The Impact of Internal Market Orientation on Service Quality

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Abstract: Internal marketing is a strategy to create internal market orientation to achieve service quality of the organization. Due to change in technology, service quality and increasing demand of customer’s organizations need to adopt a process so that they can deliver value to internal as well as external customers. The main problem found in the literature is how to create internal market orientation and which factors are responsible to achieve service quality. This research paper is a conceptual research paper in which research proposed model is developed in which there are three variables 1) Internal Market Orientation 2) Internal Marketing 3) Service Quality. For the purpose of the study six dimensions (internal segmentation, exchange value, training, remuneration, managers concern and communication) studied to implement internal market orientation and to find out the impact on the service quality.). Internal marketing orientation results in the customer satisfaction, positive attitude, compliance and retention etc. Internal marketing orientation is the important dimension of internal marketing. It improves the relationship among internal customers, internal suppliers and employer. Internal Intelligence generation, dissemination, and responsiveness are the important dimensions of internal market orientation. This research paper developed a model which can be empirically tested in the future research.

Keywords: Market orientation, internal marketing orientation, internal customers, internal Marketing, service quality, organizational performance

1. Introduction

Since, the development of the internal marketing concept, it is found that it is very useful to improve organizational performance. Internal marketing is initiated as a concept to improve service quality of the organization. Service quality is one of the most important tools to satisfy and retain customers. Various organizations are using internal marketing concept to improve the service quality which is one of the most important tools to satisfy and retain customers. However, there are various approaches to implement it [1]. It makes positive impact on the organizational performance. It helps to build up brand image, employee loyalty, employee commitment, and employee-employer relationship. After the development of the internal marketing thought it is found that it is not only improve service quality but also improves overall organizational performance. [2] However, service quality improvement is the first most significant outcome of internal marketing. There are two types of service quality one is internal and the other is external. Internal marketing makes a positive impact on all aspects of service quality. There are two types of products one is tangible and the other is intangible. Tangible products are products produced in the organization and tangible resources used in the organization like equipments, machineries, tools, manpower, that are utilized in the organization for the production. Intangible aspects are job products and services selling by the organization. Intangible resources utilized for the output of the services and products are attitude, perception and behavior of employee and organization. There are two types of organization one is product and the other is service organization that are benefited through internal marketing. Internal marketing is a strategy to achieve customer oriented and motivated personnel that makes positive impact on the service quality of the organization (Teena M et al. 2018) [3]. The basic notion of internal marketing is that it is to satisfy internal customers so that external customers can be satisfied. However, in the recent development it is found that internal marketing is not only satisfy customers but improves overall service quality. There are two thoughts of researchers; according to first group (Groonroos 1983) service quality and customer satisfaction are the same for the organization [4]. According to second group (Bitner 1990 et al.) service quality is not same as customer satisfaction [5]. By this we can say that service quality cannot be measured in terms of customer satisfaction alone. Customer satisfaction is the outcome of specific service transaction while service quality is the overall evaluation of the customer.

To gain service quality it is necessary to implement internal marketing. For this, there is a need to create internal customer orientation. It is confirmed by various authors that internal marketing is the process to create internal market orientation for the organizational success. Internal market orientation is gaining attention due to competitive and global market. Lings (2005) defined internal market orientation is to improve the relationship between employee or internal customers and employer [6]. In the internal market employees works as internal customers and internal suppliers both. With the aid of internal market orientation, all the employees (internal customers and internal suppliers) and employer are improving relationship with each other. Organizations are striving to achieve organizational goals. To accomplish this goal coordination between organization and employees plays a vital role. Thus, organization has to work for the betterment of their employees then only they are motivated to achieve goals [7]. Internal marketing orientation is the process to add value to the employee’s jobs product by providing benefits like salaries, flexible working hours, and other benefits. Organization understands the need and desire of internal customers. Similarly internal suppliers also have to focus on

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need of internal customers. In this way, internal customers are ready to provide their services to the organization.

1.1 Problem Statement

The main problem is how to create internal market orientation so that service quality of the organization can be improved.

1.2 Purpose of the study

This research paper is to develop a model that gives clarity about the relationships among internal market orientation, internal marketing and service quality. The model gives clarity about the dimensions used to create internal market orientation so that internal marketing is implemented and makes positive impact on service quality of the organization. The purpose of the study is to study internal marketing orientation and its impact on service quality.

1.3 Objectives of the study

To solve the purpose of the research following two objectives have been planned to be studied as:

- To study the impact of internal market orientation on service quality.
- Determine the importance of internal marketing to implement internal marketing orientation

2. Literature Review

2.1 Market Orientation and Internal marketing orientation

Internal marketing orientation used to apply marketing strategies in the organization to motivate and satisfy employees. [8]. It also improves human resource effectiveness. It identifies and satisfies the need of internal customers and leads to external customer satisfaction. It is confirmed in the literature that internal marketing orientation is the aid to improve external marketing. Opoku Emmanuel (2014) et al empirically studied on relationship between internal market orientation and performance of commercial banks in Ghana and found positive relation between the two. [9].

Market orientation contributed to provide value to customers and improve performance. In this regard, Conduit (2001) gave model that shows market orientation leads to customer satisfaction [10]. Customer satisfaction shows the effective marketing of the organization. The aim of market orientation is to fulfill customers’ needs. To accomplish this organizational knowledge and skills are highly desirable. Market orientation not only understands customer’s needs but also enhances perceived service quality and creates awareness towards market. Narver and Slater (1990) stated that market orientation creates organizational culture for improving customer value and thus business performance. [11]. They developed a model in which there are three related concept that is present in market orientation which are 1) Customer orientation 2) Competitor orientation 3) Inter-functional coordination. Various authors gave different perspectives of customer orientation according to Zebal (2003) [12] Shapiro (1988) explained customer orientation as decision making perspective [13]. After this Narver and Slater (1990) identified it as a culturally based behavior. It is found that customer orientation works as strategic focus. After the strategy focus it was found that it is customer oriented. In 1993, it is recognized that customer orientation is to identify the needs and wants of customers. Customer orientation is to deliver value to customers. It is the act of readiness to meet the customer needs and wants stated by Awwad and Agti (2011) [14]. All the perspectives were focused to customers. This is the common thing in all the perspectives of customer orientation. Customer orientation perspectives are focused to identify the needs and wants of customers.

After the development of the internal marketing concept, it is found that there is need of internal marketing orientation to boost market orientation. According to Lings, internal market orientation develops to improve the relationship between employee and employer. There are various dimensions proposed by researchers. Lings used five dimensions to measure internal market orientation dimension in retail sector which are formal written information generation, formal face-face information generation, informal information generation, communication and dissemination of information and responding to this internal market information. [15]

2.2 Internal Marketing and Internal Market orientation

In the internal marketing employees are called as internal customers. Mohr. Jackson et al (1990) identified importance of internal customers to create customer orientation [16]. To implement internal marketing focus is towards internal customers. Thus, internal marketing creates internal market orientation. Groonroos et al (1990) observed that internal marketing creates internal marketing orientation [17]. Thus, it can be said that internal marketing orientation is the antecedent of internal marketing. Internal market orientation results in customer satisfaction, staff attitude, compliance, and retention, etc. It improves overall organizational performance. To improve relationship between employee and employer developing internal marketing orientation in the internal market is the best idea proposed by Lings. According to Movondo (2001), internal marketing orientation means internal suppliers work to satisfy the need of internal customers. [18]. Thus, it means that internal marketing orientation improves the relationship among internal customers, internal suppliers and employer. Through internal market orientation value is added to employees’ jobs product by providing various benefits like salaries, flexible working hours, and other benefits. In this way equity theory of Huseman and Hatfield (1990) was reinvented in the form of internal market orientation. Equity theory explained internal exchange in which employees evaluate their job by comparing its input [19].

Various studies confirmed that internal marketing is the process to create internal market orientation for the
organizational success. [20]. Salem Omar M khaled (2013) found positive relation between dimension of internal market orientation and employee satisfaction. [21]. It is also found that information dissemination plays a greatest role in the internal market orientation. Chin Ai Thoo and his colleague studied on Nigerian banks to examine the effect of internal marketing orientation in Nigerian Banking industry. [22]. For the purpose of study they used five internal marketing components (Training and development, Rewards and communication, Internal communication, and Empowerment) and found positive impact on customer orientation. They also revealed that Employee’s behavior and attitude influence customer-employee interaction. Dissemination of market intelligence and management support has the greatest impact on the development of the customer orientation revealed by Movanodo. However, training program found not essential for the development of customer orientation.

According to Rafiq and Ahmed (2000), et al the purpose of applying marketing strategies in the internal market is to motivate and satisfy employees. [23]. Thus, internal marketing started with internal customer orientation. Internal marketing creates internal marketing orientation and makes positive impact on the service quality and the overall organizational performance. There are various dimensions of the internal marketing orientation that also makes the concept unambiguous. There is need of clarity in the concept by relating it with the internal marketing concept.

2.3 Dimensions of Internal Marketing Orientation

Marketing depends on the market situation; hence it is not clear that same construct of internal marketing orientation can be used in developed and developing countries. Indian and western culture is different from each other. Sahi Kauret al. studied internal marketing orientation in the Indian context. [24]. According to various authors there are different dimensions of internal marketing which are:

1) Lings and Greenly (2001) [25].
   a) Generating, disseminating intelligence.
   b) Satisfying wants and needs of employees.
   c) Designing and implementing appropriate response to meet those needs and wants.

2) Lings (2004)
   a) Internal market intelligence generation
      • Identify exchange value
      • Study of employee market
      • Strategies for each market
   c) Internal intelligence Dissemination
      • Communication between manager and employees
      • Communication between employees
   d) Reason to internal Intelligence
      • Job description
      • Remuneration system
      • Training
      • Management Concern

3) Gounaris [26].
   a) Internal market intelligence

b) Internal intelligence dissemination

c) Responsiveness to internal market

   a) Internal marketing research
   b) Internal communication
   c) Internal response

5) Robledo Ruizalba Luis Jose et al. (2014) [27].
   a) Generation of intelligence through data collection from the company internal market sub-dimensions
      • Identification of value exchange
      • Segmentation
   b) Communication of internal market intelligence and its dissemination in the organization
      • Communication
   c) Response to internal market intelligence by the company
      • Managers concern
      • Implementation of managers concern
      • Training

Salem Omar M Khaled (2013) studied on three dimensions of internal marketing orientation which are, 1) Internal marketing research 2) Internal communication 3) Internal response. Amanagula (2013) found significant impact of internal marketing orientation dimensions (Internal communication, reward, empowerment, training and development) on customer orientation. Internal communication plays a major role in employee’s behavior and attitude. In the organization internal communication plays major role in employee’s behavior and attitude. In this context, Mavanodo found that dissemination of market intelligence and management support has immense contribution on the development of customer orientation. Internal market orientation also makes positive impact on work related outcomes.

To generate information in the internal market there are three main points:-

1) Employees perceive that what input they are giving in their job and they are working in which manner. And how they perceive total work they are doing in their organization.
2) After analyzing perception of their input they expect output from it. What the organization giving them in return. They also perceive their output.
3) Huseman and Hatfield in (1990), there is need of balancing perception of employees input to his job and output to make employees satisfy.

According to Carter and Grey (2007) internal market orientation should create by reward system. [28]. By this, employees are motivated towards customer orientation. Gounaris observed that job satisfaction is positively correlated with internal marketing practice. Internal market orientation results in customer satisfaction, staff attitude, compliance and retention etc Market orientation makes positive impact on external customers and organization. And internal market orientation has positive effect on employees and organization. It is for fulfilling employee’s job
requirements, management consideration for employees and their development. It develops positive attitude of employees and improvement in their behavior. Various dimensions of internal marketing orientation used to apply marketing strategies in the organization to motivate and satisfy employees and to enhance human resource effectiveness. It makes impact on internal customers and leads to external customer satisfaction. [29].

2.4 Service quality

According to Allerd (2001) et al, service quality means conformity with specifications to achieve quality goals [30]. Organizations set some standard specification. Service quality means conformity with specifications. Organizations set standard specifications for achieving quality goals. Four key points of quality in which it can be defined are:

1) Customer opinion quality- It is the opinion and perception of customers about the product and services provided by the organization.
2) Product quality –Product quality is the characteristics of product tangible aspect.
3) Intellectual quality – Intellectual quality is according to set standard and effective performance and it takes view of conformity.
4) Comparing value price quality.

Service quality involves customer opinion, product quality, intellectual quality and value price quality of the organization. All these points are necessary to improve service quality of the organization. To improve service quality employees or internal customers plays a significant role. Service providers are the key players in delivering service and thus customer satisfaction. Motivation of employees is one of the factors to provide better service to external customers. In the same way organization prepares their internal suppliers so that they serve their internal customers in a well manner. Internal suppliers identifying the need of the customer and train them and make satisfied them.

Internal marketing is to improve relationship between organization and its employees or internal customers which improves interactive marketing between employees and customers and finally improving external marketing. Internal service quality is the prerequisite of external service quality. [31]. Unsatisfied external customers have choice in the free market therefore, it is necessary to provide them excellent service [32]. Likewise organizations are also doing effort to retain their internal customers. They also have choice due to various jobs available in the market. When they are dissatisfied with the service, but still working in the organization, due to no available job for him in the market, develops negative attitude towards organization which is brutal for them. It depends on the organizational culture how they make feel internal customers.

Internal marketing is strongly related to the perception of internal service quality. Samen (2012), studied the impact of internal marketing (employee motivation, reward, effective communication, employee recruitment, employee selection, employee development, support system and healthy work environment) on perceived internal service quality in a Jordanian Pharmaceutical company and found significant result [33]. Internal marketing is to gain internal customer satisfaction and competitive advantage which are: Discount reward incentive, motivation and recognition, empowerment, and discount rewards incentive. [34].

2.5 Dimensions of service quality

Persuraman, Zeithamal, Berry (1985), described ten dimensions of service quality which are credibility, responsiveness, reliability, security, understanding, tangibles, accessibility, courtesy, competence and communication [35]. Customers develop trust on service providers are known as credibility. Responsiveness means readiness to provide service. Reliability refers to ability of service suppliers to perform accurately. Security means degree of security and risk free. Understanding customer’s needs is very necessary to provide best service. Tangible dimension means tangible aspects provided by the service provider. Accessibility means customers are able to get service in proper place and time. Treating customers politely represents courtesy. Knowledge and skills demonstrates competence of the service providers. Communication is vital for the service quality and most important dimension of the service quality. Communicate benefits of services and role of organization to the customers in a well manner. With this damages or obstacles in service provided is also communicated to the customers. Later dimensions of service quality decreased to five are reliability, tangible, responsiveness, credibility and empathy.

2.6 Internal marketing and Service quality

Relationship between internal marketing procedures (service culture, motives system, human resource development, and reward) and service quality (tangibility, reliability, responsiveness, assurance and empathy) was studied by Aburoub (2011) in which positive relationship found between them with customer satisfaction. Various studies confirmed positive relationship between internal marketing and service quality. [36]. Jarrah Samiha et al studied impact of internal marketing dimensions (vision, reward, communications, training and development, leadership and managerial support) on quality of health care. In the insurance sector Ghorbani (2013) studied impact of internal marketing on the service quality and found organization citizenship behavior act as a mediating role between internal marketing and service quality. Organizational citizenship behavior concept introduced by Organ and his colleagues in 1983. [37]. It makes impact on the employee’s willingness to work and innovative behaviors. Organ gave five dimensions of organizational citizenship behavior are-Altruism, courtesy, conscientiousness, civic virtue, sportsmanship (cited in Ghorbani 2013).

In the internal market employees purchased two types of product one is strategic product other is tactical product. Strategic product means organizational mission, vision, goals, ideas, policies and procedures etc. At tactical level they purchased job they are performing. Internal marketing
makes effort to deliver these products in which internal customers satisfied and benefited and also other stakeholders. After employees used these products their behavior shows level of satisfaction. Consequently, measuring internal customer satisfaction is to identify the change required in the organizational system. Stanley and Wisner (2001) depicted that it is the requirement of the organization to look towards internal service quality [38]. To achieve customer satisfaction service providers plays important role. A service quality environment can be created by market orientation (Ferrell and Hartline 1996) [39]. It is the duty of firm to prepare their service provider to identify need of customer and to train them and make satisfied in his job. According to Bansal, activities related to preparing employees for external market is come under internal marketing. External service quality closely related to employees. They are providing service to external customers. Therefore, motivation of employees is most important feature of organization. Internal suppliers act as service provider for internal customers. Employer need to motivate their internal service providers to give better service to internal customers. In this way organizations became successful and achieve its goals easily.

3. Research Methodology

The purpose of this research is to study the impact of internal market orientation (internal segmentation, value of exchange, communication, training, remuneration, managers concern) on the service quality and to study the internal marketing as a mediator between internal market orientation and service quality. To achieve the objective of the research, a research proposed model has been developed to clarify the concept. For the purpose of research qualitative data has been collected from various journals, research papers, and articles.

3.1 Variables used in the model

1) Independent variable: Internal Market Orientation

Internal market orientation is the independent variable in the model. It is created in the organization through the employees. Six dimensions of internal market orientation used in the model are internal segmentation, value of exchange, training, communication, managers concern and remuneration.

2) Mediator Variable: Internal Marketing

Internal marketing is the mediator variable of the internal marketing. It is the process of exchange between employees and employer to achieve organizational goal. It is dependent on the internal customer orientation of the organization. Before selling products and services in the internal market it is necessary to understand the need of the internal customers or employees. Therefore, internal market orientation is the first step of internal marketing process.

3) Dependent Variable: Service quality

To achieve service quality of the organization it is essential to implement internal marketing. Service quality is dependent on the internal marketing and internal market orientation act as a mediator. Service quality is not related to only how products are serving to external customers. But it also involves service quality of internal as well as external market. Service quality is related to overall organizational service quality.

3.2 Research Proposed Model

![Research Proposed Model](image)

**Figure 1.1: Research Proposed Model**

*Overview of the research proposed model:* Fig. 1.1 is the Research proposed model for the study. Six dimensions (internal segmentation, exchange value, training, remuneration, managers concern and communication) studied to implement internal market orientation and to find out the impact on the service quality. According to this research proposed model internal market orientation makes impact on internal marketing and it results into service quality improvement. Internal marketing works as a mediator between internal market orientation and service quality.

4. Findings and Discussion

This study gives direction to implement internal market orientation successfully. It is found that all the three elements of the model are very useful for the successful organizational functioning and growth.

4.1 Elements of the Model

1) Internal Market Orientation
2) Internal Marketing
3) Service Quality

4.2 Findings

Internal Market orientation is the independent variable in the model. Six dimensions studied for internal market orientation are, internal segmentation, exchange value, training, remuneration, managers concern and communication. Internal market orientation is to internal
market orientation is to improve the relationship between employee or internal customers and employer. Three main dimensions of the internal customer orientation are described by Lings which are internal intelligence generation, dissemination, and responsiveness. Lings (2004) et al. identified exchange value as internal market intelligence generation. It is the first step in the internal marketing process. It is necessary to identify exchange value in the internal market for the smooth functioning of the business. Berry (1984) also defined exchange phenomenon in the internal marketing. According to Groonroos (1990) internal marketing is to create customer orientation. To sell any product or service there is need to identify its exchange value. Organization and internal customers are the marketer and buyer both. Successful exchange process results to achieve organizational goals. Internal segmentation is a group of similar choices. In the internal segmentation employees or internal customers select their choices of accomplishing goals. It is very helpful to prevent resistance of change in the internal market. Segmentation and communication are the most vital component of the internal customer orientation activities. Market orientation is created for external market in the similar way internal customer orientation created in the internal market. According to Hoffman (2000) planned communication influences attitudes, knowledge and behaviors of employees [40]. In the organization there are two type of communication at all levels in the organization which are formal and informal communication. Communication helps to understand the need of employees. There are various hurdles in the organizational functioning due to lack of communication for example, conflict between employees, lack of knowledge of products and services of organization, poor image of the organization, weakens human resource management.

Employees get reward when they work well. This is responsiveness of market intelligence. Employees sell their service to the organization and receive reward. If reward is not according to their expectations then they develop negative attitude. Thus, it is necessary that managers concern about it. Manager in the organization has to understand the need and requirements of the employees and to work according to it. Training plays a vital role to enhance skills and knowledge of the employees. Training is required to improve performance to serve internal as well as external customers. Before selling products and services in the external market it is necessary to sell it in the internal market. Thus, by using all the six dimensions of the internal customer orientation internal marketing is implemented in which employees and employer works for mutual benefits.

Internal marketing is the mediator variable in the model. In the internal market there is need to build relationship among internal customers, internal suppliers and organization that improves service capability of the organization. Hallowell found that job satisfaction improves service capability. Internal marketing is all about in what way company serves its employees [41]. Internal customers are those that receive product or services from suppliers in the organizational boundary that improve service quality of the organization in which motivation of employee plays an important role. Today’s internal market is facing stress, conflict and tiredness etc. To get rid of these problems employee satisfaction is necessary. Today is the knowledge era, thus it is also vital to empower employees through the internal marketing.

Service quality is the dependent variable in the model. Internal marketing enhances service quality by motivating and providing training to employees. Thus, this means employee behavior has a great impact on the service quality. For this, there is need to develop positivism towards the organization. With the aid of customer orientation employees are highly motivated and committed to work that makes impact on the service quality of the organization. In this way, employees also serve their customers in a well manner. This process improves the overall service quality, internal as well as external service quality. Thus, it not only improves quality of serving customer but also overall organizational quality.

5. Conclusion

Due to the competition and global market internal marketing orientation is gaining attention in the organization. Organizations are combating to achieve their goals and thus, there is need of coordination between employees and organization for the betterment of their work. Internal marketing is one of the means to improve service quality of the organization. Through internal marketing employees are motivated and satisfied so that they improve their work performance and get reward. Internal marketing makes positive impact on the service quality. In this way service quality builds up brand image, develops employee commitment and loyalty, and enhances employee-employer relationship, improves customer relationship, and growth of the organization.

This research paper is a theoretical research paper that develops a research proposed model to give direction to improve service quality through internal market orientation in which internal marketing act as a mediator role. Internal marketing creates internal marketing orientation that makes impact on external marketing of the organization. The main problem in the literature is how to create internal market orientation and which dimensions and factors are responsible to achieve service quality. There are two objectives of the study were 1) To study the impact of internal market orientation on the service quality and 2) To determine the importance of internal marketing to implement internal marketing orientation. To achieve the objectives of the study, in this research paper a research proposed model is developed in which there are three variables 1) Internal Market Orientation 2) Internal Marketing 3) Service Quality. For the purpose of the study six dimensions ((internal segmentation, exchange value, training, remuneration, managers concern and communication) studied to implement internal market orientation and to find out the impact on the service quality. This model concludes that internal marketing is implemented by using all the six dimensions of the internal market orientation in which internal customers, internal suppliers and organization are working for their mutual benefits and to achieve organizational goals. All the six
dimensions of the internal market orientation are important to create internal customer orientation. According to this model internal market orientation is the prerequisite for the implementation of the internal marketing successfully which leads to service quality of the organization. This model gives the direction of internal market orientation implementation to achieve service quality of the organization.

Limitations of the study: The limitation of this research is that this model is not empirically tested. In this research only six dimensions used to study internal market orientation. In the future research different dimensions and more dimensions can be used to study it theoretically as well as empirically.

Future scope of the research: In the future research different dimensions and more dimensions can be used to study it theoretically as well as empirically. For the future research it is necessary to test this model to prove it scientifically. It can be tested in service, product or manufacturing organization. Internal marketing and internal market orientation is a growing concept and thus it is necessary to develop various models on it and give direction to implement it successfully.

References


**Author Profile**

Dr. Teena Mishra has 5 years of teaching and 4 years of industry working experience in the management field. She taught in various institute and universities. She received her Ph.D. from Barkatullah University (Management discipline) in 2018. Presently she is working as Assistant Professor in the Business and Commerce Department at PSS Central Vocational Institute, Bhopal. She is working as a retail expert to develop books and conducting teachers training programs. She has been published various articles and research papers in the reputed publications.