Effect of internal Market Orientation on Organizational Commitment: 
Applied Study at Algerian Hotels

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Abstract:
This paper aims to examine the level of internal market orientation IMO as seen from the perspective Algerian hotels’ employees, and its effect on their organizational commitment. The study is based on primary research conducted with data gathered from 341 employees of Algerian Hotels. The results indicate that all the three components of market orientation mentioned above determine the IMO level. Furthermore, the continuous emphasis on IMO by internal suppliers results in organizational commitment especially the third components’ response. The Study recommendations are also purposed.

Keywords: Internal market; commitment; Algerian Hotels.

Jel Classification Codes : M1 ; M12

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I. Introduction:

Marketing is a term usually reserved for the process of marketing a product, service, or idea to the final consumer outside the firm. It could be argued, however, that marketing also takes place within an organization, as what called the internal marketing (Suter, 2004). And the employees are a particularly important participant in the formulation of the image that customers get in relation to the offered service. Because of the importance of this interaction with the customer, employees have to communicate effectively the quality standards of their organization to new starters (Kyriazopoulos, Spyriadakos, Sisoko, & Grigoroudis, 2007), this required an commitment from those employees. Organizational commitment plays a central role in the management literature, particularly in organizational behavior research, which argues that organizational commitment is probably one of the most important keys to success. And the internal marketing is based on the notion that organizations providing secure employment are committed to their workforce (Tsai & Wu., 2006).

The 1970s introduced internal marketing as a solution for the companies that sought to offer superior customer service. After 30 years though, internal marketing practice remains limited, probably because their majority lack the proper underlying philosophy (Gounaris, 2006). Also the importance of contact personnel in the delivery of services is illustrated by the general acceptance that during the service encounter, customers base their impressions of the firm on the performance of customer contact personnel (Lings, 2004), and this important needs to implement the internal marketing philosophy within the organization. Several researchers attempted to provide the concept of internal marketing with more clearly and motive the organizations to adopt it, as a results arise the internal market orientation which represent the adaptation of a market orientation to the context of employer-employees exchange in the internal marketing (Lings & Greenly, 2005). Also (Piercy & Morgan, 1991) suggested that the internal marketing program may be seen as a direct parallel to the conventional external marketing program, using the same concepts and elements, and the same process of customer and segment targeting.

So we can formulate the following problem: Is internal market orientation model’ measurement of Linkgs validly in Algerian’ hotels, and what the degree of its effect on employees commitment?

1. Internal Market Orientation

Marketing, according to the traditional view, focuses on external customers, rather than paying attention to the organization’s employees as “internal” customers (Varnai & Fojtik, 2008). However, internal marketing is considered to be the application of marketing like tools to the employee market inside the firm (Lings I., 2004). Internal marketing consists of effort by the organization to train and motivate its employees to serve its clients well. It is more of a management function than a marketing one, but is called “marketing,” because it is an essential component of, and a necessary precondition to, the marketing campaign of any service organization (Cooper & Cronin, 2000). This concept was developed originally in the area of services marketing, where its application has been primarily in identifying training needs and culture problems at the point-of-sale of services like banking, public transport, hotels, and the like (Piery & Morgan, 1991).

(Pitt & Foreman, 1999) provide a matrix that presents four different aspects of the concept of Internal Marketing depending on who is the customer and who is the marketer: type 1: the marketer
is a department and the customer is another department. Type 2: the marketer is the organization and the customer is the department. Type 3: the marketer is a department and the customer is the organization. Type 4: the organization is both the marketer and the customer.

Clearly, existing scholar work in internal marketing is significant. However very few organizations use IM in practice (Rafiq & Ahmed, 2000). The absence of a single, unified, concept of what IM is and can do for the company may be one reason for the limited use of IM (Gounaris, 2006). The internal market orientation is a concept which has more agreement about its definition and it has been a supported culture to internal marketing. (Gounaris, 2006) suggested through IMO adoption, IM strategies become more effective and this strengthens its competitive position in the external market. Internal market orientation represents the synthesis of specific beliefs with specific ‘marketing-like’ behaviors (Gounaris, 2006). As the internal marketing philosophy based on the notion of an internal customer which suggests that every employee is both a supplier and a customer to other employees within the organization (Conduit & Mavondo, 2001), the internal market orientation is based on internal customer orientation. (Conduit & Mavondo, 2001) believe that internal customer orientation should be part of an organizational culture, and guide the attitudes and behaviors of organization members to deliver quality to other employees.

(Lings & Greenly, 2005) suggested that the internal marketing uses a marketing perspective for managing an organization’s human resources, and this has led to operationalization of internal marketing that directly reflect those of external marketing, they add that the market orientation is a most appropriate operationalization of marketing, in this side the market orientation can be modified to the context of employer—employee exchanges in the internal market and develop an internal market orientation model.

In general, an internal market orientation crosses human resource management and marketing functional boundaries (Varnai & Fojtik, 2008).

To measure the internal market orientation IMO there are three main pillars: collecting relevant internal-market intelligence, disseminating this intelligence between employees and supervisors, and responding to this intelligence with appropriate IM strategies (Gounaris, 2006).

(Lings I., 2004) normatively describes these three pillars in detail. The first is internal-market intelligence collection relates with activities pertaining to collecting intelligence regarding the employee market. An important factor, relevant to generating information pertinent to the internal market, is competition in the employment market, in particular, the range of firms competing for employees with the same skills. Second is dissemination of this intelligence relates to the communication between, on one hand, managers and employees and, on the other, between managers from different departments and hierarchical levels. The purpose of this communication is two-fold: The first objective is to communicate new marketing strategies and company strategic objectives to employees. This type of communication flows through internal mass media (e.g. newsletters or memos). The second objective is to build an understanding of the employees’ needs between the company’s managers. Finally, responsiveness to this intelligence pertains to designing jobs that meet the needs of the employees, adjusting the remuneration schemes accordingly, making the company’s management more considering with regard to the employees’ needs and offering them the necessary training in order to develop the skills and capabilities that their job description requires.
Although (Lings I., 2004) establishes his approach about the internal market orientation based on the Kohli, A. K. and Jaworski, B. J. (1990) scale of market orientation (market intelligence pertaining to customer needs, dissemination of intelligence across departments and organization responsiveness to intelligence); an alternative measurement of internal market orientation can adopted through used the Narver, J.C., Slater, S.F., (1990) scale of market orientation (customer orientation, competitor orientation and inter-functional coordination) and we can define four main elements of internal market orientation: internal customer orientation and internal customer satisfaction; Employees conflict and employees competitive; Implementation of corporate and functional strategies; Inter-functional co-ordination and integration.

2. Organizational commitment:

   The commitment is the state of intellectual and emotional adherence to some political, social or religious theory or action or practice or “the state of being obligated or bound” (as by intellectual or emotional ties) or “engagement or involvement” (Jarvi, 1999).

   According to (Allen, 2003) employees commitment refers to the emotional commitment of individuals that helps organizations achieve their objectives. Organizational commitment is loyalty to the organization and mobilization of all employees in the development of its goals, purposes, and infrastructure (Kim, Leong, & Lee, 2005).

   (Meyer & Allen, 1991) developed a three-component theory of commitment to include not only affective commitment, but also continuous commitment and normative commitment. Affective commitment: refers to the employee state of emotional attachment to the organization and is especially sensitive to work experiences such as organizational support (Meyer, Stanley, Herscovich, & Topolnytsky, 2002). This emotional response has also been described as a linking of the individual identity with the identity of the organization and as an attachment to the organization for its own sake, apart from its purely instrumental worth; it results in a situation where the employee wants to continue his or her association with the organization (Dawley, Stephens, & Stephens, 2005). Normative commitment: refers to an employee's belief that he or she ought to stay with the organization and develop, as a result of socialization experiences that emphasize the appropriateness of remaining loyal to one’s employer (Griffin & Hepburn, 2005). (Namasivayam & Zhao, 2007) describe normative commitment as, the result of both pre-entry (familial and cultural) and post-entry (organizational) socialization processes. Finally Continuance commitment: might consist of two sub-constructs—one based on the degree of personal sacrifice associated with leaving the organization (Dawley, Stephens, & Stephens, 2005), and the other based on individuals’ recognition of the availability of alternatives if they were to leave the organization, often referred to as ‘“sunk costs”’ (Namasivayam & Zhao, 2007).

3. Research model and hypotheses:

   (Naudé, Desai, & Murphy, 2003) suggested that organizational commitment was determinant of internal market orientation, they believe that the employees who identify themselves strongly with an organization and have a low propensity to leave, obviously have a very positive view of the organization and its standing in the market place. Whereas (Conduit & Mavondo, 2001) proposed that employees exhibiting an existing strong commitment to the organization are more inclined to accept the organization’s objectives and values, including internal customer orientation and market orientation, and adopt them as their own. These disagreement about the nature relationship between
internal market orientation and organizational commitment resulting to the disagreement whether the organizational commitment is a consequence or an antecedent of market orientation, from the researchers who examined this relationship, like (Caruana, Ramaseshan, & Ewing, 1997) which examined the relationship between MO and OC through using the three components of OC (affective commitment, normative commitment, and continuance commitment) and the three dimensions for MO (information generation, information gathering and responsiveness). He found that there is a direct link between market orientation and organizational commitment and more specifically between the responsiveness dimension of MO and the affective component of OC. According to (Sivaramakrishnan, Zhang, Delbaere, & Bruning, 2008), Jaworski and Kohli argue that the adoption of a market orientation enhances organizational commitment and make it unmistakably clear that organizational commitment is a direct consequence of market orientation.

Except the previous studies there is no other study examined directly the relationship between internal market orientation and organizational commitment. The other research argue that organizational commitment was a consequence of internal marketing from those researchers, (Caruana & Calleya, The effect of internal marketing on organizational commitment among retail bank managers, 1998) which assure that there is a relationship between internal marketing and organizational commitment and the relationship of internal marketing is most significant with the affective dimension of organizational commitment. Also (Bansal, Mendelson, & Sharma, 2001) suggested that some authors have alluded to internal marketing practices and labeled them in many ways including high involvement practices, high commitment systems, and high performance work systems; and he added that internal marketing practices are aimed at attracting and retaining the most qualified and committed employees for the organization. (Tsai & Wu., 2006) suggested that hospital administrators can enhance their internal marketing activities to improve employee perceptions of organizational commitment. Also (Kyriazopoulos P. Y., 2007) examined the adoption of the IM concept from Bank’s branches, and they found that internal marketing has a positive effect on organizational commitment, and they confirm that private Banks employees are more commitment to their organization than the public banks’ employees. In addition (Hung & Lin, 2008), suggested that employee’s perception in the managerial system of the internal marketing (Encouragement, educational and training, communication, and management support) has a positive effect on organizational commitment (affective commitment, normative commitment, and continuance commitment of Taiwan International Hotel Industry.

This study investigates the direct influence of internal market orientation on organizational commitment. And The following relationships are hypothesized, based on above literature review.

H1: Internal market research (identify exchanges of value, external employees market conditions, segment internal market, and strategies for each segment) has a positive direct effect on organizational commitment.

H2: Communications (between management and employees and between managers about needs and wants of employees) has a positive effect on organizational commitment.

H3: Response (bonus and salary system, management consideration, and training) has a positive effect on organizational commitment.

So we can present the study model in the figure (1).
II– Methods and Materials:

1. Research Design

This research starts with a literature review and developed questions from the already existing theories, which later is compared with the reality and the main idea is drawn from already existing theories within the research area (Yin, 2003) therefore, this research is of deductive nature. The methodological approach that employed in this study is a quantitative approach which is used to collect data in numerical form and measure and analyze the effect of IMO on OC. The purpose of this method is to examine either relationships or cause and effect; it requires large samples examined through instruments that tests a theory created prior to the study (Davis, 2005). It is dominate the study as it was relevant and a structured method of data collection was utilized by means of a questionnaire, and it is reports statistical results presented with number (Mnisi, 2005).

Budget and time constraints demand that a cross-sectional design be used for this research.

2. Research Sample:

The number of survey questionnaires distributed to Algerian Hotels was 500 questionnaires. Of the distributed questionnaires, 343 were successfully returned. After the data cleaning process, 2 cases were deleted because the hotels’ employees had not completed the questionnaire properly. Finally, 341 effective questionnaires were analyzed in this study, at 68.2% response rate. Table (1) shown distribution of questionnaires according to name of the Hotel.

Budget and time constraints demand used a convenience sample from a set of Algerian hotel’s employees.

3. Variables measurement:

Operational definitions of variables measured in this study were borrowed and were slightly modified from previous studies these definitions are presented in Table (2).

4. Instrument Reliability and Validation:

4.1 Reliability:

Reliability is the extent to which an experiment, test, or any measuring procedure yields the same result on repeated trials. Cronbach’s alpha as a coefficient of reliability measures how well a set of items (or variables) measures a single one-dimensional latent construct. If the value of Cronbach’s alpha for each construct would be more than 0.7, the construct is accepted, otherwise it would be rejected. For the alphas less but near to 0.7, it may possible to be accepted (Saunders, Lewis, & Thornhill, 2003).

Reliability of the measures in this study was first assessed using Cronbach’s coefficient alpha and then using confirmatory factor analysis (CFA). As the alpha values Table (3) for all the constructs in our study are greater than the guideline of .70, we conclude that the scales can be applied for the analysis with acceptable reliability.

In using confirmatory factor analysis, composite reliability (CR) and average variance extracted (AVE) were calculated from model estimates using the CR formula and AVE formula given by (Fornell & Larcker, 1981), (Bagozzi & Yi, 1988) recommended that CR should be equal to or greater than .60, and AVE should be equal to or greater than .50. Based on these assessments, measures used within this thesis were within the acceptable levels supporting the reliability of the constructs Table (3).
4.2 Validity:

According to (Zikmund, 2003), validity means “the ability of a scale to measure what intended to be measured” Construct validation includes content, convergent and discriminate validities (Antonio, Yam, & Esther, 2007). A Confirmatory Factor Analysis (CFA) has also been used to assess construct validity of the prior factor structures.

Content validity or face validity is a non-statistical assessment of validity which is ensured by expert judgment or through an extended literature search. In view of their suggestions, several adjustments were incorporated into the instrument with the inclusion of some new questions that greatly improved clarity. The derived instrument was then tested for reliability.

Based on (CFA) and the face validity the researchers assure the internal validity of internal market orientation model of Lings which adopted in this study.

III- Results and discussion:

1. Assessment of Normality

Before running the model, the researcher inspected the data for any possible abnormalities. The reported values of skewness and kurtosis would indicate if there were normality and outlier problems that may influence the covariance matrix and the results.

The skew index ranges from 0.241 to 0.630 and kurtosis index ranges from -0.038 to 1.338 (Table 4). Following (Antonio, Yam, & Esther, 2007) recommendation that the skew and kurtosis indices should not exceed an absolute value of 3 and 10 respectively, the data in this study is regarded as normal.

2. Testing the Hypotheses

The table (5) has shown the direct effect of dimensions of Internal Market Orientation on organizational commitment; in term of affective, normative and continuance commitment.

H1: specifies that internal market research has a positive direct effect on organizational commitment. This hypothesis is verified (with β coefficient = 0.195; t = 3.459). It shows that the higher identify exchanges of hotel’s value, external employees’ market conditions, segment internal market, and strategies for each segment would lead to higher employees’ commitment. As a result, H1 was approved.

H2: specifies that communications has a positive direct effect on organizational commitment. This hypothesis is verified (with β coefficient = 0.197; t = 4.535). It shows that the more communications between management and employees and between managers about needs and wants of employees lead to higher employees’ commitment. As a result, H2 was approved.

H3: specifies that response has a positive direct effect on organizational commitment. This hypothesis is verified (with β coefficient = 0.420; t = 7.560). It shows that the efficient hotel response through bonus and salary system, management consideration, and training lead to higher employees’ commitment. As a result, H3 was approved.

3. Recommendations

If, as the literature suggests, Internal market orientation plays a key role in organizational profitability, then practitioners in Algerian Hotels require a clear understanding of its antecedents in order to implement this philosophy.
The results of this study are important for managers who would like to gain a competitive advantage in market place. It has been suggested that in order for a Hotel to be more competitive, managers need to transform their Hotels’ internal market orientation into a learning environment.

The managers who are concerned with monitoring and improving external customer satisfaction need to develop their employee's competence in order to act as part-time marketers for the Hotel. The key for employee's competence is internal market orientation.

To achieve more employees’ attachment to the hotel, the managers must response to their needs by the salary system or other HRM practices.

Managers who do not believe in the basic tenets of these business philosophies (internal market orientation, organizational commitment) are unlikely to either make the effort to understand the wishes of employees or to be flexible enough to seek win–win solutions to designing jobs that meet the needs of employees, as well as the requirements of the hotel.
References:


Suter, T. (2004). The Integration of Internal Marketing Into the Organizational Culture of Service Firms. *The Integration of Internal Marketing Into the Organizational*, 1-5.


Appendix:

Table (1) : Distribution of questionnaires According to Name of the Hotel

<table>
<thead>
<tr>
<th>Name of hotel</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALMAHRI</td>
<td>23</td>
</tr>
<tr>
<td>ALWAHAT</td>
<td>28</td>
</tr>
<tr>
<td>SRTA</td>
<td>27</td>
</tr>
<tr>
<td>ELBAY</td>
<td>30</td>
</tr>
<tr>
<td>STIFIS</td>
<td>16</td>
</tr>
<tr>
<td>ELHIDEB</td>
<td>13</td>
</tr>
<tr>
<td>ELWANSHARIS</td>
<td>26</td>
</tr>
<tr>
<td>TOTAL</td>
<td>341</td>
</tr>
</tbody>
</table>

Source : Prepared by the researchers

Table (2): Operational Definitions

<table>
<thead>
<tr>
<th>Variables</th>
<th>Dimension Measurement</th>
<th>Sources</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational commitment</td>
<td>Affective Commitment, Normative Commitment, Continuance Commitment.</td>
<td>Meyer and Allen, 1990</td>
<td>1-14</td>
</tr>
<tr>
<td>Internal Market Orientation</td>
<td>Internal Market Research (identify exchanges of value, external employees market conditions, segment internal market, and strategies for each segment), Communications (between management and employees and between managers about needs and wants of employees), Response (bonus and salary system, management consideration, and training).</td>
<td>Lings, 2004</td>
<td>15-24</td>
</tr>
</tbody>
</table>

Source : Prepared by the researchers

Table (3) : Results for the Measurement Model*

<table>
<thead>
<tr>
<th>Construct</th>
<th>AVE</th>
<th>CR</th>
<th>Cronbach’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Market Orientation (IMO)</td>
<td>.78</td>
<td>.63</td>
<td>.752</td>
</tr>
<tr>
<td>Internal Market Research (IMR)</td>
<td>.70</td>
<td>.86</td>
<td>.830</td>
</tr>
<tr>
<td>Communications (C)</td>
<td>.71</td>
<td>.68</td>
<td>.782</td>
</tr>
<tr>
<td>Responses (R)</td>
<td>.69</td>
<td>.72</td>
<td>.726</td>
</tr>
<tr>
<td>Organizational Commitment (OC)</td>
<td>.82</td>
<td>.74</td>
<td>.781</td>
</tr>
</tbody>
</table>

Source : Prepared by the researchers based on SPSS outputs

Table (4) : Assessment of Normality

<table>
<thead>
<tr>
<th>Variables</th>
<th>skew</th>
<th>kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment (OC)</td>
<td>.565</td>
<td>.367</td>
</tr>
<tr>
<td>Internal Market Research (IMR)</td>
<td>.437</td>
<td>-0.038</td>
</tr>
<tr>
<td>Communications (C)</td>
<td>.241</td>
<td>-1.78</td>
</tr>
<tr>
<td>Responses (R)</td>
<td>.396</td>
<td>-0.062</td>
</tr>
<tr>
<td>Internal Market Orientation (IMO)</td>
<td>.630</td>
<td>1.338</td>
</tr>
</tbody>
</table>

Source : Prepared by the researchers based on SPSS outputs
Table (5) : Regression Analysis

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>β Coefficients</th>
<th>t-Value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMR -&gt; OC</td>
<td>0.195</td>
<td>3.459***</td>
<td>0.000</td>
</tr>
<tr>
<td>C -&gt; OC</td>
<td>0.197</td>
<td>4.535***</td>
<td>0.001</td>
</tr>
<tr>
<td>R -&gt; OC</td>
<td>0.420</td>
<td>7.560***</td>
<td>0.000</td>
</tr>
</tbody>
</table>

*** p< .001, ** p<.01, * p<.05, based on two-tailed test ; t (p< .001) = 3.29 ; t (p< .01) = 2.58 ; t (p< .05) =1.96

Source : Prepared by the researchers based on SPSS outputs

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