

Impact of Internal marketing on Firm performance in Manufacturing industries

Shibrie Jorga Tessema and Sun Jin

Abstract

Internal marketing (IM) is the thinking of treating personnel as customers and job as a product. The aim of this study is to explore practice of Internal Marketing in non-service organizations especially textile manufacturing firm and to investigate the relationship of IM with employee motivation, customer orientation, industrial service quality and business performance. Cross sectional survey was conducted among randomly selected 280 employees of Chinese textile industries in Ethiopia. Questionnaire was used to collect the survey data by adapting from prior study. SPSS (23) and AMOS used for data analysis. This empirical research provides a strong support of the relationship of major variables in this study. IM had positive and statistically significant impact on employee motivation, customer-oriented behavior, industrial service quality and business performance. However, the mediation effect of employee motivation and customer-oriented behavior, in between IM and industry service quality was not supported. Whereas, industry service quality had strong positive impact on industry performance, and mediates the relationship of IM with business performance significantly. Based on this result practice of IM in non-service industry leads to get motivated and customer-oriented employees and improve industry service quality as well as business performance. Future researchers can undertake studies on IM in non-service industries with other IM elements, regions and industries context.



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1. Introduction

Nowadays organizations operate in a flexible and changing environment. These pressures enticed them to improve their performance permanently in order to maintain their competitiveness. It is clear that one of the key conditions for evaluating the performance and competitiveness of each organization may be the benefits gained from caring for current customers and attracting new ones. Indeed, the key to caring for and attracting new customers in improving the performance of an organization depends largely on the quality of its employees (Mehdi Abzari, 2011). In the past, marketing experts have been advocating the adoption of a wide range of marketing mixes that are well-known in the marketing literature such as 7P's (product, price, promotion, location, people, tangible evidence and process) to attract and retain customer support especially in service firms. However, the emphasis has shifted to the acceptance of internal marketing (IM) as a strong customer, attraction tool as it was first introduced forty-five years ago by (Berry et al., 1976). Therefore, advertisers need to increase their focus from the traditional customer outlook to the balance between the internal customer (employee) and the external customer (Ahmed & Rafiq, 2003).

Internal marketing described in a variety of ways in the advertising and ethics books of the organization. George and Gronroos, (1991) suggest that "the internal labor market is better motivated to consider service and customer-centered behavior in a more efficient, marketing way, where in-house marketing activities are used." Internal marketing (IM) has been researched for about 45 years. Discussions focus on how to initiate internal marketing and outcomes (Rafiq & Ahmed, 1993). According to, (Yu-Ting Huang, 2019) in his review of IM publications more than 95% of IM research projects were taken in the service sector, not more than 10 in the manufacturing sector and the regions were heavily researched in Asia, Europe, and North America while the smallest in Africa. However, IM is now used not only for service companies but also for any type of organization including manufacturing industries. Manufacturing industries play a major role in economic development and structural transformation (from agricultural to industrial) in developing countries such as Ethiopia. In addition to its significant contribution to the national GDP, the industry provides beneficial services to thousands of people. Although the industry is still in its infancy because, it has been a major challenge in relation to skilled and productive labor force among many. Indeed the attractiveness of Ethiopian manufacturing sector depends on how it is used to the benefit of the people because growing production requires more than just market access, low production costs, and subsidies (TIDI 2018). If this is the fact, examining the concept and practice of IM in manufacturing sector in (B2B) context in Ethiopia is vital. To bridge these gaps, focusing on manufacturing industry, this research aims to examine the application status of internal marketing notions amongst employees and its impact on organizational performance via product/service quality.

2. Review of related literature

2.1. Marketing Concepts

Despite its complex and controversial meaning, academically, marketing is the work of individuals and organizations to attain specific personal and social goals. The Chartered Institute of Marketing defines marketing as "a management procedure that identifies, anticipates and satisfies customer needs profitably." Furthermore, it said marketing is a personal activity aimed at meeting people's needs and requirements through an exchange process. As Kotler puts it, 'marketing is a social and administrative process where individuals and groups get what they want and need by creating, donating and trading value-added products' (Kotler, 1991).

2.2 Emerging of (IM) Concept

Based on the change on marketing concepts, IM evolved as; (Berry et al., 1976) began introducing the latest leaning in marketing. Yet it does not have a widely accepted definition, but it usually includes three key themes: “customer-focused consideration and ethics, focusing staff on internal tasks that need to be changed in order to improve market performance and creating motivated and customer-oriented employees” (Mosley, 2007). On the other hand, many marketing and organizational publications in IM had revealed explanations with different perspectives.

2.2.1 IM as Human Resource (HR) Tool

Inadequacy of existing IM research is that there is little agreement on which combination of policies can be used effectively to influence employees to motivate and act in a customer-focused manner. Internal communication, training, education and information used to motivate and develop employees, (Gummesson, 1991). IM is therefore a philosophy of managing the human resources of an organization based on a marketing perspective.” However, IM practice based on marketing ideas or theories is yet to be explained (Gounaris, 2008). On the other hand, experts in IM and HRM literature have made it clear that IM is not directly the work of HR. For example, (Gronroos, 2000) stated that job descriptions, recruitment procedures, job planning, salary, bonus programs and incentive programs, and other HRM tools should be used by organizations to achieve IM goals. Briefly, for example (Berry and Parasuraman 1991; Gronroos, 1995; Rafiq & Ahmed, 2000) IM attracts, promotes, encourages, and retains highly skilled workforce products that meet their needs for customer management philosophy and strategy. Bearing in mind this goal, financial capital does no longer recognize as the key success factor and has been replacing by human capital.

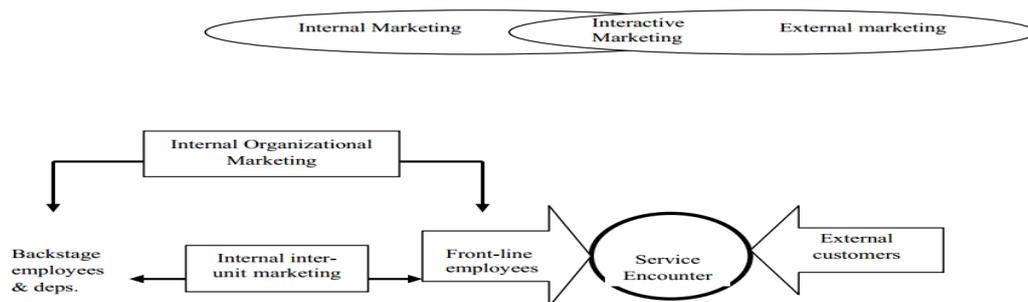
2.2.2 IM as A Quality Management System (TQM)

Several firms spend their time thinking about how to deliver superior quality at low budget. TQM was originated from a business philosophy focused on buyer satisfaction. It deals with the integration and integration of all functions in an organization, as well as the continuous enhancement of all functions in the organization. However, so do their rivals. This makes competition would be extremely strong. The concept of quality is as old as trading and the exchange itself; nowadays, quality is about bringing customer satisfaction (Ahmed & Rafiq, 2002).

2.2.3 IM from the Perspective of the External Customer

Varey (2001) –IM considered as a management approach, which allows and inspires all members of an organization to evaluate their role and communication skills. Hales (1994), Varey & Lewis, 1999) -IM aims to attract, retain, and motivate service-minded employees, who recognize customers to help with visual service quality and effective external marketing of the business as a competitive means. In summary, IM definition of its interface with external marketing, it is possible to realize that interactive marketing is the link between IM and external marketing in a service session.

Figure: 2.1 Internal-external marketing interactions



Source: Farias, (2010)

2.2.4 IM as a source of competitive advantage

It is not possible to please external customers unless the internal customer is satisfied to improve the competitiveness of the organization. As a way to satisfy internal customers, managers in organizational structure and well-being to satisfy internal customer needs, and use internal marketing to promote and achieve performance while hiring right external talent (Misook Yeum, et, al., 2020). According to, (Ballantyne, D., 2000), IM is any type of marketing inside an organization that focuses on employees' in the internal operations that need to be changed in order to improve the performance of the external market environment. In addition, internal marketing is seen as a key player that allows for productive real partnerships, vendors and members of other active units in the organization (Kadic Maglajlic, Boso, & Micevski, 2018).

2.3 Internal marketing Elements

A review of the existing literature in (Rafiq, 2000) and his work show that, many competing definitions and all the activities that are attractive to deal with IM. To, determine the validity of this competing environment, the required set of criteria should be considered for each definition. From the analysis of key conceptual and empirical texts, five key aspects of internal marketing were identified. These are; Employee satisfaction and motivation, Customer standing and customer satisfaction, Co-ordination and co-ordination of various activities, Marketing method from the above, the application of specific business or operational strategies. Based on resource-based view (RBV) of strategic management literature, these elements have focused on managing the most important resource - operational team. As, (Akio, 2005) illuminated, the services grown from resources are determined by the way they are used.. One can see that the process of participatory leadership, inspiration, effective communication and communication, to develop a sound organizational climate that allows for change, which are strategic management documents that can be fulfilled using the above-mentioned elements.

2.4 Resource-Based View (RBV)

RBV is one of the major strategic management concepts, suggests that the company's resources determine its performance. Systematic management, according to RBV, involves developing and utilizing the company's unique resources and capabilities, as well as continuing to maintain and strengthen those resources (Akio, 2005). Resource-Based Viewing Method for Competitive Profit Opposition argues that internal resources are more important to the company than external factors in the acquisition and retention of competitive advantage (David, 2011). He also held that internal resources can be divided into three categories: physical resources, human resources, and organizational resources. As compared to tangible resources, tangible resources are a superior source of essential competency and the ability to manage human intelligence quickly becomes an important management skill for years because intangible resources are less visible and more difficult for competitors to understand, buy, imitate, or replace (Hitt et. Al., 2011).

2.5 Internal Marketing Elements/Function

Primary purpose of internal marketing function is to find motivated and customer-focused employees at all levels, as the concept of internal marketing asserts that corporate employees are the company's primary market (Ewing & Caruana, 1999).

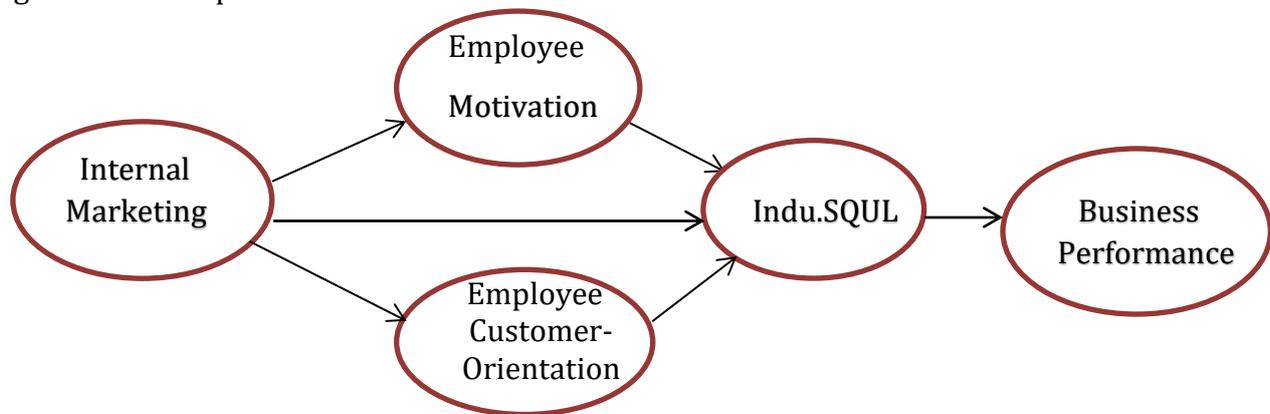
Training: Employees demand appropriate type and level of training to perform their duties. This can help to minimize confusions about their responsibilities. In addition, help employees able to meet customer expectations more effectively (Rafiq, 2000). Al-Tai and Al-Alaq (2017) describe training as a set of controls and procedures used in an organization to pursue the development of the skills, knowledge and habits of their employees to improve their performance and achieve organizational goals.

Reward: Remuneration is a significant factor that affects why people choose to work in one institution over another. Employers must rationally compete for a few types of remuneration in order to hire, retain, and monitor the performance of certain employees in an organization (Wright et al., 1998).

Internal Communication: Communication is the transfer of information between organizations and within an organization aimed at improving relationships and productivity within the institution, (Johike et al 2000; Johike and Dale, 2000). In addition, (Gronroos, 1990) pointed out that communication was considered a key element in the process of creating a balance between employees' attitudes and organizational goals so that regular communication between management and employees increased opportunities for information sharing. Johike and Dale (2001), suggest that interactions between managers and employees affect the behavior of employees who meet with customers. Therefore, the dissemination of information is critical to the internal functioning of marketing.

2.6 The Study Conceptual Framework

Figure 2.1 Conceptual Framework



2.7 Hypothesis development and conceptual framework

2.7.1 Internal Marketing with Customer-Centered Behaviors and Employee motivation

Internal marketing is the one such approach, and a common perception among experts is that employees can able to behave in a customer-focused manner and encourage them to do so (Gronroos, 1985; Gummesson, 1987; Harris & Piercy, 1999). At the applicable level, (Zeithaml, 2000) mention internal marketing as a means of delivering service or product on the promise of external marketing. Employees should have the skills, abilities and motivation to do their job. External promises cannot be achieve easily, unless employees become qualified and well rewarded. For example, (Berry and Parasuraman 1991; Gronroos, 1995; Rafiq & Ahmed, 2000) IM is a employee and customer management philosophy and a strategy for creating jobs to meet people's needs. To attain this goal, finance by itself does no longer consider a key to success and being substituted by people. Nevertheless, recent management styles tend to be one-sided (Pfeffer & Veiga, 1999) and transaction costs experts suggest that acting as an organizational expense that needs to be reduced rather than assets can be invested in it. Dissimilarly, social exchange theorists promote the most profitable employees in their organization; they felt responsible and were willing to make a significant contribution to the achievement of the organizational goal. Based on this theory and previous findings in IM, this study believes that there has been strong argument and consensus in any organization employees are a unique and unparalleled source of competition, so investing in employees' skills and attitudes to motivate and customer awareness is important.

Thus, we can posit two major hypotheses

H1: *Implementation of IM in textile industries has positive and significant effect on employee-customer orientation behavior.*

H2: *Implementation of IM in textile industries has positive and significant effect on employee motivation.*

2.7.2 IM and Industrial Service Quality

The purposes of IM is attracting, retaining and motivating service-minded employees, who care about customers to help visual service quality and effective external marketing business as a competitive advantage (Kotler, 2003; Varey & Lewis, 1999). According to (Huang and Rundle-Thiele, 2015) IM is a tactical tool that helps service advertisers to provide superior services and achieve customer pleasure. Therefore, IM should precede external marketing because it makes no sense to promise excellent service before company employees are prepared to provide it. Quality in business-to-business focuses on both the product that customer receives, as a result and the way the provision process is important.

As many publications have shown the focus of internal marketing is that the organization's staffs are considered its first market; building satisfied and motivated employees is crucial to provide quality service. Therefore, the requirements for internal marketing in the b2b business are important.

H3: *Implementation of IM in textile industries has significant positive effect on industrial service quality.*

2.7.3 Industrial Service Quality with Business Performance

Actually, business-to-business services lean towards a more technology driven than those in consumer market. Consequently, perceived service quality features that may be appropriate for consumer services do not apply equally to business-to-business services. Measuring quality from business to business (Gounaris, 2005) suggests a new model, INDSERV and clarifies that, service providers find it difficult to satisfy their customers by integrating their services and systems to make the service delivery process as attractive as possible to their customers. A service is a combination of processes, building materials, human performance skills that needs to be integrated to provide a structured service. Therefore, the final goal of practicing internal marketing in the organization is to achieve external business performance, retain and attract potential customers by providing superior service. Combined these concepts together the following two hypothesis are provided

H4: *Industrial service quality has positive and significant effect on business performance*

H5: *Industrial service quality mediates the relationship between IM with Business Performance.*

2.7.4 Mediator Variables

A) Employee customer orientation and Employee motivation mediate the relationship between IM and industrial service quality

In any industry, the quality of a product and service is highly relay on the quality and performance of employees, (Bansal, et. Al., 2001). Varey & Lewis, (1999) also furthered the main goal of IM is attracting, retaining, and motivating service-minded employees, who recognize customers to help with thoughtful service quality and effective external marketing of the business as a competitive means. IM should lead external market because it does not make sense to promise quality service before company employees are committed to provide it. Employees will be equally accountable to their company and do better if they find the output level surpasses what they are included. Therefore, staffs who are satisfied with their firm, as a means of reconciliation will be more devoted to deliver higher performance when communicating with their external customer (Gornoos 1997). Therefore, internal marketing allows the industries "to ensure that employees keep dedicated and provide quality service to the satisfaction of their customers" (Budhwar, 2000) forwarded that the quality of the product is affected by employee satisfaction, as a result it contributes to external customer delight.

Thus, employee motivation and customer-orientation behavior can strengthen relationships between internal marketing and industry service quality.

H6: Positive relationship between IM and industrial service quality will be strong when mediated by a) Employee customer orientation and, b) Employee motivation

3. RESEARCH METHODOLOGY

3.1 Research Approach and Design

The purpose of this study is to describe and measure the impact of IM on the employee customer orientation, employee motivation, industrial service quality and business outcomes in Chinese textile industries in Ethiopia. Therefore, quantitative research approach was used. As explained by (Creswell, 2009), there are three common ways to undertake a research in the field of business and social science, specifically; quantitative, qualitative and mixed research. This study accepted the Cross-sectional survey as a project.

3.2 Data Collection Instrument and Techniques

The sources of data for this research work were the sample employees, managers and supervisors of Chinese textile industries in Ethiopia. The survey instrument used in this study is self-administered questionnaire consists of demographic information related to gender, age, marital status, professional category (front line/back office), education, and work experience. The main questions consisted of the items to measure all variables included in this study. Items were adopted from previous research work mainly from (Money and Foreman, 1995) IM scale and (Ahmed et al., 2003).

3.3 Data Analysis Method

The objective of this study is assessing the relationship of internal marketing and employee customer orientation, employee motivation, service quality and business outcomes in seven Chinese textile industries in Ethiopia, which means it tries to analyze these relationship empirically. In order to analyze the collected data SPSS and AMOS version 23 and Confirmatory Factor Analysis (CFA) were employed.

3.4 Construct Measure

The items were taken from prior research works and a five-point Likert scale were developed that asked respondents level of agreement. So researcher adopt items to each IM functions in four dimension (reward system; seven items and internal communication four items and Management support; eight items adapted from (Ahmed *et al.*, 2003), and (Foreman and Money's, 1995), for training avenue ; seven items adopted from (Pomirleanu, N., et al., 2015). Thus, 28 items were adopted and develop to measure practice of IM in the industry. Employee customer oriented behavior, were measure by six items the shortened form of (Narver et al., 2004) and for employee motivation, seven items were developed. Since this study focus on manufacturing industries in b2b context industrial service quality will measure by (Gounaris, 2005) INDSERV model because the extant literatures uncovered of this subject. Thus, several alternative methods for evaluating the quality of b2b services (INDSERV) suggested. One of the pioneers in this field is (Gronroos, 1984) who proposed that two types of perceived service quality for industry customers: Technical and Functional quality. Researcher chose this method for measuring both financial and non-financial achievements base on prior research findings. Firstly, study shows that, almost all manufacturing firms are no willing to disclose confidential financial statement for objective measures this is even worst in Chinese companies (Jacob Lai, 2006). Secondly subjective performance measures had widely used and still many published works in top journals, in field of management and marketing (Perry-Smith and Blum, 2000; Delaney and Huselid, 1996). Therefore, researchers were developing eleven items to measure business performance of selected industries as compare with their main competitors.

3.5 Validity and Reliability of Data

Validity: Average variance extracted (AVE) were used to check construct, convergent and discriminant validity of this study (Hair, Black, Babin and Anderson, 2006).

Reliability: The reliability coefficient can be assessed the consistency of group of items with Cronbach's alpha, which broadly apply to check reliability. The lower limits of the Cronbach's alpha coefficient are 0.7 (Pallant, 2005). This study employed Cronbache's alpha, square multiple correlation and Composite reliability (CR) as a measure item consistency.

4. The results and discussion

4.1. Introduction

For this research, 280 questionnaires were distributed and respondents were asked to complete the questionnaire within three weeks. Finally, 263 were returned with 94% response rate. Regarding adequacy of the number of observations to run Structural Equation Model, (Schumacher & Lomax, 2010) contend that to calculation CFA, it is required 250 to 500 respondents. Moreover, (Anderson, & Gerbing, 1988) suggest a sample size more than 150, in order to reach a minimum standard error. Accordingly, the number of observations in this study, which is 263, was considered robust to run the structural equation model. Therefor the analysis began with descriptive statistics of demographic data followed by checking the assumptions of structural equation modeling (SEM) and hypothesis testing.

4.1.1 Respondents Demographic Profile

From the total respondents majority 137 (52.1%) were males and 126 (47.9%) were females. Regarding respondents' education status 36(13.7%), 67(25.5%), 151(57.4%), and 9 (3.4%) were TVET, Diploma, first degree, and second degree and above holders respectively. Concerning respondents' job position, 61(23.2%), 104(39.5%), 33(16.6%), 20(7.6%), 32(12.2%), and 46(17.5%) of the respondents were front line employees, back-office employees, managers, supervisors, and supervisors, and others respectively. In terms of work experience 7 (2.7%), 12(4.6%), 236 (90.4%), and 6(2.3%) were having 1-3, 4-6, 7-10, and above 10 years of industry experience respectively. Regarding the firm size, 11(4.2%), 98(37.3%), and 154(98.6%) respondents were from small, medium, and large size firms respectively. Of the total respondents 98(37.3%), and 165(62.7%) were from wholly foreign, and joint with other/locals firms respectively.

4.1.2 Assumptions of Structure Equation Modeling

Before proceeding for analysis, assumptions of Structure Equation Modeling were checked using appropriate statistical methods.

Missing Data: missing data was detected by descriptive statistics, frequency table in SPSS. According to (Gaskin, 2017), drop cases from the data set if missing is more than 10%. However, in this study, missing data accounts only 0.76%. Therefore, all variables in our data set were kept.

Univariate Normality: Sposito and Skarpness, (1983), recommend the value of kurtosis and skiwness not exceed 2.2 and no less than -2.2. Thus, in this study value of kurtosis and skiwness was from positive 1.378 to negative 1.256 and from positive 0.102 to negative 1.049 respectively. This indicated that all variables appear to exhibit no significant departure from normality.

4.1.3 The Measurement Model

According to, (Brown, 2006) Structural Equation Modeling (SEM), primary concern is building measurement model. The analysis began by testing the hypotheses and the relations among observed and latent variables. In addition, Confirmatory Factor Analysis (CFA) conducted to check whether theoretically established the observed data had the best fit to measurement model. However, before running CFA we should conduct Exploratory Factor Analysis (EFA) to identify items that have consistency.

4.1.4 Exploratory Factor Analysis (EFA)

Since EFA, deal about a sample for further analysis, principal axis factoring method was employed as appropriate extraction method for this study (Peter Samuel, 2016). In addition, promax rotation, which is an oblique rotation, was used as it allows a degree of correlation between factors and that was confirmed by factor correlation matrix. The analysis indicated that there existed considerable magnitude of association between factors and the maximum correlation coefficient goes up to 0.518. Eigenvalues less than 1 as a cut off criteria to fix the number of factors that retained. Items factor coefficients were sorted by size and all factor coefficients less than 0.3 suppressed. Kaiser-Meyer-Olkin (KMO) tested the acceptability of the sample size and the forte of the relationship among constructs (Pallant, 2013; Field, 2000). The sampling is adequate or sufficient if the value of (KMO) is larger than 0.6. Tabel-4.1 below showed that KMO test score was 0.831, thus the sample size was adequate for EFA. Furthermore, Bartlett Test of Sphericity was significant at 1% level of significance.

Table 4.1: The Test Result of KMO and Bartlett's

Kaiser-Meyer-Olkin (KMO)		.831
Bartlett's Test of Sphericity	Approx. Chi-Square	11485.920
	Df	1176
	Sig.	.000

At the beginning of the exploratory factor analysis, there were **65** items that load around 9 factors. The analysis was started by removing items with low communalities and having cross loading issues. Finally, the number of factors was adjusted to 49 variables with nine stable factors having 0.4 - 0.7 loading of variables. The Cronbach's alpha (α) value of internal consistency of the variables under each extracted factor ranges from 0.844 to 0.936, this allow us to go through all next analysis.

4.1.5 Confirmatory Factor Analysis

After grouping items based on inter-item correlation results, conduct CFA to confirm or validate the extracted factor structure in the EFA. The initial confirmatory factor analysis model was developed by taking the factor structure from EFA as an input (figure-4.1).

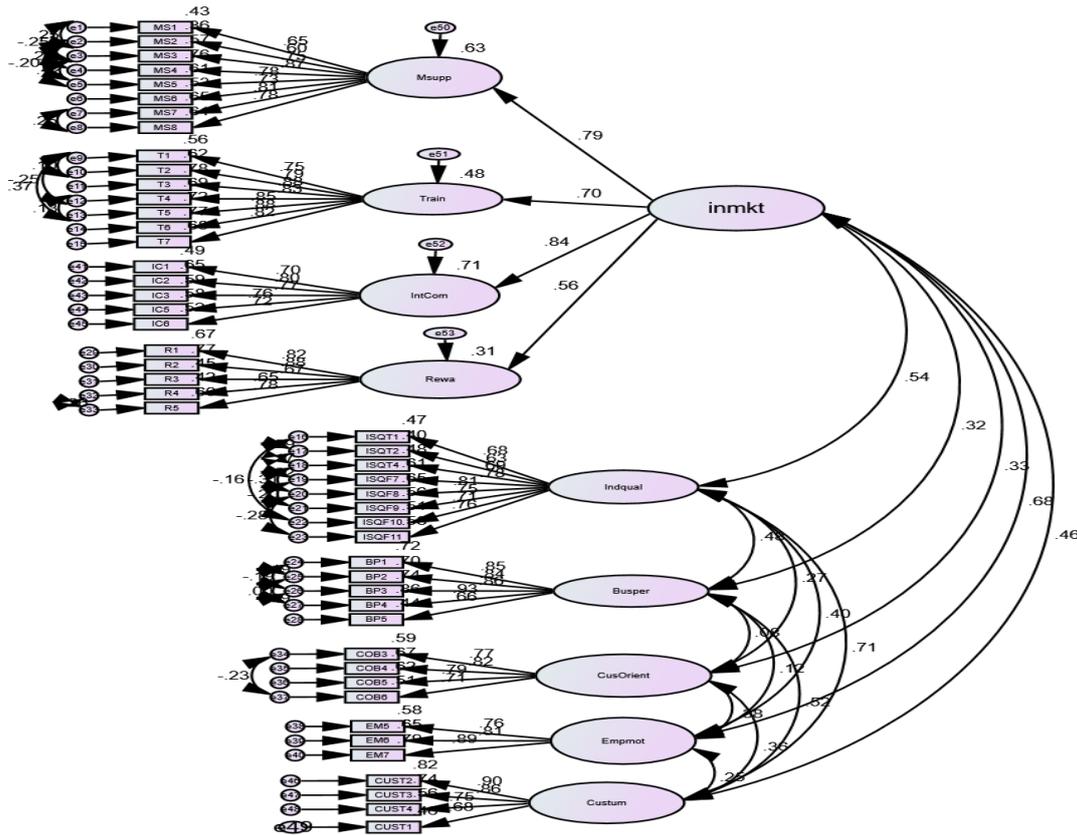
Goodness of Fit (GOF): is important to compare the model fit indicators between theory and reality. The closer the covariance matrices between the two, the better the theory is said to fit the data (Hair et al. 2010). The result in table 4.2, tells this study used CMIN/DF, CFI, SRMR, RMSEA, and PClose criteria to evaluate the goodness of the model.

Table-4.2: CFA Model Fit Measures

Measure	Estimate	Threshold	Interpretation
CMIN	1093.117	--	--
DF	579	--	--
CMIN/DF	1.887	Between 1 and 3	Excellent
CFI	0.924	>0.950	Acceptable
SRMR	0.092	<0.080	Acceptable
RMSEA	0.061	<0.062	Excellent
PClose	0.919	>0.050	Excellent

The findings indicate that the GOF levels are excellent and acceptable. As a result, the whole CFA measurement model shown in figure 4.1 is acceptable.

Figure-4.1: Confirmatory Factor Analysis Model



4.1.6 Validity and Reliability

Convergent validity: Conversion efficiency can be measured if the AVE square root is larger than the variance between variables (Hair, Black, Babin and Anderson, 2006). As shown in Table 4.3, the construction of this study fulfilled the corresponding authenticity.

Appropriateness of Discrimination: the degree to which items are not related to other elements of different variables. As shown in table 4.3 below all constructs MSV less than that of AVE and all constructs satisfy discriminatory qualifications.

Construct Reliability: used to check the internal consistency of all indicators or internal consistency of a set of objects to measure concept. As stated by (Joseph F., Hair, William C. Black, Barry J., Babin, 2015), the construct should be a reliable Composed Reliability (CR) value should be more than 0.70. AS shown in table 4.3 below the CR value of all constructs had more than the threshold 0.70, indicating that all model variables were reliable.

Table 4.3 Validity and Reliability Measures

	CR	AVE	MSV	MaxR(H)	Indqual	Busper	Cus Orient	Empmot	inmkt
Indqual	0.905	0.531	0.499	0.905	0.729				
Busper	0.917	0.692	0.271	0.936	0.485***	0.832			
CusOrie	0.855	0.595	0.142	0.859	0.275***	0.084	0.772		
Empm	0.860	0.672	0.465	0.874	0.400***	0.125	0.377***	0.820	
inmkt	0.817	0.533	0.465	0.847	0.539***	0.325**	0.327***	0.682***	0.730

4.1.7 Common Method Bias (CMB)

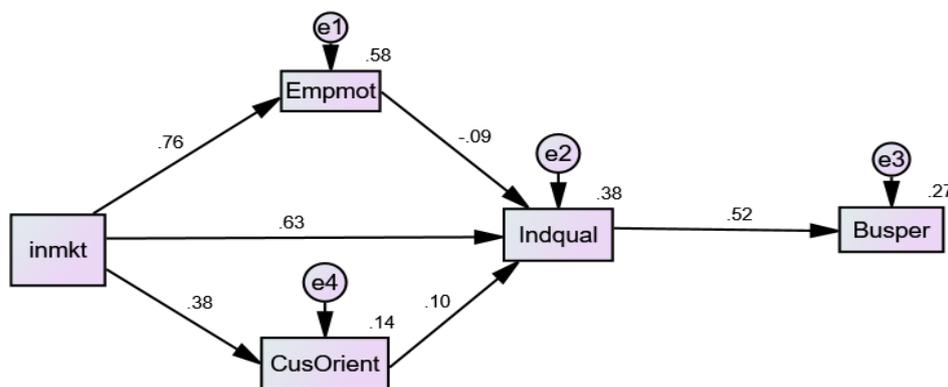
Harman single-character testing is a well-known method of testing Common method bias (CMB) (Podsakoff, et al., 2003). In this study, experiments were used to determine whether the widely held of variance could be described by a sole factor. It is done by limiting the number of elements extracted from Explanatory factor analysis (EFA) to only one (rather than eigenvalues). CBM was occurring when a single element from non-static feature solutions explained more than 50% variability variables. Therefore, in the present study one factor accounted for 29.157% of variance, which is less than the cutting point indicating that CMB was not a major concern in this study.

4.2 The Structural Model and Hypothesis Testing

SEM allows us all together identify both the direct and indirect effects that lead to the dependent variables. Structural modeling models also provide a measure of measurement errors.

The hypotheses were tested by using Standardized Regression Weights, beta value and standard deviation using SEM. For this study Seven Chinese, textile industries were participated to provide 263 employees.

Figure 4.2 structural model



4.2.1 Relationships of IM with Employees' Motivation and Customer-Orientation

Prior research work (Rafiq, 2000; Ahmed & Rafiq 2002, 2003; Gronroos, 1990; Gummesson, 1987) in the field of IM find out effective implementation of internal marketing led to get motivated and service minded employees in the organization. This study also consistent with the above findings which were IM had statistically significant and positive effect on employees' customer-orientation behavior with $\beta = 0.379$ and employees motivation with $\beta = 0.763$ at 1% level of significance in non-service industry (Table 4.4). These result indicated that one standard deviation increase in internal marketing practices would lead to 0.379 standard deviation increases in employees' customer-orientation behavior; and 0.763 standard deviation increases in employees' motivation. Therefore, H1 and H2 of this study were supported.

4.2.2. Internal Marketing and Industrial Service Quality

As many literatures indicated (Hales, 1994; Varey & Lewis, 1999) the focus of internal marketing is that employees of an organization is its first market so as to creating satisfied and motivated employees to provide superior service. Therefore, internal marketing is vital to achieve quality especially in serves industry. The present study result in this regard, internal marketing practices had statistically significant positive effect on industry service quality at 1% level of significance with standardized $\beta = 0.629$ (table 4.4). This result indicated that one standard deviation increase in internal marketing practices would lead to 0.629 standard

deviation increase in industry service quality. Thus, H3 was supported and IM is crucial for non-service sectors to acquire industry service quality.

4.2.3 Industrial Service Quality and Business Performance

Unlike service sector, quality in non-service industries focused on both technical and functional part of the service to fulfill their customers’ desire and make them loyal to the organization and in turn, they were profitable (Gounaris, 2005). In support of this (Bansal, 2011) find out the higher the level of perceived service quality, the higher the external customer satisfaction. Therefor in one or another way, industry service quality is important to achieve business outcomes. In line with this finding this study empirically tested the positive and significant relationship of industry service quality and business performance at 1% level of significance with standardized $\beta= 0.519$ (table 4.4). This result indicated that one standard deviation increase in industry service quality would lead to 0.519 standard deviation increase in business performance. Thus, H4 was supported

Table 4.4: Regression Weights:

Path name	Standardized Regression Weights	S.E.	C.R.	P
Empmot <--- inmkt	.763	.081	19.104	***
CusOrient <--- inmkt	.379	.086	6.624	***
Indqual <--- inmkt	.629	.125	8.054	***
Indqual <--- Empmot	-.086	.060	-1.140	.254
Indqual <--- CusOrient	.102	.056	1.940	.052
Busper <--- Indqual	.519	.060	9.833	***
***=1% level of significance				

4.2.4 Mediation Analysis

a) The mediation effect of Employee motivation and customer-oriented behavior:

Results in Table 4.5 depicted, it was found that internal marketing processes had a positive impact on employee motivation, with (regression weight of 0.763, $p<0.001$). In addition, without the mediator variable, internal marketing processes had a direct positive impact on industry quality (at $p <0.00$ with regression weight of 0.644). These finding us consistent with prior research work discussed above. However, the results showed that motivation of the workers had a negative mediator effect on the quality of the industry (with standardized regression weight -0.054, $p= .551$) which was not significant.

Based on table 4.6 it was found that internal marketing practices had positive effect on employees’ customer orientation, (at $p=0.001$) with standardized regression weight 0.379. It was also found that without the mediator variable, internal marketing practices had a direct positive effect on industry quality ($p= .001$, standardized regression weight 0.569). Results indicated that the mediator, employees’ customer orientation, had positive but not significant effect on industry quality (standardized regression weight 0.089, $p= .110$). Results showed that when the mediator variable, employees’ customer orientation introduced, internal marketing had positive indirect effect on industry quality which was not statistically significant. Therefore, the analysis result failed to support the mediating role of employees’ customer orientation and employee motivation. However, the total effect of internal marketing practices on industry quality through the mediator variables was positive and statistically significant. Therefore, the results were failed to support H5 and H6.

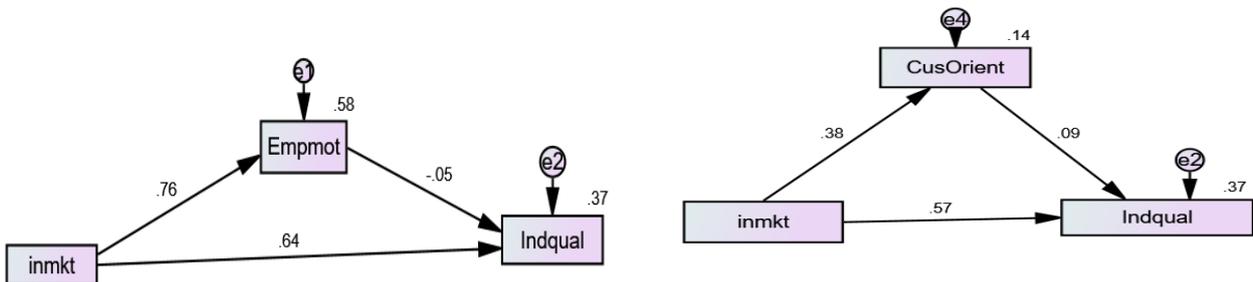
The result in this study did not support the mediation effect of employee motivation (even it is negative) and customer-oriented behavior in the relationship of IM and industrial service quality. This might due to, majority (39.5%) of the respondents come from back office (production staffs). Since production staffs take orders from their supervisor, there is usually

no direct interface with external customer, thus it creates a non-significant path coefficient with industry service quality. When back office employees were motivated, they might increase the production efficiency not focusing the provision process since the nature of the job does not allow it. Thus, we can conclude that unlike service sector employees, employee motivation and customer orientation did not mediate the relationship of IM and industry service quality in non-service sectors. Due to the lack of previous research work in non-service industry in general and with these specific variables in particular, researcher cannot rationalize the result in the present study with prior research findings. Accordingly, such kind of relationships of IM with other potential variables and generate unique findings gives new insight to future researches.

Table 4.5: Regression Weights Mediation Analysis

Path name	Standardized regression weight	Two Tailed Significance
Empmot <--- inmkt	.763	.000
Indqual <--- Empmot	-.054	.551
Indqual <--- inmkt (direct effect)	.644	.000
Indqual <---Empmot <--- inmkt (indirect effect)	-.041	.546
Indqual <--- inmkt (total effect)	.603	.001
CusOrient <--- inmkt	.379	.000
Indqual <--- CusOrient	.089	.110
Indqual <--- inmkt (direct effect)	.569	.000
Indqual <--- CusOrient <--- inmkt (indirect effect)	.034	.091
Indqual <--- inmkt (total effect)	.603	.001

Figure 4.3 mediating effect of employee motivation and customer-orientation



B) The Mediation Effect of Industrial Service

Quality in the Relationship among IM and Business Performance: Based on Table 4.6, it was found that internal marketing practices had positive effect on industry quality, which was statistically significant at (p= 0.001) with standardized regression weight 0.603. It was also found that without the mediator variable, internal marketing practices had a direct positive effect on business performance but the effect was not statistically significant with standardized regression weight 0.080. Lastly, results indicated that the mediator, industry quality, had positive effect on business performance, which was significant at 1% level of significance with standardized regression weight 0.470. While when the mediator variable industry service quality introduced, the indirect effect of internal marketing practices on business performance was positive and statistically significant at 1% level of significance with standardized regression weight 0.284. The total effect of internal marketing practices on business performance was positive and statistically significant at 1% level of significance with standardized regression weight 0.364. In support of the present study result (Bansal, 2011) show that it is clear that businesses desire to improve their profit and market share in order to win their competitors in the market place. Nonetheless, to make this increase achievable, the staff should be conscious about the importance of providing superior services to customers to enhance business outcomes. Therefore, the analysis result supports (H7) the mediating role of

industry quality in the relation between internal marketing practices and business performance.

Figure 4.4 Mediating Effect of Industrial Quality

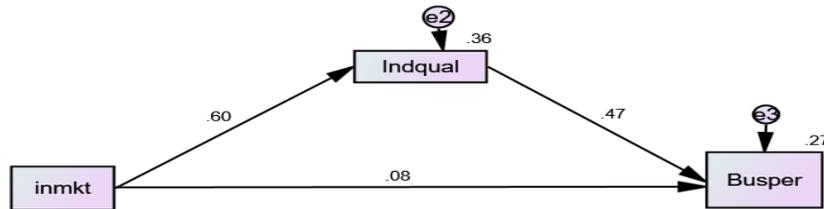


Table 4.6: Regression Weights:

Path name	Standardized regression weight	Two Tailed Significance
Indqual <--- inmkt	.603	.001
Busper <--- Indqual	.470	.001
Busper <--- inmkt (direct effect)	.080	.237
Busper <--- Indqual <--- inmkt (indirect effect)	.284	.000
Busper <--- inmkt (total effect)	.364	.000

5. Conclusion, implications and future research direction

5.1. Conclusion

This is the first empirical research undertaken on internal marketing in the context of the Chinese manufacturing industry operating their business in Ethiopia, focusing on the impact of IM on employee motivation, customer-orientation, industrial service quality and business performance. To address the research question and attain the research objective, this study conducted in seven Chinese textile industries with randomly selected, 280 employees. In order to analyze the collected data Structural Equation Modeling (SEM), path analysis, and confirmatory factor analysis were used. The analysis was begun by checking all the assumptions of SEM. In this study, the result failed to support two out of eight hypotheses, that is, the mediating effect of customer orientation behavior and employee motivation in the relationships between IM and industrial service quality were not significant. While, IM has statistically significant and positive effect on employee motivation, customer orientation and industry service quality. In addition, industry service quality had significant mediating effect on the relationship of IM and business performance. However, without mediating variable, significant relationship was not found between IM and business performance. Results in this study confirm that, the practice of IM in non-service industries especially textile and clothing industry is vital because they are highly labor-intensive. Making those employees customer oriented and motivated to provide superior service and achieve better business performance.

5.2. Contribution

Theoretical contribution

The importance of IM in the service sector has been researched for more than forty years. While, very few studies have been conducted from both sectorial (non-service) and regional perspectives. Therefore, this study hypothesized a model demonstrating the relationship of IM to employee motivation, employee customer-oriented behavior, industry service quality and Business Performance. Thus, it will be important for subsequent research on IM in different non-service industries in other regions; like Africa.

Contribution to Management

Staffs are the central and inimitable competitive source in any organization (even more in labor-intensive industry like textile industries). In manufacturing industries, both product and

provision of products are occurred at the same time. Therefore, managers in non-service industries have dual responsibilities to check the quality and provision of the product. In addition, management should focus on IM to achieve employee motivation and customer orientation behavior in order to maintain external customers and improve their overall Business Performance.

5.3 Future Research Directions

In this study, practice of IM elements (reward, training, management support and internal communication) in Chinese textile industry in Ethiopia was assessed and the relationship of the latent variable IM with employee motivation, customer orientation, industrial service quality and firm performance were investigated empirically. Moreover, the major hypotheses were supported some are not supported. While, future study needs to address some of the limitations of this study. One line of investigation could address employee motivation and customer oriented behavior variables were not found be a significant mediator between IM and industrial service quality. Even employee motivation had negative and non-significant mediation effect in the above relationship it may be majority of the respondents (39.5%) come from back-office. In addition, comparative (integrating service and manufacturing sectors) IM research also required to investigate the relationship between another elements of the IM different business outcomes like customer loyalty. Moreover, future research should use a longitudinal data to assess the implementation prestige of IM and its impact on business performance.

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