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## EFFECTS OF INTERNAL MARKET ORIENTATION ON EMPLOYEES' WORK-RELATED OUTCOMES

*The study empirically examines the effects of internal market orientation on employees' work related outcomes of organizational commitment, and organizational citizenship behaviour. Structured questionnaire was used to collect the data from different service organizations using convenience sample of 305 employees. The results indicated that internal market orientation has positive and significant effect on employees' work related outcomes.*

*Keywords:* internal market orientation; organizational commitment; organizational citizenship behavior; Pakistan.

Мухаммад Асиф Хан

## ВПЛИВ ОРІЄНТАЦІЇ НА ВНУТРІШНІЙ РИНОК НА РЕЗУЛЬТАТИ РОБОТИ ПРАЦІВНИКІВ

*У статті розглянуто вплив орієнтації на внутрішній ринок на результати роботи працівників, організаційну прихильність і лояльність персоналу. Було використано структуровану анкету для отримання даних різних організацій, що надають послуги, з нерепрезентативною вибіркою з 305 співробітників. Результати показали, що орієнтація на внутрішній ринок має позитивний і істотний вплив на результати роботи працівників.*

*Ключові слова:* орієнтація на внутрішній ринок; організаційна прихильність; лояльність персоналу; Пакистан.

*Рис. 1. Табл. 3. Літ. 41.*

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## ВЛИЯНИЕ ОРИЕНТАЦИИ НА ВНУТРЕННИЙ РЫНОК НА РЕЗУЛЬТАТЫ РАБОТЫ СОТРУДНИКОВ

*В статье рассмотрено воздействие ориентации на внутренний рынок на результаты работы сотрудников, организационную приверженность и лояльность персонала. Была использована структурированная анкета для получения данных различных организаций, предоставляющих услуги, с нерепрезентативной выборкой из 305 сотрудников. Результаты показали, что ориентация на внутренний рынок имеет положительное и существенное влияние на результаты работы сотрудников.*

*Ключевые слова:* ориентация на внутренний рынок; организационная приверженность; лояльность персонала; Пакистан.

**1. Introduction.** Changing business environment has necessitated a new paradigm for organizations and stakeholders relationships. This milieu has transformed services and made them a means of competitive advantage (Rootman et al., 2007). The role of employees is crucial in achieving strategic objectives of customers' satisfaction, and loyalty through service excellence. Employees' satisfaction level manifests in work-related behaviour compatible with organizational values and strategic objectives. Researchers argue that organizations pursue proactive strategies to ensure

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alignment of workforce behaviour with customers' needs and preferences through integrated internal marketing orientation (IMO) (Frost and Kumar, 2000; Greene et al., 1994). Strong evidence exists in literature that application of IMO promotes, nurtures, and develops internal customers (employees), enhances organizational response to service excellence, external customers' satisfaction, and loyalty, and ultimately makes positive contribution to organizational competitiveness (Ahmed and Rafiq, 2003; Javadien et al., 2008; Lee and Chen, 2005). In Pakistan, services contribute more than 53% to gross domestic product. The share of services in labour force is 44%. During economic downturn, the service sector contributed 59% to the economic growth in 2009-10 with major share from skill-based and technical services, such as software development, telecommunications, finance, and accounting. Economic survey of Pakistan 2011-12 indicated a growth rate of 4% in the service sector in the current financial year.

Pakistan reliance on services export necessitates quality and service excellence to achieve competitive advantage. IMO offers opportunities for service organizations to achieve strategic advantage, and contribute to economic growth. Limited studies have been carried out on this subject within Pakistan. Ghani and Mahmood (2011) studied microfinance institutions in Pakistan (Ghani and Mahmood, 2011). There is, however, a gap with regard to the study of IMO within context of other services in Pakistan. The present study attempts to bridge this gap and investigates the focus of IMO within service organizations in Pakistan.

The purpose of this study is to examine empirically IMO and its effects on employees' work-related outcomes of organizational commitment (OC) and organizational citizenship behaviour (OCB) in service organizations in Pakistan.

The present study offers valuable insights and pragmatic evidence for marketing professionals, human resources management practitioners, academicians, and professional managers about IMO phenomenon. The results offer requisite grounds to policy makers to plan, and initiate responses at appropriate levels in respective fields.

**2. Literature Review.** Hogg and Carter (2000) noted IMO as an essential dimension of marketing, aiming at using marketing approach inside organizations through creation and communication of organizational values to employees. Researchers identified significant dimensions of IMO as employees focused policies of open communication, participation, empowerment, customer-related information sharing, recognition, and reward for service excellence (Bansal et al., 2001; Gounaris, 2008; Naude et al., 2003). The changing business environment resulted in treating this aspect as a strategic tool to provide value addition dimensions to attain and sustain employees' and customers' loyalty, and superior performance (Mudie, 2003; Papasolomou-Doukakis, 2002; Varey and Lewis, 2000).

Meyer and Allen (1984, 1991) identified OC as a multidimensional construct, composed of affective factors relating to individual bond with an organization; continuous commitment associated with cost of exit from a firm, and normative commitment that entails responsibility to stay with a organization. Porter et al. (1974) identified it as individual's vigorous and optimistic intent to align with organizational values. Tsai et al. (2010) acknowledged 3 dimensions based on value, effort, and retention. OC manifests in employee's identification, role modeling in an organization, compatibility with firm's values and goals, obligation to, and long-term associ-

ation with an organization (Reyes, 2001). Research identified varying outcomes of commitment, and found that affective commitment positively relates to behaviour of employees (Mathieu and Zajac, 1990). Studies have indicated a positive association of OC with performance (Lee and Olshfski, 2002; Luchak and Gellatly, 2007; Muhammad et al., 2010). Committed employees seldom withdraw from work, are satisfied with job and environment, demonstrate societal and optimal behaviour that is significant for organizational interests (Schappe, 1998).

Organ (1988, p. 4) defines OCB as "individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization". Researchers (Bettencourt et al., 2001; Law et al., 2005; Organ et al., 2006) identified that the construct is composed of altruism (supporting behaviour within and outside a firm); conscientiousness (going beyond the specified role in a firm); civic virtue (employee's enduring interest and commitment in organizational pursuits); courtesy (work-related conflict prevention), and sportsmanship (tolerance to organizational problems, thus economizing effort). IMO-focused practices enhance employees' self-efficacy, morale, and sense of devotion, which results in achievement of core dimensions of OCB. Kosuge (2007) supported a positive influence of IMO on OCB (Kosuge, 2007). Hung and Lin (2008) argued that IMO helps in achieving desirable OCB. Waris (2005) established positive relationship between IMO and OCB, and found the former as a driver of the latter.

The following theoretical framework (Figure 1) and hypotheses emerged as a result of the analysis of literature:

**Hypotheses**

- H 1. IMO positively affects OC.
- H 2. IMO positively affects OCB.
- H 3. IMO positively affects employees' work-related outcomes (ERO).

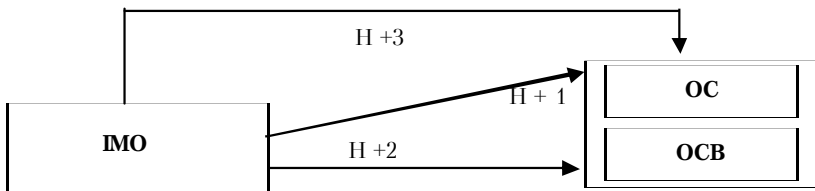


Figure 1. Theoretical Framework

**3. Methods.** This is a quantitative causal study. The employees working in selected services organizations were asked about existing IMO dimensions practiced by their organizations. Structured questionnaire was used to obtain the responses from respondents working at different levels. Correlation and regression analysis have been applied to verify the causal relationship posited in the study.

The population is composed of all employees of diversified service organizations (telecommunications, information technology, finance, health, real estate, and hospitality). 15 firms were randomly selected for the study. 400 employees of these firms were used as a sample for the study.

The measures used in the study were adapted from previous studies. IMO scale was adapted from [10]. OC (affective commitment) was measured through the scale used by Meyer and Allen (1984), and OCB measure was based on the research by Kaynak and Kara (2004). All these measures have been validated in numerous studies.

Factor analysis was carried out to determine intercorrelations among the variables. Principal component factor analysis with varimax rotation was used. Kaiser-Meyer-Olkin measure of sampling adequacy indicated value of (.80), and Bartlett's test of sphericity was found to be significant at  $p < 0.001$ . Factor items with loading less than 0.50 were not used in the analysis. These factors explained 63% of total variance. SPSS 16 software was used for data analysis.

400 questionnaires were dispatched to the respondents. A total of 335 completed questionnaires were received. Based on detailed review of the received questionnaires, 30 questionnaires were discarded for containing inadequate information. 305 questionnaires were retained and used for the data analysis. This gives the a response rate of 76.25 %.

**4. Results.** Descriptive statistics are shown at Table 1. The mean ranged from 4.58 for IMO to 3.62 for OC. The mean and standard deviation indicated the respondents' general agreement to the variables of interest, their perception about the items, and the goodness of the instrument. The results highlighted consensus of respondents' awareness about the variables of the study, and the broad conformity to the model.

*Table 1. Descriptive Statistics*

S. No.	Variables	Mean	Standard Deviation	Skewness	Kurtosis
1.	IMO	4.58	.657	.331	.084
2.	OC	3.62	.732	.362	.163
3.	CS	3.77	.783	.844	.531

The values of Cronbach's alpha reflect the reliability of the measure. The Cronbach's alpha of the instrument was .898. The Cronbach's alpha for subscales of the instrument based on IMO (.855), OC (.808), and OCB (.829) respectively.

Correlation matrix at Table 2 indicates positive association between all the variables. This relationship is statistically significant at ( $p < 0.001$ ).

*Table 2. Correlation Matrix*

Variables	IMO	OC	OCB
OC	.555**	-	
OCB	.594**	.371**	-

\*\* Correlation is significant at  $p < 0.01$  level (two-tailed).

Regression analysis was done to test the hypotheses H1 to H3. For H3, the values of OC and OCB were computed as employees-related outcomes (ERO). The results are at Table 3. IMO positively and significantly predicted OC, OCB, and ERO respectively. The results indicated acceptance of all the hypotheses.

*Table 3. Regression Analysis*

Hypotheses	IV	DV	R <sup>2</sup>	F-Stat.	Sig.	Beta	T-value	Sig. Level	Results
H1	IMO	OC	.308	134.463	.000	.555	11.956	.000	Accepted
H2	IMO	OCB	.353	164.589	.000	.594	12.829	.000	Accepted
H3	IMO	ERO	.605	462.900	.000	.778	21.515	.000	Accepted

**5. Conclusions, Recommendations and Future Implications.** The purpose of the study was to investigate empirically the impact of IMO on employees' work-related outcomes of OC, and OCB. The results of the study offered positive support for the hypothesized relationship and impact of IMO on employees' work-related outcomes in Pakistani organizations. The empirical results indicate that IMO predicts OC and OCB.

In today's competitive environment, employees satisfaction is considered critical to provide excellent services. There is a congruence between employees' satisfaction and customers' satisfaction. Organizational approach of IMO, if embedded in its philosophy, would create environment for nurturing and nourishing employees to give their best. Javadein et al. (2011) stressed that strategic focus of organizations on internal and external customers is vital for sustainable competitive advantage (Javadein et al., 2011). The development of proficient workforce in a knowledge-based economy is vital to achieve lasting success for service-oriented firms. Slatten and Mehmetoglu (2011) emphasized that organizational policies and approaches are vital to enhance employees' engagement that yields positive results, and fosters organizational performance (Slatten and Mehmetoglu, 2011). Bansal et al. (2001) highlighted that IMO fosters employees' commitment, job satisfaction, and trust in an organization [9]. Arnett et al. (2002) identified significant benefits of IMO-based employees' satisfaction which included commitment, low turnover rates, improved service quality, and orientation toward change (Arnett et al., 200). Rodrigues and Pinho (2010) empirically supported the association of IMO practices, and employees' job-related attitudes of job satisfaction, and OC as well as positive effects of these practices on organizational performance.

The results of the study evidenced that the quality of work environment focused on employees' satisfaction yields significant positive outcomes. IMO fosters collaboration, creative thinking, sense of belonging, dedication to organizational philosophy, and unity of purpose. These initiatives inculcate sense of purpose among employees, they find congruence between personal and organizational values and goals. Under this environment, employees strive to achieve excellence in personal behaviour, and job-related outcomes to achieve satisfaction of external stakeholders and improvement of organizational processes, thus achieving cost competitiveness. The results of the present study indicated that IMO is critical to develop and sustain service-oriented behaviour of employees. The results of this study concur with outcomes of earlier studies (Asree et al., 2010; Chen, 2007; Gu and Siu, 2009; Joiner and Bakalis, 2006; Kumari and Pandey, 201; Rodrigues and Pinho, 2010; Slatten and Mehmetoglu, 2011)

The empirical results of the study indicate the significant contribution of IMO in transforming employees' behaviour that manifest in motivation, high morale, commitment, sense of purpose, and realization of customers' needs to achieve excellence in personal behaviour and service delivery. The results offer opportunities to managers, and human resources practitioners, to focus on important dimensions of IMO in planning and implementing these practices with a strategic focus through functional coordination and employees' collaboration. Implementation of IMO as a strategic initiative for organizational effectiveness requires cultural transformation and realignment of organizational processes, and procedures to achieve sustainable competitive advantage.

Organizational framework with regard to planning and implementing IMO concept should not only disseminate external market-related information to employees but also use employees' as listening posts to interact with external environment and provide necessary information about customers and other related aspects. This would encourage employees to participate more actively in IMO planning and implementation. The sense of ownership would inspire trust, commitment, and loyalty to an organization.

Organizations need to address HR management issues regarding values compatibility, equal growth opportunities, and equitable rewards based on integrated performance management system, employees' involvement and empowerment, caring supervisory response to employees' needs, development-oriented training, and open and free communication. Management should manifest theory "Y" orientation in their behaviour and cultivate trust among employees. Above all, quality of work environment should be accorded as top priority.

Comprehensive IMO programmes entail investment. The tendency to treat it as an extra expense should be strictly controlled. This investment should be viewed with a strategic focus with its strategic outcomes in tangible and intangible dimensions. Desired outcomes would facilitate achieving and sustaining strategic advantage in competitive environment.

The sample of the study is restricted to a small number of firms. The sample size may, therefore, affect generalizability of the study results. The study is based on cross-sectional data. The possibility of individual bias may, therefore, occur.

The study primarily deals with selected services. The future studies may be extended to other services and manufacturing industries as well, both in public and private sectors. The present study examined two employees' related attitudinal outcomes. Further studies should explore additional dimensions of employees' behaviour based on intention to quit, employees' loyalty, and engagement. Moderating and mediating relationship of contextual factors like organizational culture, communication, leadership style, peer support, and organizational climate may be investigated to validate the relationship between IMO employees' attitudinal outcomes, and performance. Dynamic environment continuously affects organizations as well as employees. Organizational strategies to align with changing environment affect workforce behaviour that also tends to change. The mix of external and internal environments under uncertainty and complexity and their effects on employees' behaviour is essential to determine. This would necessitate a longitudinal study to validate the relationship between IMO and employees-related as well as customers-related outcomes.

The study empirically validated the positive contribution of IMO toward employees' work-related outcomes. The study emphasized the essential role of IMO in attaining and sustaining competitive advantage for service firms. Organizations should pursue proactively IMO as a strategic tool to boost employees' satisfaction to achieve sustainable competitive advantage through service excellence, and superior performance.

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