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## *Full Length Research Paper*

# **The Relationship between Internal Marketing Orientation, Employee Commitment, Charismatic Leadership and Performance**

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**Nowadays, the economic environment is competitive, various companies are all competing for the greatest profit; but create the blue ocean market is not so easy. Therefore, in foreign, many successful businesses focus on human, usage of incentives, empowerment, and educational training to increase the employees' commitment to the organization and to improve efficiency. Enterprise is an organization of human, most of the links cannot be surpassed or replaced. In contrast, the salary is generally low in domestic enterprises. The phenomenon of employees are squeezed is not uncommon. Managers sacrifice human capital in exchange for a slight profit. Take the service industry for example, when employees are treated unfairly, how do they service and satisfy the customers? Therefore, this study takes the customer-oriented market for survey objection. From the perspective of employee, under the business through internal marketing and managers' charismatic leadership, to understand whether the employees can bring good effects to increase organizational commitment. At the same time, whether employees are able to provide a better service to customer through organizational commitment, to improve performance and bring the greater profits for company. This study firstly confirms research variables and the framework by literature reviews, and then uses online questionnaires to collect data. Finally, we use SPSS, AMOS and SEM to test the hypotheses in this study. Under the framework for internal marketing, the results of research are as the followings: (1) Internal marketing will positively affect the organizational commitment. (2) Organizational commitment will positively affect performance. (3) Charismatic leadership will enhance the effect of organizational commitment and performance. This study finds out that when the organization provides education and training, reward system and good communication channels, employees can effectively improve organizational commitment, dedication to the organization over the long term and are willing to stay; further increase their skills and knowledge of company, to bring better performance. In addition, managers can enhance the effect of organizational commitment to performance. In other words, charismatic leader can lead and influence employees, is the cornerstone of a successful business. Finally, the expected results of this study can provide a reference of charismatic leadership to academic, and also help**

**companies improve their performance and to maintain the competitive advantage with the right thinking.**

**Keywords:** Internal Marketing Orientation, Organizational Commitment, Charismatic Leadership, Performance.

## INTRODUCTION

### Research Background and Motivation

An increasingly competitive economic environment, service industries have developed numbers of strategies to gain competitive advantage. The product sales are related with many reasons and also related with sales people. They are the first line personnel and contact with customers directly. Businesses need to build relationships with customers, and the first line staffs meet their needs. The customers will refer others to the business and its products and services and would like to keep coming back. Therefore, the high level of organizational commitment make employees have a stronger sense of belonging, are willing to share knowledge and experience, learn new skills, provide suggestions and comments, and pay more attention to improve quality and productively (Osterman, 2006). The staff with high commitment give customers the greater satisfaction and return performance to company.

And from the other perspective, the leadership style of management deeply affects the employees' performance. Charismatic leadership, defined as a person's ability to influence others based on a supernatural gift and attractive powers (Bertocci, 2009), could be effective, because one of the most important effects of charismatic leadership is that the charismatic leader is deemed as an object of identification and try to emulate his or her behavior and the employees accept the higher goals or have more confidence in their ability to contribute to the realization of the company's target (Lussier and Achua 2010).

### Research Purpose

In discussing these areas of charismatic leadership, internal marketing orientation, employees' organizational commitment and performance; we try to identify knowledge gaps and suggest research questions relevant to these gaps that warrant attention. The questions of this study are following:

I. Most studies explore the relationship of internal marketing orientation, organizational commitment, and job satisfaction. Meager empirical research on internal marketing orientation has focused on outcomes at the employee level. Internal marketing orientation improves organizational commitment and job satisfaction, and does have a significant influence. However, previous researches lack of the research to performance.

II. Furthermore, managers' leadership style will affect the subordinates even the development of company. The previous researchers explore leadership widely; they are shown leadership will affect employees' organizational commitment and job satisfaction. Therefore, this article is focusing on "Charismatic Leadership", and explores the charismatic leadership of managers and frontline employees. According to the questions of this study, we hope to reach the following research purposes:

I. To explore the relationship between internal marketing orientation, employee commitment and performance.

II. To explore the relationship between charismatic leadership, employee commitment and performance.

## Literature Review and Hypothesis

### Internal Marketing Orientation and Employee Commitment

Kyriazopoulos et al. (2007) examined the internal marketing concept from the branches of Bank, and they found that internal marketing has a positive effect on organizational commitment. Moreover, Farzad et al. (2008) in their research on employees among Iranian financial service arena found that internal marketing has a positive effect on organizational commitment. Hung and Lin (2008) suggested that employees' perception in the managerial system of the internal marketing has a positive effect on the organizational commitment in Taiwan International Hotel Industries. Based on these, the following hypothesis is developed: H1: Internal Marketing Orientation is positively related to Employee Commitment.

### Employee Commitment and Performance

The relationship of organizational commitment and performance is stronger when performance indicators are based on self-reporting than when they are examined by a supervisor or by the indicators of objective performance (Riketta, 2002). It should be noted the relationship in terms of organizational commitment and performance, many studies lean on how job performance contributes to the overall performance of the company (Shaw et al., 2003; Tourigny, Baba, Han and Wang, 2013), and including the financial perspective (Dimitriades and Papalexandris, 2011), for the reason that one can make the following hypothesis:

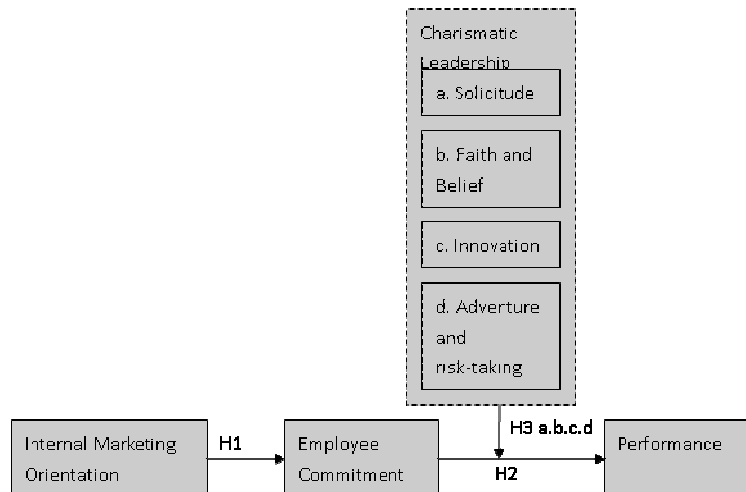


Figure 1. A Framework for the relationship of Internal Marketing Orientation and Charismatic Leadership Moderators between Employee Commitment and Performance.

H2: The greater the Employees' Commitment, the greater is the Performance.

### Charismatic leadership and Employee Commitment

Charismatic leadership is delineated in different ways by many scholars, and it is depending on the type and nature of their work (Choi, 2006). Nevertheless, the illustrative mysterious nature of charismatic leaders in literature, most of the earlier scholars established consensus on the fact that charismatic leadership has extraordinary influence on the subordinates' effort motivation and performance than any other forms of leadership (Bass et al., 2003; Choi, 2006). Many studies relating charismatic leader behaviors to performance outcomes have neglected important moderator variables and itself as moderator (Shamir and Howell, 1999). Sosik and Dinger (2007) thought that transformational and charismatic leaders with high self-monitoring ability might be more likely to identify needs, values, and preferences. In addition, with respect to their own behaviors and attitudes, to better accommodate those values and preferences. Therefore, we hypothesize that by following:

H3a: The relationship between Employee Commitment and Performance is positively moderated by Solicitudude of Charismatic Leadership.

H3b: The relationship between Employee Commitment and Performance is positively moderated by Faith and Belief of Charismatic Leadership.

H3c: The relationship between Employee Commitment

and Performance is positively moderated by Innovation of Charismatic Leadership.

H3d: The relationship between Employee Commitment and Performance is positively moderated by Adventure and risk-taking of Charismatic Leadership.

### Conceptualizing the Model

The benefits of charismatic leadership are not simply demonstrated to incremental effects but also to more dramatic advance in employees' performance. For this reason we look at the moderating effects of charismatic leadership. The hypothesized relationships (H1-H3) are combined in the framework shown in Figure 1.

## METHODOLOGY AND DATA ANALYSIS

### Measurement model (Validity, Reliable and Correlation)

This study choose Amos to analyze confirmatory factor analysis (CFA) by explore each dimension of the scale. Convergent validity of the resulting scales comply with Fornell and Larcker's (1981) stipulations, e.g. all indicator loadings are significant and exceed 0.7, and the average variance extracted (AVE) by each construct exceeds 0.5. Therefore, these values are expected and indicate this study has a greater convergent validity and discriminant validity. (see table 1 and table2). standard ( $p < 0.05$ ) in order to prove that our hypotheses in this structural model are

Table 1. Reliability and Convergent Validity

Latent variables	Observational variables	$\lambda$	SMC	CR	AVE	Cronbach's $\alpha$
Internal Marketing Orientation	IM1	0.801	0.641	0.9292	0.7246	0.929
	IM2	0.823	0.677			
	IM3	0.839	0.704			
	IM4	0.896	0.802			
	IM5	0.893	0.797			
Employee Commitment	EC1	0.905	0.819	0.9601	0.8282	0.936
	EC2	0.884	0.781			
	EC3	0.967	0.933			
	EC4	0.893	0.801			
	EC5	0.897	0.804			
Charismatic Leadership	SO1	0.863	0.745	0.9483	0.7829	0.947
	SO2	0.929	0.863			
	SO3	0.835	0.698			
	SO4	0.878	0.771			
	SO5	0.924	0.853			
	FB1	0.93	0.866	0.9608	0.8307	0.961
	FB2	0.964	0.93			
	FB3	0.923	0.852			
	FB4	0.882	0.778			
	FB5	0.854	0.73			
	IN1	0.919	0.845	0.9647	0.8433	0.963
	IN2	0.925	0.856			
	IN3	0.905	0.819			
	IN4	0.905	0.818			
	IN5	0.943	0.89			
AR1	0.896	0.802	0.9589	0.8237	0.958	
AR2	0.914	0.833				
AR3	0.933	0.871				
AR4	0.941	0.886				
AR5	0.831	0.724				
Performance	P1	0.908	0.823	0.9473	0.7823	0.947
	P2	0.895	0.8			
	P3	0.877	0.769			
	P4	0.889	0.79			
	P5	0.853	0.728			

Table 2. Discriminant Validity

	CL	IM	EC	P
CL	0.85			
IM	0.835	0.91		
EC	0.799	0.88	0.906	
P	0.427	0.448	0.446	0.885

supported. (see table 3).

**Moderation Effect Test**

**Multi-group Structural Equation Model**

This study uses the multi-group structural equation model to examine the effects of moderator variables. When testing the moderating effects, the following three steps to confirm the presence of moderating effects:

- i. Grouping the moderator variables (high group and low group).
- ii. Validating the effectiveness of grouping.
  - a. Testing the capability of Discriminant function
  - b. Using independent samples t-test
- iii. Multi-group structural equation model.

- a. The model fit test of single sample
- b. The identity test of path coefficient

According to Joreskog and Sorbom (1996), this study uses the multi-group structural equation model (AMOS) to analyze second-order model of identical concept in both high group and low group, and to test whether the model presented moderator effect. First, constructing three structural equation models (SEM) include of full sample SEM, high group SEM and low group SEM to examine the model fit test of single sample. (see table 4)

**NOTE:**

- 1. The value of the diagonal elements (the part of shadow): AVE square root
- 2. Off-diagonal elements: the correlations among the constructs

Table 3. Results of Hypothesis Test

Indicators	C.R.	P	Hypothesis
OC ← IM	15.34	***	Support H1
CP ← CL	1.302	*	Support H2
CP ← OC	2.979	**	Support H3

\*:  $p < 0.05$ , \*\*:  $P < 0.01$ , \*\*\*:  $P < 0.001$

Table 4. Identical Test Results of Two Sample Path Coefficients

Model	Explanation	Chi-square value	Degree of Freedom	The difference of Chi-square value with model 1
Model 1 (SO)	Baseline Model	541.415	207	
Model 2 (SO)	Moderating Model	545.236	208	3.83
Model 1 (FB)	Baseline Model	563.821	207	
Model 2 (FB)	Moderating Model	568.85	208	5.029*
Model 1 (IN)	Baseline Model	546.766	207	
Model 2 (IN)	Moderating Model	550.609	208	3.843*
Model 1 (AR)	Baseline Model	578.81	207	
Model 2 (AR)	Moderating Model	583.751	208	4.941*

Table 5. Moderating path analysis results of high and low group

Path		OC → CP
The Estimated Value	Low Group SO	0.087
	High Group SO	0.296
	Low Group FB	0.024
	High Group FB	0.312
	Low Group IN	0.091
	High Group IN	0.279
	Low Group AR	0.061
	High Group AR	0.33

3. *Distinguish the discriminant validity: The value of the diagonal elements should be larger than the off-diagonal element.*

### Hypothesis Test

By AMOS calculating, the path coefficient in the structural model no matter between observed variables and latent variables or in latent variables appears the significant and reaches the significant

The results of high group are all greater than the results of low group (see Table 5). The moderating effects of FB, IN and AR are significant. Thus, based on

moderating path analysis results, when in the “high degree of faith and belief”, the correlation of employees’ organizational commitment to performance has stronger positive effect than in the “low degree of faith and belief”. It can be seen the effects of “innovation” and “adventure and risk-taking” are same. We can get the following inferences:

- i. When the managers with high faith and belief, have the moderating effect on employees’ organizational commitment to performance.
- ii. When the managers with high innovation, have the moderating effect on employees’ organizational commitment to performance.

Table 6. Result of Hypothesis

Hypothesis	Result
H1: Internal Marketing Orientation is positively related to employees' Organizational Commitment.	Significant
H2: The greater the employees' Organizational Commitment, the greater is the Performance.	Significant
H3a: The relationship between employees' Organizational Commitment and Performance is positively moderated by Solicitude.	Not Significant
H3b: The relationship between employees' Organizational Commitment and Performance is positively moderated by Faith and Belief.	Significant
H3c: The relationship between employees' Organizational Commitment and Performance is positively moderated by Innovation.	Significant
H3d: The relationship between employees' Organizational Commitment and Performance is positively moderated by Adventure and risk-taking.	Significant

iii. When the managers with high adventure and risk-taking, have the moderating effect on employees' organizational commitment to performance. The result of research hypothesis based on literature review will be described as Table 6.

## CONCLUSION

### Structural Model of Charismatic Leadership

The goals of this study try to know the traits of charismatic leadership such as solicitude, innovation, faith, belief, adventure and risk-taking how to impact on employees. While the managers bring those traits of charismatic leadership into management process, especially frontline employees who contact with customers directly, employees could feel the different management styles than before. According to the result of empirical study, internal marketing orientation, employees' organizational commitment and charismatic leadership definitely increase the performance.

### Solicitude of Charismatic Leadership may not be good

Contrary to our expectations, the solicitude of charismatic path was not significant. The nature of our data collection, in which the employees served, may help to explain this finding. The third largest sample of occupation is student, and the overall age range is young. This part of sample affected the results which are less significant. We may deduce the managers of part-time job are less solicitude or they do not care about

this aspect that how managers treat them.

### Managerial Implication

According to the empirical results of structural model, we provide recommends to enhance the faith and belief, increase the innovation, strengthen the spirit of adventure and risk-taking in order to raise the employees' organizational commitment and performance. In addition, managers also could increase the employees' commitment to organization and their performance through the good internal marketing orientation.

### Internal Marketing Orientation in Organization

Based on the data collection, we find out the employees are almost belonged to young groups and served as business, service, and student, and also set up a filtering item. In this situation, internal marketing orientation does have a significant impact on employees' organizational commitment and performance in the customer-oriented industries.

An enterprise's internal marketing orientation including internal communication, human resource management initiatives, reward system, education and training make the employees more efficient. Enterprises offer the chances to education and training for employees, they can further the understanding of the companies' mission, purpose and philosophy, to put efforts in the correct direction. Besides, there are good internal communication channels in organization; link with employees, management can be the first time to

understand the needs and conditions of employees; so that they can focus more on their works, thus improving efficiency. Moreover, good reward system is essential conditions as a good business. Employees can compete healthy to fight for their reward, which enables companies to grow further and improve competitiveness. Finally, combining with the human resource initiatives, treat the employees as the internal customer and meet their needs. They will be also on the minds of customer awareness, and better satisfy the customers' needs. That is the operational boulevard of long-term and success for businesses.

### **Charismatic Leadership in Organization**

According to the research findings, most of charismatic leader traits, except solicitude, have the significant and positive moderating effect on employees' organizational commitment to performance. Earlier scholar believed charismatic leadership occurs only when the organization in crisis or in change.

The economic environment is competitive; enterprises must constantly innovate to gain competitive advantage. We think that charismatic leadership happens anywhere when the organizations are always changing. Managers, who are in charge of certain tasks, have to strengthen themselves and learn from the other good leaders to cope with changes in the organizations and better influence their employees.

The managers have courage to play, confidence in the decision-making and behavior that enable the employees recognized and trust to them. Besides, managers often are led by example, which can have a positive impact on employees and are worth learning model. Furthermore, managers should be innovative, willing to accept new areas of knowledge and skills, also lead and encourage employees to pursue new things. Last, managers have the adventurous spirit and a clear ambition, even faced with difficulties and in the unstable unpredictable environment, they often do positive thinking and able to well adapt.

### **Research Limitation and Further Research**

This study is not without its limitations, and we propose several points in the following:

i. The quantitative method of scale limits a material effect on the performance in our study. Because our study chooses the Likert scales to measure internal marketing orientation and charismatic leadership, each respondent has different level of cognitive so that cause an implausible result. Therefore, we propose that further experimental and longitudinal research would enable to investigate whether relationships are unidirectional or reciprocal (Schneider et al., 1998).

ii. The target unit of analysis was only relied on whose work contact with customers directly. Even though this scope allowed us easily to control of inter-organizational and inter-industry differences, there still are limitations for our ability to apply these findings to other industries.

iii. It is not objective because the extent to abstract charismatic leadership and internal marketing orientation into each company might also have been limited by individual differences.

iv. The final limitation is that there haven't had the mature scales of charismatic leadership from the prior research; furthermore, the structural model in our study built by ourselves might not have enough perceived credibility for further research.

These limitations notwithstanding, there are important further research directions deriving from our research. To analyze specifically, we recommend further research that could divide from charismatic leadership in detail.

i. One direction could be discussed from the other industry side: In this study, we restrict the sample that the employees contact with customers directly; it may represent the most respondents served as service industry. Regardless of the industry, internal marketing orientation and managers' charismatic leadership both are important. Further research could analyze the competitive comparison of different domains. Understanding the research differences in variety of industries will make more subjective.

ii. Another direction could be from the manager side: As facing the macro environment changing, managers must have the ability to adapt to change. The future research can use the depth interviews to access managers to understand the effect of internal marketing orientation and charismatic leadership in that company. Further research may discuss the other traits during the process of management, so that can sum up charismatic leadership traits to successful businesses.

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