criterion variable by implying a causal hypothesis whereby an independent variable causes a mediator, which causes a dependent variable. Since H3 tested in the study involves testing the effects of mediation, so the conditions suggested by Barrens & Kenny (1986) are followed before running mediation analysis.

Barrens & Kenny (1986) followed a series of regression model which needs to be strictly followed to test mediating role of organization commitment in the relationship of internal marketing and market orientation. First, the independent variable (internal marketing) was regressed on dependent variable (market orientation), to establish the effect that may be mediated. Second, mediator variable i.e. organization commitment (treating as outcome variable) was regressed on internal marketing. Thirdly, dependent variable was regressed on both independent and mediator variable, where the initial variables were controlled to find the unique effect of the variables.

The first test showed that there was a significant relationship between the independent variable and dependent variable ($\beta = .503$, $t = 10.837$, $p < 0.01$) shows that there exists a significant relationship to be mediated. Results also predict a significant relationship between independent variable and mediator variable ($\beta = .359$, $t = 7.161$, $p < 0.01$). Thirdly, the test of mediator on the dependent variable is regressed which also predicts a significant relationship ($\beta = .249$, $t = 4.790$, $p < 0.01$). The mediation is run by controlling the initial variables and the results show a partial mediation as the relationship between predictor and outcome variables become weaken after inclusion of mediator variable ($\beta = .477$, $t = 9.594$, $p = .000$). So we propose a partial mediation.

Discussion and Recommendations

Discussion

Based on empirical results, the researchers propose discussion and recommendations in this section.

Hypotheses	Results
H_1 : IM has a significant and positive impact on OC.	Accepted
H_2 : IM has a significant and positive impact on MO.	Accepted
H_3 : Organization commitment fully mediates relationship of IM with MO.	Rejected
H_4 : IM has a significant and positive impact on BP.	Accepted

Internal marketing – organization Commitment

The results of the study raveled that internal marketing has a significant impact on organization commitment. The findings of the study are consistent to previous studies (Caruana & Calleya, 1998; Tsai & Wu, 2006; Kyriazopoulos et al., 2007; Hung & Lin, 2008; and Farzad et al., 2008). We argue on the basis of results that the commitment of employees is achieved when organization provide strategic rewards, effective training, and shared vision to make them loyal with the bank in the long run. Studies also show that committed employees provide excellent service to their customers, tend to be more aware about customers needs and want, and concerned with organization profitability (Ahmed, et al., 2003). Similarly, it is claimed that internal marketing programs provide job satisfaction to their employees and make them committed with their workplace (Tsai & Wu, 2006).

Internal marketing – market orientation

The results also supported that internal marketing has a significant impact on market orientation. These results are similar with previous studies (Lings, 2000; Voola et al., 2003; Bouranta et al., 2005; Kyriazopoulos et al., 2007). Studies suggest that internal marketing can enhance the awareness of employees regarding their customers and competitors and they also found a significant relationship between these two flowed by moderator Cichy et al., (2009). Researchers also recommended studying the relationship between internal marketing and market orientation with mediating variables (Voola, et al., 2003, Awwad & Agti, 2011)).

Internal marketing – organization commitment – market orientation

Interestingly, the findings of the study rejected that organization commitment fully mediate relationship of internal marketing and market orientation but a partial mediation is found. The findings of the study are consistent with previous studies that consider organization commitment as an antecedent of market orientation (Caruana, et al., 1997; Jones et al., 2003; Waris, 2005; Sivaramakrishnan et al., 2008). Awwad and Agti (2011) claimed that in current studies, the mediating effect of organization commitment with market orientation is confusing, and considered a matter of “chicken-and-egg” (Sivaramakrishnan, et al., 2008). Recent study of Awwad and Agti (2011) also did not suggest clear results about mediating effect of organization commitment, as they have studied intermediary effects of organization commitment and organization citizenship behavior on market orientation.

So the current study clearly depicted that organization commitment did not fully mediate the relationship of internal marketing with market orientation, these findings can be due to the change in culture and the differences between the perceptions of the employees working in developed and developing countries. Secondly, no matter what policies banks adopt to make their customers committed with the firms, employees in Pakistan keep on looking the benefits given by other banks due to high inflation rate. Thirdly, high unemployment rate does not let the employees to leave a job and to be less committed with the firm, so employees keep on doing a job no matter if it matches their attitude or not. Lastly, being collectivist society, proposed by Hofstede, employees are more concerned about the well being of their families being only bread earner of their homes.

Internal marketing – Business performance

The current study suggested that internal marketing programs have an impact on enhancing business performance of the banking sector. The findings of the study are consistent with the previous studies, such as it was suggested that satisfied internal customers through internal marketing programs are more inclined toward enhancing firm performance Sheng & Hsin (2007), effective training also contribute toward firm performance (Panigyrakis & Theodoridis, 2009), internal favorable policies for employees make them concerned to work for organization profitability (Tortosa, Moliner, & Sa´nchez, 2009), and training and shared vision improve profitability of the firm (Mehra, Joyal, & Rhee, 2011).

Recommendations

The service industry is a crucial challenge for managers to handle due to involvement of human element in delivering the optimal services. After a detailed analysis of the study, it is therefore suggested that managers need to focus on internal marketing programs to achieve and sustain a competitive position in the market. Secondly, they should emphasize on satisfying the needs and wants of their employees to attract and retain customers. Thirdly, dissemination of important information related to customers' needs and wants and competitors' move must be communicated to the employees for an agile market oriented behavior. Fourthly, training session and performance appraisals must also be a part of organizational activities to retain their employees and to transfer a trust level among them. Lastly, results suggested that implementation of internal marketing programs also improve performance of banks.

Contrary, a proposition that organization commitment mediate the relationship of internal marketing and market orientation is partially accepted in the current study due to some cultural and social backgrounds. Results also suggested to managers that they should put more focus on establishing loyal relationship with their employees by motivating them and making them realize that they are the asset of the firm, but amazingly this type of motivation is lacking in the banking industry of Pakistan which needs a serious attention of managers. So the recommendation of Awwad and Agti (2011) becomes valid as the results regarding internal marketing, organization commitment, and market orientation in banking industry of Pakistan are different from Jordanian banking industry.

Limitations and future research

Limitations of the study include the time and cost issues which forced us for convenience sampling and may not give results with greater generalizability. Another major limitation of the study is the lack of access to online databases of digital libraries for material regarding internal marketing, service recovery performance, organization commitment, and business performance. This limitation can result into lack of comprehensive literature review and conceptual background of each construct of the study. The results can be different in other industries i.e. hotel, hospitality, and entertainment etc. The results of the study may be different if the study is conducted in manufacturing sector. The cultural and social context may also change the findings of the study. It is therefore suggested to conduct a study in other cultures as well by adding more dependent variables of internal marketing, antecedents of market orientation and business performance. The longitudinal study can also be done to see before and after results of implementing internal marketing programs which can give a clear indication about importance of implementing internal marketing programs in organizations.

References

- Ahmed, P.K., & Rafiq, M. (2003). Commentary Internal marketing issues and challenges. *European Journal of Marketing*, 37(9), 1177-1186.
- Ahmed, P.K., Rafiq, M., & Saad, N. (2003). Internal marketing and the mediating role of organisational competencies. *European Journal of Marketing*, 37(9), 1221-41.
- Awwad, M.S., & Agti, D.A.M. (2011). The impact of internal marketing on commercial banks' market orientation. *International Journal of Bank Marketing*, 29(4), 308-332.
- Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51, 1173-1182.
- Berry, L.L., Hensel, J.S., & Burke, M.C. (1976). Improving retailer capability for effective consumerism response. *Journal of Retailing*, 52(3), 3-14.
- Boshoff, C., & Tait, M. (1996). Quality perceptions in the financial services sector: the potential impact of internal marketing. *International Journal of Service Industry Management*, 7(5), 5-31.
- Bouranta, N., Mavridoglou, G., & Kyriazopoulos, P. (2005). The impact of internal marketing to market orientation concept and their effects to bank performance. *Operational Research: An International Journal*, 5(2), 349-62.
- Brady, N. (2004). In search of market orientation: An experiment in key account management. *Marketing Intelligence & Planning* 22(2), 144-159.
- Budhwar, P.S., Varma, A., Malhotra, N., & Mukherjee, A. (2009). Insights into the Indian call centre industry: can internal marketing help tackle high employee turnover? *Journal of Services Marketing*, 23(5), 351-362.
- Caruana, A., & Calleya, P. (1998). The effect of internal marketing on organizational commitment among retail bank managers. *International Journal of Bank Marketing*, 16 (3), 108-16.
- Chang, C.S., & Chang, H.C. (2009). Perceptions of internal marketing and organizational commitment by nurses. *Journal of Advanced Nursing*, 65(1), 92-100.
- Cichy, R.F., Cha, J.M., & Kim, S.H. (2009). The relationship between organizational commitment and contextual performance among private club leaders. *International Journal of Hospitality Management*, 28, 53-62.
- Christopher, M.G., Payne, A., & Ballantyne, D.F. (1991). *Relationship Marketing: Bringing Quality, Customer Service and Marketing Together*, Butterworth Heinemann/CIM, Oxford and Stoneham, MA.
- Conduit, J., & Mavondo, F.T. (2001). How critical is internal customer orientation to market orientation? *Journal of Business Research*, 51, 11- 24.
- Day, G. S., & Wensley, R. (1988). Assessing advantage: a framework for diagnosing competitive. *Journal of Marketing* 52(2), 1-20.
- Deng, S., & Dart, J. (1994). Measuring market orientation: a multi-factor, multi-item approach. *Journal of Marketing Management* 10(8), 725-42.
- Donavan, D.T., Brown, T.J., & Mowen, J.C. (2004). Internal Benefits of Service-Worker Customer Orientation: Job Satisfaction, Commitment, and Organizational Citizenship Behaviors. *The Journal of Marketing*, 68(1), 128-146.
- Dunne, A.P., & Barnes, G.J. (2000). Internal marketing – a relationship and value-creation view, in Varey, J.V. and Lewis, R.B. (Eds), *Internal Marketing: Directions for Management*, Routledge, London.
- Farrell, M.A., Oczkowski, E., & Kharabsheh, R. (2008). Market orientation, learning orientation and organizational performance in international joint ventures. *Asia Pacific Journal of Marketing and Logistics*, 20 (3), 289-308.
- Farzad, A., Nahavandi, N., & Caruana, A. (2008). The effect of internal marketing on organizational commitment in Iranian banks. *American Journal of Applied Sciences*, 5(11), 1480-6.
- Gonzalez-Benito, O., Gonzalez-Benito, J., & Munoz-Gallego, P. (2009). Role of entrepreneurship and market orientation in firms' success. *European Journal of Marketing*, 43(3), 500-22.
- Gro'nroos, C. (1990). *Service Management and Marketing-Managing the Moments of Truth in Service Competition*, Lexington Books, Lexington, MA.
- Harris, L. C. (2000). Organizational barriers to developing marketing orientation. *European Journal of Marketing* 34(5/6), 598-624.
- Hartline M.D., & Ferrell O.C. (1996). The management of customer-contact service employees: an empirical investigation. *Journal of Marketing*, 60, 52- 70.
- Heiens, R. A. (2000). "Market orientation: toward an integrated framework." *Academy of Marketing Science Review* 1: 1-4, Retrieved from <http://www.amsreview.org/amsrev/forum/heiens01-00.html>
- Helgesen, O., Nettet, E., & Voldsund, T. (2009). Marketing perceptions and business performance. *Marketing Intelligence & Planning*, 27(1), 25-47
- Homburg, C. & Pflesser, C. (2000). A multiple-layer model of market-oriented organizational culture: measurement issues and performance outcomes. *Journal of Marketing Research* 37(4), 449.
- Hung, J., & Lin, T. (2008). The investigation on the internal marketing practices of the international tourism hotel chains. *Journal of International Management Studies*, pp. 170-6.
- Hunt, S. D., & Morgan, R. M. 1995. The comparative advantage theory of competition. *Journal of Marketing*, 59(2), 1-15.
- Iverson, D. R., McLeod, S. C., & Peter J. Erwin, P. J. (1996). The role of employee commitment and trust in service relationships. *Marketing Intelligence & Planning* 14(3), 36-44
- Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: antecedents and consequences. *Journal of Marketing*, 57, 53-70.
- Jime'nez-Jime'nez, D., & Cegarra-Navarro, G.J. (2007). The performance effect of organizational learning and market orientation. *Industrial Marketing Management*, 36, pp. 694-708.

- Jones, E., Busch, P., & Dacin, P. (2003). Firm market orientation and salesperson customer orientation: interpersonal and intrapersonal influences on customer service and retention in business-to-business buyer-seller relationships. *Journal of Business Research*, 56, 323-40.
- Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: the construct, research propositions and managerial implications. *Journal of Marketing*, 54(2), 1-18.
- Kohli, A. K., Jaworski, B. J., & Kumar, A. (1993). Markor: a measure of market orientation. *Journal of Marketing Research*, 30(4), 467-77.
- Kuruville, S., & Iverson, R. D. (1993). A confirmatory factor analysis of union commitment in Australia. *Journal of Industrial Relations*, 35(3), 436-52.
- Kyriazopoulos, P., Yannacopoulos, D., Spyriadakos, A., Sisoko, M., & Grigoroudis, E. (2007). Implementation internal marketing through employees' motivation, POMS 18th Annual Conference, Dallas, Texas, USA, pp. 1-36.
- Lichtenthal, J. D., & Wilson, D. T. (1992). Becoming market oriented. *Journal of Business Research*, 24(3), 191-207.
- Lings, I.N. (2004). Internal market orientation constructs market orientation. *Journal of Business Research*, 57, 405-13.
- Martin, J. H., Martin, B. A., & Grbac, B. (1998). Employee involvement and market orientation in a transition economy: importance, problems and a solution. *Journal of Managerial Issues*, 10(4), 485-502.
- Mehra, S., Joyal, A.D., & Rhee, M. (2011). On adopting quality orientation as an operations philosophy to improve business performance in banking services. *International Journal of Quality & Reliability Management*, 28(9), 951-968.
- Meyer, J.P., & Allen, N.J. (1991). A three-component conceptualization of organizational commitment. *Human Resource Management Review*, 1(1), 61-89.
- Mohr-Jackson, I. (1991). Broadening the market orientation: An added focus on internal customers. *Human Resource Management*, 30, 455-467.
- Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58(3), 20-38.
- Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, 54(4), 20-35.
- Naude, P., Desai, J., & Murphy, J. (2003). Identifying the determinants of internal marketing orientation. *European Journal of Marketing*, 37(9), 1205-20.
- Nunnally, J.C., & Bernstein, I.H. (1994). *Psychometric Theory* (3rd ed.). McGrawill, Inc. New York, NY.
- Panigyrakis, G.G., & Theodoridis, P.K. (2009). Internal marketing impact on business performance in a retail context. *International Journal of Retail & Distribution Management*, 37 (7), 600-628.
- Pitt, L., Caruana, A., & Berthon, P. R. (1996). Market orientation and business performance: some European evidence. *International Marketing Review*, 13(1), 5-18.
- Qu, R. (2009). The impact of market orientation and corporate social responsibility on firm performance: evidence from China. *Asia Pacific Journal of Marketing and Logistics*, 21(4), 570-82.
- Sekaran, U. (2004). *Research Methods for Business: A Skill Building Approach* (4th ed.). John Wiley and Sons, New York, NY.
- Sheng, C.C., & Hsin, C.H. (2007). Effects of Internal Marketing on Nurse Job Satisfaction and Organizational Commitment: Example of Medical Centers in Southern Taiwan. *Journal of Nursing Research*, 15(4), 243-335.
- Siguaw, J. A., Simpson, P., & Baker, T. L. (1996). *Conceptualizing the influence of the market orientation on channel relationships*. Paper presented at the American Marketing Association Summer Educators' Conference, Chicago.
- Silva, M., Moutinho, L., Coelho, A., & Marques, A. (2009). Market orientation and performance: modeling a neural network. *European Journal of Marketing*, 43(3), 421-37.
- Sivaramakrishnan, S., Zhang, D., Delbaere, M., & Bruning, E. (2008). The relationship between organizational commitment and market orientation. *Journal of Strategic Marketing*, 16(1), 55-73.
- Slater, S. F., & Narver, J. C. (1994). Does competitive environment moderate the market orientation-performance relationship? *Journal of Marketing*, 58(1), 46-55.
- Subramanian, R., Kumar, K., & Strandholm, K. (2009). The role of organizational competencies in the market-orientation-performance relationship: an empirical analysis. *International Journal of Commerce and Management*, 19(1), 7-26.
- Tortosa, V., Moliner, M.A., & Sánchez, J. (2009). Internal market orientation and its influence on organizational performance. *European Journal of Marketing*, 43(11/12), 1435-1456
- Tsai, C.C. (2008). *The relationships among internal marketing, job satisfaction, relationship marketing, customer orientation, and organizational performance: an empirical study of TFT-LCD companies in Taiwan* (unpublished Master's thesis). National Cheng King University, Taipei.
- Tsai, Y., & Wu, S.W.S. (2006). Internal marketing, organizational commitment and service quality. *IEEE-Xplore*, 1-7.
- Van Raaij, E., & Stoelhorst, J. (2008). The implementation of a market orientation: a review and integration of the contributions to date. *European Journal of Marketing*, 42(11/12), 1265-93.
- Venkatraman, N., & Ramanujam, V. (1986). Measurement of business performance in strategy research: A comparison of Approaches. *The Academy of Management Review*, 11(4), 8801-814.
- Voola, R., Casimir, G., & Haugen, H. (2003). *Leadership styles, internal marketing, and market orientation: conceptualizing the relationships*. ANZMAC Conference Proceedings Adelaide, pp. 1-7.
- Waris, R.G. (2005). *An examination of organizational culture, employee attitudes, and organizational citizenship behaviors: a path analysis approach* (unpublished submitted in partial fulfillment of the requirement for the degree of Doctor of Philosophy). University of Missouri-Kansas City, MO.
- Webster, F. E. (1992). The changing role of marketing in the corporation. *Journal of Marketing*, 56(4), 1-17.
- Wright, N. D., Pearce, J. W., & Busbin, J. W. (1997). Linking customer service orientation to competitive performance: does the marketing concept really work? *Journal of Marketing Theory and Practice*, 5(4), 23-34.