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AN EMPIRICAL STUDY ON THE EFFECT OF INTERNAL MARKET ORIENTATION ON FIRM PERFORMANCE: THE CASE OF COMMERCIAL BANKS IN GHANA

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ABSTRACT*: This paper provides empirical evidence on the effect of internal market orientation on the performance of commercial banks in Ghana. We adopt a quantitative research approach to analyse the relationship between internal market orientation and firm performance. A sample size of 136 marketing and human resource personnel of 15 randomly selected commercial banks in Ghana is used. Pearson's correlation test and ordinary least square regression are used in data analysis. A strong positive relationship between internal market orientation and firm performance is found, r (131) = .863, p < .05. Similarly, internal market orientation significantly predicts firm performance at 5% significance level (t = 19.37, p = .000), with a variation of 74.4% accounted by internal market orientation. This implies that the performance of commercial banks is not limited to external marketing activities. Based on this evidence, commercial banks are expected to improve the effectiveness of their internal marketing endeavours to better leverage external market opportunities.*

KEYWORDS: Marketing, services triangle model, internal marketing, internal market orientation, firm performance

INTRODUCTION

One of a business's utmost goals is to achieve desired service/product quality and customer satisfaction. To achieve the desired service/product quality and customer satisfaction levels, they often deploy much resource in integrating with the marketplace where their service/products are promoted, sold and grown. Marketers and businesses focus on the marketplace in view of a general hallmark that accompanies marketing: customers are the most valuable assets to the business (Kotler & Armstrong, 2006; 2010). Since customers are in the marketplace, some are of

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the view that it is better for the marketer or business to focus its attention on external and interactive marketing. In practice, however, success in a business's market depends on the nature of its internal marketing.

In this context, internal marketing would be better understood when explained alongside external and interactive marketing. In external marketing, the goal is to set promises to customers and potential customers (Anosike & Ahmed, 2006; Ahmad et al. 2012). External marketing operates on three basic aims (Ahmed et al., 2012; Bempong, 2014): (1) marketing to customers and potential customers; (2) pricing strategy, promotional activities, and all communications with customers; and (3) implementation of activities to capture the attention of the market and arouse interest in the service. It is therefore apparent that external marketing largely involves delivering brand-related promises to customers and the public. Internal marketing, on the other hand, deals with honouring and offering the promises made in external marketing (Anosike & Ahmed, 2006; Ahmad et al. 2012; Bempong, 2014). With internal marketing, the business shapes its human resources and the environment in which they are found to trigger their ability to develop and implement policies for external and interactive marketing activities (Bellaouaied & Gam, 2004; Bempong, 2014). Logically therefore, the primary objective in internal marketing is to market to employees.

Marketing to employees is synonymous to using business resources and human resource strategies to develop competent and motivated marketing and sales team (Anosike & Bempong, 2014). Since employee motivation is naturally influenced by the work environment, internal marketing plays a major role in shaping the desired internal work environment. Broadly speaking, internal marketers aim at establishing congenial work environments defined by employee motivation and productivity (Lings & Gordon, 2009; Bempong, 2014).

Empirical studies (e.g. Lings & Gordon, 2009; ELSamen & Alshurideh, 2012; Eris & Ozmen, 2012; etc.) have shown that the effectiveness and outcomes of external marketing and interactive marketing depend on internal marketing. Invariably, the effectiveness and outcomes of external and interactive marketing depend on how well the internal market environment is structured, especially at the levels of employee motivation and competency (Lings & Gordon, 2009; ELSamen & Alshurideh, 2012). If employees are regularly trained on the basis of their job roles and given satisfactory compensation, then internal marketing would be expected to positively affect external and interactive marketing, service quality, customer satisfaction and the firm's growth. Yet, there are many other determinants of internal marketing effectiveness, examples being recruitment and selection, work condition, nature of work environment, to mention but a few.

Upon surveying related studies on this subject, we realised that researches to date do not provide evidence on the effect of internal marketing on firm performance. The bulk of related studies have been limited to the relationship between internal marketing and external marketing, service quality, customer satisfaction and customer loyalty. We are however of the view that this

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relationship must be extended to firm performance since every business expects its marketing practice to eventually impact its performance. Also, not all positive effects on external and interactive marketing, service quality and customer satisfaction would necessarily promote firm performance. Therefore there is the need to identify how internal marketing affects business performance. The fact that a limited number of studies (e.g. Bellaouaied & Gam, 2004; Lings & Gordon, 2009; Boohene et al., 2012; Eris & Ozmen, 2012; Vazifehdoost et al., 2012; Zaman et al., 2012; Chin et al., 2013) could provide evidence on the effect of interactive marketing on the performance of firms is therefore a major gap in the literature of the subject.

We hereby conduct this study to examine the relationship between internal marketing and firm performance using commercial banks in Ghana. We have limited the study to commercial banks as a result of how limited our resources are and the fact that we would not have been able to cover other sectors with the little resource available to us. Moreover, the commercial banking sector in Ghana is the most dominant sector in terms of services and internal marketing. Also, access to needed data in other sectors, unlike the banking sector, was weakly guaranteed.

OBJECTIVE OF THE RESEARCH

This paper analyses the relationship between internal market orientation and the performance of commercial banks in Ghana. The paper contributes to academic debate on this subject and improves the public's understanding of the relevance of internal market orientation to firm performance. In this paper, we seek to justify the need for managements to give priority to internal market orientation in efforts to achieve external marketing goals and firm performance.

LITERATURE REVIEW

Indisputably, firms need to give priority to customer satisfaction because their existence and growth is driven by it. Yet firms cannot become customer-centric while their internal marketing becomes deficient. This is as a result of the theoretical and empirical evidence which indicates that service quality perceptions, customer satisfaction and loyalty have their root in internal marketing (Kotler & Armstrong, 2010; Anosike & Ahmed, 2006). In view of this we may argue that external marketing deserves no priority over internal marketing. Why is this case?

The service triangle model clearly expresses the dependence of external marketing and interactive marketing on internal marketing (Kotler & Armstrong, 2006; Bempong, 2014). Moreover, Anosike & Ahmed (2006) and Ahmad et al. (2012) are of the view that external marketing outcomes (including service quality, customer satisfaction and loyalty) are only a mirage without internal marketing. Similarly, it is misleading to strive for customer satisfaction when internal customers of the firm (i.e. employees) are not satisfied. It is therefore argued that the implementation of a firm's marking strategy should start from within the organisation. Yet, the effect of internal marketing depends on how it is practiced.

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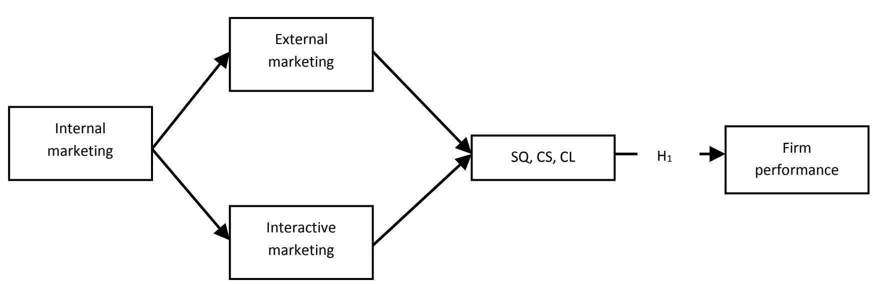
According to Bansal, Mendelson, & Sharma (2001), internal marketing practice has six dimensions: (1) employment assurance; (2) broad training; (3) abundant salary determined according to organizational performance; (4) information sharing; (5) employee empowerment, and (6) reducing differences in rank. Conduit & Mavondo (2001) also categorised the internal marketing activity into various perspectives, which include education and training, management support, internal communication, external communication and human resource management and so on. While these dimensions are relevant to the positive effect of internal marketing on external marketing, interactive marketing and their outcomes such as service quality and customer satisfaction, our interest is its effect on firm performance.

After a careful survey of related studies, we realised that much research work has been done on the services triangle model, which technically expresses the relationships among internal, external and interactive marketing. Studies have also been conducted to reveal the effect of each side of the service triangle model on service quality (e.g. ELSamen & Alshurideh, 2012; Chin & Ramayah, 2013; Bempong, 2014; etc.), customer satisfaction (e.g. Chin & Ramayah, 2013; Bempong, 2014; etc.) and customer loyalty (e.g Chin & Ramayah, 2013; Bempong, 2014; etc.). There are common evidences that point to the dependence of external and interactive marketing on internal marketing (Bempong, 2014). There are also strong empirical backings for the effect of internal marketing on service quality, customer satisfaction and customer loyalty (e.g. ELSamen & Alshurideh, 2012; Chin & Ramayah, 2013; Bempong, 2014; etc.). A few studies have also provided empirical evidence on the effect of internal marketing on firm performance from different geographical and sectorial perspectives (e.g. Bellaouaied & Gam, 2004; Lings & Gordon, 2009; Boohene et al., 2012; Eris & Ozmen, 2012; Vazifehdoost et al., 2012; Zaman et al., 2012; Chin et al., 2013). We have conceptualised the evidences found in the literature in Figure 1.

Figure 1. Conceptualisation of the Effect of Internal Marketing on Firm Performance



Key: SQ = Service quality; CS = Customer satisfaction; CL = Customer loyalty

In Figure 1, firm performance is influenced by external and interactive marketing, service quality, customer satisfaction and customer loyalty. Yet, external and interactive marketing, service quality, customer satisfaction and customer loyalty depend on internal marketing.

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Logically therefore, firm performance is dependent on internal marketing, while external and interactive marketing, service quality, customer satisfaction and loyalty serve as mediating variables. Though Bempong (2014) has argued and confirmed that internal marketing could be influenced by external and interactive marketing, our focus in this paper is to test the relationship between firm performance and interactive marketing.

Though available, the number of studies indicating the effect of internal marketing on firm performance is abysmally small. Since internal marketing forms the basis of the impact of the firm's marketing practice, we see this gap to weaken the general contribution to academic debate on the relevance of internal marketing on firm's performance, especially in a Ghanaian context. In view of this gap, this paper investigates the relationship between internal marketing and firm performance using commercial banks in Ghana. The null and alternative hypotheses on which this investigation is based are stated as follows.

HYPOTHESIS

H_0: Internal market orientation does not make any significant positive effect on the performance of commercial banks in Ghana.

H_1: Internal market orientation makes a significant effect on the performance of commercial banks in Ghana.

METHODOLOGY

We adopt a quantitative research approach in this paper in view of the need to test our research hypothesis, use a probability sampling method that makes room for generalising findings over the chosen population and taking rigorous measures to achieve data validity and reliability. Our choice of a quantitative research approach is justified by Creswell (2003), who argues that a study focused on testing the relationship between variables is better conducted as a quantitative study.

Generally, we used commercial banks in Ghana. But our target population was human resources and marketing employees of randomly selected commercial banks who have worked in their respective banks for at least 5 years. We chose human resources and marketing personnel to respond because these two categories of employees have job roles relating to internal marketing. We assumed that employees in other departments would not necessarily know much about internal market orientation. A random sample of 15 commercial banks was used. We could not use all the commercial banks in Ghana owing to a lack of resources to do so. To be able to generalise findings, we ensured that the 15 commercial banks were randomly selected and represent at least 50% of the total number of banks in Ghana. To maximise data integrity, we also ensured that respondents had worked in the commercial banks for at least 5 years so that their responses would be largely influenced by substantial work experience.

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Out of 217 participants identified in the target population, a sample of 136 respondents was used. We used a sample owing to how limited our time and financial resources were. This sample was determined using the balloting method of the simple random sampling procedure. The sample size was determined using the sampling principle and procedure of Krejcie & Morgan (1970). We chose this sampling principle and procedure since it is a global standard and has been used by researchers since its development. Moreover, it makes room for non-responses.

We measured internal market orientation (IMO) and firm performance (FP) by slightly adjusting the instrument used by Boohene et al. (2012). In this adjusted instrument, a five-point likert scale was used for measuring manifest variables. We adopted the instrument of Boohene et al. (2012) because we realised it conforms to a greater number of standard instruments and scales for measuring IMO and firm performance. We however adjusted the instrument to reflect IMO practices in the chosen commercial banks by introducing some variables and taking some trial ones out.

We administered questionnaires within 2 working days. Since many respondents could not respond immediately after receiving questionnaires, we allowed them to complete questionnaires within 5 working days. A respondent could use one of two options to receive questionnaires from us and deliver them when completed: hand and e-mail delivery options. By using these options and taking a few ethical measures, a high response rate of 96% was achieved. Thus 131 participants responded out of 136.

Data is analysed using SPSS Version 21. This statistical software is used in view of its new features, which are robust for relational hypothesis testing. We use Pearson's correlation test and ordinary least square regression analysis to test our hypothesis. These two statistical tools are used owing to the fact that a relationship is being tested. Moreover, data collected is continuous and normally distributed. In the next section, we present findings.

RESULTS

In this section, results of the paper are presented. The general alternative hypothesis being verified states that firm performance (FP) is significantly influenced by internal market orientation (IMO). This hypothesis is tested at 5% significance level. The objective of this analysis is to see if internal marketing activities influence the performance of commercial banks. Before these results are presented, we would want to confirm the reliability of data. Table 1 shows the reliability coefficients of constructs of Internal Market Orientation and Firm Performance.

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Table 1. Reliability

Construct	Cronbach's alpha
Rewards and Motivation	.865
Communication	.987
Development	.864
Support systems	.898
Selection	.852
Recruitment	.903
Healthy work environment	.911
IMO	**.897**
Firm performance	**.866**

Table 1 shows the reliability coefficients of each constructs of IMO and FP. In view of the standard requirement, we expect the reliability coefficients of each variable to be equal to or exceed the value of 0.70. From the table, this requirement is satisfied for all constructs of IMO. The requirement is also satisfied for IMO (.897) and FP (.866). Moreover, no item has been removed from each construct, a situation that squares with the high reliability coefficients of the variables. This implies that data on which these paper's results are based are reliable. Consequently, we rest assured that our conclusions would be reliable. Yet, there is the need to ensure that the data used is also normally distributed. Table 2 shows a test used to verify the normality of data.

Table 2. Shapiro-Wilk's Test of Normality

Variable	N	Statistic	Sig.
Internal market orientation	131	0.211	0.321
Firm performance	131	0.321	0.208

Table 2 shows results of the Shapiro-Wilk's test. We use this test to verify the normality of data. The general null hypothesis states that data associated with each variable in the table are normally distributed. For our results to be valid, this hypothesis must be retained at a given level of significance. We would use a level of significance of 5%. Since the p-value (i.e. sig.) of each variable is greater than 5%, the null hypothesis is retained. Therefore, the normality of data assumption is satisfied. This provides a basis for reaching valid conclusions. In the next table, the descriptive statistics associated with the two main variables are shown.

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Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. deviation
Firm performance	131	2.000	5.000	3.511	0.898
IMO	131	1.000	5.000	3.111	1.040

Table 3 shows the descriptive statistics of FP and IMO. From the table, the performance of the commercial banks is quite high (M = 3.51, SD = .898), likewise their internal market orientation (M = 3.11, SD = 1.04), though the later variable has a relatively lower mean score. This means that activities of internal market orientation are quite highly carried out in the banks, resulting in a performance level quite above average. In the next table, we would look at the correlation between IMO and FP. This would form a basis of finding the predictive effect of IMO on FP.

Table 4. Correlation between IMO and Firm Performance

Variables	IMO	Firm performance
IMO	**1.000**	0.863
Firm performance	0.863	**1.000**

Table 4 shows the correlation between IMO and Firm Performance. We would interpret the relationship with respect to a 5% significance level. From the table, there is a strong positive relationship between IMO and Firm Performance, r (131) = .863, p = .000. This means that firm performance improves as the effectiveness of activities of internal market orientation is enhanced, with the rate of change between the two variables being high. This relationship provides a clue about the predictive strength of IMO on firm performance.

Table 5. Model Summary

N	131.000
df	129.000
R^2	0.744
Adjusted R^2	0.742

Table 5 is a model summary of the prediction of FP by IMO. From the table, IMO accounts for 74.4% of the variation in FP. The Adjusted R^2 is a more robust indicator of the variation accounted by IMO. Its value is 74.2% of the total variation. This shows that IMO strongly

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correlates with firm performance and possibly predicts it. We would however want to indicate if the use of the linear regression analysis has improved our ability to predict firm performance from IMO.

Table 6. ANOVA

Source	DF	Sum of squares	Mean squares	F	P value
Model	1	77.942	77.942	375.293	.000
Error	129	26.791	0.208		
Corrected Total	130	104.733			

Table 6 shows an ANOVA test associated with the prediction of FP from IMO. With respect to this test, we want to verify if the linear regression analysis has improved our ability to predict FP from IMO. This test is interpreted using a 5% significance level. At this chosen level of significance, the test is statistically significant, $F(1, 129) = 375.29$, $p = .000$. Hence, the linear regression analysis has improved our ability to predict FP from IMO. We may also use this result as evidence to the validity of the regression analysis. Table 7 comes with the model parameters of the linear regression analysis.

Table 7. Model Parameters

Source	B	Standard error	t	Pr > |t|	Lower bound (95%)	Upper bound (95%)
Intercept	0.898	0.141	6.387	.000	0.620	1.177
IMO	0.744	0.038	19.372	.000	0.668	0.820

Table 7 shows the model parameters associated with the prediction of firm performance from IMO. From the table, IMO significantly predicts FP at 5% significance level ($t = 19.37$, $p = .000$). Moreover, a unit change in IMO changes the conditional mean of FP by 0.744 within a confidence interval of 0.67 and 0.82. It is worth noting that the contribution of IMO to FP is positive. This confirms the positive relationship between the two variables in Table 4. The relationship between IMO and PF can be expressed as: $FP = IMO*0.744 + 0.898$. In this respect, the conditional mean of FP is only 0.898 (relative to 3.51) without the influence of IMO (i.e. IMO = 0). It is therefore evident that performance of commercial banks is largely promoted by activities of internal market orientation such as motivation and rewards, recruitment, communication and the like. Tables 8 and 9 show the constructs of IMO and FP respectively, as

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well as the scale on which they were measured. A careful look at these tables would improve one's understanding of the above results.

DISCUSSION

In this study, we realised a strong positive relationship between internal market orientation and firm performance, r (131) = .863, $p < .05$. This relationship means that firm performance improves as the effectiveness of activities of internal market orientation is enhanced among the commercial banks. Moreover, internal market orientation significantly predicts firm performance at 5% significance level ($t = 19.37$, $p = .000$), where a variation of 74.4% is accounted by IMO. So there is substantial evidence that the performance of commercial banks in Ghana is largely influenced by internal market orientation. By reaching this set of results, we build on existing empirical evidence on the positive effect of internal marketing and firm performance. The finding about the positive effect of IMO on firm performance in this study is less likely to be an error because it is supported by studies conducted in both developed and developing country contexts. The studies of Subramanian & Gopalakrishna (2001), Boohene et al. (2012) and Chin & Ramayah (2013) support our findings in a developing country context. Moreover, other studies (e.g. Bellaouaied & Gam, 2004; Lings & Gordon, 2009; Eris & Ozmen, 2012; Vazifehdoost et al., 2012; Zaman et al., 2012) conducted in a developed country context exist with our dimension of results.

In a Ghanaian context, Boohene et al. (2012) found that internal market orientation significantly affects firm performance. This means that their study provides an exact support for this study's result in a Ghanaian context. Though our study has built on the general contribution to academic debate on the subject from a Ghanaian point of view, there is the need for more related studies to be conducted in Ghana. This is because the number of related studies on the subject from a Ghanaian point of view is still too small. We are also of the view that future studies should incorporate the causality relationship between IMO and external, and IMO and interactive marketing, and how they translate into firm performance. An inclusion of this causality relationship in future studies would visualise the relevance of internal marketing relative to external and interactive marketing.

CONCLUSION AND RECOMMENDATION

Impressively, commercial banks in Ghana observe internal marketing to quite a high extent, and this reflects in a quite high performance. This assertion is based on a strong positive relationship between internal market orientation and firm performance, r (131) = .863, $p < .05$. This means that firm performance improves as the effectiveness of activities of internal market orientation is enhanced among the commercial banks.

Moreover, internal market orientation significantly predicts firm performance at 5% significance level ($t = 19.37$, $p = .000$), where a variation of 74.4% is accounted by IMO. The relationship

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between IMO and PF is sufficiently strong so that the conditional mean of FP is only 0.898 relative to 3.51 (see Table 3) without the influence of IMO (i.e. IMO = 0). There is therefore substantial evidence that the performance of commercial banks in Ghana is largely influenced by internal market orientation. In essence, the performance of commercial banks would not be accounted for by only external marketing.

Commercial banks are therefore required to improve the effectiveness of their internal marketing endeavours. Thus to maximise performance, activities pertaining to rewards and motivation, communication, staff development, administrative support systems, selection and the management of a healthy work environment ought to be improved.

To generalise this study's findings, more related studies need to be conducted in the context of other sectors. Researchers could introduce the External Market Orientation (EMO) variable in future studies to be able to examine the relative effect of EMO and IMO on performance.

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Appendix

Table 8. IMO Construct

Constructs	Manifest variables	SD	DA	WD	WA	A	SA
		0	1	2	3	4	5
Rewards and Motivation	Understanding the meaning of motivation						
	Understanding the importance of motivation						
	The Company is aware about the need of motivation						
	The Company is aware about positive effects of motivation						
	I know the measurement methods of my performance						
	Reward is systematic according to the job evaluation						
	Reward is greater than punishment						
	I know how I get reward						
Communication	Information is easy to get within the Company						
	Management arranges regular meetings to listen to the employees						
	Job description is clearly understood						
	Management encourages team working						
	Vision, Mission and Organizational goals are clearly understood						
Development	The Company applies training programs to enhance your current skills and develop new ones						
	Clearly identified career path						
	Satisfaction of the contribution in design making at your level						
	Enabling resources required to full-fill the job effectively						
Support systems	Using helpful methods and equipment to communicate and interact such as (Internet & Video conferences)						
	Using data base to help in retrieving saving						

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	information						
	Availability of IT department to provide technology support (creating, fixing, devolving software)						
Selection	The company has a vision to define upcoming human resources need in the upcoming future						
	The company is willing to have an extra number of candidates and keep them as backup for any future requirements						
	Qualified, well-educated and innovative employees have a priority to work						
	Company matches job requirements with the employee skills						
Recruitment	The selection system is based on justice & quality						
	The company utilizes multiple resources to attract the right employees						
	The company uses defined measurement tool to evaluate the candidate's capabilities and skills						
	The company provides a Special team to assess the candidate before interviewing them						
Healthy work environment	The company has a safe working environment						
	The company adapts adequate safety programs						
	Dangerous materials are kept in a separate place						
	Safety instructions are followed during the work						

Key: SD = Strongly disagree; DA = Disagree; WD = Weakly disagree; WA = Weakly agree; A = Agree; SA = Strongly agree

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Table 9. Performance Construct Items

Manifest variables	SD	DA	WD	WA	A	SA
	0	1	2	3	4	5
The firm has increased its workforce size						
The firm is able to increase its asset						
The firm is able to increase its customer base currently						
Increase in market share						
Increase in gross profit						
Increase in net profit						

Key: SD = Strongly disagree; DA = Disagree; WD = Weakly disagree; WA = Weakly agree; A = Agree; SA = Strongly agree

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