The impact of internal marketing and organisational culture mediated by organisational commitment on operational performance

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Abstract

This empirical study examines the impact of internal marketing and organisational culture mediated by organisational commitment on operational performance in the UAE fast food sector. We present preliminary finds based on a survey of over 90 fast food outlets. We use regression analysis to argue that internal marketing and organisational culture have positive impacts on operational performance. However, the role of organisational commitment as mediator has less weight. The findings suggest that staff reward and development are the most important factors in internal marketing to enhance operational performance. Moreover, innovation is the highest correlated dimension of organisational culture. Investigation the effect of organizational culture on the operational performance, provide a contribution to the resource-based view of the organisation. Managerial implications as well as study limitations are discussed.

(Note: After finishing the (qualitative part) interviews, results of using institutional theory as the basis to formulate and test hypothesis regarding the effects of contextual factors like nationality on operational performance. Also a comparison between the effect of organizational culture and national culture on operational performance will be highlighted)

Keywords: operational performance, UAE, fast food restaurants, internal marketing, organisational commitment

Introduction

Whilst the fortunes of the United Arab Emirates (UAE) economy are seated in oil and gas, much of the growth in recent years has come from the service sector, in particular tourism, retail and food and beverages. Reporting on data from Euromonitor, the 2013 UAE. This rapid and continuous changes in the tourism and hospitality environment, business competition in food-service industry is also increasing, no more than in understanding the needs of the customer and providing quality services that meet the customers’ expectations. Foodservice market was estimated to be worth US$ 8,499
million (Government of Canada, 2015). The UAE food service sector is characterised by independent operators (62% market share) and fast food outlets being the dominant subsector (40% of all food outlets). The fast food sector can be further segmented into international, largely US franchises (ie. McDonalds, KFC, Burger King, Hardees), regional franchises and other outlets catering for a multitude of nationalities and especially very low income workers, who typically spend less than a few USD per transaction.

One feature of the UAE fast food sector different from most developed countries is the workforce. Whereas the fast food sector internationally is characterised by the use of temporary workers, in the UAE the workforce are typically on employer-sponsored work visas which makes transient work difficult, and it is almost entirely composed of foreigners(expatriates from the Philippines, India, Pakistan, Bangladesh, and other Arab countries). Thus, it is crucial for an organisation to assess the internal business operations and understand the mind-set of human resources inside the organisation. It is quite interesting to look for what practices in fast food outlets in UAE could be implemented to improve the operational performance especially this industry is running by different nationalities with culture diverse

Currently a widely accepted approach to improve operational performance (OP) and the organisational performance is the adoption of human resources practices (HR). This approach received recognition among researchers and practitioners (e.g., Tzabbar et al 2017; Ruzic 2015; Theriou and Chatzoglou 2014; Gelade et al 2010; Lilian et al 2010; Ahmad and Schroeder 2010; Vickery et al 1999; Becker and Gerhart 1996; Huselid 1995). Nowadays no doubt that HRM is important to competitive advantage (Delery, 1998). However, (Becker and Gerhart, 1996; Delery 1998) have identified some theoretical and methodological weaknesses since the research needs more theoretical development and explores the mediating employee behaviors that explain the relationship between HR practices and performance.

Organizational culture is also has important influence on OP and organisational performance. Organizations need to recognize properly the role of culture to get competitive advantage, hence resource based view can be investigated carefully. Hartnell, et al (2011), explained that market cultures is positively associated with the organizational effectiveness (employee attitudes, operational performance and financial performance). In a comparative study between local and organisational culture in manufacturing sector (Naor 2010) the results suggested that organizational culture has more of an effect on manufacturing performance than national culture.

Improving the OP in fast food restaurants in UAE, requires to invest in human capital of the workforce. However most of the restaurants do not have HR department. The concept of internal marketing (IM) (Varey and Lewis 1999) is becoming an integral part of organisations as internal service quality drives external customer satisfaction (Akroush et al., 2013), and employees are trained to become more customer savvy (Goldstein, 2003). IM has different perspectives. One of them is that IM can be viewed as a subgroup of HR practices (Grönroos (1990) or viewed as a source of competitive advantages (Hales 1995; Hales and Mecrate-Butcher 1994).
Through examining internal marketing, organisational culture and their impact on operational performance, this study intends to delve into the context and circumstances that make the UAE labour market different from developed economies.

**Conceptual background and hypothesis formulation**

The aim of this paper is to evaluate the impact of internal marketing (both directly and mediated through organisational commitment) and organisational culture on the operational performance of fast food outlets in the UAE. Figure 1 illustrates the conceptual model.

![Conceptual Framework](image)

**Figure 1  Conceptual Framework**

*Internal marketing and operational performance*

Internal marketing (IM) in its basic form is aimed at creating a workforce which is aware of the customer and is motivated to provide an excellent service, to colleagues and the end customer. Implementation of the IM approach by an organisation can result in attaining a competitive advantage (Lings, 1999; Ballantyne, 2003). Furthermore, Gronroos (1994, p. 14) mentioned that, “without active and continuous internal marketing efforts, the interactive marketing impact on customers will deteriorate, the service quality will suffer and the customers will defect”.

Service sector organisations have started to adopt the internal marketing model in order to establish a customer- and service- driven culture among employees (Kang et al 2002). The IM concept is considered as a comprehensive phenomenon that aims at employees, one of the internal markets of businesses. IM practices play a significant part in service sector that helps in motivating employees at all the levels of the organisation to deliver satisfactory products by keeping the employees updated with the businesses performance and by making them understand various activities of the organisation (Ahmed and Rafiq, 2002).
**IM as Human resource management-oriented viewpoint**

IM can be viewed as human resources management orientation (Hales 1995; Hendricks and Singhal 2004). Many recent studies have shown the significance of IM practices in the service industry. Internal marketing can be considered as a key determinant in evaluating employee satisfaction and organizational commitment (Kudo et al., 2006; Ting, 2010). Gronroos (2000) and Barnes et al. (2004) showed the relationship between internal marketing and effective service provision can be mediated through improved human resource practices (such as job satisfaction and organizational commitment). Gronroos (2000) suggests that high organizational commitment from employees is present where internal marketing is practised. Thus, implementation of IM practices with appropriate human resources can result in a more profitability and substantial bottom-line results (Vazifehdoost et al, 2012). Hence, we seek to better understand the impact that internal marketing has on operational performance.

It would be appropriate to adopt IM practices to investigate its influence on OP and organizational performance. Shiu and Yu (2010) explored the relations among internal marketing, organizational culture, job satisfaction, and organizational performance in non-life insurance. Results show significant correlations among internal marketing, organizational culture, job satisfaction, and performance of non-life insurers. Joung (2015) et al, found, in their study of the relationships between internal marketing practices, employee job satisfaction, organizational commitment and turnover intention in the foodservice industry, Three internal marketing practices – vision, development and rewards – were good indicators for predicting employee job satisfaction, and two internal marketing practices – development and rewards – in addition to job satisfaction were significant predictors for employee organizational Commitment.

Researchers adopted variety of operational performance measures (e.g., Ahmad and Schroeder 2003; Gelade et al 2010; Jayaram, and Xu (2016; Baruch 2017). In this study we adopt the following measures: waste rate (as a percentage of production rate), productivity performance, on-time delivery to customers, responding to market demand change rapidly, entering a new market timely, Bringing new products/services to the market quickly, cost of quality (scrap, rework and inspection) as percentage of total sale, customer satisfaction with your product quality and customer satisfaction with your service.

Enhancing the operational performance (OP), and hence organizational performance, is a major goal of most of manufacturing or service organizations. Many approaches and programs are adopted to improve OP in firms. It is generally accepted that adopting quality management practices has a significant impact on OP (e.g., Easton and Jarrell 1998; Hendricks and Singhal 1997, 2001; Kaynak 2003; Samson and Terziowski 1999; Coulter et al. 2000; Bayo-Moriones and Merino-Diaz de Cerio 2001). The main challenge for making quality management practice more effective lies in an appropriate balanced use of the different sorts of the tools and critical success factors (Clegg et al 2013). More recently, Six Sigma (Linderman et al. 2003), lean implementation (Chavez 2013; Fullerton and Wempe 2009; Womack et al. 1991), just-in-time (JIT), total preventive maintenance (TPM) (Shah and Ward 2003) contribute substantially to the operating performance of firms. Inman et al (2011) showed that agile manufacturing has a direct positive relationship with the operational performance of the firm. Gurbuz and
Mert (2011) in the context of Turkish firms showed that HR practices have direct and positive effects on financial/market performance and OP. In service (call centers) sector Batt (2002) showed that, that HR practices will be positively related to organisational performance. So since we adopt the IM as HR point of view, we propose the following hypothesis

**Hypothesis1:** Internal marketing practices have significant positive impact on the operational performance.

Hypothesis 1 can be viewed as three individual hypotheses:

**H1a:** Vision has a significant positive impact on operational performance.

**H1b:** Development has a significant positive impact on operational performance.

**H1c:** Rewards has a significant positive impact on operational performance.

**Organisational Commitment**

Porter et al. (1974) described organisational commitment as employees’ involvement with the organisation and relative strength of identification of the employees with that particular organisation. According to Voss et al (2005), organisational commitment can be strengthened by considering the employees as a valuable part of the organisation, by giving them interesting, self-rewarding and challenging tasks. Later, Meyer and Allen (1991), after reviewing the theory of organisational commitment, conceptualised organisational commitment by using three different components: affective commitment, continuance commitment, and normative commitment. These categories are considered as the most common and accepted measures of evaluating organisational commitment (Klein et al, 2009).

**Hypothesis2:** Internal marketing practices have a significant positive impact on the operational performance mediated by organizational commitment

**Organisational Culture**

The effect of organisational culture on operations performance has received considerable interest within the operations management field and especially within quality management practice (Maull et al, 2001; Baird et al, 2011; Gambi et al, 2015; Prajogo and McDermott, 2005; Wu et al, 2011). Wu et al (2011) explored studies where culture directly effects practice and ultimately operational performance (Nahm et al 2004; Naor et al 2008). Gambi et al (2015) provide a thorough review of alternative organisational culture models that have been used within quality management studies, and adopt a competing values framework based on the work of Quinn and Rohrbaugh (1983). Boer et al (2015) investigate if a firm’s organisational culture affects the, mediated by set of quality techniques, on operational performance. Their results indicated that culture does not appear to be a clear predictor of the use of quality techniques. Furthermore, while most quality technique groups contribute indirectly to the total effect on operational performance, the performance effects are insignificant for all four groups in the rational culture.

Literature present organisational culture different ways. In this study, we use the organisational culture profile (OCP) proposed by O’Reilly et al (1991) and adopted by Baird et al (2011) in their study on Australian manufacturing and service operations. The
OCP model examines six attributes of organisational culture: outcome orientation, attentional to detail, teamwork/respect for people, innovation, stability and aggressiveness. These dimensions could be easier, compared to other view of organisational culture, to be understood by staff working fast food sector in UAE. We propose the following

**Hypothesis 3:** Organisational Culture has a significant positive impact on the operational performance.

**Hypothesis 4:** Organisational Culture has a significant positive impact on the operational performance mediated by organizational Commitment

### Research methods

**Survey instrument**

A self-administrated questionnaire was designed to measure the relations between, internal marketing, organizational commitment, organizational culture, and operational performance. Demographic information includes gender, age, education, designation, business identity, and nationality. To measure the internal marketing a total of 10 items (with 3 dimensions: vision (2 items), development (5 items) and rewards (3 items)) were identified from literature reviews, (e.g., Foreman and Money (1995)). The organisational commitment items are used from (Meyer and Allen (1991). It has 3 dimensions: affective commitment (5 items), continuance commitment (5 items) and normative commitment (5 items). The organization culture dimensions adopted from O’Reilly et al (1991). Finally operational performance measures were adopted from literature reviews (e.g, Prajogo, D.I. and McDermott, C.M., 2005). A five-point Likert scale was used with 5= ‘Strongly Agree’ and 1= ‘Strongly Disagree’. Proper assurance was provided to all the respondents regarding complete anonymity


**Sampling technique**

The data was collected from more than 50 restaurants in the largest three cities in UAE namely Abu Dhabi, Dubai and Sharjah. A random sampling techniques was adopted, where the surveys were conducted onsite. A total of 124 (out of 210) valid responses were used for data analysis.

**Statistical analysis**

The Statistical Package for the Social Science (SPSS) version 22, and PROCESS version 2.16.3 are used for data analysis. Descriptive statistics and regression analysis were utilized.

### Results and data analysis

**Demographic Characteristics**

There are few respondents did not fill some items of their profile. The results of demographics show that the male staff is 58.6% (out of 116) while the female staff is 41.4. The age groups are 34.5% is below 25 years, 56.9% between 25-40 years, 6.5%
between 40 - 55 years finally 1.6% with age more than 55 years. The majority of staff hold pre university education, 50.9% and 45.2% hold bachelor degree while less than 1% hold master degree. Work Experiences varies, where 50.4% have 1-3 years of experience, and 27.8% have 4-6 years of experience, only 12% have more than 7 years of experience.

**Validity and reliability**

**Content validity**

As indicated above, almost all of the items of measures used in the study have been adapted from a careful review of the literature

**Reliability**

Reliability analysis is used in this study to evaluate or measure the reliability of various dimensions adopted in the study by calculating the coefficient for Cronbach’s Alpha (Cronbach, 1951). Cronbach’s alpha (α) is considered as a commonly used measures of evaluating reliability in the field of social as well as organisational sciences (Bonett and Wright, 2014). According to Hair et al. (2009), 0.7 is regarded as the recommended value for Cronbach Alpha. The range of the Cronbach’s Alpha was found to be between (.73-.906). For example: Internal Marketing: Vision (α = .724), Training and Development (α = 0.85), Rewards (α = 0.837), Rewards (α = 0.837). Organisational Commitment: Affective Commitment (α = 0.894), Continuance Commitment (α = 0.81), Normative Commitment (α = 0.738). Due to the limited space, we include the means, standard deviations of internal marketing

<table>
<thead>
<tr>
<th>Items</th>
<th>Measures</th>
<th>Mean</th>
<th>SD</th>
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</thead>
<tbody>
<tr>
<td><strong>Internal Marketing</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Vision (α = .724)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The restaurant proposes a vision for its employees which they can be employed.</td>
<td>3.66</td>
<td>.892</td>
<td></td>
</tr>
<tr>
<td>Restaurant’s vision has been clearly defined to its employees</td>
<td>3.68</td>
<td>.907</td>
<td></td>
</tr>
<tr>
<td><strong>Training and Development (α = 0.85)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees are trained to perform well.</td>
<td>3.93</td>
<td>.894</td>
<td></td>
</tr>
<tr>
<td>Development of skills and knowledge in the employees is seen as an investment by the restaurant rather than a cost.</td>
<td>3.98</td>
<td>.932</td>
<td></td>
</tr>
<tr>
<td>Employees are informed about ‘why they are supposed to work’ and not just ‘how they are supposed to finish the work’.</td>
<td>3.92</td>
<td>.880</td>
<td></td>
</tr>
<tr>
<td>Different needs of the employees are taken care of</td>
<td>3.98</td>
<td>.954</td>
<td></td>
</tr>
<tr>
<td>Employees are properly trained about the services they are expected to perform.</td>
<td>4.03</td>
<td>.855</td>
<td></td>
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<tr>
<td><strong>Rewards (α = 0.837)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees are encouraged to work together through various reward systems and measures of performance.</td>
<td>3.98</td>
<td>1.004</td>
<td></td>
</tr>
<tr>
<td>Employee who contributes the most is appreciated and rewarded for his/her efforts.</td>
<td>4.06</td>
<td>.940</td>
<td></td>
</tr>
<tr>
<td>Employees are being informed about the significance of their service roles.</td>
<td>4.13</td>
<td>.979</td>
<td></td>
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</table>
Principal components analysis
Although the IM, OC, and organizational culture dimensions are used widely in many literatures, in the study the principal component analysis with orthogonal varimax rotation was used to identify the underlying dimensions for each measure. The factor analysis of the IM indicates that the 3 dimension can explain 72.266% of the variation, where factor 1 explains 27.5% of the variation while factor 2 explains 26%. The factor analysis of the organisational commitment measure indicates 62% explanation of the variation.

Testing Hypothesis 1
To test the hypothesis, regression analysis is used to investigate the impact of IM on OP. The results show that IM practices have positive effect on the operational performance. The $R^2 = 0.438$ indicates that there is (are) other factor(s) might affect on the operational performance. For example operational performance can be improved through knowledge exchange with customers (Nagatia and Rebolledo, 2013). Moreover each of the IM dimensions is significantly related to operational performance, however the vision dimension is the least correlated to the operational performance ($R= 0.483$), as indicated in the following table.

<table>
<thead>
<tr>
<th>Table 2: Impact of IM practices on OP</th>
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<tr>
<td>Impact of IM practices on OP</td>
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<tr>
<td>Impact of vision on OP</td>
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<tr>
<td>Impact of development on OP</td>
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<tr>
<td>Impact of reward on OP</td>
</tr>
</tbody>
</table>

Based on these results, development and reward are the most important factors to enhance the operational performance

Testing Hypothesis 2: the role of organizational commitment as mediator.
Direct analysis show that there is a significant positive correlation between IM and OC, where the coefficient of correlation $r = 0.579$ and $R^2 = .335$. On the other hand, using PROCESS version 2.16.3, OC has positive impact on the OP where $r = 0.473$ and $R^2 = .224$. The total effect of IM on OP, with OC as mediator is 0.658 with $p$-value = 0. The total effect represents the direct effect of IM on OP (0.579 with $p$-value = 0 and the indirect effect of IM on OP (0.078 with $p$-value = 0). This indicates that the OC as a mediator is not playing such important role.

Testing Hypothesis 3: Organisational Culture has significant positive impact on the operational performance.
Regression analysis shows that there is a positive impact for the organisational culture on OP. Innovation dimension has the heist correlation with the OP, while attention to details is the least correlated to OP.

<table>
<thead>
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<th>Table 3: Impact of OC practices on OP</th>
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<tbody>
<tr>
<td>Impact of vision on OP</td>
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<tr>
<td>Impact of reward on OP</td>
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<tr>
<td>Impact of OC practices on OP</td>
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<tr>
<td>----------------------------</td>
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<tr>
<td>Impact of Outcome orientation on OP</td>
</tr>
<tr>
<td>Impact of Innovation on OP</td>
</tr>
<tr>
<td>Impact of Stability on OP</td>
</tr>
<tr>
<td>Impact of Attention to detail on OP</td>
</tr>
<tr>
<td>Impact of Teamwork/respect for people on OP</td>
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<td>Impact of Aggressiveness on OP</td>
</tr>
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</table>

**Testing Hypothesis 4:** Organisational Culture has significant positive impact on the operational performance mediated by organizational commitment

Using PROCESS version 2.16.3, the total effect of organisational culture on OP, with organisational commitment as mediator is 0.749 with \( p\)-value = 0. The total effect represents the direct effect of organisational commitment on OP 0.644 with \( p\)-value = 0 and the indirect effect of organisational commitment on OP 0.106. This indicates that the organisational commitment as a mediator is not playing such important role.

**Discussion**

It is our objective analysis how organisational commitment mediates the impact of internal marketing and organisational culture on operational performance. In this paper, we have used IM as a human resource management lens through which to interrogate vision, training and reward structures. We were able to test our conceptual model empirically through survey data. We found support for each hypothesis, although not to the strength that we expected. Whilst all correlations are significant, some have relatively strong correlations and others have intermediate correlation (with \( r \) ranging from 0.4 to 0.67). As a detailed example findings from the current study showed a significant impact of training and development programs and also the rewards system on the affective commitment of employees. These results match the results of Joung (2015) namely two internal marketing practices – development and rewards- were significant predictors for employee organizational commitment. Also our results comes in agreement with the work of Theriou and Chatzoglou (2014), extensive training on job skills and multiple functions are delivered.

The significant relationship between development and affective commitment was in line with the study of Conduit and Mavondo (2001) and Lee et al. (2006) and rewards and affective commitment was found to be consistent with Lee et al. (2006).

As we interrogated the data deeper, two areas showed stronger relationships. Under organisational culture, innovation and aggressiveness showed a remarkable correlation. This requires further analysis but based on observations of many of the food outlets by the researchers, our initial conclusion is that managers tend to portray strong and aggressive characteristics, somewhat supporting the finding. The innovative characteristic is interesting in the UAE as there is a national drive to encourage innovative behaviour. This is worth exploring further to determine what is driving this behaviour in the fast food sector. Based on observations, managers appear more willing to be flexible with customers’ requests and individual works appear more empowered to
make service corrections, rather than escalating for managerial approval. This requires further testing.

We find attention to detail and requires more investigation of the work itself. This is still work in progress as we follow up the survey with qualitative interviews to develop a better understanding of the context of management in UAE food service outlets.

Conclusions

The paper presents the usefulness of analysing from the resource side rather than from the product side. The survey of fast food service providers in the UAE shows a direct correlation between IM and operational performance. Evidence in the literature shows a positive outcome of Internal marketing on performance and we feel this requires further exploration. One aspect not tested in this paper is the extent to which retention is affected by internal marketing. There is data for this, but our assumption was that the UAE contractual situation negated this factor in the study. Most respondents commented on positive internal marketing aspects and managers are encouraged to develop further this as a mechanism for both improved human resource management and achieving improved productivity and customer service delivery.

Implications for managerial practice

This study suggest some important managerial implications in fast food restaurants in UAE. Manager need to be aware that rewarding system (employees are properly trained about the services they are expected to perform has the highest mean) and staff training and development (employees are being informed about the significance of their service roles has the highest) are the most important practices that lead to enhancing the operational performance. Moreover providing staff with area for innovation is matter of interest.

Managers need to be actively aware of the cultural characteristics of their organization before adopting, in order to benefit most.

Limitation and future research

The data collection is mainly from the biggest 2 cities in UAE, namely Abu Dhabi. The concept of service profit chain (SPC) has not been explored in this paper but resonates with many of the components explored within it.

References


