

Antecedents and Consequences Of Internal Marketing to Service Quality

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Abstract

Although there has been a large body of literature that studies the topic of internal marketing (IM), research examines how IM approaches impact on service quality is relatively scarce. In particular, there is little empirical internal marketing research in the contexts of business-to-business. The paper thus proposes a new internal marketing (IM) implementation model and empirically evaluates this framework for implementing marketing strategies. The main aim of this research is to investigate how frontline employees' internal marketing perceptions affect external customers' service quality perception in the context of IT industry. The research will propose and empirically evaluate a new internal marketing (IM) implementation model by using multilevel data in two multinational studies. The current study will employ a cross-sectional survey research method and appropriate statistical analyses to examine the effect of internal marketing on the construct of service quality. Furthermore, by identifying the significant roles of mediators through mediation tests, this study helps to find out how IM ideas can be realized and implemented at the management level.

Key Words: Internal Marketing, Service Quality, Customer Orientation, Quantitative Research, Case Study

1. Introduction and Aim of Research

Recently, under the continuous change in the economic environment and “red ocean competition”, many companies have turned to focus on how to enhance and foster their relationship with loyal customers. Therefore, staff with high quality and loyalty is definitely critical for companies to fulfill business strategy of relationship marketing with their loyal customers. In other words, manpower is an asset and resource for companies to create “differentiation” of services.

However, to maintain staff with good quality, high morale and loyalty is not an easy work but it would turn out to be a rare and valuable asset for companies. For example, Microsoft regards it as essentially important to have the staff development plan well done. In order to allow staff to better plan their career planning and enjoy working in Microsoft, a series of job development programs have been created for staff, so that employees can feel a sense of accomplishment and explosiveness. Another example can be found in Starbucks. One of the reasons for its reputation as the third the most respected business in the United States according to "Fortune" magazine's survey lay in its putting the staff in the first place. Starbucks views employees as more than just staff, but as partners in the success of the enterprise. Howard Schulz, the CEO of Starbucks, firmly believes that employees would be able to serve guests with happiness and enthusiasm and become the best advocates for Starbucks only when the company serves employees well.

Successful companies must be meritocratic. An enterprise can only be energetic by attracting talented employees. Especially in the service industry, an industry of the high density of contact with people, employees become essential assets of the companies, which care about that fact that the staff can have good service quality only when they have high job satisfaction. Nowadays, enterprises face increasing competition. Standardized products can be easily imitated and cannot satisfy the diversified needs of customers. The quality of staff is the most difficult part to be imitated in a short time. Walt Disney, the founder of the Disney Land for example, insists to give every member at the organization a chance to dream and to make the best use of that dream embodied creativity, and fully support the employees, fully authorized, and timely encouragement emphasizing on internal staff importance.

Many enterprises pay much attention on their marketing practices, wishing to make more customers get familiar with their products, thereby having a desire to purchase

these products. Yet recently many scholars have pointed out the idea of marketing to the staff first, getting their identification with organization and the companies' products. Only when the staff is confident with their companies' products, they can introduce these products with the mindset of "sharing good news." Then the marketing strategy can have multiple effects. That is why more and more companies now increasingly emphasis on internal marketing, for effective internal marketing not only allows employees generate centripetal force, but also will greatly enhance the quality of the staff and customer service. The main notion of internal marketing concept is to allow enterprises to be more competitive. In order to enhance the efficiency of the enterprises, and improve the performance, a company must first see if the employees are satisfied with the status quo. Only if employees are satisfied, customer can be satisfied.

Service Triangle, a customer-centric service quality management model proposed by Karl Albrecht, the U.S. service sector management authority (Albrecht, 1985) about the co-constitutive relationship of staff, customers and business, can best describe how internal marketing can give external marketing the multiple effects. By external marketing with customers, interactive marketing between staff and customers, and internal marketing between the organization and staff, an organization can ensure external customers' satisfaction and internal staff's loyalty toward the organization, and enhance the profit and competition of the organization.

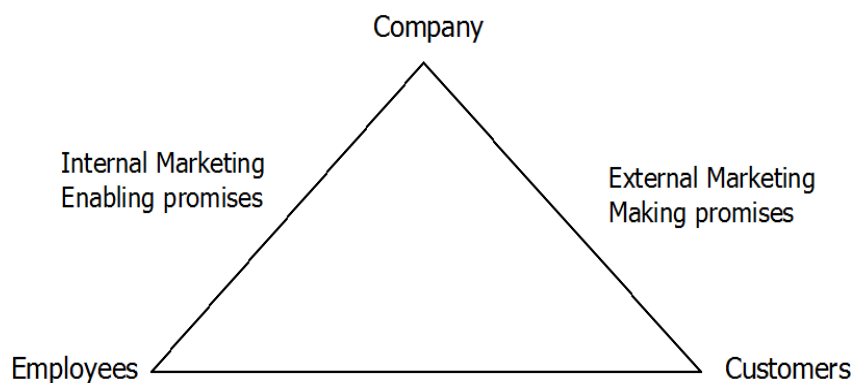


Figure1-Service Triangle (Albrecht, 1985)

As one can see in Figure 1-1, external marketing, internal marketing and interactive marketing are interrelated and quite have an impact on the company. Internal marketing is often introduced by the human resources sector providing various management measures to enhance staff's satisfaction toward their jobs, and let them identify with the organization. By doing so, not only staff turnover can be reduced, staff productivity and service quality can also be enhanced, and produce high value of

the services. Thus employees would follow "Customer First" principle to satisfy the customers and bring the organization remarkable profits. According to Seetoo (2009), the talent staff is the basis of organizational capability, and can be the key for the core competitiveness of enterprises with marketing oriented connotation.

Undoubtedly, Starbucks is a successful company for adopting the notion of internal marketing. Howard Schulz, the CEO of Starbucks, firmly believe that the staff would be able to serve guests with happiness and enthusiasm and become the best advocates for Starbucks only when the company serves the staff well. In addition, Howard Schulz stressed: "The culture and values of how we related to our customers, which is reflected in how the company relates to our [employees], would determine our success." Hence, he often shares his value system with staff. For staff in Starbucks, this is not just a company, but a work place with faith deep in heart and highly identification.

Case company in this study, a leader in the laser industry, thanks to its professional and focus business strategy, gradually strives to reach its vision as Global Top 1 SMT Supply Chain Total Solution Provider. Unlike other enterprises, company of the case develops its value system with the idea of "Revere the Divine and Love the Human.", taking good care of staff as family. With the notion of respecting staff, caring staff and fostering staff, this company is committed to construct an excellent working environment for staff to grow with the company together and have a harmonious working atmosphere within the company. Hence, one can understand how the case company views employees as its valuable and important asset. The case company's internal marketing is a very important and influential way, because the vision of the company can be passed to the staff through internal marketing and let employees identify with the company's organization, and thus enhance the organization's performance and profits.

Therefore, this study tries to empirically explore if the case company's internal marketing strategy impacts the staff's job satisfaction and organization commitment. In addition, if the support staff's internal marketing perception influences the level of their internal customers' service quality and customer orientation. In short, this study want to investigate the company's internal marketing very curious as to whether it can really enhance employee job satisfaction and organizational commitment? Is first-line employees' perception of internal service quality really so important? If back office employees do not offer sufficient support and services, can the first line employees still maintain a good customer-oriented behavior?

Based on the above research motivation, the purpose of this study is to investigate the cases of the enterprise's internal marketing as job satisfaction, organizational commitment, and internal service quality to enhance customer-oriented behavior. The researcher wishes to understand the possible impact of internal marketing on organizational performance in order to help the case company to find more effective internal market strategy and enhance its organizational competitive advantage.

2. Overview of Literature

2.1. Internal Marketing

The concept of “internal marketing” was first seen at Sasser and Arbeit (1976), which proposed the notion of internal marketing basing on the conception of staff as costumers, emphasizing on the strategy of “sell jobs” to the employee market in order to attract the best staff. Hsiao (1997) pointed out that internal marketing was to apply the marketing operation to staff as the internal customers to enhance overall business performance. As an application of marketing and human resource management, “internal marketing” combines theories, practices and principles for encouraging and managing staff in every level within an organization to continuously improve the service method for helping external customers and internal staff (Huang and Huang, 2012).

According to Kuo (2003), the internal marketing perceives staff as internal customers, and conduct human resource management with marketing concepts, in order to enhance staff’s identification toward the organization and satisfaction toward their jobs, and to reach the goal of the organization. Kale (2007) also pointed out that the objective of internal marketing is to promote organizational performance by emphasizing employee-centric approach.

More Clearly, Leonidas and Vassilis (2007) identify that internal marketing should effectively integrate incentive plan for motivating employees to achieve organizational objective and performance. Joseph (1996) found that internal marketing combines marketing and human resources approaches to manage and motivate all employees so as to continually improve its service to external customers. Taylor and Cosenza (1997) defined that the philosophy of internal marketing is to hire and retain the best employees by adopting the principle of marketing. This will enable employees to do their best in career and provide good quality of services to external customers.

Liao (2001) defined internal marketing as an interactive relationship management within organization by the various exchange activities. This involves creating efficient internal business operation environment and develops employees with customer-oriented and service awareness to achieve the organizational goals. Kolter (1997) pointed out that the so-called internal marketing services companies need effective training and motivating customer contact employees. Thus, these first-line employees would be able to provide good quality of services to enhance customer satisfaction.

In view of these above, internal marketing (IM) research mostly perceived the core concept of regarding staff as internal customers. This study then adopts the notion of internal marketing from Liao (2001), as an interactive relationship management within organization by the various exchange activities to create efficient internal business operation environment and develop employees with customer-oriented and service awareness to achieve the organizational goals, to be the operational definition of IM. The internal marketing scale was modified from Liao (2001) and Wang (2002). It is divided into five dimensions, including active internal communication, the supervisors' leadership style, compensation, competitive rewards, education and training. The scale includes a total of 29 questions items, given modifications of the situations to better fit the case company.

2.2 Job Satisfaction

Hoppock (1935) pointed out job satisfaction as organization members' subjective reactions on the working environment including both factors of physiology and mentality. This would create personal feelings of work satisfaction with coordination of mental, physiological and working environments. Liu (2008) mentioned that job satisfaction is the affective reaction of workers after assessing their feelings at work and their work-related factors. Young (2011) considered that job satisfaction is the level of satisfaction after workers devote themselves to their works. The feeling of satisfaction could be established through material rewards as well as their spirits.

O'Reilly (1991) proposed job satisfaction derives from employees' attitude of their work and perception. Vroom (1964) found that job satisfaction refers to a positive orientation for his/her current job role. Kovner, Brewer, Wu, Cheng and Suzuki (2006) proposed that job satisfaction is an affective reaction of the staff at work. Lin (2010) pointed out that employees' feeling of job satisfaction is a kind of subjective assessment. The assessment depends on the comparison of expected and perceived

value. The smaller the gap, the higher level of satisfaction. Conversely, the greater the gap, the lower level of satisfaction.

In short, the job satisfaction (JS) of employees is the emotional state at work, through the job value assesment and subjective feelings, and reactions. The positive reaction refers to job satisfaction, while it means dissatisfying vice versa (Yang, 2011). Job satisfaction scale then adopted the Minnesota Satisfaction Questionnaire (MSQ). MSQ covers with intrinsic satisfaction, extrinsic satisfaction and overall satisfaction. However, this study aims to understand if the employees' current work can offer a sense of accomplishment, a sense of responsibility, the satisfaction of job stability, a sense of security, and the social status of their job. This then leads to the use of the intrinsic satisfaction dimensions, and modified based on the business context.

2.3 Organizational Commitment

The concept of “organizational commitment” was first proposed by Whyte (1956). It refers to employees for the recognition of the organization, from the psychological support of the organization's mission. The organizational commitment was valued by scholars, mainly because high degree of organizational commitment is profitable to the organization. Kanter (1968) advocated organizational commitment as the individual devoting to the organization with willingness to stay loyal to the organization.

Porter and Smith (1976) proposed organizational commitment is the strength of personal identity and put into the attitude of certain organizations. Porter and Mowday (1974) insisted that organizational commitment can reduce the turnover conditions of the employees within the organization, and to achieve higher organizational performance. Steer (1977) findings that one can predict employee turnover behavior by assessing the level of organizational commitment. In addition, high level of organization commitment of employees has better job performance and can be used as predictive indicators of organizational effectiveness.

Organizational commitment is a psychological positive perception in organization as a result of assessed transactions of value between organization and employees. Organization members with organizational commitment recognize the organization's objectives, beliefs, and are willing to put efforts for the organizations and continue to serve the organization. In consequence, organizational commitment can not only predict turnover behavior but also predict the performance of employees (Morris and

Sherman, 1981)

Angle and Perry (1981) regard organizational commitment as the degree of organizational loyalty and personal concerns for the organization. Similarly, Casey and Philip (2008) found that organizational commitment means the employee recognition of organization, the willingness to invest and stay continued work. The higher the organizational commitment, the more willing efforts for organizations.

This study then used the definition from Porter et. al. (1974) that organizational commitment (OC) is the relevance degree of personal identification with a particular organization and willingness to put efforts for the organization to be as the operational definition of OC. This study measures organizational commitment from Porter, Steers, Mowday and Boulian's (1974) organizational commitment scale. It is divided into three dimensions: the value of commitment, effort commitment and retention commitment. Some modifications based on the business context were applied for the scale, as a result, it leads to 16 questions items.

2.4 Internal Service Quality

Berry (1981) intended that employees as internal customers of organization, viewing works as internal products. Organization should create and develop good internal products to meet the needs of internal customers, so in order to attract and retain good staff, and the staff can also provide a good quality of service to their customers. Vandermerwe and Gilbert (1989) insisted that organization should be market orientation when pursue internal service quality just like following external service quality in order to maintain the competitive advantage of enterprises.

Hallowell, Schlesinger and Zornitsky (1996) proposed that internal service quality is the degree of satisfaction of the services provided by the staff of the internal service supplier. Similarly, Hsieh (2000) proposed that the concept of the internal service quality (ISQ) is from the quality of external customer service. ISQ is the attitude to feel satisfied with the service provided by the staff of the internal service supplier. Hallowell et al. (1996) regarded the internal service quality as extremely important, and good internal services can promote the ability to service and job satisfaction of employees, thereby affecting the quality of external services.

This study then adopted Hallowell, Schlesinger and Zornitsky's (1996) notion that the Internal Service Quality (ISQ) is the degree of satisfaction of the services provided by

the staff of the internal service supplier. This is an operational definition of ISQ at this study. Hallowell et al (1996) proposed eight internal service quality factors: tools, policies/procedures, teamwork, management support, objective recognition, effective training, communication, reward and recognition. This study used Hallowell et al.'s (1996) ISQ scale, modifying according to the case situation into a total of 10 items internal service quality questionnaire for this study.

2.5 Customer Orientation

Customer orientation means to provide long-term, thoughtful services from the perspective of the customer's needs and pursue an idea of customer value maximization with commitment to improve customer satisfaction (Chang, 2006; Lee, 2011). To become successful service personnel must be aware of the focus of concern and needs of customers and provide with services linked to their needs to make the customer satisfied (Dubinsky & Staples, 1981; Kelley, 1992). Customer-oriented staff would be able to serve customers enthusiastically and be willing to adjust the way to interact with customers to enhance the objective of long-term customer satisfaction (Spiro & Weitz, 1990; Kotler, 2000).

Some scholars believe that the customer-oriented sales and service should be designed from the customer perspective. It refers to the integration of the whole company, including all services content, processes, and methods. It seeks to establish a mutually beneficial long-term relationship with the customers, and avoid the immediate sales to increase in the short-term profit (Saxe & Weitz, 1982; Kotler, 2000; Macintosh, 2007; Yeh, 2008).

Customer-oriented behavior focuses attention on their clients, with customer's interests as the starting point, including service personnel's tendency to meet customer needs and customer contact personnel's services attitude. The objectives are to avoid customer upsetting and to obtain a long-term customer satisfaction (Saxe & Weitz, 1982). In short, customer orientation leads to full awareness of the buyers' needs, set customer preferences as priority, and continue to create customer value (Day & Wensley, 1988; Rindfleish & Moorman, 2003)

Table1- Testable Hypotheses List

		Hypotheses
Direct Effect Hypotheses	H1	<i>There exists a significant and positive relationship between internal marketing and job satisfaction.</i>
	H2	<i>There exists a significant and positive relationship between internal marketing and organizational commitment.</i>
	H3	<i>There exists a significant and positive relationship between internal marketing and customer orientation.</i>
	H4	<i>There exists a significant and positive relationship between job satisfaction and customer orientation.</i>
	H5	<i>There exists a significant and positive relationship between organizational commitment and customer orientation.</i>
	H8	<i>There exists a significant and positive relationship between internal marketing and internal service quality.</i>
	H9	<i>There exists a significant and positive relationship between internal service quality and customer orientation.</i>
Indirect Effect Hypotheses (Mediating)	H6	<i>Job satisfaction mediates the relationship of IM perception with customer orientation.</i>
	H7	<i>Organizational commitment mediates the relationship of IM perception with customer orientation.</i>
	H10	<i>Internal service quality mediates the relationship of IM perception with customer orientation.</i>

Based on the evidence grounded in prior literature and organizational theories, as discussed in the last section, this study develops the above testable hypotheses and following conceptual model:



Figure2-Research Conceptual Model

3. Study Method

3.1. Overview of procedure and sample

To better understand the paired questionnaire distribution, and the interactive relationships between service supplier and recipient divisions, the study conducted six in-depth interviews with the management leaders of the case study to divide the company into four categories:

1. Service provider-1 refers to the administrative management and auditing office
2. Service provider-2 (Internal customer1) refers to SMD-PCT · SMD-ECT and SMD Quality Control Division
3. Internal customer-2 refers to SMD Sales Division
4. Internal customer-3 refers to SMT, LASER, and Energy Department

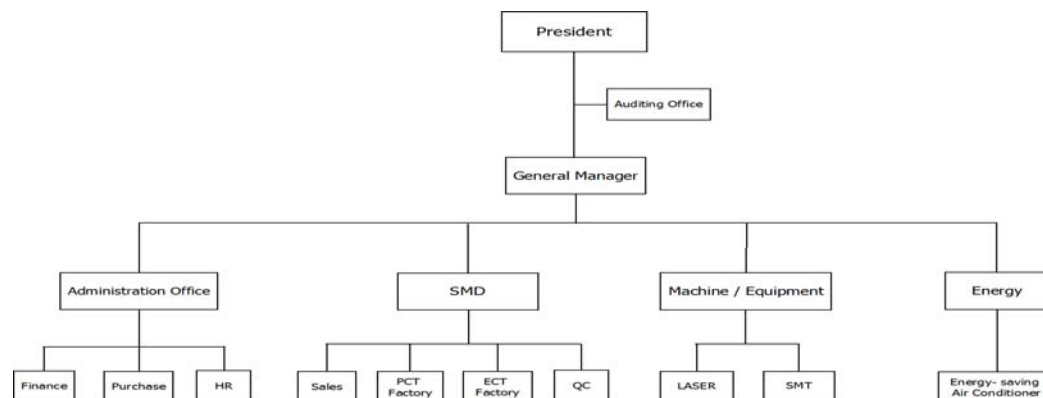


Figure3-Organizational Chart

Table2- KARS Company Internal Service Channel List

Service Path	Service Providers	Service Recipients
I	Administration management, Auditing office (Service Provider-1)	SMD-PCT, SMD-ECT, SMD-QC (Internal Customer-1)
II	SMD-PCT, SMD-PET, SMD-QC (Internal Customer-1;Service Provider-2)	SMD-Sales Division (Internal Customer-2)
III	Administration Management, Auditing Office (Service Provider-1)	SMD-Sales Division (Internal Customer-2)
IV	Administration management, Auditing office (Service Provider-1)	SMT, LASER, ENERGY (Internal Customer-3)

3.2. Qualitative Interviews and Questionnaire Categorization

The study divided the staff into four categories for questionnaire distribution, as illustrated in the below Table:

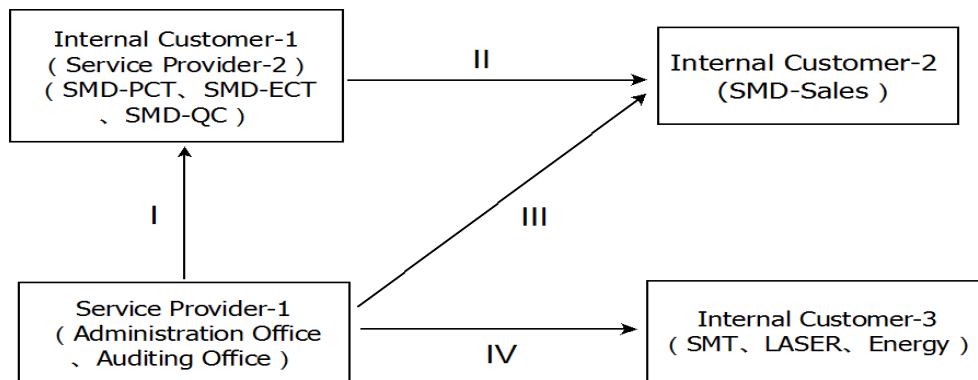


Figure4- Questionnaire Grouping Category

1. The administrative management and auditing office serve the entire company, enlisted as Service Provider-1 in service to Internal Customers 1,2, & 3.
2. KARS Company has four business sectors: SMD / SMT / LASER / Energy. Only SMD contains two manufacture factories: SMD-PCT and SMD-ECT. These and the SMD-QC are the internal customers of the administers and thus enlisted as Internal Customer-1. In addition, SMD-PCT, SMD-ECT, and SMD-QC provide services to the SMD Sales Division (Internal Customer-2) and thus enlisted as Service Provider-2.
3. SMT 、 LASER and Energy only receive service from Service Provider-1 without serving other divisions, thus are listed as Internal Customer- 3.

4. Findings

4.1. Descriptive Findings:

Multi-item scales were developed to measure the relevant constructs in the study framework. Before further exploring the proposed model in the study, the data was first checked for its reliability and validity. As suggested from Parasuraman et al. (1988), to assess the content validity, it is necessarily qualitative rather than quantitative. Thus, there were two stages in the scale validation process to address the research objective, while multiple regression and a series of mediation tests were applied to test hypotheses.

The first stage involved a qualitative method in interviewing some experienced scholars and business executives to assess the content validity of the measure. The purpose of the first stage is to assure that items represent the construct's domain that they were proposed to measure and that they are easy to respond to. Some modifications and refinements were done. Afterwards, a quantitative purification of

the items was conducted to test the reliability and validity of the measures based on the procedures recommended by Cronbach (1951) and Churchill (1979).

Thus, an exploratory factor analysis, item-to-total correlations, and coefficient alpha were performed on each of the scales to investigate the underlying factor structure and evidence for convergent validity and discriminant validity of the measures. The initial factor analysis suggested removing three items with low item-total correlations. Then, a second factor analysis was conducted and the Cronbach alpha coefficients and item-total correlations for all the variables were re-computed. After the final factor analyses, the reliability of the remaining items was again assessed. After the reliability and validity tests, the final items used as measures of variables retained in the model and Cronbach alpha coefficients were also presented. The detailed results and processes of reliability and validity tests are reported respectively in the sections below.

Table-3: Cronbach Alpha Coefficients of Instruments

Construct	Original Items	Deletion	Final Items	Cronbach's Alpha
Internal Marketing	29	0	29	.944
Job Satisfaction	11	1	10	.929
Organizational Commitment	16	0	16	.897
Internal Service Quality	10	0	10	.935
Customer Orientation	11	1	10	.742

Table 4: ANOVA Analysis Results

Demographic Variable	Dependent Variable				
	IM	JS	OC	ISQ	CO
Age: 1=Below 20;2=21-30;3=31-40; 4=41-50;5=above 50 years old	F=2.106	F=4.739** 3<4	F=4.538** 3<5	F=.403	F=3.012*
Salary: 1=below25,000;2=25,001-35,000; 3=35,001-45,000; 4=45,001-55,000; 5=above 55,000	F=2.141	F=1.907	F=2.565* 1<3	F=.648	F=2.982*
*: p < 0.05 **: p < 0.01 ***:p<0.001					

Table 5-T Test Results

Variables	IM	JS	OC	ISQ	CO
Gender 1=Male ; 2=Female	t=.449	t=.133	t=.852	t=1.271	t=.640
Marriage 1=Yes; 2=No	t=1.236	t=.145	t=.903	t=.932	t=.131
Position 1=Management 2=Staff	t=.274	t=1.795	t=2.079* 1>2	t=.583	t=2.013* 1>2
*: p < 0.05 **: p < 0.01 ***:p<0.001					

Table-6: Correlation Correlations and Descriptive Statistics

Var .	Mean	Internal Marketing	Job Satisfaction	Organizational Commitment	Internal Service Quality	Customer Orientation
IM	4.6961					
JS	4.8578	.835(**)				
OC	5.0844	.845(**)	.886(**)			
ISQ	4.4518	.799(**)	.761(**)	.791(**)		
CO	5.3406	.706(**)	.767(**)	.836(**)	.704(**)	
*: p < 0.05 **: p < 0.01 ***:p<0.001						

4.2 Test of Hypotheses:

To refine the scales and to gain a better understanding of the factor structure, a principal component factor analysis utilizing a Varimax orthogonal rotation method was undertaken. Varimax rotation is an orthogonal method that results in factors being uncorrelated between all observed variables and factors. This method was conducted to seek the least number of factors accounting for the common variance to reduce the original variable set to a more manageable subset. Therefore, a series of factor analyses were conducted for each construct of items respectively.

Items and factor selection criteria were based on the following criteria. For those items with factor loadings larger than 0.45 (the sample size = 145) as suggested by Hair (1998), those with communalities greater than 0.5, and those with significant loadings on only one factor were considered for selection. In addition, factors with eigenvalues more than 1.0 were considered for selection and the scree plot was also examined to validate the number of factors. All the above results are presented in the below sections respectively.

Table 7: Factor Analysis of Internal Marketing

Survey #	Factors				Name
	1	2	3	4	
A9	.884	.213	.149	.178	Direct Supervisor Leadership
A8	.859	.213	.235	.098	
A10	.832	.271	.097	.241	
A7	.826	.264	.300	-.015	
A11	.762	.177	.238	.273	
A13	.689	.021	.192	-.119	
A12	.629	.246	.186	.422	
A22	.006	.825	.135	.299	Tangible Rewards
A23	.099	.803	.127	.242	
A21	.257	.755	.336	.122	
A26	.281	.725	.371	-.126	
A25	.303	.682	.179	.015	
A29	.265	.574	.262	.201	
A27	.412	.525	.269	.300	
A2	.189	.229	.788	.279	Internal Communication
A1	.295	.288	.743	.154	
A6	.209	.223	.736	.014	
A3	.128	.186	.700	.467	
A5	.429	.323	.622	-.139	
A18	.296	.360	.432	.406	Intangible Rewards
A15	.177	.298	.204	.761	

Table 8: Factor Analysis of Organizational Commitment

Survey #	Factors			Name
	1	2	3	
C11	.810	.169	.198	Strong Belief on Company's Values
C7	.806	.254	.235	
C9	.689	.369	.125	
C10	.684	.393	.249	
C1	.296	.840	.226	Willingness to Exert Efforts for Company
C2	.391	.635	.410	
C4	.342	.530	.413	
C12	.424	.354	.654	Strong Desire to Stay at Company
C16	.075	.142	.635	
C15	.503	.439	.536	

Having established the psychometric properties of the five instruments, the relationship between the constructs was investigated by applying regression analyses. The regression equation of the form $Y_1 = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$ was used to test H1, H2, H3, H4, H5, H8, and H9. Therefore, seven regression models have been proposed to test the seven hypotheses. In addition, a series of multiple regression equations as

suggested by Baron and Kenny (1986) were utilized for testing mediation hypotheses (H6-7, H10).

Autocorrelation and multicollinearity are two statistical problems of concern in using regression analysis to analyze the model. Therefore, diagnostic analyses were performed to ensure that the estimated results did not suffer from the two issues. The autocorrelation problem was tested by using the Durbin-Watson statistic, a widely used method for the autocorrelation test. A value close to “0” indicates strong positive correlation, while a value of “4” indicates strong negative correlation (Durbin and Watson, 1971). As a general rule of thumb, the residuals are uncorrelated if the Durbin-Watson statistic is approximately 2. In addition, “tolerance is a measure of collinearity among IVs, where possible values range from 0 to 1. Multicollinearity is a distinct problem if the tolerance value for a given IV is less than 0.1” (Mertler and Vannatta, 2001). Therefore, the value of tolerance and the mean variance inflation factor (VIF) score were computed and examined to see if they were well within the common cutoff threshold of $VIF < 10$ and tolerance value >0.10 (Hair, 1988).

Table 9- Summary for Direct Effect Hypotheses Results

	Predictors	DV.	β	R^2	Result
H1	Internal Marketing	Job Satisfaction	.834***	.696	Support
H2	Internal Marketing	Organizational Commitment	.848***	.719	Support
H3	Internal Marketing	Customer Orientation	.717***	.514	Support
H4	Job Satisfaction	Customer Orientation	.779***	.607	Support
H5	Organizational Commitment	Customer Orientation	.845***	.715	Support
H8	Internal Marketing	Internal Service Quality	.808***	.653	Support
H9	Internal Service Quality	Customer Orientation	.704***	.496	Support

Mediation implies a causal hypothesis whereby an independent variable causes a mediator, which in turn causes a dependent variable. Support for the mediator relationship of the proposed conceptual model requires findings of significant effects for each of the equations representing hypotheses 1, 2, 3, 4, and 6. Since hypotheses 1, 2, 3, 4, and 6 were supported, signifying that there exists a significant relationship to be mediated, a series of mediated regression analyses were conducted to test the mediation hypotheses 6, 7, 10.

To test the hypothesized mediation effects, the following procedure suggested by Baron and Kenny (1986) was conducted and three specified conditions must hold for a successful test of mediation.

Test 1. The dependent variable is regressed onto the independent variable. This relationship must be statistically significant.

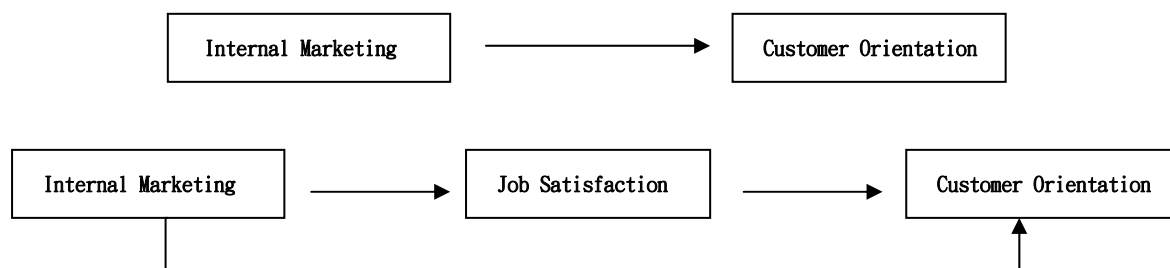
Test 2. The mediating variable is regressed onto the independent variable. This relationship must be also statistically significant.

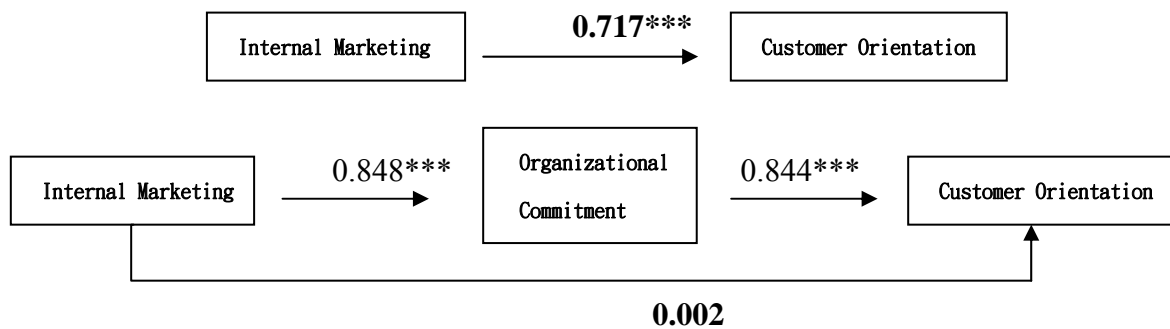
Test 3. The dependent variable is regressed onto both mediating and independent variables. The mediator must be statistically significant and the impact of the predictor on the outcome variable should decrease from step 1. According to Baron and Kenny (1986), if the regression coefficient associated with the predictor drops significantly, this can be considered a partial mediation. However, if the contribution of a previously significant predictor falls in non-significance, the relationship can be considered a full mediation.

Table 10- Summary for Mediation Hypothesis Results

	Predictors	DV – Job Satisfaction		DV – Customer Orientation	
		Beta	t	Beta	t
1	Internal Marketing R ² =.514			.717	11.128***
2	Internal Marketing R ² =.696	.834	16.362***		
3	IM JS R ² =.622			.221 .595	2.130* 5.750***

*: p < 0.05 **: p < 0.01 ***: p < 0.001





5. Discussion

5.1. Foster Internal Service Quality Concept

In the 1 to 7 Likert scale survey, an average of 4 points above refers to considerable awareness in a given item. According to the results, every construct has reached a minimum of 4 points. This means that the case company has successfully reached internal marketing effectiveness. Nevertheless, with detailed analysis, most of the averages should have reached 5 or approximately 5. It leaves room for improvement in both constructs of internal marketing and internal service quality. With further analysis of the variables, direct management's leading style and the tangible compensation are the key factors of lower rates. Meanwhile, direct management's leading style is closely related to internal service quality. Internal service quality primarily seeks the level of service from service supplier, hence, if direct managers' leading style is not suitable to the needs of the recipients, the Internal service quality would be reduced. Direct management and parallel divisions of service can improve internal customers' internal service quality, given better understanding of the needs and adjustment of tangible compensation (Ex: bonus policy, training program, target and methods. This will in turn transmit to external customers, like companies and business which are truly so in reality for KARSs. In business organization market, business customers tend to emphasize long-term cooperation relationship, thus better service quality is highly valued in this market segment.

5.2. Utilize STP for Internal Market Strategy

Based on the statistical analysis on KARS company questionnaire investigation, it is implied that internal marketing helped staff job satisfaction, organizational commitment and internal service quality, which will lead to customer-orientation. By the descriptive statistics of demographic variable analysis, t-test and ANOVA, it was found that managerial personnel rated significantly higher organizational commitment

and customer-orientation than non-management did. In ANOVA test, staff above 51 years old expressed significantly higher organizational commitment than the 31-40 years-old group while the latter group enjoyed significantly higher job satisfaction than the 21-30 years-old group. Meanwhile, the group with salary between NT\$35,001-45,000 rated higher organizational commitment and customer-orientation than the group with salary below NT\$25,000. It is a norm that companies do not rely on one set of marketing strategy, designing varied marketing strategies for different customers. Nevertheless, when customers are overly diverse to use limited resources, companies need to identify target customers and use target marketing. The current study recommends the use of target marketing strategy even in internal marketing, starting from different demographic staff for different staff needs for suitable marketing strategy for increase customer-orientation awareness.

5.3. Develop Green Products for Sustainability

With the advent of environmental protection, green energy has been developed across industries and countries, such as hybrid cars. Cars also invented energy-saving air conditioning device, Double Cool, LED light. LED is one of the major green energy development in its research developing stage stated by Academic Silica in 2012 Light & Light LED bulbs. Hence, the study recommends patent application and integration with other electronic devices with invention technology and even innovation. Similar to the case of SMD with single producer, KARS produced the materials SMD locally and this will increase market share along with the production technology.

6. Limitation and Suggestion

6.1. Most of the literature focused on the relationships between internal marketing, job satisfaction, organizational commitment and customer-orientation. This study investigated internal service quality evaluation of the service recipients, staff towards service supplier. The literature in internal service quality is limited, mostly in service quality. Future research is recommended to expand investigation in this dimension to explore the impact of internal service quality with empirical confirmation based on this study.

6.1.2. Due to the limitation of the case study nature, the design of questionnaire was tailored for the case accordingly, thus the result may not be generalizable to other companies. Future research can extend this questionnaire design to different industries for optimal research value and contribution.

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