

# **AN EXPLORATORY STUDY ON INTERNAL MARKETING AND INTELLECTUAL CAPITAL ORGANIZATION COMMITMENT AND PERSONALITY AS MODERATING VARIABLES**

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## **ABSTRACT**

This paper investigates the effects of internal marketing on intellectual capital and organizational commitment in the context of the finance industry. Furthermore, this research takes the employees' point of view, in investigating how their organizational commitment and personality have moderating effects on the relationship between internal marketing mechanisms and intellectual capital. Results indicate that internal marketing mechanisms largely have a visible impact on intellectual capital and organizational commitment, organizational commitment have a moderating effect, but employee personality only have partially moderating effect. Finally, the report brings forth suggestions on managerial implications and topics for further research.

## **INTRODUCTION**

The role of intangible assets has become far more crucial than tangible assets, for these intangible assets that create sustainable value form the concept of intellectual capital. Notably, intellectual capital has emerged to be even more vital in respect to creativity, productivity, competitive advantage, and operating efficiency.

From a knowledge management point of view, intellectual capital is the aggregate of all employees' knowledge (Lynn, 1998); hence, the company must satisfy its employees by putting effort into improving employee knowledge and encouraging its use; when their skills and abilities (human capital) are improved, customer service quality is elevated. Doing so will establish satisfied and loyal customers (relationship capital). Visibly, human capital and relationship capital are the two variables most directly related with employees. Obviously, an enterprise has to manage its workers, emphasize personnel training, promote teamwork among the workers, and understand and satisfy workers' needs.

Internal marketing's effectiveness depends on employee behavior and attitude. For example, if workers have commitments to the organization, they will have deeper feelings of attachment and identification with the group hence dedicate more to their work, which in turn aids in accomplishing group objectives and accumulating intellectual capital. Likewise, employees' personality determines the interaction between the organization and the work environment, which affects the intellectual capital created by internal marketing. Thus, this research focused on the two dimensions of organizational commitment and personality to delve into whether they moderate the relationship between intellectual capital and internal marketing.

## **RESEARCH FRAMEWORK**

If a company expects its employees to provide excellent customer service, it must first offer the employees a good working environment (George, 1990). That is to say, before the organization

successfully achieves its goal of external marketing, the internal exchange between the firm and workers has to be efficient and effectively implemented.

This study mainly integrates internal marketing concepts and activities to propose an internal marketing mechanism, investigating the effect on intellectual capital accumulation. In addition, the success or failure of applying internal marketing mechanisms on employees strongly depends on the employees' attitude and behavior toward the company. In this light, we also explore whether employee's organizational commitment and personality affect internal marketing mechanisms, which in turn determines the accumulation of intellectual capital. Lastly, we also investigated the effect of internal marketing on employee organizational commitment. The research framework is shown in Figure 1.

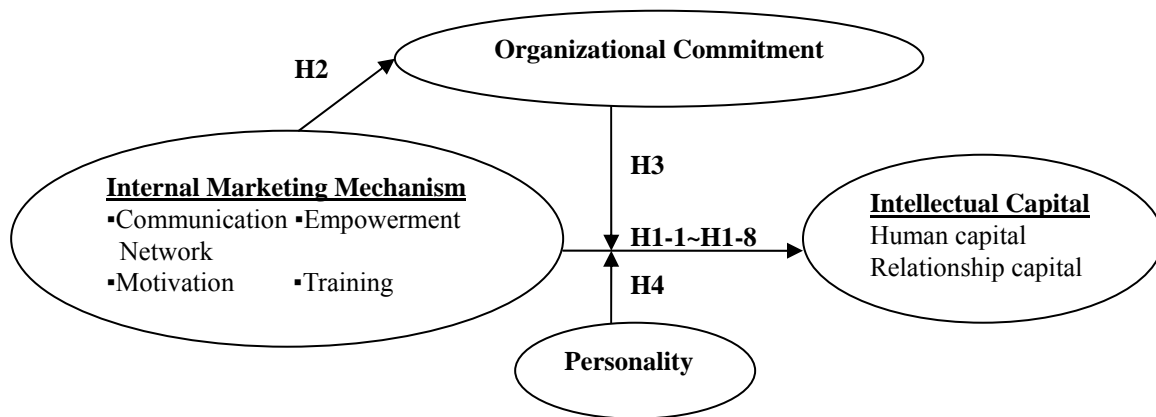


Figure 1 research framework

## RESEARCH METHODOLOGY

The operational definitions of variables were based on the concepts from related literature, which were adapted and modified to suit this study's objectives. The survey questionnaire was use a 5-point Likert scale. Service contacts between first line employees and customers are vitally important; thus, the respondents of this paper were first line employees working in the financial sector. Using a convenient sampling method, questionnaires were sent to these first line financial sector employees, asking them to give the forms to other first line employees to fill out. Of the 250 questionnaires sent, 202 were returned.

## DATA ANALYSIS AND EMPIRICAL RESULTS

The empirical results shows that the three variables of communication network, empowerment, and training have a significant positive effect on human capital (support H1-1, H1-2, H1-4). Motivation does not show a significant effect on human capital (does not support H1-3). Furthermore, it can be seen that communication network, empowerment, motivation, and training have positive significant effects on "relationship capital" (support H1-5, H1-6, H1-7, H1-8). Besides, communication network, empowerment, motivation, and training have significant positive effects on organizational commitment (support H2).

To test the moderating effect of organizational commitment and personality on internal marketing

mechanisms and intellectual capital, cluster analysis was adopted to partition organizational commitment and personality into two groups (high/low commitment & internal/external locus control). Analysis of variance was then performed, and significant differences between the two groups were found. Finally, based on the result of the cluster analysis, discriminant analysis was used for the evaluation, and 100% of the cases were classified correctly.

Chow's test was used to verify whether organization commitment and personality have significant effects. Let show that, organizational commitment has a significant effect on human capital and relationship capital (H3 is fully supported). Furthermore, employee personality does not have a significant moderating effect on human capital. Personality has a significant effect on the four internal marketing mechanisms and on relationship capital (H4 is partially supported).

## **DISCUSSION AND CONCLUSION**

Employee abilities, skills, and experience can create value for the enterprise. Thus, the company should put importance in employee education to fully realize their intangible potential and to create value (Edvinsson and Malone, 1997). Among these, empowerment mechanisms are the most significant. The managerial level, most especially, has to place importance on how empowerment affects the workers because the biggest effect of empowerment is in improving employee skills and productivity (Barner, 1994). Furthermore, motivation mechanisms do not have a significant positive effect on human capital because the motivation system employed by the financial sector is not timely; employees cannot quickly feel the support given by the organization. In addition, the financial sector's motivation mechanisms that are primarily directed toward developing customer relationships, customer support, and customer rewards lessen the incentives for employees to share knowledge.

Previous literature has pointed out that the attitude of front-line personnel and customer loyalty to the same company are significantly related (Schneider and Bowen, 1985). This observation is similar to our results.

Tansuhaj et al. (1991) and Caruana and Calleya (1998) reveal that internal marketing contributes toward promoting employee organizational commitment. This observation is similar to our results. Organizational commitment is an important factor in understanding the work behavior of employees (Meyer and Allen, 1991). The results of this paper indicate that organizational commitment does have a moderating effect on the relationship between internal marketing mechanisms and intellectual capital.

Finally, employee personality has a significant moderating effect on internal marketing mechanisms and relationship capital. A possible reason is that relationship capital stresses interaction with customers.

Employee personality has no significant moderating effect on internal marketing mechanisms and human capital. The following proposes an explanation regarding the non-significant effects. Normally, companies organize training courses to enhance workers' skills. To ensure that their investment in their employees bear fruit, companies require workers to participate in training courses, and actual participation in the courses is documented in the employee evaluation. Thus, even though the external locus control personnel have low willingness to communicate, to learn, and to cooperate, they have to consider the effects of the evaluation on their future promotion and salary. This type of personnel will also try to do their best in the training courses, resulting in the non-significant effect of employee personality.