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MEDIATING ROLE OF JOB SATISFACTION IN THE RELATIONSHIP OF INTERNAL MARKET ORIENTATION AND ORGANIZATIONAL PERFORMANCE

The study investigates empirically the effects of internal market orientation on organizational performance, and the mediating role of job satisfaction in internal market orientation and performance relationship. The data was collected through a structured questionnaire from a convenience sample of 220 managers from diversified industries. Correlation and regression analysis were used to test the hypothesized relationship. The results indicated that internal market orientation predicts organizational performance, and job satisfaction partially mediate internal market orientation and performance relationship. The study provides useful insights for decision makers to plan appropriate strategies to promote internal market orientation and foster job satisfaction for sustainable competitive advantage.

Keywords: internal market orientation, job satisfaction, performance, Pakistan.

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ПОСЕРЕДНИЦЬКА РОЛЬ ЗАДОВОЛЕНОСТІ РОБОТОЮ У ВІДНОШЕННЯХ ОРІЄНТАЦІЇ НА ВНУТРІШНІЙ РИНОК І ЕФЕКТИВНОСТІ ДІЯЛЬНОСТІ ОРГАНІЗАЦІЇ

Дослідження присвячено емпіричному вивченню впливу орієнтації на внутрішній ринок на ефективність діяльності організації, а також посередницької ролі задоволеності роботою у відношеннях орієнтації на внутрішній ринок і ефективності діяльності організації. Дані було зібрано за допомогою структурованої анкети з нерепрезентативною вибіркою з 220 менеджерів у різних галузях промисловості. Для перевірки гіпотетичних стосунків використано кореляційний і регресійний аналіз. Результати показали, що орієнтація на внутрішній ринок сприяє підвищенню ефективності діяльності організації, а задоволеність роботою опосередковано впливає на відношення орієнтації на внутрішній ринок і продуктивності. У дослідженні міститься корисна інформація для осіб, що приймають рішення, для планування відповідних стратегій з розвитку орієнтації на внутрішній ринок і для сприяння підвищенню задоволеності роботою для стійкої конкурентної переваги.

Ключові слова: орієнтація на внутрішній ринок, задоволеність роботою, продуктивність, Пакистан.

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ПОСРЕДНИЧЕСКАЯ РОЛЬ УДОВЛЕТВОРЕННОСТИ РАБОТОЙ В ОТНОШЕНИЯХ ОРИЕНТАЦИИ НА ВНУТРЕННИЙ РЫНОК И ЭФФЕКТИВНОСТИ ДЕЯТЕЛЬНОСТИ ОРГАНИЗАЦИИ

Исследование посвящено эмпирическому изучению влияния ориентации на внутренний рынок на эффективность деятельности организации, а также посреднической роли удовлетворенности работой в отношениях ориентации на внутренний рынок и эффективности деятельности организации. Данные были собраны с помощью структурированной анкеты с нерепрезентативной выборкой из 220 менеджеров в различных отраслях промышленности. Для проверки гипотетических отношений использованы корреляционный и регрессионный анализ. Результаты показали, что

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ориентация на внутренний рынок способствует повышению эффективности деятельности организации, а удовлетворенность работой косвенно влияет на отношения ориентации на внутренний рынок и производительности. В исследовании содержится полезная информация для лиц, принимающих решения, для планирования соответствующих стратегий по развитию ориентации на внутренний рынок и для способствования повышению удовлетворенности работой для устойчивого конкурентного преимущества.

Ключевые слова: ориентация на внутренний рынок, удовлетворенность работой, производительность, Пакистан.

1. Introduction. Organizations have to remain proactive to align to emerging changes to stay competitive and sustainable (Aghazadeh et al., 2007). In the knowledge-based economy, the role of services has been crucial in transformation of economic development. To remain competitive, service organizations focus on changing priorities of customers' and aligning their business processes and workforce behaviour to achieve excellence (Wilson et al., 2008). The role of employees is crucial in achieving strategic objectives of customers' satisfaction, and loyalty through service excellence. Employees'-customers' interface determines the quality of service and customers' satisfaction (Yoon et al., 2004). Internal market orientation (IMO) is extremely important for service organizations in which employee-customer interface manifests organizational orientation toward customer focus (Frost and Kumar, 2000; Greene et al., 1994). A high standard of internal quality results in right attitude, and positive and responsive behaviour of satisfied employees positively affects their interaction with external customers and leads to organizational effectiveness (Bitner et al., 1994; Lings, 2005; Zeithaml et al., 1990; Gounaris, 2006).

In Pakistan services make 59% contribution to the gross national product. IMO offers opportunities to achieve service excellence. Limited studies have been done to explore this phenomenon within the context of Pakistan. The present study is an attempt to make a contribution in this regard and add to the existing knowledge base relating to this important aspect in a developing economy.

The purpose of this study is to examine empirically IMO and its effects on organizational performance (OP). The study also explores the mediating role of job satisfaction (JS) of employees in IMO and OP relationship in service organizations in Pakistan. The study offers useful insights for decision-makers to use IMO as a strategic measure to enhance JS of employees and OP to make firms competitive in a dynamic business environment.

2. Literature Review. The domain of IMO has varied dimensions. Berry and Parasuraman (1991) argued that IMO focuses on enhancing attractiveness of firms as the best employer with a view to attract and retain best performers to provide superior performance of services to external customers. The primary focus of IMO is a bond between employees at all levels in a firm (Rayej, 2008). Researchers distinguish IMO as an approach to attracting, developing, motivating, and maintaining talented employees through supportive enabling internal environment and meeting employees' diverse needs (Cahill, 1995). Gummesson (1991) found it as a critical aspect of marketing. Kotler and Armstrong (1999) asserted that IMO should receive priority over external marketing. Rafiq and Ahmed (2000) termed it as a systematic market-

ing approach to deal with likely resistance to organizational change [15]. IMO emphasizes increasing acknowledgement and significance of employees' role in achieving organizational goals. This recognition enhances employees' satisfaction and develops customer-focused and market conscious workforce (Gronroos, 1981).

OP is a multidimensional construct. Researchers have opposing views about the measurement of organizational OP. Researchers argue that objective dimensions based on profitability, market share, sales, and revenues are important indicators of performance. These objective metrics, however, suffer from manipulated reporting and lack of transparency (Bae and Lawler, 2000; Hoskisson et al., 2000). Researchers also opine that in subjective dimensions of productivity, customer satisfaction, and employee fulfillment, employees trust in management, product, and service quality, employees' attitudes and behaviours constitute essential dimensions (Batt, 2002; Chen, 2007; Gibbs et al., 2004; Jayaraman and Vong OiFong, 2008). This study has focused on both objectives and subjective measures relating to OP.

Strong evidence exists in literature that IMO leads to superior OP. Researchers established that the outcomes related to internal OP dimensions include enlarged employees' satisfaction and retention (Bowen, 1999), increased motivation and spirit (Piercy, 1995), enhanced OC (Stauss and Schulze, 1990), diminished employees' dysfunctional behaviour (Ramaswami, 1996), and reduced intention to leave (Ozment and Keller, 1999). The OP dimensions pertaining to external aspects include improved quality of services (Gronroos, 1981), satisfaction of customers and increased market share (Greene et al., 1994), and improved image amongst external stakeholders (Crawford and Getty, 1991).

Hoppock (1935) stated that job satisfaction is related to employees' attitude, emotions, and their subjective response toward job. Luthan (1998) noted that it is characterized by many aspects like quality of work life, content, and context, and viewed it as an emotional response, related to outcome and established by meeting or exceeding expectations. Porter et al. (1974) emphasized that job satisfaction depends on the level of expected and tangible outcome. It has been established that JS is affected by overall organizational environment and is critical to employees' response to excellence in service delivery. Kalleberg (1977) argued that employees' satisfaction by job depends on multidimensional aspects that affect employee's job. Extrinsic and intrinsic aspects directly affect JS, though the later has a priority in satisfaction in reward context. Challenging work-related goals and feelings of accomplishment and job-related benefits influence JS (Rehman et al., 2010). Harter et al. (2002), in the meta-analysis of previous studies, found substantive and positive relationship of JS and aggregated employees' attitude and business unit performance based on outcomes of profit, productivity, employees' accident, turnover, and customers' satisfaction. The empirical research found evidence that JS influences OP (Harter et al., 2002; Schneider et al., 2003). Researchers found significant and positive relationship and effects of JS on OP (Argyle, 1989; Kotler and Keller, 2006; Singh, 2000; Zhou et al., 2008).

Based on the literature review, the following hypotheses are formulated:

H1. IMO predicts OP.

H2. JS predicts OP.

H3. JS moderates the relationship between IMO and OP.

3. Method. This is a quantitative causal study. The population is composed of employees of 10 diversified service organizations (telecommunications, information technology, and financial services). A convenience sample of 250 managers was chosen for study. 230 questionnaires were received. 10 questionnaires were discarded due to insufficient information. 220 questionnaires were used for data analysis. The response rate was 88%. The instrument was adapted from previous research. IMO scale was based on the study of Kohli and Jaworski (1990). JS was operationalized based on the measure used by Hackman and Oldham (1975). OP was measured using financial as well as non-financial dimensions, and the scale was adapted based on the study of Zhou et al. (2008). The internal consistency of the data was assessed.

4. Results. The results indicated Cronbach's alpha of IMO (.855), JS (.79), and OP (.74) respectively. The values indicated adequacy with regard to the internal consistency (Nunnally, 1978). Principal component factor analysis with varimax rotation method was used in factor analysis to determine interrelations of variables. The results of factor analysis indicated Kaiser-Meyer-Olkin value of .80, and significant Bartlett's test of sphericity at $p < 0.001$. Factor loading of less than 0.50 were not used. The factors explained 61% of total the variance.

Table 1. Correlation Matrix

Variables	IMO	JS	OP
IMO		.541	.616
JS	.541	-	.824

** Correlation is significant at the 0.01 level (two-tailed).

Correlation matrix at Table 1 indicates positive association between all the variables. This relationship is statistically significant at $p < 0.001$. The results of correlation highlight that, at the bivariate level, the mandatory conditions required to test the mediating effect have been complied with.

Table 2. Regression Analysis

StepIV	DV	R ²	R ² Change	F Stat.	F Stat Change	Sig.	Beta	T value	Sig.
1.	IMO OP	.379	-	184.68	-	.000	.616	13.59	.000
2.	JS OP	.176	-	64.65	-	.000	.420	8.04	.000
3.	IMO OP	.388	.009	195.50	4.328	.000	.553	10.21	.000
	JS						.113	2.08	.000

Baron and Kenny's (1986) method was used to measure the mediating role of JS in the IMO–OP relationship (Baron and Kenny, 1986). The results are in Table 2. The results indicate R² change as a result of mediation. The results indicate that IMO positively and significantly affects OP, JS positively and significantly influences OP, and JS moderates the relationship between IMO and OP. The Sobel test results indicate value of 2.0667, and probability value 0 .0387 which is significant at $p < .05$. The Sobel test results substantiate that JS partially mediates the relationship.

5. Conclusions, Recommendations and Future Implications. The changing business environment offer unique challenges to service organizations in Pakistan. The overall economic downturn, high cost of living, and escalating security environment have seriously affected the consumers' pattern of consumption. Organizations are responding to the environment through cost cutting strategy affecting overall organizational internal environment and consequently employees. Under these challenging circumstance, IMO provides an opportunity to organizations to foster employees' satisfaction, commitment, improved service quality, and overall organizational performance.

The purpose of the study was to examine empirically the impact of IMO on employees' JS, and OP. The results of the study offered positive support for the hypothesized relationship and impact of IMO on employees' JS and OP. The empirical results indicated that IMO predicts JS. In addition, empirical evidence has been established that JS mediates the relationship between IMO and OP.

The study has found strong evidence that JS has positive effects on OP. This is in line with logic that satisfied employees would excel in behavioural interface with customers, and would be at their best in making this interface very pleasant. The pleasure of this interface would result in positive and enthusiastic response from the customers reflecting their overall satisfaction. The meta-analysis of 26,334 individuals supported the results of the present research that JS was significantly correlated with performance (Ricketta, 2002). Parasuraman et al. (1991) asserted that employees' satisfaction is a prerequisite to customer satisfaction. Malhotra and Mukerjee (2004) emphasized that employees' happiness and satisfaction result in high quality service performance. Snipes et al. (2005) stressed that employees' satisfaction is critical to achieve external customers' satisfaction. These studies validated the results of the present study that IMO effects employees' JS significantly contribute toward OP. The results of the present study are in agreement with the results of earlier studies that IMO has positive and significant relationship and effects on JS, and OP (Ahmed et al., 2003; Kim, 2005; Lings, 2004; Rodrigues and Pinho, 2010; Slatten and Mehmetoglu, 2011; Tsai et al., 2010).

The study supported empirically the notion that IMO has positive effects on employees' performance and that JS significantly contributes to OP. The results provide useful insights for professional decision makers to use IMO as a strategic tool to influence JS and OP. IMO needs a cultural change in a holistic manner aligning organizational processes for respond proactively to emerging needs of a employees and external stakeholders. Greater focus need to be placed on effective human resources management policies to provide enabling environment for development of employees in quality of work environment. The investment in IMO programmes should be viewed as a strategic investment.

Frontline managers play an important role in implementing IMO concept. It is essential for them to fully comprehend the strategic advantage of IMO programmes, build long-term association with employees, gain their trust and respect, and become facilitators. They need to demonstrate caring and supportive attitude, act as role models and advocates of IMO philosophy, and respect and value employees, their work, and feedback to improve IMO programmes. Contribution in promoting, coordinating, and implementing IMO programmes must be an important aspect of managerial performance evaluation.

The sample size of firms is small, that may limit the generalizability of the results. The possibility of bias in self-reported measure may arise. The future study should also include larger number of diversified services and manufacturing organizations. The public and private sectors organizations may be explored. The effects of contextual factors like organizational climate, role of supervisor and peers, personality dimensions, emotional intelligence may be explored. The determination of attitudinal dimensions needs time, hence a longitudinal study would be more appropriate to measure the mediating role of JS.

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