Validation of Measurement Model of Internal Marketing in Banking Sector in Yemen

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Article Information	Abstract
	This research aims to propose and validate a measurement model for internal marketing, and to expand the internal marketing role in the Yemeni banking sector. The study made use of a survey questionnaire distributed to 407 Yemeni bank employees, after which data was analysed with the help of descriptive statistics, factor analysis, confirmatory analysis (CFA). The study findings showed that the internal marketing measurements and instruments comprise of 28 items that were valid and reliable, and the items were categorized under five multi-item factors namely vision, employee development, rewards, empowerment, and internal communications. The finding also showed a good model fit and the entire fit indices in the proposed internal marketing model were satisfied.

INTRODUCTION

The internal marketing concept can be traced back to the premise that employees are akin to customers, as jobs are to product (Berry, 1981). Internal marketing is defined as the consideration of employees as internal customers, and jobs as internal products that meets the former's needs and wants while they work towards achieving the organisational goals (Berry, 1981, pp.25-28).

According to Pitt et al. (1999), one of the major views of internal marketing is the notion that employees are internal customers who have the responsibility of providing excellent services to their external counterparts. Similarly, Berry and Parasuraman (1991) described internal marketing as a philosophy of considering employees as customers, and it is a strategy of forming job-products to be aligned to human needs (p.151). The employees' ability to meet the needs of others within the firm is deemed to antecedent the satisfaction of external customers (Gummesson, 2000). It is important for employees to be satisfied with their jobs, their work environment, and their relationship with their co-workers and management, in order for them to provide excellent services to external customers (Foreman & Money, 1995).

In relation to this, Gummesson (1990) also stated that internal marketing is extending the notion of training, education, information and communication in the organisation. Also, the definition of internal marketing was extended by Berry and Parasuraman (1991) to cover activities that are conventionally carried out by human resource management. According to them internal marketing practices encapsulate hiring for talent, offering a vision, and communicating the set vision to employees, preparing employees for performance, emphasizing on the significance of team work, making use of the freedom factor (level of responsibility in achieving tasks, and resolving issues during customer interactions), measure and reward, and lastly knowing the customer. They

further stated that creating job products for the attraction, development, motivation and retention of internal customers call for being sensitive to the concerns, attitudes and aspirations of internal customers (employees).

In the context of the banking sector, it works as an intermediary in the economy owing to the fact that it is the biggest and the most dynamic sector. More specifically, in Yemen, the increasing economic growth has brought about increasing potential growth of the banking sector potential. In 2011, the Yemeni banking industry displayed a dip in performance because of the unstable economy and politics, and on the same year, the business premium grew only by 5% compared to 11.7%, the preceding year (Banking Sector, 2012). However, on a brighter note, the banking sector growth is expected to display positive outcomes in the years to come (CBY, 2012).

In the present paper, the researcher attempts to propose and validate a measurement model regarding internal marketing in the Yemeni banking sector. The author attempts to develop and calibrate an internal marketing model reflecting the specificity of the distinct sector. The rest of the sections are organized as follows; the second section presents the multi-faceted nature of internal marketing as provided in relevant literature. This is followed by the explanation of the study methodology and lastly, the discussion of findings.

LITERATURE REVIEW

Significant numbers of studies have been conducted in the internal marketing field. For instance, Ghoneim and El-Tabie (2014) investigated the relationship between internal marketing, customer loyalty, and business performance, in the context of Egyptian banks. According to the obtained results, internal marketing significantly impacts bank performance through customer loyalty. As a consequence, the study recommended more focus on improving employee performance by adopting internal marketing strategy in the hopes of attracting and retaining the customers from patronizing the firms.

In a similar study, Ghorbani and Mostafavi (2013) examined the internal marketing-service quality relationship in the context of Iranian insurance company of Isfahan. They employed SEM analysis to study and measure five categories of employees' discretionary behaviours that have the potential to impact the interaction between customer and employees. The study found that internal marketing positively impacts organisational citizenship behaviour, while the latter positively impacts service quality. Lastly, the authors found internal marketing to positively and directly impact service quality.

In another related study, Yusuf, Sukati and Chin (2014) focused on the impact of internal marketing on customer orientation, customer satisfaction and organisational commitment in the banking industry of Malaysia. The authors employed a structured questionnaire distributed to 340 respondents for data collection. They also made use of correlation analysis and multiple regressions for the analysis of collected data. Their findings showed that internal marketing positively impacted customer orientation and job satisfaction. The authors urged for the facilitation of employee commitment, job satisfaction and customer orientation, with a great stress on internal marketing's role. The findings support those of extant literature that advocates the positive impact of internal marketing on customer orientation.

Added to the above studies, Gilaninia, Shafiei and Shadab (2013) studied internal marketing impact on customer orientation among Guilan social security firms. The authors chose 672 staff members through stratified random sampling as the study sample, to which the questionnaire was distributed to for data collection. The findings showed that internal marketing had a significant impact on customer orientation of the Gilan's social security firms. Nevertheless, the findings of their study cannot be generalised owing to two reasons; first, the study context was focused on social security firms wherein values, operations and the operation mode are distinct from that of financial institutions (e.g. banks). Second, on the basis of the method adopted, stratified sampling method does is not a suitable representative for result generalization.

Moreover, the impact of internal marketing on customer orientation in the Shiraz and Neyriz municipals was examined by Shahsavani, Dolatabadi and Ranjbarian (2012). They based their study on a descriptive-survey involving a sample of 172 personnel within the mentioned municipal in the province of Fars. The authors made use of SEM's confirmatory factor analysis and structural equations for the analysis of data and hypotheses testing. They found internal marketing to have a significant impact on customer orientation.

Meanwhile, Mohammadi, Hashemi and Moradi (2012) focused on the impact of internal marketing on customer orientation in the food and drug distribution firms in Kermanshah province. The study sample comprised of 165 personnel (marketers and directors) working in the food and drug distribution firms in the province. They based their study on the descriptive method and used AMOS to analyse data. The analysis results revealed a significant correlation between internal customer and customer orientation. However, a major drawback noted in

the study is the fact that it has its basis on food and drug distributing firms and as such, the findings cannot be generalized to banking sector.

Finally, Awwad and Agti (2011) studied the impact of internal marketing along with organisational commitment and organisational citizenship behaviours, upon market orientation among Jordanian commercial banks. Their study sample consisted of 365 employees working for seven Jordanian commercial banks. They employed a quantitative survey method for data collection and used AMOS 16.0 for analysis. They found internal marketing, organisational commitment and organisational citizenship behaviours to positively and directly affect the banks' market orientation. The authors reached to the conclusion that Jordanian banks have the potential of satisfying their employees' demands and setting objectives with the application of internal marketing strategy upon central operations as well as values.

MATERIALS AND METHOD

This research used the quantitative approach, with the populations of employees from the eight banks reported to be 4661. The total population comprises those in three positions that are top management, middle management and low management (employees). A list of employees was obtained from the central bank of Yemen. To select the appropriate sample, stratified random sampling was used. Level of position – top management, middle management and low management was employed to stratify the respondents in the eight banks. The sample consists of all the employees at the banks conveniently available to participate. A sample size of 407 was selected from a population of 4661 in 8 banks and 28 branches of these banks. According to the table of Krejcie and Morgan (1970), the sample size for 4661 is 355. However, previous studies such as Ahmed (2011) suggested increasing the questionnaire cases to ensure better responses and minimise the responses risk. A better result can only be derived from a large sample and the results are more generalized (Hair et al., 2007). Moreover, Tabachnick and Fidell (2001) suggested that, "it is comforting to have at least 300 cases for factor analysis "(p. 640). Due to all these rationale, this study's 407 cases chosen by researcher were considered enough to ensure at least 300 cases were entered to factor analysis after deleting outliers.

The internal marketing was measured by using a valid questionnaires developed by Money and Foreman (1995), Hartline and Ferrell (1996), Ellinger et al. (2007) and Hon and Grunigs (1999). The researcher combined the 15-items of Money and Foreman and 13-items of the above researchers together, with the total items of internal marketing totalling 28 - consisting of five factors vision, development and reward, empowerment and internal communication. The collected data were then analysed by using SPSS and confirmatory factor analysis (CFA), which is a kind of structural equation modelling (SEM).

FINDINGS AND DISCUSSION

This section of the article presents the results and discussions of main findings of the study based on the data collected through the questionnaires in light of the following points: i) descriptive Analysis of Internal Marketing, ii) factor analysis of internal marketing , and iii) tested measurement model of internal marketing.

Descriptive Analysis of Internal Marketing (IM)

Table I shows that internal marketing scale consisted of five indicators, namely a) vision (2 items), b) development (8 items), c) rewards (5 items), d) empowerment (7items), e) internal communication (6 items). The same table also shows mean, standard deviation, and reliability values (Cronbach's alpha) for all items of internal marketing construct. The result indicates that most of the subscales had reliabilities around 0.8 or higher, and none were below 0.7.

The item, which comes under vision subscale with the highest score of mean was "our bank offers employees a vision that they can believe in" (M= 3.66,SD= .967), whereas the items with lowest score, which comes under internal communication subscale "The purpose of communication in this bank is to help managers to be responsive to the problems of other employees" (M= 2.96 ,SD =1.01), where a higher score indicates higher perceived internal marketing, and a lowest score indicates lowest perceived internal marketing.

TABLE I

NORMALITY, RELIABILITY, MEAN, STANDARD DEVIATION OF INTERNAL MARKETING MEASUREMENTS.

No	Items	Reliability	Mean	SD	Skewness	Kurtosis
	Vision					
1	Our bank offers employees a vision that they can believe in.		3.66	.967	-.635	.053
2	Bank management communicates bank's vision well to employees.		3.33	1.039	-.459	-.583
	Cronbach's Alpha	**.911**				
	Development	**Reliability**	**Mean**	**SD**	**Skewness**	**Kurtosis**
3	Bank management prepares employees to perform well.	.924	3.52	.962	-.488	-.146
4	Bank management views the development of knowledge and skills of employees as an investment rather than a cost.	.921	3.28	1.005	-.262	-.535
5	Skill and knowledge development of employees happens as an ongoing process in this bank.	.921	3.39	.927	-.174	-.567
6	Bank management teaches you not only "how you should do things", but also "why you should do these things."	.919	3.33	.953	-.368	-.408
7	In our bank, we go beyond training and educate employees as well.	.919	3.39	.918	-.207	-.380
8	In this bank, the employees are properly trained to perform their services roles.	.919	3.24	1.018	-.172	-.628
9	This bank has the flexibility to accommodate the differing needs of employees.	.925	3.32	.900	-.157	-.362
10	Top management places considerable emphasis in the bank on communicating with employees.	.922	3.21	.953	-.112	-.270
	Cronbach's Alpha	**.930**				
	Rewards	**Reliability**	**Mean**	**SD**	**Skewness**	**Kurtosis**
11	Our performance measurement and reward systems encourage employees to work together.	.895	3.15	1.019	-.174	-.440
12	Bank management measures and rewards the employee's performance that contributes most to the bank's vision.	.888	3.03	.987	.003	-.596
13	Bank management uses data gathered from employees to improve their jobs, and to develop the strategy of the bank.	.861	3.07	1.001	-.055	-.527
14	Our bank communicates to employees the importance of the services roles.	.863	3.24	1.013	-.297	-.499
15	In our bank, those employees who provide excellent service are rewarded for their efforts.	.872	3.27	.954	-.182	-.292
	Cronbach's Alpha	**.898**				
	Empowerment	**Reliability**	**Mean**	**SD**	**Skewness**	**Kurtosis**
16	Empowerment is part of our bank policy.	.873	3.26	.953	-.358	-.327
17	Bank management encourages empowerment of employees.	.870	3.34	.935	-.233	-.657
18	In this bank, laws and regulations allow employees empowerment.	.887	3.26	.987	-.335	-.368
19	My superior always tries to empower me in many ways.	.883	3.62	.918	-.633	.309
20	Empowerment is part of training and development activities	.868	3.44	.902	-.120	-.812
21	Empowerment is an integral part of motivation and promotion.	.880	3.33	1.022	-.360	-.362
22	Employees in this bank seek and accept empowerment and its challenges.	.879	3.38	.891	-.432	-.155
	Cronbach's Alpha	**.893**				
	Internal communication	**Reliability**	**Mean**	**SD**	**Skewness**	**Kurtosis**
23	Most communication between managers and other employees in our bank can be said to be two-way communication.	.843	3.28	.906	-.092	-.348
24	Our bank encourages diversity of opinions.	.842	2.98	1.024	-.034	-.697

25	The purpose of communication in this bank is to help managers to be responsive to the problems of other employees.	.851	2.96	1.010	.074	-.642
26	Supervisors encourage employees to express diversity of opinions.	.847	3.33	.952	-.276	-.419
27	Employees are usually informed about major changes in policy that affect their jobs before they take place.	.856	3.19	.987	-.305	-.420
28	Employees are not afraid to speak up during meetings with their supervisors and managers.	.853	3.21	.963	-.307	-.465
	Cronbach's Alpha	**.871**				

Factor Analysis

Table II shows the IM components that emerged through EFA component analysis. Scholars of previous studies as Foreman and Money (1995) suggested three components for internal marketing, which are vision, development, rewards.

In this study, EFA analysis using Varimax Rotation approach used on the data, extracted (4) factors. Based on the loadings of each item under a given factor, the factors of internal marketing include; 1) vision and internal communication, 2) development, 3) rewards, and 4) empowerment. None of the items was excluded because all of them were perfectly linked to their underlying factors.

As table II presents, the Bartlett Sphericity Test for IM was statistically significant (Approx. Chi-Square =8185.638; p= .000, < .00) signifying that that the interrelationship (multicollinearity) between the items was significant. The KMO measure of sampling adequacy was 0.962, which is considered very good. Then it is concluded that the subject questionnaire item is suitable for factor analysis.

TABLE II

FACTOR LOADING OF ROTATED COMPONENT MATRIX IM

Items	Component			
	1 Development	2 Empowerment	3 Vision& internal communication	4 Rewards
Development 5	.761			
Development 4	.755			
Development 2	.749			
Development 6	.749			
Development 3	.735			
Development 1	.705			
Development 7	.679			
Development 8	.657			
Empowerment5		.764		
Empowerment4		.731		
Empowerment6		.702		
Empowerment7		.696		
Empowerment2		.676		
Empowerment1		.586		
Empowerment3		.486		
Internal communication1			.729	
Vision2			.712	
Vision1			.701	
Internal communication4			.617	
Internal communication3			.616	
Internal communication2			.591	
Internal communication5			.508	
Internal communication6			.508	
Reward5				.749
Reward3				.746
Reward4				.736
Reward2				.687
Reward1				.532

Measurements Model of Internal Marketing (IM)

IM construct is hypothesized as a first-order latent variable for four underpinning dimensions, namely 1) vision and internal communication, 2) development, 3) rewards, and 4) empowerment. After deleting the items with factor loading of less than 0.7, which are IM19 e4 with factor lading .65, IM27ic5=.654, IM25ic3=.685, IM28ic6=.656, the analysis moved to the next step.

In the next step, the review of model modification indices (IM) revealed error variance matrix; the correlated measurement error here is between e9 and e10, e10 and e13, and e2with e3, which was considered high since it is greater than 15.0. After all, modification process was done to achieve a better model-fit. The result, as presented in Figure I, indicated that the Chi-square (χ2) value of this model was 503.47 with df of 243 and the p value was 0.000. The Chi-square ratio was 2. 07 - which was less than 3. The GFI and, CFI, IFI were well above 0.90, and the RMSEA value was 0.051, which was less than 0.08. Thus, the model-fit is acceptable and achieved all the measures of construct validity. This result means there is no significant difference between the proposed model and observed model.

Table III shows that all the dimensions (first-order latent variables), namely, vision, development, rewards, and empowerment were significantly predicted by internal marketing (second-order latent variable). This result means, all of the first-order latent variables are also significantly explained by its underlying observed variables, where the loading values were well above the threshold value of 0.5, with critical ratios (CR) more than 1.96 and significant at least at alpha 0.01.

FIGURE I
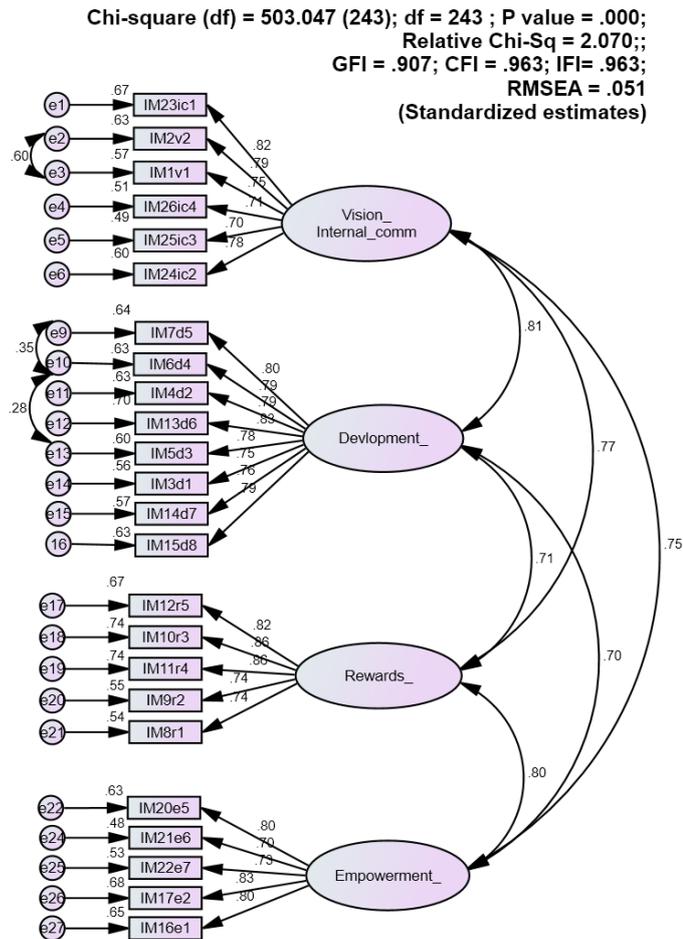
MEASUREMENT MODEL FOR INTERNAL MARKETING (IM)

Chi-square (df) = 503.047 (243); df = 243 ; P value = .000;
Relative Chi-Sq = 2.070;;
GFI = .907; CFI = .963; IFI= .963;
RMSEA = .051
(Standardized estimates)

TABLE III

CFA Results of Factor Loadings, Critical Ratios, and Significant p-Values for internal marketing (IM)

Items	Regression Direction	Variable	Loading	S.E.	C.R.	P
IM7d5	<---	Devlopment_	.799	*	*	*
IM6d4	<---	Devlopment_	.791	.047	22.053	***
IM4d2	<---	Devlopment_	.791	.061	17.794	***
IM13d6	<---	Devlopment_	.835	.060	19.136	***
IM5d3	<---	Devlopment_	.776	.056	17.361	***
IM3d1	<---	Devlopment_	.749	.059	16.572	***
IM14d7	<---	Devlopment_	.755	.055	16.751	***
IM15d8	<---	Devlopment_	.795	.058	17.912	***
IM20e5	<---	Empowerment_	.796	*	*	*
IM21e6	<---	Empowerment_	.695	.067	14.709	***
IM22e7	<---	Empowerment_	.731	.058	15.650	***
IM17e2	<---	Empowerment_	.826	.059	18.235	***
IM16e1	<---	Empowerment_	.804	.061	17.603	***
IM23ic1	<---	Vision__Internal_comm	.821	*	*	*
IM2v2	<---	Vision__Internal_comm	.793	.062	18.000	***
IM1v1	<---	Vision__Internal_comm	.752	.058	16.726	***
IM26ic4	<---	Vision__Internal_comm	.714	.058	15.672	***
IM25ic3	<---	Vision__Internal_comm	.699	.062	15.263	***
IM24ic2	<---	Vision__Internal_comm	.776	.061	17.517	***
IM12r5	<---	Rewards_	.817	*	*	*
IM10r3	<---	Rewards_	.858	.054	20.395	***
IM11r4	<---	Rewards_	.862	.055	20.554	***
IM9r2	<---	Rewards_	.742	.056	16.666	***
IM8r1	<---	Rewards_	.736	.058	16.481	***

***Significant at alpha= .001 *The value is not estimated due to the required constraint for model specification where unstandardized regression weight of the items is fixed to default 1 and is significant at least at alpha 0.01.

CONCLUSION

The hypothesis of this study predicts internal marketing as a four factors-model for first order latent variables; development, rewards, and empowerment and since there is internal coordination and convergence in the meaning of the two factors namely vision and internal communication, then the factor analysis considered them as one factor. The result shows that the hypothesis was supported indicating that IM fulfilled all model fit indicators and IM measurement model was also an over-identified model. This shows that internal marketing in banking sector in Yemen questionnaire has fulfilled standard psychometric properties of reliability and constructs validity and has high statistical power.

This study suggests that IM is four-factor model, which is characterized by four first- order latent variables. This study found that four components were positively correlated and IM was significantly manifested by all of its observed variables. Aside from this, all internal marketing in banking sector in Yemen are interrelated to each other. To summarize, this study successfully validated a valid and reliable questionnaire to measure IM in the Yemeni banking sector and its four underpinning components for the employees in Yemeni banks.

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