



## The Determinants of the Internal Market Orientation

Mohd Farid Shamsudin\*<sup>1</sup>, Vijayakumar Muthiyah<sup>2</sup>, Hafezali Iqbal Hussain<sup>1</sup> & Milad Abdelnabi Salem<sup>1</sup>

<sup>1</sup>Universiti Kuala Lumpur, Business School, Malaysia

<sup>2</sup>Universiti Utara Malaysia, Malaysia

\*Corresponding Author

### Abstract

This paper aims to discuss the level of internal market orientation (IMO) in service industries as seen from the perspective of employee and management, particularly with regard to the information management (information generation, information dissemination, and responsiveness) and the management attitude. Organization will benefit to the extent of ensuring zero internal customer defection through the implementation of effective policies to the internal market needs. Policymakers can devote their energies and resources towards identifying the constraints that lead to lower internal customer satisfaction and accordingly formulate policies aimed at maximizing their satisfaction level, thereby enhancing both market and financial performance of an organization.

**Keywords:** Internal Market, Internal Customers, Information Management, Management Attitude

### 1. Introduction

Providing exceptional customer service is just as important as providing exceptional products.

Kamalesh (2009) reported that 78% of consumers have bailed on a sales transaction because they received poor customer service based on survey conducted by American Express survey. Even if they wanted or needed to buy a product, they were so put off by their experience with a company that they delayed their purchase.

In this context, a company's employees can be seen as their most important marketing tools. These employees are on the front lines, adapting a company's marketing strategies to the needs of each customer they work with. Their attitude, appearance, and approach all communicate something about the company they represent (Akroush, 2013). If a company wants to provide an exemplary customer experience, they need to train their employees to provide that experience. But creating a workforce that is educated about the company's goals and enthusiastic about meeting those goals is not as easy as some would expect. Businesses must make serious efforts to distribute timely and relevant information so that every employee is working toward common goals. A disorganized workforce and an inconsistent marketing message are easy ways to lose business.

With an internal marketing strategy, employees are treated as "internal customers" who must be convinced of a company's vision and worth just as aggressively as "external customers." The goal of internal marketing is to align every aspect of a company's internal operations to ensure they are as capable as possible of providing value to customers. If a company can operate in a coordinated and standardized way, that company can provide a more consistent experience to their customers.

Internal marketing is based on the idea that customers' attitudes toward a company are based on their entire experience with that company, and not just their experience with the company's products (Akroush, 2013). Any time a customer interacts with an employee, it affects their overall satisfaction. Everyone from a sales clerk to an over-the-phone tech support specialist helps to shape that customer's experience. Therefore, customer satisfaction is deeply dependent on the performance of a company's staff.

### 2. Information Management (IM)

Information management (IM) concerns a cycle of organisational activity: the acquisition of information from one or more sources, the custodianship and the distribution of that information to those who need it, and its ultimate disposition through archiving or deletion (Avlonitis, 1999). This cycle of organisational involvement with information involves a variety of stakeholders: for example those who are responsible for assuring the quality, accessibility and utility of acquired information, those who are responsible for its safe storage and disposal, and those who need it for decision making. Stakeholders might have rights to originate, change, distribute or delete information according to organisational information management policies. Information management embraces all the generic concepts of management, including: planning, organizing, structuring, processing, controlling, evaluation and reporting of information activities, all of which is needed in order to meet the needs of those with organisational roles or functions that depend on information.

Information management is closely related to, and overlaps, the management of data, systems, technology, processes and – where the availability of information is critical to organisational success – strategy (Avlonitis, 1999). This broad view of the realm of information management contrasts with the earlier, more traditional view, that the life cycle of managing information is an operational matter that requires specific procedures, organisational capabilities and standards that deal with information as a product or a service.

According to Sahi, Lonial, Gupta and Neli (2013), in their research to further the understanding of the domain of the internal market orientation (IMO) construct in a developing country which was done in India banking industries, they revealed that on the whole it can be concluded that IMO is significantly predicted by the identified three dimensions which are information generation, information dissemination and responsiveness. Further, IMO has significant direct impact on staff attitude and perceived customer satisfaction and indirect impact on employee job satisfaction through

staff attitude. The relationship between IMO and staff attitude/employee job satisfaction has been proved to be robust and significant, thus it provides support to the pertinent assertions placed by Lings and Greenley (2005). They further elaborate that although IMO is both valid and reliable in the context of the present study relating to the Indian banking scenario, rigorous testing in different service settings is necessary to establish IMO as generalizable to wider organizational context.

Amangala and Amangala (2013) study revealed that internal information generation can be considered the “first half” of internal communications. It is suggested that management needed to pay as much attention to the internal audience as is paid to the external audience. They suggest that one of the goals of internal communications is to create the sense that employees are an important asset to the organization. The research further suggested that motivating employees to customer consciousness can be done not only with money and material benefits, but by giving them more control and responsibility over the decisions affecting them. This can only be done when employee opinions are taken into consideration when decisions that affect them are being made.

Amangala and Amangala (2013) findings also found internal information dissemination have a positive and significant relationship with customer orientation. The study also provides support for the positive effect of internal information dissemination on customer orientation. Ahmed and Rafiq (2003) suggest that when employees are well-informed about the expectations of customers, they are more willing to discharge their duties towards those customers. Lings and Greenley (2005) also support this view by suggesting that employees should not just be told what to do, but should also be told why they should do it.

Lings and Greenley (2005) found responsiveness to the internal market was also hypothesized as having a significant and positive relationship with customer orientation which shows that as the firm’s management gathers intelligence on the internal market, and uses it to make changes in employees’ jobs, working conditions, training etc., this would lead to more satisfied employees and better motivated employees who would be willing to put in more effort for the customer’s satisfaction. The result also provides empirical support that the firm’s actions in response to the information gathered from the internal market is a source of motivation and satisfaction for the employees.

Thus, on the basis of the results from Amangala and Amangala (2013), IMO appears to be a hierarchical construct, comprised of three major and ten sub-dimensions. The major dimensions reflect the company’s commitment to collect internal-market intelligence, disseminate this intelligence to various levels and departments of the company and design employee-related policies in response to this intelligence. This conception of IMO draws heavily on the “market orientation” paradigm. As such, IMO seems quite relevant, particularly for companies in services where employees, front-line and back-office alike, influence the company’s output to its customers.

Because of this, service companies, in comparison to good manufacturers, have a greater need to develop a symmetric orientation (Piercy, 1995). The findings suggest that IMO is a company philosophy that underlies its IM efforts, while also bearing a direct influence on the effectiveness of these efforts. Two consequences arise from this finding. First, adopting IMO influences the degree to which companies implement IM strategies, as well as the effectiveness of such efforts. Consequently, IMO adoption appears to be a prerequisite for the symmetry between (external) market objectives and internal-market conditions that service companies require, where employees have the “power” to void the management’s attempt to focus on their customers.

Lings and Greenley (2010) inferred from their results that responding to the identified needs of retail employees enhances the market sensing and responding capabilities of retailing organizations. This suggests that firms wishing to successfully implement a market orientation must adopt a complementary internal focus on employees, an IMO, ensuring that employees’ wants and needs are also satisfied. Their research also provided evidence of the intuitive relationships between information generation, dissemination and response to markets, in both internal and external market contexts. Lings and Greenley (2010) also provided quantifiable evidence that the creation of value for employees (through IMO) has a positive direct impact on the adoption of the firms’ marketing strategy, its market orientation and influences the workforce to enact IRB consistent with other strategic directives. IRB are also demonstrated to have a direct impact on the firms’ market orientation, suggesting that the adoption of IMO may not only encourage employees to enact firms’ marketing strategies but also to incorporate this into their normal IRB in their day to day work.

Finally Lings and Greenley (2010) results also suggested that, in addition to understanding and responding to the external market, marketing managers may also contribute to the marketing success of their organizations by developing a better understanding of the internal market. To enact an IMO requires a committed effort by the organization to identify the wants and needs of employees, the competitive conditions within the labor market, and to use this information to create roles with appropriate attributes that will, as far as is practicable, add value for employees.

The results of the study from Tortosa, Moliner and Sánchez, (2009) corroborate the presence of relationships of a causal order among the dimensions of internal marketing orientation (IMO), following the arguments of previous contributions within market orientation. Specifically, they highlight the influence of the dimension informal generation of internal information on the next stages of the communicative process: the dissemination and the managerial response to such internal information. This relationship is based on the fewer economic and technical possibilities available to a small credit institution of a local character such as the one analyzed for developing formal modes to present alternatives to the supremacy of informal communicative practices. It is interesting to observe that what most influences the satisfaction of the contact personnel is not that they are informed or that the manager’s act in accordance with the information disseminated, but that the opinion of the employees should be taken into consideration in the daily management of the organization.

Rodrigues and Pinho (2012) study results indicated that external information generation is positively and significantly related to financial performance and not related to non-financial performance. External information dissemination fails to be significantly related to financial performance but positively affects non-financial performance. Finally, external responsiveness is positively and significantly related to financial and non-financial performance. The relationships arisen from internal information generation have a positive impact on either financial or non-financial performance.

Akroush, Abu-ElSamen, Samawi and Odetallah (2013) found that staff recruitment, training and internal communication positively affect employees motivation. Hence, the recruitment and selection processes are very crucial for the hospitality industry in order to build the right human capital and enhance the emotional labor programs. The vital issue is that selecting the right human capital leads to enhance the right internal marketing (IM) practice and, in result, a better internal service quality (ISQ). These findings support theories of motivation literature discussed earlier. Staff recruitment was found to exert the strongest influence on staff motivation. This finding is of great importance for the top management because having employees of high caliber in the organization will enhance the motivation to work as well as the level of service inside the organization. Further the research results internal communication, staff recruitment and staff retention to have a positive direct effect on the ISQ.

### 3. Management Attitude

An organization, regardless of its structure, depends upon an effective combination of managers supervising the performance of their direct reports and all employees making their contribution towards organizational goals. If there is a pervasive problem with the attitude of managers or workers, you can find its effects somewhere in the organization, such as high rates of absenteeism and turnover. Managers have to be very careful about their own attitudes. If they demonstrate a negative attitude toward their workers, their impact can be tremendously negative for the organization (Ramayah, 2011). That's because poor management attitudes negatively affect their employees' motivation to work. Therefore, they should monitor their personal communications with employees, even emails and phone calls, and seek feedback from employees on how they are perceived as managers. Managers can also take action by working to eliminate the negative interactions that employees experience at work. One study by Andrew Miner (2009) and others found that a worker's mood was affected by a negative exchange with the boss five times more than by a positive exchange with the boss. So, managers should minimize their negative encounters with their direct reports and take actions to reduce the incidence of negative behaviors among their workers

Avlonitis and Gounaris (1999) in their research empirical findings provided significant insights concerning both the nature of the concept of Marketing Orientation and the factors that determine the adoption of Marketing orientation. Overall, the research has shown that the company's orientation (marketing or not) represents the combined outcome of its attitude with its behavior. This finding is useful to those researchers doing research in the area of Marketing Orientation and has raised the issue of the necessity to clarify and explicate the notion of the term "orientation" before being able to probe deeper into potential relationships and associations between the Marketing Orientation concept and various aspects of the management science. As far as the nature of the Marketing Orientation is concerned, their analysis has shown that it is based on the combination of:

- I. the company's attitude to perceive Marketing Orientation as the company's philosophy, which is grounded on the persistence to analyze and understand the market prior to any actions
- II. the company's behavior to collect intelligence about the market, disseminate it company-wide and to design the company's response on the basis of this market-intelligence.

Ahmed, Rafiq and Saad (2003) found strong empirical evidence to support the relationship between internal marketing (IM) mix and organizational competencies. In particular the IM mix consisting of ten variables were shown to be a reliable measure and strongly related to business performance. The IM mix consists of three factors namely: top management support mix; interfunctional co-ordination mix; and business process support mix. The major thrust of this literature is that unless an organization receives clear signals from top managers about the importance of being responsive to customer needs, it is unlikely to be market oriented. Their findings on interfunctional co-ordination also supported one of the major themes in IM literature.

Kaur, Sharma and Seli (2009) in their research in Indian banking industry found that, first, the management should encourage the employees to make suggestions, which it should consider carefully while formulating its objectives and plans. Managements therefore need to adopt total quality management practices by involving employees in the decision-making process so as to improve the organization's performance. Moreover, managements must empower employees by giving them more authority and responsibility, thereby allowing them to become innovative in implementing solutions to the problems. In order to ensure that Internal Market Orientation is successfully adopted in any service organization requires that management should understand the wants of internal customers and be flexible enough to ensure a win-win situation in designing jobs that meet those needs. Such information may be acquired through conversation and "halk talk". Once managers have an insight into the requirements of employees, they must act upon the information so as to design appropriate response in the form of better employment result.

Fernando (2012) research multiple regression result reveals that there is a positive impact of senior leadership on operational performance. Senior leadership has an important role to bring about the organization's effectiveness. Practically, empowerment is useful to improve service productivity. Employees are expected to be creative when they deal with problems at work. It is like a valuable trust given to them by a company. The benefits of empowerment also can give more flexibility during service encounter. They serve customer with their own personality. Thus, if delivering a service if failed, the front line employee can take an action to fix it. The objectives may be to improve service quality or service worker productivity, or to improve job satisfaction and reduce the labor turnover.

Conduit and Mavondo (2001) study results indicated that all of the internal marketing processes, training, management support, internal communication, personnel management and involvement in external communication, are correlated with each other. This suggests that these practices are consistent as part of an integrated strategy. Internal communication and personnel management were found to have positive and significant direct relationships with internal customer orientation. Although the other internal marketing variables (training, management support, and involvement in external communication) do not have a direct influence on internal customer orientation, they do have significant and positive relationships with intelligence dissemination, which subsequently influences internal customer orientation. In addition, management support influences the interdepartmental relations (integration and conflict) which also have flow on effects to an internal customer orientation. As a result of these indirect effects, management support has a positive and

significant relationship with internal customer orientation. The internal marketing practices (training, management support, internal communication, personnel management and involvement in external communication) do not directly influence the market orientation of the firm but do impact on various organizational dynamics, all of which subsequently have positive and significant relationships with market orientation. Consequently, management support and personnel management positively and significantly influence market orientation.

Awwad and Agti (2011) research found that internal marketing has indirect effects on market orientation through organizational commitment and organizational citizenship behaviors. It was also mentioned that a number of variables could likely moderate the internal marketing-market orientation relationship. These may include the affective commitment of the employees and organizational learning capability. It was also found that internal marketing has no direct effect on organizational citizenship behaviors. The research also revealed that internal marketing has a positive direct effect on organizational commitment. On the relationship between organizational commitment and organizational citizenship behaviors, it was found that organizational commitment has a positive direct effect on organizational citizenship behaviors.

#### 4. Conclusion

In overall, the review has shown that an organization's internal market orientation represents the combined outcome of its attitude with its behavior. As far as the nature of the Internal Marketing Orientation is concerned, this analysis has shown that it is based on the combination of:

- I. Organization's attitude to perceive Marketing Orientation as the company's philosophy, which is grounded on the persistence to analyze and understand the internal market prior to any actions; and
- II. Organization's behavior to collect intelligence about the market, disseminate it company-wide and to design the company's response on the basis of this market-intelligence.

These two pillars of the Internal Marketing Orientation concept are inseparable and interrelated. However, for Marketing Orientation to be developed, it is required that both the company's culture and its behavior are adjusted accordingly. The practical implications of understanding and clarifying the element of the Marketing Orientation concept are self-evident: organization that wished to re-orientate themselves and develop a Marketing Orientation are obliged to direct their efforts towards changing both their attitude and behavior in such a manner that the two operate in a synergistic and harmonic way to produce profitable exchanges through increased levels of satisfaction for the organization's customers.

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