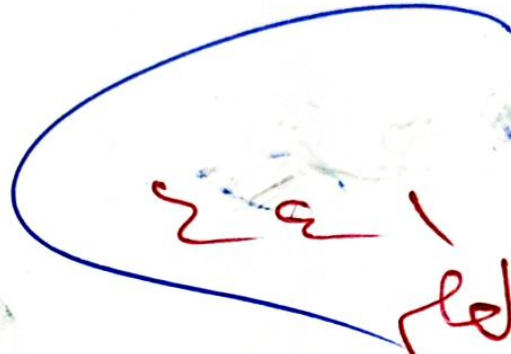




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**Integrating Internal Marketing Orientation,  
Internal Service Quality and Marketing  
Orientation in the Banking Sector: The Case of  
Egypt**

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# Integrating Internal Marketing Orientation, Internal Service Quality and Marketing Orientation in the Banking Sector: The Case of Egypt

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*In recent years, Marketing Orientation (MO) has been the favourable theme for numerous studies and reports. Yet, there is a lack of systematic empirical evidence regarding the critical success factors for the MO implementation and their consequent performance outcomes. Therefore, the purpose of this paper is to examine the interrelationships between internal marketing orientation (IMO), internal service quality (ISQ) and Marketing orientation (MO) to develop and test a conceptual model of the antecedents of marketing orientation in the banking sector. The conceptual framework consists of the following constructs: IMO, interdepartmental conflict, interdepartmental connectedness, internal service quality, job satisfaction, empowerment, and marketing orientation. Moreover, 10 hypotheses were developed and tested using a sample of 202 banks. Reliability analysis and confirmatory factor analysis have been used to test the validity of the constructs, while the Structural Equation Modelling (SEM) has been used in hypotheses testing. The strength of the relationship between the constructs indicates that features of the suggested MO model including interdepartmental connectedness, interdepartmental conflict, job satisfaction and empowerment are crucial to achieving Marketing orientation MO. The results which emerged from our hypothesised model were found to support that internal marketing orientation leads to internal service quality and in turn marketing orientation. In particular, all variables show strong support for our hypothesised model, however, interdepartmental conflict was found to be a negative indicator. Findings suggest that the MO model can be deployed as a means of enhancing organisational behaviour to improve business performance.*

**Keywords:** Marketing Orientation, Service Quality, Banking

## Introduction

Marketing orientation is central to management thinking especially, for high performing organisations which strive to satisfy customers at all time. According to Eid (2007). Marketing orientation is becoming a priority due to very powerful economic, technological, and social forces that have effectively made the traditional business models irrelevant in the contemporary business and technological environment.

However, although the positive impact of marketing orientation on organizations has been addressed in many studies (Ahmed et al., 2003; Bruhn 2003; Naude et al., 2003; Menguc & Auh, 2006; Brown & Lam, 2008; Babakus et al., 2009, Ranjan & Bhatnagar, 2011) and there have been a number of attempts to identify the antecedents of marketing orientation (Pitt et al., 1996; Kohli & Jaworski 1990; Jaworski & Kohli 1993) few of them can provide strong theoretical or statistical support for the existence of such antecedents. This may be because of the exploratory nature of these studies. As such they deal more with the potential than the reality of marketing orientation. Furthermore, the multidisciplinary approach to marketing orientation, the intangibility of service, as well as the fragmentation of the subject perhaps explains this gap. Hence, Full-scale research conducted in a more robust manner must be undertaken.

To bridge this gap various conceptual and empirical studies investigating the concepts of internal marketing orientation and internal service quality were examined. Their findings identify two factors that have a direct impact on successful implementation of marketing orientation. Model, definitions, techniques and discussion of these factors and how could they affect the marketing orientation implementation are described in the following sections. Further discussion on each category is also underpinned.

### **Objectives of the paper**

This paper pursues the following objectives:

- To identify the antecedents of marketing orientation for banking services,

- To develop and clarify a conceptual model integrating internal marketing orientation and internal service quality marketing orientation constructs, and their consequences on marketing orientation and,
- To specify and test hypothesised relationships derived from the conceptual framework.

In the following sections, first the development of the conceptual model and the hypotheses of the study are presented. Next, the methodology of the study is discussed followed by the analysis and results. More specifically, the conceptual model is tested using path analysis, with the AMOS structural equation modeling package, and data collected by mail survey of 202 banks. Finally, the conclusions and their implications are discussed.

### **Literature review, conceptual model and hypothesized relationships**

The conceptual model of this study is drawn from two streams of research: marketing literature, and current total quality management theory (TQM). Figure 1 shows the conceptual model with the hypothesized linkages between the constructs. These linkages deal with two sets of hypotheses:

1. The effect of the *Internal Marketing Orientation* on *Internal Service Quality*.
2. The effect of *Internal Service Quality* on *Marketing Orientation*.

The next section provides a brief definition for each construct, followed by the development of the hypotheses. The relevant literature for each hypothesized relationship is discussed in the appropriate hypotheses development section.

### ***Internal marketing orientation IMO***

Internal marketing orientation is fairly new in its academic meaning, and has not been commonly referred to in the services marketing literature. Research and interest has largely focused on such terms as internal marketing, marketing orientation, customer orientation, market driven, marketing oriented, internal marketing orientation IMO.

The above constructs have been used interchangeably in the literature to define terms which relate to perceptions of service quality, and there is evidence to suggest that some similarities exist between them and internal marketing orientation (See Gummeson 1987, Narver & Slater 1990, Kohli & Jaworski 1990, Jaworski & Kohli 1993, Pitt et al., 1996, Matsuno & Mentzer 2000, Hartline et al., 2000, Conduit & Mavondo 2001, Naude et al., 2003, Menguc & Auh, 2006). Although the constructs still lack generic opinion (Rafiq & Ahmed 2000; Naude 2003), they bear common concerns to employees' perceptions of service quality in both its internal and external manifestations.

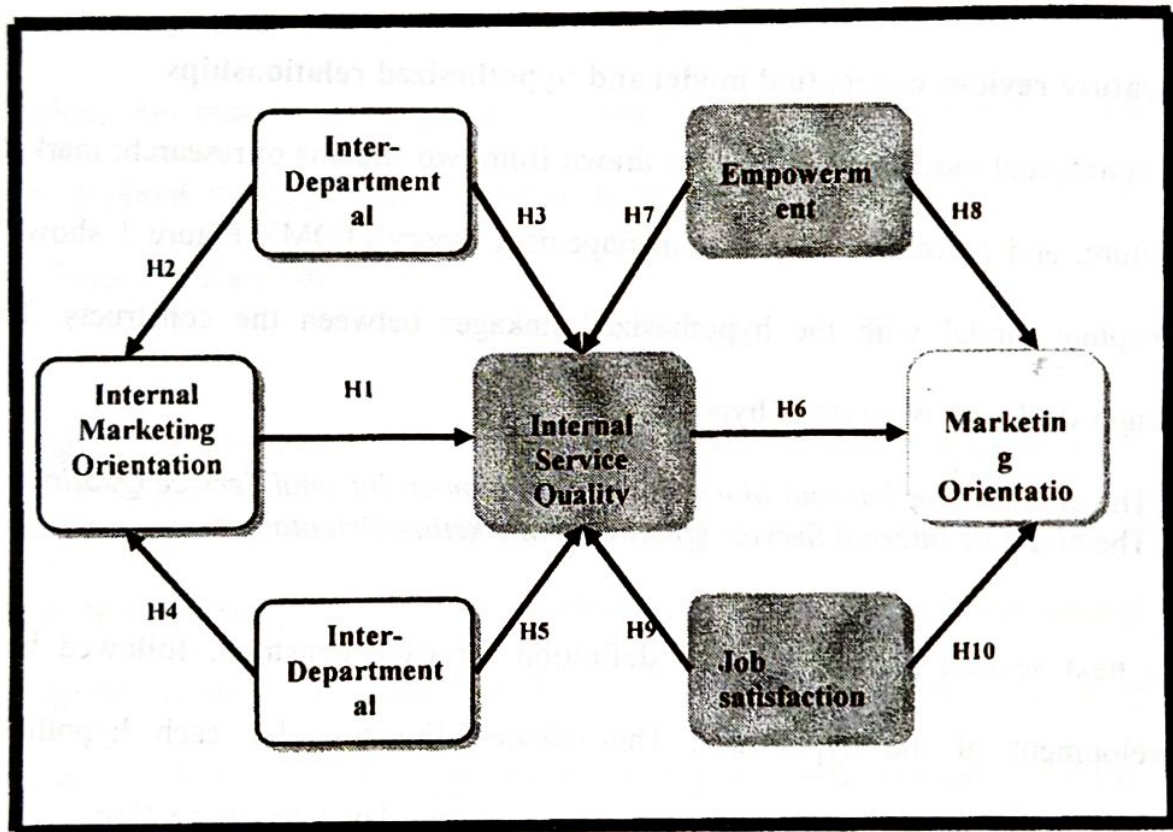


Figure 1. Proposed Generic Model for MO Implementation

IMO involves the use of marketing-like tools to convey corporate objectives, and to assess the extent to which internal marketing tasks have been successfully achieved. Our approach was to re-define internal marketing orientation IMO as used in the literature by Naude et al., (2003), and posit it as one of the core components of the

broader concept of internal service quality ISQ. Common to this is Gummesson (1987) and Naude et al., (2003) who support the introduction of a company's external marketing concepts to suit internal customers.

Therefore, we argue that internal marketing-like tools including empowerment, interdepartmental connectedness are positive variables that may influence perceptions of internal marketing orientation IMO to result in internal service quality and in turn lead to marketing orientation (See Kohli & Jaworski 1990; Matsuno & Mentzer 2000; Hartline et al., 2000; Conduit & Mavondo (2001); Naude et al., 2003; Ahmed et al., 2003; Ballantyne 2003; Brown & Lam, 2008; Babakus et al., 2009).

It can also be argued that internal marketing orientation is an integral part of overall marketing orientation and mediates the relationship between the internal marketing mix by ensuring that organisations are highly aware and responsive to overall (internal/external) customer needs and competitors' capabilities (Conduit & Mavondo 2001; Naude et al., 2003; Ahmed et al., 2003).

Furthermore, there is some evidence of similarity between our adaptation of internal marketing orientation IMO and that used by Conduit and Mavondo (2001). Conduit and Mavondo posit that internal marketing orientation is a critical part of an organisational culture which provides a unifying focus to support and guide the attitudes and behaviours of organisation members to deliver quality to other employees. Conduit and Mavondo acknowledge the importance of employees in dealing with external customers, and that ensuring employee satisfaction and support of the overall marketing strategy was essential for linking internal and external customer satisfaction. Their study reveals that internal marketing processes are antecedents of customer orientation. They stress the need for management support and

interdepartmental relationships in organisations in order to create conditions for customer orientation. We recognise interdepartmental relationships as constituent factors of internal marketing orientation, and posit interdepartmental connectedness as a positive variable, and interdepartmental conflict as a negative variable to IMO respectively.

We argue that internal marketing orientation as a core component of the overall internal service concept affords a number of psycho-social benefits to employees as they work together as individuals and departments toward a common objective of satisfying both internal and external customers. The benefits of internal marketing orientation IMO is theoretically supported, it provides the central focus for the support of the overall marketing strategy essential for customer satisfaction. Employee empowerment, job satisfaction, and interdepartmental interactions are factors which are beneficial to service employees and management respectively and also serve as the marketing strategy (internal marketing-like tools) used to enhance customer orientation (Conduit and Mavondo 2001).

### ***Internal service quality***

The growing literature on services marketing has clearly identified the crucial role of internal service quality in the effective implementation of organisational objectives. Discussions on internal service quality have emerged from a lack of definitional agreement among academics and practitioners on the operationalization of the SERVQUAL instrument developed by Parasuraman for measuring service quality (Gronroos 1989; Reynoso & Moores 1995; Boshoff & Mels 1995; Frost & Kumar 2000; 2001; Bruhn 2003; Ahmed et al., 2003; Naude et al., 2003; Ballantyne 2003; Babakus et al., 2009). Common concerns regarding the role and impact of internal



service quality on organisational performance concentrate on internal dynamics of an organisation, treating employees as internal customers whose perceptions are critical to the overall success of the organisation.

The concept of internal service quality has received much impetus in the literature perhaps, as a result of increasing understanding among managers and experts that high performing organisations owe their success in large measure to looking inwards (Frost and Kumar 2001). Evidence suggest that discussions on internal service quality “as a first order activity” among service providers have spun out contested, but critical issues that challenge earlier debate on service quality perceptions (See Gronroos 1998; Jaworski & Kohli 1993; Boshoff & Mels 1995; Reynoso & Moores 1995; Rafiq & Ahmed 2000; Hartline et al., 2000; Conduit & Mavondo 2001; Frost & Kumar 2000; 2001; Bruhn 2003; Ahmed et al., 2003, Ranjan & Bhatnagar, 2011). Internal marketing, which raises concerns on the importance of internal service quality advocates that internal customers (employees) be viewed and supported with internal marketing-like tools in much the same manner as external customers in order to create overall favourable service quality perceptions.

Our use of internal service quality is also similar to those expressed in the literature. Frost and Kumar identifies that the role of internal service quality is critical to determining the success of an organisation in today’s competitive environment. It is argued that models and frameworks which define (external) service quality be transported to internal context in order to create conditions that enhance organisational objectives. In their study, Frost and Kumar (2000) developed a conceptual model (Internal Service Quality Model) based on the original gap model SERVQUAL, developed by Parasuraman. It should however, be noted that

SERVQUAL has been widely criticised for its lack of generic transferability across sectors (Reynoso & Moores, 1995).

### ***Marketing Orientation***

Marketing orientation is suitable for our internal service context, although its use is yet to gain much impetus in the services marketing literature. We posit marketing orientation to be the consequence of the connected chain of activities that proceeds from an internally marketing oriented firm. There is evidence from literature to support our inclusion of marketing orientation. Pitt et al., (1996) identify a link between marketing orientation and market orientation. Pitt et al., recognise that market orientation as a philosophy that consists of three core aspects of which marketing orientation is among. They argue that marketing orientation essentially requires an understanding of the psychological and social factors which determine the customer's action. Stressing that such understanding would enable service providers to ask relevant research questions, make appropriate decisions and provide the core needs which in turn would yield the organisation's goals.

Marketing orientation is the positive result of ensuring and recognising that a favourable perception of internal service quality was essential to overall customer satisfaction. An organisation that understands the importance of empowerment, job satisfaction, and positive interdepartmental integration, and creates conditions which ensures effective co-ordination of these variables is highly likely to achieve marketing orientation. The implicit link assumed between marketing orientation and customer orientation is acknowledged as both constructs recognise that employees' satisfaction was essential for external customer satisfaction (Conduit and Mavondo 2001). It is advocated that market orientation is a tool widely used to generate and disseminate

market intelligence among service providers in order to help define their businesses accordingly. See Pitt et al., 1996; Kohli and Jaworski 1990; Jaworski and Kohli 1993. The benefits of using market intelligence to determine (external) customer satisfaction, although theoretically supported (See Conduit and Mavondo, 2001), remains to be clearly established.

### *Hypotheses*

#### *The relationship between IMO and ISQ*

This study attempts to investigate the effects of internal marketing orientation (IMO) on internal service quality (ISQ) (See Figure 1). Thus, it makes an attempt to operationalize the internal marketing orientation, not only in terms of its basic contents (items) but also in terms of factors that affect the relationship between internal marketing orientation and internal service quality. In this way, those factors include; interdepartmental connectedness, organisational and interdepartmental conflict.

Empirical research suggests a strong link between internal marketing orientation IMO and internal service quality ISQ. Naude et al., (2003) argue that internal marketing orientation IMO is one of the major components of market orientation which involves the use of marketing techniques within the organisation to create and communicate corporate values. Incorporating internal marketing orientation as an organisational goal creates a better work environment for employees, increased productivity, and overall organisational effectiveness (Conduit and Mavondo 2001). Internal marketing orientation is of central benefit to internal service quality as each employee in the service supply chain who is empowered and satisfied would be fully aware of (internal) customers' demands, and facilitate interdepartmental synergies needed to

achieve organisational goals. The internal marketing tools serve as core components for our conceptual framework and are similar to those expressed in the literature. See Rafiq and Ahmed 1993; Kholi and Jaworski 1993; Rafiq and Ahmed 2000; Conduit and Mavondo 2001; Geralis and Terziovski 2003; Ahmed et al., 2003; Brown and Lam, 2008. So, it is hypothesized that:

*H1: The internal marketing orientation IMO examined in this study will have a positive impact on the internal service quality.*

Similarly, contemporary research in internal services marketing examines interdepartmental interactions within the organisation in order to facilitate responsiveness to customers regarding quality outcomes. Jaworski et al., (1997) argue that achieving product or service quality goals is predicated by managing the interdepartmental interactions within an organisation. Conduit and Mavondo (2001) identify interdepartmental integration as an effective cooperation that leads to overall organisational performance. We have emphasised that the (interdependence) functional units in the organisation interact at some point to deliver service, and that the results of such interactions may either be positive or negative. Therefore two variables has been found to affect the relationship between internal marketing orientation and internal service quality i.e., interdepartmental connectedness and interdepartmental conflict. The theoretical rationale for interdepartmental interactions is found in the management literature. See Narver and Slater 1990; Kholi and Jaworski 1993; Menon et al., 1997. We argue that positive outcome of interdepartmental interactions result in interdepartmental connectedness, and more likely to foster cohesion between cross-functional teams, while interdepartmental conflict is a barrier that results in poor quality outcomes. A discussion on the two antecedents follows:

Menon et al., (1997) argue that interdepartmental connectedness focuses on the extent of interaction between individuals across functional departments, and such exchange can have an impact on the level of service within the organisation. Jaworski and Kohli (1993) suggest that it is the degree of formal and informal direct contact among employees across departments. It encompasses all forms of verbal and non-verbal communication, physical and non-physical contact throughout the organisation, and relates to the peaceful relationship that exists between, and among the various functional units in a service setting. We suggest that interdepartmental connectedness is posited to affect internal marketing orientation IMO and internal service quality ISQ and in turn marketing orientation MO. Thus, the following hypotheses are proposed:

*H2: The interdepartmental connectedness will have a positive impact on the internal marketing orientation.*

*H3: The interdepartmental connectedness will have a positive impact on the internal service quality.*

One factor which has been proposed to inhibit marketing orientation is tension, which often arises from incompatibility of desired responses across functional units in a service setting (Jaworski and Kohli 1993). Kohli and Jaworski (1990) argue that service environment in which tension prevails across functional units are likely to create unfavourable conditions for marketing orientation. The absence of peaceful integration and cooperation as argued by Conduit and Mavondo (2001) leads to inter-functional rivalry and thus inhibit the development of a marketing orientation. Essentially, interdepartmental conflict is likely to inhibit favourable exchanges that would foster cohesion between cross-functional units in the dissemination of market

intelligence. Menon et al., (1997) argue that interdepartmental conflict is usually considered a barrier to improved operational outcomes.

The negative relationship between interdepartmental conflict and quality outcomes is suggested in the marketing literature (Kholi & Jaworski 1990; Narver & Slater 1990; Jaworski & Kohli 1993; Menon et al., 1997; Conduit & Mavondo 2001). The underlying logic is that interactions among employees will influence the quality of service produced by them. Therefore; interdepartmental conflict is thus recognised in our research framework as a negative indicator of internal marketing orientation and internal service quality, since the way people behave is not predetermined, but contingent on their experiences and the possibilities open to them. Thus, we anticipate that:

*H4: The interdepartmental conflict will have a negative impact on the internal marketing orientation.*

*H5: The interdepartmental conflict will have a negative impact on the internal service quality.*

#### ***The relationship between ISQ and MO***

Bruhn (2003) argues that poor internal service quality as well as the quality of the internal service climate has a negative impact on the services provided to external customers. His study indicates that internal service quality is fundamental and essential to building and enhancing the internal supplier-customer relationships and for attaining organisational effectiveness. It is reasonable to expect that internal service quality would lead to marketing orientation. Therefore, we define internal service quality as a major block (variable) to determining perceptions of service quality. Therefore the following hypothesis is offered:

***H6: The internal service quality examined in this study will have a positive impact on the marketing orientation.***

Empowerment is one of the factors that have been found to affect the relationship between internal service quality and customer satisfaction. Empowerment is derived from human resource management (HRM) technique involving the transfer of power from top management to lower levels throughout the organisation. This technique is also part of the philosophy of TQM, and intended to provide work experiences that are intrinsically motivating to employees whilst simultaneously beneficial to organisational performance (Hartline & Ferrell 1996; Gernalis & Terziovski 2003). It is the freedom the service employees enjoy in exercising some measure of discretion over job functions, and includes behaviours not formally specified but viewed positively by management.

However, there is also empirical evidence that empowerment is a supporting element for internal service quality and marketing orientation. Gernalis and Terzivoski (2003) in their study of empowerment and service quality outcome identify that empowered employees are more marketing-oriented and practice favourable levels of internal service quality. Additional support for our position can be found in the services marketing literature, in which Rafiq and Ahmed suggest the need to empower frontline employees. Empowerment is essential to internal service quality as employees require a degree of latitude over the service task performance in order to meet customer needs (Rafiq and Ahmed 1998; 2000). The following hypotheses are therefore proposed:

***H7: Empowerment has a positive impact on internal service quality.***

***H8: Empowerment has a positive impact on marketing orientation.***

Finally, marketing theorists and practitioners (Hartline & Ferrell 1996; Rafiq & Ahmed 2000; Montes et al., 2003; Todd et al., 2004; Bell et al., 2004) have argued that firms who focus on their customers' needs, both internal and external, are more likely to offer superior value than firms who do not. However, although a weak link has been established between job satisfaction and employee performance, Hartline and Ferrell (1996) posit that such weak relationship is as a result of measuring employee performance in terms of outcomes (e.g. sales volume or targets) rather than in terms of attitudes (e.g. effort, teamwork, friendliness). We argue that this relationship lies in the interaction between employees and customers, in which case, satisfied employees would be more willing and able to demonstrate behaviours that assist (internal and external) customers during a service encounter.

The deployment of job satisfaction as an internal marketing technique is also indicated by Rafiq and Ahmed (2000) in their depiction of creating satisfied customer-contact employees as a condition for greater customer satisfaction. This is similar to Ahmed et al., (2003) who argue that employee satisfaction and motivation facilitates superior performance. The framework postulates that marketing orientation is associated with high levels of job satisfaction. Similar sentiments has been expressed by Todd et al., (2004) who argue that marketing orientation MO is closely related to high levels of job satisfaction, commitment and organisational citizenship behaviour. In this sense, job satisfaction is the fulfilment an employee (service provider) derives from delivering a service offering, and involves every effort at encouraging him/her to deliver superior performance. The above however, point to a common understanding; therefore we would expect to propose the following hypotheses:



- H9: The Job satisfaction will have a positive impact on the internal service quality.*  
*H10: The Job satisfaction will have a positive impact on the marketing orientation.*

## **Research methodology**

### **Research design**

The aim of our research is modelled to establish the role of internal service quality and its impact on external marketing orientation. After reviewing the literature, hypotheses were summarised into an integrated Marketing Orientation model (Figure 1), whose validity was tested by gathering data from banks that follow and implement the marketing orientation philosophy. Especially, based on the model, the study investigated:

- The marketing orientation success implementation factors as considered by bank managers;
- Internal marketing consequences on internal service quality and marketing orientation.

### **Data collection**

#### **Research Population**

The generalisability of the study relied on the representativeness of the respondents. Therefore, a representative selection of the Egyptian banks was made from a database of banks that are registered with the central bank of Egypt. The selection included local banks, foreign banks and joint banks. Respondents were selected on the basis that they have continuously worked in the bank for 2 years and above, and have had extensive contact with colleagues and customers at various stages of the supply chain. Their experiences and capability to comment on the nature of their relationship with the organisation and customers was also considered. A research packet, which contained a covering letter and an anonymous [self-administering] questionnaire, was mailed to the head of marketing departments or customer services officers [500 in total]. This procedure resulted in 202 usable respondents or a 40.4% overall response

rate. This number of Banks' branches represents about 50 percent of the whole population (Developed Database). The sample size chosen was expected to fulfill the requirements of all the statistical techniques used, as well as to justify the cost and time limitations of the researcher. Table 1 provides the study-stratified sample.

**Table 1: Distribution of Banks' Branches By Ownership in the sample**

Type of Ownership	Population Size	Strata Ratio	Sample Size
Local Banks	500	50%	300
Joint Banks	300	30%	150
Foreign Banks	200	20%	100
<b>Total</b>	<b>1000</b>	<b>100%</b>	<b>500</b>

In each bank, we relied on multiple respondents including heads of marketing (e.g. senior managers) and customer services officers (e.g. investments officers, personal and business account officers). In other words, we have ensured that responses have come from multiple sources in each bank. We have followed these procedures because 1) they are directly involved with the implementation of customer service quality initiatives within a strategic management and operational contexts. 2) They allow and negotiate the evaluation of service quality by customers, 3) they share a similarity with the category of other employees in the service industry used in other service quality research (e.g. Parasuraman et al., 1988; 1991; Brady & Cronin, 2001). 4) They are actively involved in a bidirectional process of interactions within the banks surveyed, as they mutually feedback on aspects of the service strategies that are working and/or not working, where the problems are occurring.

### **Research Sample**

The sample can be described as follows: In terms of ownership (40.0%) of the respondents were members of local banks, 25.7% were members of joint banks and (34.6%) were members of foreign banks. A majority of the respondents were younger

than 40 years old [64%], and a few respondent [approximately 4.5 %] were more than 50 years old. With respect to years of working with the bank, approximately 12% of the sample has been working with the bank between 2-5 years and 88% have been working with the bank for more than 5 years. Finally, more than half of the respondents hold the position of customer service manager in their banks (51.2%). On the other hand, 28.2% hold the position of marketing manager and 20.6% hold the position of sales manger.

To ensure that the valid responses were representatives of the larger population, a non-response bias test was used to compare the early and late respondents.  $\chi^2$  tests show no significant difference between the two groups of respondents at the 5% significance level, implying that a non-response bias is not a concern.

#### ***Research instrument development—Measures***

The development of the research instrument was based mainly on new scales, because we could not identify any past studies directly addressing all of the issues in this research. However, and where possible, we have used validated measures that have been previously applied, as explained below (the details of each variable is provided in the appendix).

Firstly, the internal marketing orientation scale (IMO) has been adopted from the Conduit & Mavondo (2001), who use six different items to represent the IMO scale. Secondly, the interdepartmental connectedness was a new scale that has been developed by consulting the works of Jaworski & Kohli (1993) and Menon et al., (1997). Thirdly, seven items have been used to catch the interdepartmental conflict measure based on the works of Conduit & Mavondo (2001) and Jaworski & Kohli (1993). However, one item has been eliminated based on the statistical analysis

results. Fourthly, the original Brady & Cronin (2001) scale of internal service quality (ISQ) is used in this study. Fifthly, the empowerment scale was a new scale that has been developed based on the works of Gernalis & Terzvioski (2003) and Hartline & Ferrell (1996). Sixthly, the job satisfaction scale, which includes eight items has been directly taken from the work of Hartline & Ferrell (1996). Finally, the marketing orientation scale has been developed based on the works on Saxe & Weitz (1982) and Conduit & Mavondo (2001). In the Appendix, we present the constructs, scale items, and sources used.

Two consecutive rounds of pre-testing were conducted in order to insure that respondents could understand the measurement scales used in the study: First, the questionnaire was reviewed by three academic researchers experienced in questionnaire design and next, the questionnaire was piloted with three marketing experts known to the researchers. The pilot took the form of an interview where the participants were first handed a copy of the questionnaire and asked to complete it and then discuss any comments or questions they had. The outcome of the pre-testing process was a slight modification and alteration of the existing scales, in light of the scales context under investigation.

### **Analysis and results**

First, the psychometric properties of the constructs were assessed by calculating the Cronbach's alpha reliability coefficient and the items-to-total correlation (Nunnally & Bernstein, 1994). This procedure resulted in the elimination of one item from the inter-departmental conflict scale, two items from the empowerment scale, two items from the job satisfaction scale and two items from marketing orientation scale, the inclusion of which decreased the reliability coefficients. As can be seen form Table 1,

all scales have reliability coefficients ranging from 0.782 to 0.912, which exceed the cut-off level of 0.60 set for basic research (Nunally, 1978).

Table 2. Summary of Construct Correlations and Coefficient Alpha

Variable	Intercorrelations						
	1	2	3	4	5	6	7
Internal Marketing Orientation	1.000						
Inter- Departmental Connectedness	.423***	1.000					
Inter- Departmental Conflict	-.233**	-.550**	1.000				
Internal Service Quality	.651**	.418**	-.218**	1.000			
Empowerment	.235***	.358**	-.066***	.472**	1.000		
Job satisfaction	.436**	.412***	-.138**	.634***	.716**	1.000	
Marketing Orientation	.729***	.664**	-.228**	.512**	.346***	.534**	1.000
Number of Items in scale	6	6	6	3	6	6	6
Coefficient Alpha	.839	.798	.832	.782	.912	.876	.901

\*\*Significant at 0.05, \*\*\*Significant at 0.01 (2-tailed).

Discriminant validity is obtained because all pair-wise latent-indicator correlations (see Table 2) are significantly different from one (Singh & Rhoads, 1991). Furthermore, tests for the unidimensionality of scales were performed using confirmatory factor analysis involving a single factor representation of each set of cogeneric items (Čater and Čater, 2010, Gerbing & Anderson, 1988). The confirmatory construct reliabilities are reported in Table II. Several fit statistics were utilized to evaluate the acceptability of each of the factor models. As recommended by Bentler and Bonnet (1980), the goodness-of-fit index was utilized and deemed acceptable if above the recommended value of 0.90. Additionally, the comparative fit index (CFI) also was used and acceptable model fit is demonstrated with CFIs above 0.90, as well. Furthermore, adjusted goodness-of-fit index (AGFI), and root mean square residual (RMSEA) also were provided. Standard cutoffs for the above indices, as proposed by experts (Bentler, 1990; Hu and Bentler, 1995; Joreskog and Sorbom, 1982), are provided in Table 3. The results indicated that the scales were unidimensional.

**Table 3. Confirmatory Factor Analysis of Model Constructs**

Construct	Chi-Square	P	GFI	AGFI	CFI	RMSEA
Internal Marketing Orientation	699.367	.011	.911	.809	.903	0.096
Inter- Departmental Connectedness	560.875	.000	.921	.931	.916	0.086
Inter- Departmental Conflict	825.933	.000	.961	.932	.923	0.003
Internal Service Quality	699.397	.006	.973	.911	.990	0.073
Empowerment	513.424	.000	.981	.943	.933	0.012
Job satisfaction	576.112	.000	.955	.923	.965	0.010
Marketing Orientation	456.132	.000	.990	.954	.925	0.034
<b>Statistic</b>	<b>Suggested</b>					
Goodness-of-fit index (GFI)	≥0.90					
Adjusted goodness-of- fit index (AGFI)	≥0.80					
Comparative fit index (CFI)	≥0.90					
Root mean square residual (RMSEA)	≤0.10					
Chi-Square Significant	≥0.05					

Finally, given that the purpose of the study is to test the hypothesized causal relationships among the constructs of the model, we used the structural equation-modeling package of AMOS. We used the factor scores as single item indicators and performed a path analysis, applying the maximum likelihood estimates (MLE) method, following the guidelines suggested by Joreskog and Sorbom (1982).

The application of the MLE method for estimating the model demands that the constructs should satisfy the criterion of multivariate normality (Bagozzi & Yi, 1988, Čater and Čater, 2010). Therefore, for all the constructs, tests of normality, namely skewness, kurtosis, and mahalanobis distance statistics (Bagozzi & Yi, 1988), were conducted. These indicated no departure from normality. Thus, as normality was confirmed for all the constructs, we proceeded in using the MLE method to estimate the model. Figure 2 illustrates the path diagram for the causal model. It also presents the estimated standardised parameters for the causal paths, their levels of significance and the square multiple correlations for each construct.

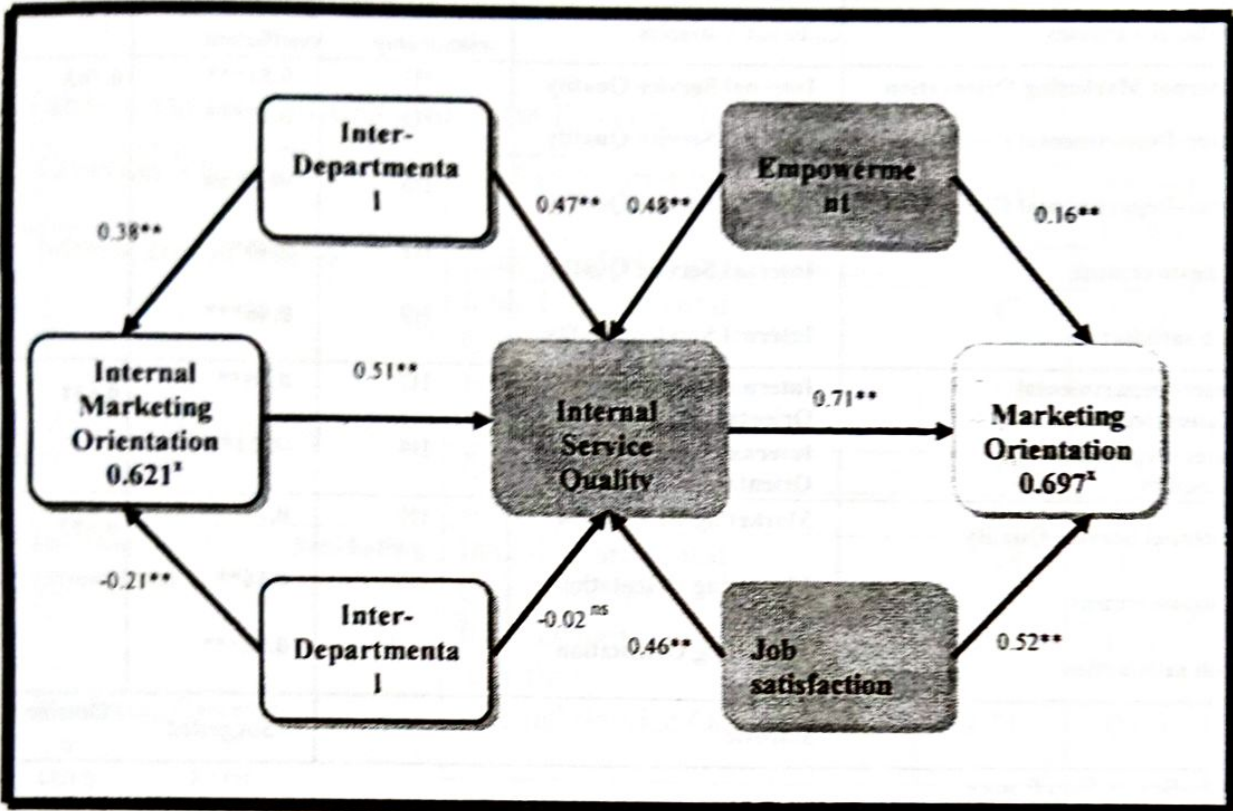


Figure 2: Results of Path Analysis

A more detailed analysis of the results and measures for model fit are reported in Table 4. Since there is no definitive standard of fit, a variety of indices are provided along with suggested guidelines. The chi-square statistic of the model was small ( $\chi^2 = 87.617$ ) and insignificant ( $P = 0.084$ ), indicating a very good fit. Additionally, the results of the rest measures, together with the squared multiple correlations indicate that the overall fit of the model to the data is quite strong.

**Table 4. Standardized Regression Weights**

Predictor variables	Criterion Variables	Hypothesized relationship	Standardized coefficient	R <sup>2</sup>
Internal Marketing Orientation Inter-Departmental Connectedness Inter-Departmental Conflict Empowerment Job satisfaction	Internal Service Quality	H1	0.51***	0.765
		H3	0.47***	
		H5	-0.02 ns	
		H7	0.48**	
		H9	0.46***	
Inter-Departmental Connectedness Inter-Departmental Conflict	Internal Marketing Orientation	H2	0.38**	0.621
		H4	-0.21**	
Internal Service Quality Empowerment Job satisfaction	Marketing Orientation	H6	0.71***	0.697
		H8	0.16**	
		H10	0.52***	
Statistic			Suggested	Obtained
Chi-Square Significance			≥0.05	0.084
Goodness-of-fit index (GFI)			≥0.90	0.954
Adjusted goodness-of-fit index (AGFI)			≥0.80	0.912
Comparative fit index (CFI)			≥0.90	0.943
Root mean square residual (RMSEA)			≤0.10	0.032

\*P<0.10, \*\*P<0.05, \*\*\*P<0.01, ns is not significant

Since the causal effects of the suggested factors may be either direct or indirect i.e., mediated via the effects of other variables, or both, the total causal effects were computed. More specifically, the indirect effects are the multiplicative sum of the standardized path coefficients (Asher, 1983). The total effects are the sum of the direct effect and all the indirect effects. Table 5 shows the direct, indirect and total effects of the suggested factors.



**Table 5. Direct, Indirect and Total Effect of the CRM Usage**

Criterion Variable	Predictor variables	Direct Effect	Indirect Effect	Total Effect
<b>Internal Service Quality</b>	Internal Marketing Orientation	0.51	0.00	0.51
	Inter-Departmental Connectedness	0.47	0.19	0.66
	Inter-Departmental Conflict	-0.02	-0.10	-0.12
	Empowerment	0.48	0.00	0.48
	Job satisfaction	0.46	0.00	0.46
<b>Internal Marketing Orientation</b>	Inter-Departmental Connectedness	0.38	0.00	0.38
	Inter-Departmental Conflict	-0.21	0.00	-0.21
<b>Marketing Orientation</b>	Internal Service Quality	0.71	0.00	0.71
	Empowerment	0.16	0.34	0.50
	Job satisfaction	0.52	0.32	0.84

However, our findings generally support our conceptual model. The results place support to most of the hypotheses.

Table 3 shows the estimated standardised parameters for the causal paths. Apart from the *Inter-Departmental Conflict* (H5) (Standardised Estimate=-0.02,  $P > 0.10$ ) that is negatively affecting the *Internal Service Quality*, the suggested factors are positively affecting the *Internal Service Quality*, namely *Internal Marketing Orientation* (H1) (Standardised Estimate=0.51,  $P < 0.01$ ), *Inter-Departmental Connectedness* (H3) (Standardised Estimate=0.47,  $P < 0.01$ ), *Empowerment* (H7) (Standardised Estimate=0.48,  $P < 0.05$ ), and *Job Satisfaction* (H9) (Standardised Estimate=0.46,  $P < 0.01$ ).

Similarly, the *Internal Marketing Orientation* is positively affected by the *Inter-Departmental Connectedness* (H2) (Standardised Estimate=0.38,  $P < 0.05$ ), and negatively affected by *Inter-Departmental Conflict* (H4) (Standardised Estimate= -0.21,  $P < 0.05$ ).

With respect to the *Marketing Orientation*, it was found that all the suggested variables, namely *Internal Service Quality* (Standardised Estimate=0.71,  $P < 0.01$ ), *Empowerment* (Standardised Estimate=0.16,  $P < 0.05$ ) and *Job satisfaction* (Standardised Estimate=0.52,  $P < 0.01$ ), have significant and positive effects upon *Marketing orientation*, supporting the hypotheses H6, H8 and H10. The above significant relationships provide empirical support to the theoretical views that state that the Internal Service Quality, Empowerment and Job satisfaction are facilitators of marketing orientation (Kennedy & King, 2004; Wang et al., 2004; Zablah et al., 2004).

### **Discussion and implications**

The purpose of this article is (a) to offer some useful and practical guidelines for banks and other types of businesses wishing to successfully apply marketing orientation and (b) to enhance our understanding of the internal marketing orientation and internal service quality as facilitators for successful marketing orientation.

#### ***Inter-departmental connectedness and inter-departmental conflict***

This study provides new theoretical grounds for studying the MO. It also supplies banks with a number of operative factors that may be essential if they are to remain competitive in the dynamic marketplace. Not only does this study provide an empirical assessment of the essential elements in MO implementation, but it also

assesses the factors that were distilled from a comprehensive review of the relevant literature.

The first group of factors includes the Inter-Departmental Connectedness and the Inter-Departmental Conflict. Interdepartmental connectedness creates conditions of affinity and favourable perceptions of internal marketing orientation and internal service quality among service employees in relation to their job performance. Interdepartmental connectedness has a positive impact on the level of internal service quality and internal marketing orientation. Our finding supports the notion that favourable perceptions of internal service quality, internal marketing orientation, and marketing orientation are fostered by the interdepartmental connectedness within the organisation (Kholi & Jaworski, 1990; 1993; Menon et al., 1997; Conduit & Mavondo, 2001).

On the other hand, tensions in the workplace as a result of incompatibility of desired responses among service employees inhibit favourable perceptions of internal service quality and internal marketing orientation. We recognise interdepartmental conflict as a negative indicator to internal marketing orientation and internal service quality. The results of this research suggest that the absence of peaceful integration and cooperation among service employees leads to inter-functional rivalry between individuals/across departments, and thus inhibit the development of marketing orientation.

Our finding on the negative relationship between interdepartmental conflict and quality outcomes is supported by Kholi and Jaworski 1990, Narver and Slater 1990, Jaworski and Kohli 1993, Menon et al., 1997 and Conduit and Mavondo 2001. The underlying logic is that interactions among employees will influence the quality of

service produced by them. Therefore, any unfavourable outcome from such interactions is likely to affect the levels of (internal) service provided by them. A negative outcome is likely to badly affect the exchange of information vital to job performance among service employees including the exchange of market intelligence to deliver superior value (Jaworski & Kholi 1993; Conduit & Mavondo 2001).

From a strategic standpoint, the implication for managers is to reduce interdepartmental conflict found to be a negative indicator by deemphasising parochial departmental interests, subordinate individualistic behaviour, and set measurable criteria that would reward honest team effort. This is capable of fostering interdepartmental collaboration among service employees (Hartline & Ferrell 1996; Conduit & Mavondo 2001). One other way of reducing conflict is to introduce behaviour-based evaluation among employees which is likely to reduce role ambiguity. Role ambiguity has been found to trigger conflict among employees that are empowered, and who are more often prone to taking multiple tasks in order to deliver superior value.

#### ***Internal service quality (ISQ) as mediator between IMO & MO***

Results indicate that internal marketing orientation IMO leads to internal service quality ISQ, and in turn marketing Orientation MO in that order. This is in line with our conceptual framework for marketing orientation MO as shown in Figure 1 and support similar findings expressed in the literature (See Narver & Slater 1990; Reynoso & Moores 1995; Frost & Kumar 2000; 2001; Nuade et al., 2003; Ahmed & Rafiq 2003).

The findings of this research also support Conduit and Mavondo (2001) identification of IMO as a critical part of an organisational culture which encourages employees to deliver superior quality to other employees. IMO is also of central benefit to ISQ as each employee in the supply process who is empowered and satisfied would be fully aware of customers' demands and facilitate synergies needed to achieve organisational objectives. Frost and Kumar (2001) and Ahmed and Rafiq (2003) provide theoretical framework to suggest that ISQ dimension is fundamental to determining success of an organisation in today's competitive business environment.

The strength of the relationship between the various constructs deployed indicates that the various ISQ dimension including job satisfaction and interdepartmental connectedness was crucial to achieving business performance and development of marketing orientation MO. ISQ results which emerged from our research were found to support that internal marketing orientation leads to internal service quality and in turn marketing orientation. Features of the model presented, including job satisfaction and empowerment suggest that the ISQ elements can be deployed as a means of enhancing organisational behaviour in order to improve business performance. The empirical research provides strong support for the various determinants of internal service quality. Our research is a departure from extant approach. The external service quality approach advocated by various researchers (e.g. Brady and Cronin 2001) were refined and transported to the internal context. The resultant model postulates that the ISQ variables moderate the relationship between the IM mix and organisational performance (Ahmed et al., 2003).

### *The effect of empowerment and job satisfaction on ISQ & MO*

Empowerment shows a positive influence on internal service quality and marketing orientation. Our result reflects findings similar to those of Tschohl 1998; Rafiq and Ahmed 1998; 2000; Geralis and Terzvioski 2003. Our findings also suggest that service employees who have the flexibility to make immediate decisions that will enhance their levels of ability to completely satisfy the customer are likely to deliver superior value to both internal and external customers (Rafiq & Ahmed 2000). It is expected that if service employees are empowered to exhibit marketing oriented behaviour the organisation would benefit and this is likely to impact the way the organisation is perceived externally.

Similarly, the effect of job satisfaction on internal service quality and marketing orientation was found to be positive and has a significant influence on employees' attitude. Results of the analysis show that job satisfaction significantly correlates and act as a positive indicator of internal service quality ISQ and marketing orientation MO. Job satisfaction has been found to have close links with marketing orientation (Todd et al., 2004). It is argued that a highly satisfied workforce is more able to demonstrate commitment and organisational citizenship behaviour by going beyond the normal call of duty to satisfy external customers than when those conditions are lacking. This reflects our hypothesised model. Our framework postulates that marketing orientation is associated with high levels of job satisfaction. Our findings are similar to those expressed in the literature by Rafiq and Ahmed 2000; Montes et al., 2003; Ahmed et al., 2003; Bell et al., 2004. Overall, job satisfaction appears to have a direct influence on service employees' attitude towards being marketing oriented.

## Conclusions and implications

Various studies have emerged to adapt the external marketing-like tools used to achieve business performance to the internal context. Empirical works of Rafiq and Ahmed 1993,2000; Ahmed and Rafiq 1995, 2003; Hartline et al., 2000; Conduit and Mavondo 2001; Ahmed et al., 2003; Naude et al., 2003 bear common concerns to the emergent approach. However, studies on internal service quality ISQ and marketing orientation MO are emergent perspectives. Despite the foregoing, a generic scale for measuring service quality antecedents and outcomes has yet to be developed.

Organizations are looking inwards more than ever before. There is growing concern among management experts that introducing quality enhancing initiatives among employees is essential to achieving business goals. Internal service quality ISQ is crucial to this process. The ISQ dimension is central to the emergent school, and builds on organisation-wide approach towards continuous improvement of the customer-supply chain internal to the organisation. The ISQ philosophy is consistent with the external marketing in satisfying the customer. ISQ seeks to achieve this by transporting the external marketing-like mix elements to the internal context in order to achieve the same objectives as would be expected in the external context. The question is: *how* are organisations implementing ISQ initiatives? In order to address this fundamental question, our study explored the relationship among service employees' perception of internal service quality ISQ in relation to their performance outputs in a single service firm.

It is now clear that empowered employees are more likely to derive sense of satisfaction in their job roles, especially if their opinions on how best to satisfy customers, although not formally recognised, are appraised by management. One can

argue that satisfied workforce is more likely to demonstrate marketing oriented behaviour than unsatisfied workforce. Therefore, the role for managers is to constantly anticipate actions among service employees towards marketing orientation in order to set standards for future behaviour in line with management thinking/objectives. Managers can ensure an effective delivery process by ensuring that service employees are fully aware of their job functions and are encouraged to initiate marketing orientated actions and take responsibilities. Managers must also ensure that employees derive satisfaction in carrying out assigned tasks by aligning employee goals to that of the organisation. Managers must ensure that activities which potentially reduce favourable interdepartmental exchanges between cross functional units/individuals are discouraged by ensuring that every employee receives actions deserving of a marketing oriented firm.

This is highly likely to forestall what Piercy (1996) identifies as 'internal euphoria', where the levels of satisfaction in the internal market is high, but does not translate to the external market. Overall, our investigation demonstrates the importance of developing structures that would ensure favourable internal service quality perceptions as a condition for the external market. In particular, it has proved that empowerment, job satisfaction, interdepartmental connectedness and interdepartmental conflict (identified as a negative indicator) are conceptual planks which act to moderate and or mediate the impact of internal service quality ISQ dimension.

#### **Limitations and suggestions for future research**

As in producing marketing oriented outcomes, our study has its limitations should be recognized. First, the single service firm sampled account for just a proportion of the



service setting; therefore, generalising the result of our findings as applicable to all service settings may be inadequate. Future research may consider extending the frontiers to cover other service settings including the airline and the hospitality industries. Second, although, the measures used can be adapted to multiple samples across different service settings, further analysis of items used may be recontextualised in order to establish a more definitive proof of construct reliability. Third, the data are cross-sectional in nature and hence it is not possible to determine causal relationships. Finally, the direction for future research, which emerged from our findings, is to improve our understanding of the suggested model in other types of business. For example, each construct discussed in this study warrants more in depth study. While some variables has been recurring issues in marketing, service quality and organisational behaviour research, their implications for marketing orientation requires a new perspective.

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## Appendix- Constructs, Scale items and sources

Construct	Measures Used to Capture Constructs	Source
Internal Marketing Orientation	<ul style="list-style-type: none"> <li>- In interdepartmental dealings, we treat each department as a customer</li> <li>- We constantly seek to increase the value of and services we provide to other departments</li> <li>- We collaborate with other departments to ensure we understand their on-going requirements</li> <li>- Top management stresses the importance of treating other sections as customers</li> <li>- We charge other departments the true value of our goods services</li> <li>- Other departments systematically evaluate the quality of products and services we offer them</li> </ul>	Adopted from Conduit & Mavondo (2001)
Inter- Departmental Connectedness	<ul style="list-style-type: none"> <li>- In this business unit, it is easy to talk with virtually everyone you need to regardless of rank or position</li> <li>- There is ample opportunity for informal 'hall talk' among individuals from different departments in the business unit</li> <li>- Managers here discourage employees from discussing work-related matters with those who are not their immediate superiors or subordinates</li> <li>- People around here are quite accessible to those in other departments</li> <li>- Communications from one department to another are expected to be routed through proper channels</li> <li>- Middle managers in my department can easily schedule meetings with middle managers in other departments</li> </ul>	New scale based on Jaworski & Kohli (1993) and Menon et al., (1997) Adapted from
Inter- Departmental Conflict	<ul style="list-style-type: none"> <li>- Most departments in the business get along well with each other</li> <li>- When members of several departments get together, tensions frequently run high</li> <li>- People in one department generally dislike interacting with those from other depts.</li> <li>- Employees feel that the goals of their respective departments are in harmony with each other</li> <li>- The objectives pursued by 'frontline' employees are incompatible with those from other departments</li> <li>- There is little or no inter- departmental conflict in this business unit</li> </ul>	New scale based on Conduit & Mavondo (2001) and Jaworski & Kohli (1993)
Internal Service Quality	<ul style="list-style-type: none"> <li>- I'd say the quality of my interaction with Co-workers/dept. is excellent</li> <li>- I'd say my interaction with employees is very positive.</li> <li>- I am highly satisfied with the interaction I have with my colleagues</li> </ul>	Adopted from Brady & Cronin (2001)

Empowerment

- Employees are given complete freedom in their work
- Employees are permitted to use their own judgment in solving problems
- Management lets employees do their work the way they think best
- Management assign tasks, then let employees handle them
- Management allow employees a high degree of initiative
- Management trust employees to exercise good judgment

New scale based on Gerals & Terzvioski (2003) and Hartline & Ferrell (1996)

Job satisfaction

- I am satisfied with the information I receive from my superior about my job performance
- I receive adequate information from my superior about my job performance
- I am satisfied with the variety of activities my job offers me
- There is enough variety in my job
- I am satisfied with the pay I receive from my job
- I am satisfied with security my job provides me

Adopted from Hartline & Ferrell (1996)

Customer Orientation

- Employees try to figure out what a customer's needs are
- Employees try to find out what kind of product/service would be most helpful to a customer
- Employees try to help customers achieve their goals
- Employees have the customer's best interest in mind
- Employees try to influence a customer by information rather than by pressure
- My company systematically measures how satisfied employees are

New scale based on Saxe & Weitz (1982) and Conduit & Mavondo (2001)