
Role of Internal Service Quality (ISQ) in the relationship between Internal Marketing and Organizational Performance

Khawaja Fawad Latif

Department of Management Sciences, Abasyn University, Peshawar

Qadar Bakhsh Baloch

Associate Professor, Department of Management Sciences, NUML, Peshawar

Abstract

The purpose of this paper is to investigate the mediating role of Internal Service Quality (ISQ) on the relationship between internal marketing and organizational performance. The study focused on the ISQ of different banks operating in Peshawar. Stratified random sampling technique was utilized to collect the data from different banks operating in the city of Peshawar. A total of 564 questionnaires were distributed in 80 different branches of medium and large sized banks. In the present study 404 questionnaires were returned, constituting the response rate of 71.63%. A total of 63 questionnaires were rejected. The total number of questionnaires usable for the study was 341. The findings reveal that in the banking sector, internal marketing and internal service quality have a direct and positive influence on the organizational performance, furthermore the results revealed that ISQ partially mediates the relationship between internal marketing and organizational performance. The findings provide useful insights for organizations, particularly in the banking industry, seeking to be competitive and responsive to the increasing challenges. Conclusions emphasize that mechanisms to encourage and foster ISQ in the organization are likely to facilitate the introduction, adoption, and diffusion of service quality both within and outside the organization which in turn, is likely to result in achievement of superior bank performance.

Keywords: Internal Marketing, Internal Service Quality, Organizational Performance

Businesses endeavor for improvement in performance and internal marketing has been recognized as one of the important drivers of better organizational performance (Baloch, Jamshed & Zaman, 2014; Lings & Greenley, 2009; Panigyrakis & Theodoridis, 2009; Hwang & Chi's, 2005; Saad, Ahmed & Rafiq,). Existing research studies have highlighted the significance of internal marketing in multiple outcomes related to performance, for instance reduced service sabotage or false reporting (Ramaswami, 1996), Customer Satisfaction (Yukse, 2010), customer ratio, occupancy ratio, educated personnel ratio, profitability ratio, service quality (Turkoz & Akyol, 2008). Similarly ISQ has also been found to have a significant impact on organizational performance (Bellou and Andronikidis, 2008). ISQ has its imprints on the success of the business that comes from service performance, while service performance comes from the quality of service (Zailani, Din, & Wahid, 2006). This quality of service is not only the external service quality but

also the ISQ, since the quality of external service is dictated by the quality of internal service (Cook, 2004). Not only that ISQ results in external service quality, but also benefit the organization in a variety of other ways, for instance employee retention is based on ISQ (Cook, 2008; Dinitzen & Bohlbro, 2010; Suganthi & Samuel, 2004). Furthermore the focus on ISQ is important for business growth (Little & Marandi, 2003), it's critical in determining the success of an organization in today's competitive environment (Anosike & Eid, 2011; Frost & Kumar, 2001), it is crucial in the effective implementation of the organizational objectives (Anosike & Eid, 2011). The need for effective ISQ is further enhanced by the fact that it is the first step in the service-profit chain (Williams, 2007), since service quality delivered early in the production chain sets an absolute limit on the potential quality of the final good/service to the external customer (Hays, 1996). Although, the importance of ISQ in becoming a competitive instrument for the businesses cannot be denied, Business has laid much of their focus on the external service quality. Hays (1996) highlighted the ground for this management behavior and further observed that the excitement and passion surrounding the drive and excellence to serve external customers often outdo the internal activities and processes. The management must understand that if staff in one department fails to provide timely service to their co-workers in another department, this will surely result in delayed service to external customers, thus resulting in negative credibility and loss of reputation. This slowness in focus towards ISQ is changing. Business organizations are realizing the fact that an adequate level of service received within the organization would translate into satisfactory external service quality. The quality of external service is hugely reliant on the quality of internal service.

It is also commonly implicit in the service quality literature that internal marketing plays a crucial role in fostering the service quality in the organizations (Berry, Hensel and Burke, 1976; Reza, Javadin, Rayej, Yazdani, Estiri, & Aghamiri, 2012; Cooper & Cronin, 2000; Tsai & Tang, 2008). Similarly there are research studies which have ascertained the impact of service quality on organizational performance (Jain and Gupta, 2004; Getty & Getty, 2000). However, there is a significant lack of internal service quality perspective in existing research, most of the existing studies evaluate the perception of external customer, and the research reported here studies internal service quality and internal marketing as an attempt to understand their impact on organizational performance.

Given the paucity of literature in this area, the aim of the research is to ascertain the relationship between internal marketing and organizational performance and the role of internal service quality in this relationship. The study to comprehend the relationship between internal marketing, internal service quality and organizational performance is undertaken in the context of a developing economy. A number of

motivations prompted to study the service quality. Services sector is largest and fastest growing sector in the world economy, accounting largest share in total output and employment in most developed countries. The services sector has provided steady support to Pakistan's economic growth. The shares of services are increasing in all sectors of economy over the period.

Literature Review

Concept and Need of Internal Service Quality

ISQ is defined as the quality of service delivered by different departments or the people working in these departments, to other departments or to workers within the organization (Stauss, 1995). The person delivering the service is referred to as the supplier, while the person receiving the service is the internal customer. Hammer (2001) defined ISQ as "an organized group of related activities that together create a result of value to customers." (p. 52). It can be asserted that the former definition highlights the system of ISQ while the latter identifies the ultimate objective of ISQ. The concept of ISQ used throughout this article reflects Heskett *et al.*'s (1994) assertion that ISQ is determined by the attitudes employees have toward one another and the way people serve each other inside the organization. In simple terms, ISQ refers to the quality of interaction, support, and level of communication between different individuals working in an organization.

The quality of service, that employees in different departments receive from each other significantly influence how external customer's expectations for service quality are met since ISQ establishes and reinforces a climate and organizational culture directed towards quality (Omachonu & Ross, 2005). A satisfied customer foundation surely guides the business to success if linkage of external service with the employees is clearly established.

Internal Marketing (IM)

Berry, Hensel and Burke (1976) first defined Internal Marketing as: "Internal Marketing is concerned with making available internal products (jobs) that satisfy the needs of a vital internal market (employees) while satisfying the objectives of the organization" (p. 8). Its basic premise was "to have satisfied customers, the firm must also have satisfied employees" and that this could be best attained by treating employees as customers (Ahmed & Rafiq, 2002). Similarly Drake, Gulman, and Roberts (2005) identify the give and take relationship in internal marketing by stating that internal marketing involves making employees to love the brand, hence, in turn, will convince the customer to love it.

The need to study IM is required from both the employee and organizational perspective. Firstly, from the employee perspective, the need to study internal marketing is warranted by the fact that until

recently incentives (usually monetary) were believed to be an effective technique applied by employers to confirm a form of staff promotion/service stability. Therefore, if IM as a concept is applied, it should enhance positive interactions between staff which in turn would ameliorate their relationship with the external customer (Panigyrakis & Theodoridis, 2008). Secondly, from an organizational perspective, companies who understand that they must get employees to buy in before the customers starts to buy have started to put together the blueprint for a long-lasting and successful business. In order to make an employee buy in, the companies must share information and recognize employees' contributions (Drake, Gulman, & Roberts, 2005). IM is significant since it allows firms to provide training and development for employees, provide organizational vision for managers, enhance motivation and inspiration and retain employees.

Organizational Performance (OP)

The ultimate criterion variable of interest for researchers in any area of management is organizational performance (Richard, Devinney, Yip, & Johnson, 2009). Organizational performance is an indicator which measures how well an organization attain their objectives (Hamon, 2003). Organizational performance alludes to financial performance in economic terms such as profits and return on investment (Homburg & Pflesser, 2000). Organizational survival is determined by performance, which is at the core of all the activities that are undertaken by the organization (Abdalkrim, 2013; Bani-Hani, Al-Ahmad, & Alnajjar, 2009; Choudhary, Akhtar, & Zaheer, 2013). Organizations aim to sustain competitive advantage and attain high performance. Performance of an organization is the result of its activities and processes and is a reflection of how well the organization exploits its tangible and intangible resources (Wheelen & Hunger, 2010).

Research has described OP as a multi-dimensional concept (Hamdam, Pakdel, & Soheili, 2012; Ouakouak, Ouedraogo, & Mbengue, 2013). There are different aspects on which organizational performance can be evaluated (Choudhary, Akhtar, & Zaheer, 2013). Measures for OP can be divided into two categories: financial or non-financial (Abdalkrim, 2013; Akdemir, Erdem, & Polat, 2010; De Waal, 2012; Nzuve and Omolo, 2012). Organizational performance may be measured using objective or subjective (i.e. Perceptual) measures. Hancott (2005) revealed that, a number of objective indicators have been adopted to measure OP, such as net or total asset growth rate, profit growth rate, shareholder return, return on sales, growth in market share, return on net assets, and number of new products, etc. In the present study, for the present study the focus is on subjective performance measured using a set of questions that reveal the perception of employees, the questionnaire is based on the instrument developed by Tseng (2010).

Development of Model and Hypotheses

The main aim of the study is that banks that adopts internal marketing strategies will be able to foster internal service quality, which, in turn, is likely to result in superior organizational performance.

Linkage of IM, ISQ and OP

One of the most crucial factors that can improve employees' behaviors and can polish their interactions with the customers is IM (Reza, Javadin, Rayej, Yazdani, Estiri, & Aghamiri, 2012). Internal marketing consists of an effort by the organization to train and motivate its employees to provide better service (Cooper & Cronin, 2000). It is well understood that before employees provide a better service to external customers they have to provide an optimum level of service to the employees within the organization. Kotler (1994) has advocated the same fact by stating that "it makes no sense to promise excellent service before the staff is ready to provide it" (p. 22). Staff will only be ready to provide an excellent service to customers if they receive an optimum level of service within the organization. The influence of internal marketing on service quality has been iterated a number of times in the literature. Fisk, Brown and Bitner (1993) identify the fundamental idea that underlies the concept that everyone in the organization has a customer and that internal customers must be sold on the service and they are happy in their jobs.

Vasconcelos (2007) argued that improvements in internal marketing strategy such as developing the internal relationship between the internal customers will give rise to improvements in the external marketing strategy. It is important that the needs of the internal customers and service providers are satisfied and they are motivated (Tsai & Tang, 2008). Once the needs of the employees are met they become committed, co-operative, and enthusiastic about the organization, however failure to motivate and satisfy the internal customers will results in problems for the organization, these problems can be removed through implementation of internal marketing programs, an internal marketing program will eliminate departmental walls, integrate members organization wide (Ahmed & Rafiq, 2003), and thus creates the opportunity to improve quality throughout the organization (Prasad & Steffes, 2002).

Lings and Brooks (1998) utilized the SERVQUAL scale to examine ISQ. The results demonstrated that the implementation of internal marketing improves ISQ and influences external service quality. Lings and Greenley (2005) identified that IM was interchangeably used with internal-market orientation to improve organizational climate. According to Opoku et al. (2009), IM is strongly related to the perceptions of ISQ. Their results suggested that "employees who use and are satisfied with the services offered have higher perceptions of the interaction quality". Similarly, Tsai and Tang (2008) found that IM

dimensions (i.e. Training and incentive) as main drivers of the level of service provided by nurses in Taiwan. Akroush, Abu-ElSamen, Samawi, Odetallah, (2012) in their study of tourism restaurants operating in Jordan found that IM consists of six dimensions: staff recruitment, staff training, internal communications, staff motivation, job security and staff retention. Staff retention has positively and significantly affected ISQ. Staff recruitment exerted the strongest effect on ISQ.

Research has shown the positive influence of internal marketing on organizational performance, Lings and Greenley (2009) found internal marketing influence on financial performance through customer satisfaction, however Saad, Ahmed and Rafiq (2002) study of a total number of 504 companies (463 manufacturing and 41 service companies) with 300 employees revealed that there is a significant linear relationship between internal marketing and business performance. According to Hwang and Chi's (2005) empirical results of a survey of 359 employees working in international hotels in Taiwan, internal marketing has a positive impact on employee job satisfaction, and both job satisfaction and internal marketing have positive impacts on organization performances. However Bouranta, Mavridoglou, and Kyriazopoulos (2005) found a relatively weak effect of Internal Marketing to Business Performance in banks, one of the reasons accountable for the very feeble bond lies in the fact that some banks adapted to Internal Marketing very recently hence its effects haven't appeared yet. Panigyrakis and Theodoridis (2009) study of supermarket chains in Greece with nationwide coverage found that IM indeed has a positive influence on business performance. The conflicting and varied findings from the research requires that the relationship between ISQ and performance to be further evaluated.

The research studies referenced, clearly highlight the relationship between internal marketing, internal service quality and organizational performance. Internal marketing can result in consistency in service quality since it integrates organizational members by improving organizational climate and acceptance of organizational values and goals. Once employees start valuing the organization, they feel responsible, and start to take ownership of their work. This ownership can help in the development of understanding of the needs of both the employees and the organization and employees try to make sure they perform their jobs right the first time and respond to queries both within and outside the organization in an efficient and effective manner. IM can help in improving staff retention and generate satisfied workforce that enhances service quality and business performance. Following this line of logic, it is hypothesized that

H₁: There is a significant and positive impact of internal marketing on internal service quality

H₂: There is a significant and positive impact of internal marketing on organizational performance

Service Quality and Organizational Performance

In the banking industry, the importance of relationship development and maintenance with key customers has previously been investigated (Madill, Feeney, Riding, & Haines.2002). Hawke and Heffernan (2006) identified increased profit through reduced risk, improved communication links, and referrals to be some of the benefits of strong relationships with key customers. Although, it is noted in the context of external customers yet repeatedly the same is recorded for the internal customers as well. The bank needs to maintain cordial relationship within the bank, which would positively influence bank performance. Spending on the right service variables and proper execution is a key prerequisite as compared to mere expenditures on service (Valarie Zeithaml, 2000). However, studies have revealed that ISQ has a key relationship with organizational performance. ISQ has come to be recognized as a strategic tool for attaining operational efficiency and improved business performance (Jain and Gupta, 2004).

Provision of quality service to external customers is only possible through significant improvement in organizations' improvement of quality service to internal customers. Better performance, combined with improved attitudes, transfers itself in quality service delivery. Improved service and empathy from employees results in willingness of external customers to purchase the service, which results in improved financial performance (Getty & Getty, 2000). Baloch, Jamshed and Zaman(2014) found that competitiveness of Pakistan Airline is dependent upon corresponding degree of its service quality. Bellou and Andronikidis (2008) conducted a study on 16 big banks in Greece found that banks' performance eventually improved through improved ISQ that influenced the behavior and satisfaction of the external customers.

H₃: There is a significant and positive impact of internal service quality on organizational performance.

Mediating Role of ISQ

Based on the aforementioned literature, it is evident that internal marketing does carry an impact on organizational performance; however the direct influence is still not entirely convincing and confirmed. Previous studies have separately investigated the influence of internal marketing on ISQ, and the influence of ISQ on organizational performance has also been reported in literature. Hence there exists a causal relationship between internal marketing and organizational performance. ISQ as mediating variable can be central in developing an understanding how internal marketing and organizational performance are related. The banking industry has traditionally focused on how to transform its physical resources to generate financial performance, and

therefore, inadvertently ignored the mediating role of service quality (Mukherjee, Nath & Pal, 2003). Thus, in light of the above reasoning, it is proposed that

H₄: Internal Service Quality mediates the relationship between Internal Marketing and Organizational Performance

Research Methodology

Population and Sample

The population frame for the study was drawn from the banks listed in Karachi Stock Exchange (KSE) having over five branches operating in Pakistan and the city of Peshawar. Stratified random sampling technique has been adopted for the study. The banks were divided into two strata, Medium and Large Banks, since smaller banks had less than or equal to 5 branches in Peshawar they were excluded from the study. Banks with total assets in excess of Rs. 500 billion is categorized as “Large Banks”, banks with total assets in between Rs. 100 billion to Rs. 500 billion is categorized as “Medium Size Banks”.

Measurement

In order to investigate the mediating role of ISQ between internal marketing and organizational performance, primary has been collected. The construct for internal marketing was developed by Foreman and Money (1995). The original scale had a total of 15 items. Foreman and Money (1995) identified three dimensions of internal marketing, namely Development, Rewards and Vision. One Item (13) was removed during pilot testing stage. ISQ was measured by a scale developed by Kang, James and Alexandris (2002). Five dimensions were identified from ISQ scale, namely Reliability, Assurance, Tangibles, Empathy and Responsiveness. Tangibles dimension was not included in the study. A total of 18 items made up the ISQ scale. Subjective organizational performance was measured using the scale developed by Tseng (2010). A higher rating of organizational performance by respondents meant better organizational performance.

Data Collection

The data was collected through questionnaires distributed through personal visits made to the banks, emails and posts. Measurement used was a seven points rating Scale. A total of 564 questionnaires were distributed in 80 different branches of medium and large sized banks. In the present study 404 questionnaires were returned, constituting the response rate of 71.63. A total of 63 questionnaires were rejected.

Data Analysis and Results

Profile of the Respondents

The demographic profile of respondents showed that average age of respondents was 33.58, minimum age of a respondent was 20 years while the oldest bank worker in the study was 59 years old. Gender distribution of the respondents showed that majority of the respondents were male (n = 289) representing 84.8 % of the sample, while females were (n = 52) constituting 15.2% of the total sample. Years of education was measured in number of years. Average years of education were 16.12. Majority of the respondents had sixteen followed by eighteen years of education. Survey respondents were asked to identify their nature of employment with the bank. 46 (13.5%) were on contract while 295 (86.5%) were working with the banks on permanent basis. Respondents job rank was measured on three categories, Junior, middle and senior. Subjects were asked to identify their job rank. Majority of the respondents were middle ranked (206) representing 60.4% of the total sample, followed by junior rank employees, which were 91 (26.4%). A total of 45 (13.2%) senior level employees were part of the study. Banking system in Pakistan is either conventional or Islamic. Data was collected from both Islamic and conventional banks. 266 (78%) of the respondents were from conventional banks while 75 (22%) of the respondents were employed at Islamic banks.

Table 1. *Demographic Profile of Respondents*

<i>Age Group</i>	<i>Frequency</i>	<i>Percent</i>
20-29	128	37.5
30-39	144	42.2
40-49	41	12.0
50-59	28	8.2
<i>Gender</i>		
Male	289	84.8
Female	52	15.2
<i>Years of Education</i>		
14.00	32	9.4
16.00	247	72.9
17.00	11	3.2
18.00	49	14.5
<i>Nature of Employment</i>		
Contract	46	13.5
Permanent	295	86.5
<i>Job Rank</i>		
Junior	90	26.4
Middle	206	60.4
Senior	45	13.2
<i>Banking System</i>		
Conventional	266	78.0
Islamic	75	22.0

Factor Analysis

Factor analysis was performed to identify the underlying factors. Factor analysis results for each construct are described in this section.

Internal Marketing

Internal marketing construct comprised of a total of 13 items. Factor analysis revealed a single factor solution with all items loading well above the cutoff point. The following table shows the loadings for internal marketing construct.

Table 2. *Component matrix for internal marketing*

Construct/Variables	Loadings
IM1	.755
IM2	.811
IM3	.844
IM4	.836
IM5	.809
IM6	.790
IM7	.775
IM8	.848
IM9	.708
IM10	.798
IM11	.796
IM12	.834
IM14	.810

Internal Service Quality

ISQ is comprised of 14 items. Factor analysis revealed a two factor solution. Four items were removed as part of multicollinearity analysis. The first was named Reliability while the second was named Empathy and Responsiveness. First factor had a total of six items. Seven items loaded onto the second factor. One item cross loaded onto both the factor and hence was removed from further analysis.

Table 3. *Component matrix for internal service quality*

Construct/Variables	Loadings	
<i>Internal Service Quality</i>	1	2
<i>Reliability</i>		
REL1	.728	
REL2	.808	
REL3	.789	
REL4	.797	
REL5	.807	
ASR1	.733	
<i>Empathy & Responsiveness</i>		
EMP1		.708
EMP2		.729
EMP3		.744

EMP4		.749
RES1`		.707
RES2		.703
RES4		.710
<i>Item Removed (Cross Loading)</i>		
In my bank Coworkers are polite and kind.	.526	.529

Organizational Performance

The results of factor analysis for organizational performance reveal a uni-factorial solution. All items loaded substantially well onto a single factor with loadings over .80. One item (OP5) was removed as part of multicollinearity analysis.

Table 4. *Component matrix for organizational performance*

Construct/Variables	Loadings
OP1	.827
OP2	.916
OP3	.880
OP4	.851

Reliability and Validity

Cronbach Alpha test has been used to test the reliability of the constructs. The results of the Alpha Reliability are shown in Table 3. The reliability of the construct in the present study range between .890 and .953. Results indicate that reliability of all the constructs is well above .8 (Field, 2005) which indicates good reliability is attained. Further to the reliability, validity of the measures is also established. Both convergent and discriminant validity is established.

Convergent validity is established when the concepts that should be related to each other are in fact related. The uni-factorial nature of variables and constructs confirms the construct validity of the dimensions under study (Kuei, 1999). Convergent validity is established if an AVE of 0.5 or greater is achieved for the constructs. Internal marketing and Organizational Performance constructs are uni dimensional hence convergent validity is established. Theoretically internal service quality is made of four dimensions, however in the present study factor analysis extracted two factors, reliability and empathy & responsiveness. Furthermore AVE is calculated, the results revealed that convergent validity for all constructs is established since the statistics for AVE for all the factors is greater than .50.

Table 5. *Reliability analysis of the constructs*

Constructs	Cronbach's Alpha	AVE
Internal Marketing	.953	.64
Internal Service Quality	.938	
Reliability	.913	.60

Empathy & Responsiveness	.907	.52
Organizational Performance	.890	.75

Discriminant validity determines the extent to which sufficiently distinct constructs are not strongly correlated with each other. Discriminant validity is established if square root of AVE for each construct is greater than inter-correlations of other constructs.

Table 6. *Square root of AVE and Inter-Construct Correlations*

	IM	REL	OP	EMPRES
IM	(.80)			
REL	.657**	(.77)		
OP	.689**	.607**	(.86)	
EMPRES	.643**	.720**	.618**	(.72)

Evaluations of Measurement Models

The present study involves a total of eight different constructs. This section tests subjects each of the construct to confirmatory factor analysis (CFA) to test if the data fits the measurement and structural model.

Internal Marketing (IM)

For internal marketing in the initial model 13 items were subjected to CFA. The results reveal a total of eight items in the final model. Five items were removed from the analysis due to low loadings and higher standardized residual covariances. The results of the initial and final attained model are presented in the table 7.

Table 7. *Summary of findings: Internal Marketing*

	Initial Loading	Final Standardized Loadings	C.R. (t)
IM1	.734		
IM2	.796	.770	
IM3	.830		
IM4	.822	.831	16.03
IM5	.792		
IM6	.770	.792	15.17
IM7	.751	.767	14.61
IM8	.835		
IM9	.678		
IM10	.780	.758	14.39
IM11	.776	.718	13.50
IM12	.818	.780	16.37
IM14	.790	.747	14.07
Attained Fit Indices			

	CMIN/DF (χ^2 /df)	SRMR	CFI	TLI	RMSEA
Initial	6.62(430.865/65)	.04	.897	.877	.129
Final	2.50(32.586/13)	.02	.98	.97	.06
Composite Reliability: .92					

In total five items were removed as part of confirmatory factor analysis. Theoretically internal marketing construct is divided into three sub-factors, Development, Vision and Rewards (Foreman & Money, 1995), however in the present study IM was found to be unidimensional in nature. One item from Vision, two from Developments and two from rewards were removed during CFA. Still two items from Vision and Development were part of the study covering for the details pertinent for vision and development. The composite reliability for the construct was .91 that is well over the acceptable value.

Internal Service Quality (ISQ)

Exploratory factor analysis revealed two factors for ISQ namely reliability and Empathy and Responsiveness. Only one item was removed since it failed to load substantially. Final ISQ construct had a total of 12 items. The loadings and indices for initial and final attained model are shown in table 8.

Table 8. *Summary of findings: Internal Service Quality*

	Initial Loading	Final Standardized Loadings	C.R. (t)		
<i>Reliability</i>					
REL1	.725	.707	---		
REL2	.760	.748	13.35		
REL3	.819	.809	14.42		
REL4	.856	.877	15.44		
REL5	.864	.867	15.43		
ASR1	.773	.805	14.16		
<i>Empathy & Responsiveness</i>					
EMP1	.796	.799	---		
EMP2	.499	---	---		
EMP3	.818	.777	15.86		
EMP4	.829	.793	16.30		
RES1	.755	.764	15.54		
RES2	.862	.872	18.58		
RES4	.846	.864	18.36		
Attained Fit Indices					
	CMIN/DF (χ^2 /df)	SRMR	CFI	TLI	RMSEA
Initial	4.09(262.144/64)	.04	.93	.92	.09
Final	2.56(131.025/51)	.03	.97	.96	.06

Composite Reliability: For Reliability: .91
For Empathy and Responsiveness: .91

One item (EMP2) that measures if the bank has convenient working hours were removed from the analysis. On deletion of EMP2, the resultant model manifested significant enrichment to the overall fit of the model as shown in the attained fit indices. It was not a problem for the six item factor to attain content and face validity. Finally the composite reliability score for reliability is .91 and empathy & responsiveness was also .91 which is deemed to be reliable for the measurement of reliability and empathy & responsiveness. ASR1 for further analysis is referred to as REL6.

Organizational Performance (OP)

Originally organizational performance construct had a total of five items. One item was removed due to multicollinearity. The four items left were subjected to CFA. The results showed all items load substantially well onto the construct. The fit indices are indicate an adequate fit for the construct since RMSEA is a little higher. The initial and final loadings are compared in table 9.

Table 9. *Summary of findings: Organizational Performance*

	Initial		Final		
	Loading		Standardized	C.R.	
			Loadings	(t)	
OP1	.77	.77	.77	---	
OP2	.91	.96	.96	17.53	
OP3	.82	.77	.77	15.88	
OP4	.78	.73	.73	15.07	
Attained Fit Indices					
	CMIN/DF (χ^2/df)	SRMR	CFI	TLI	RMSEA
Initial	15.38(30.769/2)	.03	.96	.89	.20
Final	3.10(3.10/1)	.00	.99	.98	.07
Composite Reliability: .88					

No items were removed from the analysis. The four items construct to measure organizational performance has been used in the literature (Tseng, 2010). This approved the reliability and validity of the measure. The composite reliability for this measure is .88 which is considered a reliable measure for organizational performance.

Structural Model: IM and ISQ

The Structural model evaluates the relationship between IM and ISQ. The initial model revealed acceptable fit indices for SRMR, CFI and TLI, however RMSEA showing mediocre fit. The modification

indices and standardized residual covariances were analyzed. Covariances were drawn between items of the similar latent construct. The final attained model showed acceptable fit indices. Table 10 shows the indices for the final model.

Table 10. *Summary of findings: Structural Model*

Attained Fit Indices				
CMIN/DF (χ^2 /df)	SRMR	CFI	TLI	RMSEA
2.668(424.242/159)	.04	.950	.940	.07

Table 11. *Summary of measurements: IM and ISQ*

Structural Paths	Standardized loading	C.R	P	Label
IM→ISQ	.774	11.702	.000	Supported

The table 11 shows that internal marketing had a significant influence on internal service quality. The hypothesis is evaluated based on the standardized coefficient, its critical ratio, significance level. The estimation of hypotheses demonstrated that the hypothesized link between internal marketing and internal service quality was significant.

Structural Model: IM and OP

The Structural model evaluates the relationship between IM and OP. The initial model revealed acceptable fit indices for SRMR, CFI and TLI, however RMSEA showing mediocre fit. The modification indices and standardized residual covariances were analyzed. Covariances were drawn between items of the similar latent construct.

Table 12. *Summary of attained findings: Structural Model*

Attained Fit Indices				
CMIN/DF (χ^2 /df)	SRMR	CFI	TLI	RMSEA
2.826(132.799/47)	.04	.970	.958	.07

Table 13. *Summary of measurements: IM and OP*

Structural Paths	Standardized loading	C.R	P	Label
IM→OP	.757	12.922	.000	Supported

The table 13 shows if internal marketing had a significant influence on organizational performance. The hypothesis is evaluated based on the standardized coefficient, its critical ratio, significance level. The estimation of hypotheses demonstrated that the hypothesized link between IM and OP was significant.

Structural Model: ISQ and OP

The Structural model evaluates the relationship between ISQ and organizational performance. The initial model revealed acceptable fit indices for SRMR, CFI and TLI, however RMSEA showing mediocre fit. The modification indices and standardized residual covariances were

analyzed. One Item (RES1) was removed. Covariances were drawn between items of the similar latent construct. The final attained model showed acceptable fit indices. Table 14 shows the comparison between initial and final model.

Table 14. *Summary of findings: Structural Model ISQ and OP*

Attained Fit Indices				
CMIN/DF (χ^2/df)	SRMR	CFI	TLI	RMSEA
2.485(208.70/84)	.03	.967	.960	.06

Table 15. *Summary of measurements: ISQ and OP*

Structural Paths	Standardized loading	C.R	P	Label
ISQ \rightarrow OP	.711	10.276	.000	Supported

The table 15 shows if the mediating variable (ISQ) had a significant influence on organizational performance. The hypothesis is evaluated based on the standardized coefficient, its critical ratio, significance level. The estimation of hypotheses demonstrated that the hypothesized link between ISQ and OP was significant.

Mediation Analysis: Role of ISQ

Mediation analysis was performed using Baron and Kenny (1986) causal approach. The initial causal variable was internal marketing (IM), the criterion variable was organizational performance (OP), and the mediating variable was ISQ.

The results reveal that the total effect of IM on OP was significant, $c = .658$, $p < .001$. IM was significantly predictive of hypothesized mediating variable, ISQ; $a = .615$, $p < .001$, when controlling for IM, ISQ was significantly predictive of OP, $b = .406$, $p < .001$. The estimated direct effect of IM on OP, controlling for ISQ, was $c' = .408$, $P < .001$. The indirect effect, ab , was $.249$. This was judged to be statistically significant using Sobel test, $z = 6.52$, $p < .001$. The coefficients for both a and b were found statistically significant, the Sobel test for the ab product was also significant, the direct effect from IM on OP (c') was also statistically significant, therefore, the effects of IM on OP were only partly mediated by ISQ.

Discussion

The present study found a significant influence of IM on ISQ. Available literature on the impact of IM on ISQ has shown significant influence of IM on ISQ (Lings & Brooks, 1998; Lings & Greely, 2005). In the present study the mean analysis definitely reveal a significant amount of IM initiative undertaken by the banks for its employees. This would help employees in becoming more committed to the organizations, as revealed earlier; the employees exhibited a level of commitment towards the organization. Thus internal marketing initiative would have

helped in integrating the employees and create a better organizational climate. The significant positive influence of IM on performance reveals that IM is instrumental in the creation of organizational competencies and business performance (Saad, Ahmad, & Rafiq, 2002).

The analysis revealed a significant influence of ISQ on performance. Study by Bellou and Andronkidis (2008) has shown significant positive influence of ISQ on organizational performance. The results reveal a higher degree of responsiveness in bank employees. The results reveal a significant level of responsiveness by the employees towards their coworkers, this is a significant factor of ISQ (Zhen-You, 2003), and this improved attitude towards coworkers helps in attaining improved organizational performance. Responsiveness corresponds to the fact that bank employees deliver timely service, since operations in bank are interconnected to each other, provision of timely service to coworkers can significantly enhance quality of service provided to the customers, and subsequently would lead to the customer retention, as well as help in achieving maximum profits.

The mediating effect helps assess whether the relationship between two variables is direct or whether it occurs indirectly through some third (i.e., mediating) variable (Shaver, 2005). Mediation analysis proved partial mediation between internal marketing and perceived organizational performance. This showed that the relationship between internal marketing and ISQ to a certain extent (partially) occurs through the mediating variable ISQ. This shows that satisfaction with internal marketing increases an employee's drive to perform well, this initiates positive behaviours among employees. They are willing to show discretionary behaviours and also prepared to get involved with other employees. The enthusiasm and conviction of employees is communicated to the coworkers and hence facilitates employee performance that significantly improves the organizational performance.

Conclusion

The study results showed that internal marketing had significant influence on ISQ. Based on the findings of this structural model, the research concludes that for the banks to improve the level of ISQ, the banks should make efforts to improve the level of employee satisfaction with the internal marketing initiatives, the better the level of internal marketing initiatives the higher would be the level of service the coworkers provide to each other.

Internal marketing was found to have a significant influence on perceived organizational performance. The significant influence of internal marketing on perceived organizational performance further strengthened the findings of existing literature that also showed significant relationship between internal marketing and performance,

furthermore vigor to the assertion that organizations shall continue to invest in the significant factors.

The study also evaluated the influence of ISQ on subjective measure of organizational performance. The results indicated that ISQ had a significant influence on the subjective organizational performance. The finding strengthens the assertion that unless organizational focus on the service received by coworkers, the organization cannot attain adequate level of profitability and may not be able to ensure external service quality that would ultimately harm business performance.

Furthermore, the research main interest was if ISQ acts as a mediator between internal marketing and organizational performance. The finding was partially supported in case of mediation between internal marketing and perceived organizational performance. The mediated effect of ISQ is important to top management, implying their responsibility for investing to create an environment that nurtures trust, understanding, commitment, provision of timely service, and positivity in attitude and behavior. Management which expects to reap benefits of service quality must understand the need of better ISQ and should invest in the intangible factors that have been proven to affect the tangible profits. Banks operate under tight guidelines; it is for the management to understand that each bank branch is supplied with adequate and well trained staff, tangible resources to carry out office duties, training schedules, employee support programs and clear reward management system that fosters collaboration, support, togetherness and collectivity.

The present research has strong practical implications. First and foremost the research study shows it is not only external service quality that adds to the profitability of the organizations. The research has displayed significant influence of ISQ on organizational performance. This shows that it is imperative for the banks to ensure that they take initiatives that foster ISQ. Investments in ISQ involves activities that clearly highlight distinct job roles, learning initiatives that help short and long term development, communication and development of believe in the mission and vision, and concrete rewards for performance. Failure to make proper consideration for improvements in ISQ may seriously affect organizational performance, since employees may not be able to provide timely and adequate service desired by their coworkers.

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