

# Linkages between internal marketing, service quality and customer satisfaction in the service sector: a proposed conceptual framework

[M. Sadiq Sohail]

**Abstract**— Existing streams of literature are integrated to propose a conceptual framework that highlights the effect of internal marketing on employee satisfaction and its outcome on service quality and employee satisfaction. The framework aims to provide insights into the influence of internal marketing on employee satisfaction and establishes a starting point for empirical investigation of these relationships.

**Keywords**— internal marketing, employee satisfaction, service quality, customer satisfaction

## I. Introduction

Research has identified internal marketing and its relevance to service operations. Specifically, the relevance of internal marketing in service organizations rests in the increased emphasis on service quality. Service quality is a critical determinant of competitiveness. Service quality can help an organization to differentiate itself from other organizations and gain a competitive advantage.

The aim of the present study is to propose a conceptual framework to determine the relationships between internal marketing, employee satisfaction, service quality and its impact on customer satisfaction. While some studies have explored these relationships, the present study seeks to develop investigate the factors that are particularly relevant to Saudi Arabia and the Middle east region in general.

With accelerated pace of global changes, Saudi Arabia is responding to the challenges by shifting the economic base from excessive reliance on natural resources to diversifying the economic base through a focus on service sector development. The thrust of strategic planners has been on encouraging sectors that create more job opportunities for the swelling population. Among other things, Vision 2020 of the nation aims to have a diversified and prosperous economy, providing rewarding job opportunities and high levels of economic welfare for the Saudi citizens. The crucial role of services sector cannot be undermined, considering the vast potential it has on employment generation and income distribution.

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M. Sadiq Sohail

College of Industrial Management  
Department of Management & Marketing  
King Fahd University of Petroleum & Minerals  
Dhahran 31261, Saudi Arabia

The present study will make a significant contribution considering that there is a paucity of service research in Saudi Arabia (Jannadi and Saggaf, 2000). With Saudi Arabia seeing high competition in the service sector, this research is timely and it is hoped will make a significant contribution.

## II. Literature Review

### A. Internal Marketing

Internal marketing is the philosophy of treating employees, in fact, ‘wooing employees’ (Rust et al 1996). Internal marketing is the application of marketing-like tools to the employee market inside the firm (Piercy and Morgan, 1990; Woodruff, 1995) to support customer consciousness and sales-mindedness; to create a stable workforce committed to customer service (Hales et al, 1994) and to see employees as customers (Greene et al, 1994; Cahill, 1996). Some other studies have developed on the effects of internal marketing effects on employees, organizations and external customer satisfaction (Cahill, 1996; Prasad and Steffes, 2002).

Successful internal marketing can lead to important payoffs for an organization. According to Iacobucci and Nordhielm (2000), the benefits of internal marketing stem from four main sources: (1) low employee-turnover rates, (2) an increase in service quality, (3) high levels of employee satisfaction and (4) an improved ability to implement change in the organization. This has generated the fresh renewal of interest in internal marketing, its meaning and activities (Ballantyne, 2000)

### B. Internal Marketing and employee satisfaction

For survival and profitability in competitive industries, service firms focus on providing customer satisfaction. However, the key to having satisfied customers is in having satisfied employees. An increase in satisfaction levels of employees leads to higher perceived service quality and value from external customers (Ahmed and Rafiq, 2003) and Manville and Ober, 2003) This will further help retain trust and commitment among customers by significantly creating loyalty (Ahmed and Rafiq, 2003) and positively affect on profitability (Zeithaml et al, 2001)

In the services industry, customer satisfaction is created by excellent staff, efficient operations, convenience,

competitive costs and excellent image (Laroche *et al*, 2004). Management of service firms in most cases has viewed employee performances in terms of improving productivity rather than providing service to customers with different needs (Bowen and Schneider, 1985). Competitive pressures have compelled firms to recognize the importance of internal marketing as a tool to improve service within the firm (George, 1990). Internal marketing precedes external marketing as internal service encounters must be effective before a firm can successfully compete in the external market. Internal service quality assumes importance because a firm's ability to meet the needs of external customers relies on employees' internal capabilities to satisfy the needs of its employees (Hallowell *et al*, 1996; Pfau *et al*, 1991). Based on numerous case analyses, it has been concluded that a high level of internal service quality leads to employee satisfaction, which enables employees to deliver higher quality of service external customers Hart *et al*, 1990)

### C. Employee satisfaction and service quality

The SERVQUAL instrument and its adaptations have been extensively used for measuring service quality in many proprietary and published studies. It has also been adapted in various industries and its validity and reliability have been confirmed.

Research has shown that satisfied employees are more likely to work harder and provide better services (Yoon and Suh, 2003). Employees who are satisfied are more likely to be involved in their employing organizations, and more dedicated to delivering services with a high level of quality (Rachel *et al* 2008). Extant research argues that service quality is influenced by job satisfaction of employees (e.g., Bowen and Schneider, 1985; Hartline and Ferrell, 1996). The reasoning that employee satisfaction improves service quality is grounded on the theory of equity in social exchanges (Gouldner, 1960; Homans, 1961; Organ, 1977).

### D. Service quality and customer satisfaction

A vast body of literature has studied the relationship between service quality and customer satisfaction (Sohail and Shaikh, 2008; Al-Hawari and Ward, 2006; Roth and Van Der Velde, 1991). Evans and Lindsay (1999) proposed the view that customer satisfaction results from the provision of goods and services that meet or exceed customer needs. Past studies have considered service quality as an antecedent of customer satisfaction (Cronin and Taylor, 1992; Anderson *et al.*, 1994). Empirical findings showed that service quality is related to customer satisfaction (Babakus *et al.*, 2004).

### E. Employee satisfaction and customer satisfaction

Exposing customers to satisfied employees results in customers having a positive attitudinal bias towards a product

(Howard and Gengler, 2001). Similarly, hostility of service employees has a direct impact on the hostile mood of customers leading customer dissatisfaction (Doucet, 2004). There is a direct relationship between employee satisfaction and customer satisfaction is established based on the theory of emotional contagion (Hatfield *et al.*, 1992, 1994; Sohail *et al*, 2012).

## III. Development of Measurement Scales

### A. Internal marketing

Galpin (1997) proposes internal marketing elements, "organizational influence systems". The IM mix framework proposed in this study. According to Galpin, implementing a business strategy internally requires the whole range of HRM tools to be added what to internal marketing. Developing the elements further, Ahmed and Rafiq (2003) propose a framework of what they call internal marketing mix. The internal marketing mix framework proposes to include the following variables: internal communications; training and development; organizational structure; physical environment; staffing, selection and succession; process co-ordination; incentive systems; and empowerment.

### B. Employee satisfaction

To capture, employee satisfaction, indicators from the Job Descriptive Index (Smith *et al.*, 1969; Jacobs and Solomon, 1977; Balzer *et al.*, 1997), has been extensively used in social science research. The variables includes: salary, job nature, promotion, and relationship with colleagues.

### C. Service quality

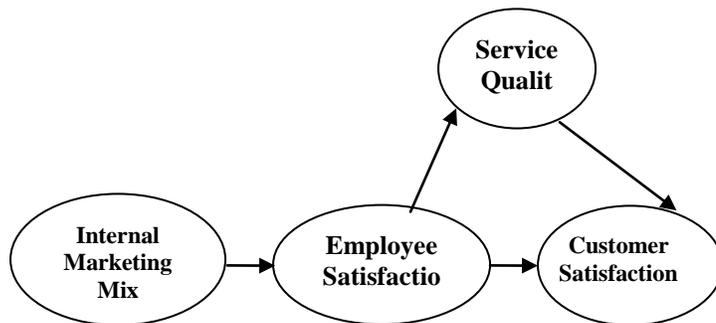
To measure service quality, the SERVQUAL instrument developed by Parasuraman *et al.* (1988, 1991) has been widely used. The SERVQUAL instrument suggests there are five dimensions of perceived service quality, tangibles, reliability, responsiveness, assurance and empathy. Most relevant items from the 22 items are proposed. This is consistent with previous research on service quality (e.g., Sohail 2003).

### D. Customer satisfaction

To measure customer satisfaction, the drivers of satisfaction which include price, customer service in transactions, and service handling of dissatisfaction and service enquiry will be used (Heskett *et al.*, 1997; Oliver, 1997; Gustafsson *et al.*, 2005).

## IV. Proposed Conceptual Framework

Based on the foregoing discussion, a proposed research framework is shown in Figure 1.

**Figure 1:** Proposed Basic Research Framework

We offer the following research proposition:

Proposition 1: Internal marketing mix will have a positive effect on employee satisfaction.

Proposition 2: Employee satisfaction will have a positive effect on customer satisfaction.

Proposition 3: Employee satisfaction will have a positive effect on service quality satisfaction.

Proposition 4: Service quality will have an additional positive effect on customer satisfaction.

## v. Research implication

The proposed framework establishes a starting point for empirical investigation of the relationships between internal marketing mix, employee satisfaction, service quality and customer satisfaction. This paper develops a framework and is part of a larger study which seeks to empirically examine the proposed relationships. Empirical verification could focus on one or more links at a time. Furthermore, extensive longitudinal study could test the framework over periods of time. Measurement scales are also proposed in this study, which needs further development and refinement. Samples for an empirical study could be drawn from service sector within an industry or across different industries. The model could be tested as a whole or in parts by employing appropriate statistical procedures to verify the validity of the proposed framework.

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