

## A case study on grade 8 municipals of Fars Province<sup>1</sup>

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**Abstract:** The present study aims to review the impact of internal marketing on customer orientation in the grade 8 municipalities in Fars. Within the proposed research model, the effect of customer orientation as an exogenous variable on three variables of internal marketing, job satisfaction, and organizational commitment was studied and then Indirect effect of internal marketing on customer orientation and organizational commitment was surveyed. This study was a descriptive-survey research. Statistic population included employees of grade 8 municipalities in Fars Province forming a sample of 153. As the simultaneous effect of multiple independent and dependent variables was supposed to be measured, structural equations method (Confirmatory factor analysis and structural equations) using the Lisrel software was applied to analyze the data and test the hypotheses in the present study. The results of this study indicated that internal marketing affects customer orientation. The results also showed that there is a significant relationship between internal marketing with job satisfaction and organizational commitment, and hypotheses about the impact of job satisfaction on customer orientation and organizational commitment were confirmed. But the impact of organizational commitment on customer orientation was not confirmed. Finally, indirect impact of internal marketing on customer orientation and organizational commitment through job satisfaction was confirmed, but indirect impact of internal marketing on customer orientation through organizational commitment was not confirmed. In addition to direct effects of these variables, their indirect impact on each other was also measured.

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### 1. Introduction

Organization is the characteristic of the era we live in. Each organization is consisted of pillars that are necessary for the organization. These pillars include structure, technology, goals, capital, and manpower. Although the existence of each of these factors is important in shaping the organization, manpower is undoubtedly the most important pillar of each organization. Many management experts believe that human is the constant pillar of each organization, so the organization should pay a special attention to this pillar. Employees are internal customers of organization and paying attention to internal customers is now known as internal marketing in the marketing literature. Organizations that pay more attention to their employees usually have more customer-oriented employees with a higher job satisfaction and organizational commitment. Hence, the present research studies the impact of internal marketing on customer orientation. The objective of this study is to investigate the factors affecting customer orientation in grade 8 municipalities in Fars. These factors include internal marketing as an exogenous variable and job satisfaction and organizational commitment that affect customer orientation both directly and indirectly. Reviewing the research literature, definitions of variables will be provided and then the

relationship between these variables will be discussed in the next section

#### 1.1. Conceptual model of research:

To express the relationship between variables, conceptual model was used in this study. This model which is an adaptation of Liao research (2009) is shown in Figure 1.



**Fig 1:** Conceptual model of research

### 2.1. Research background and hypotheses:

#### 1.2.1. Internal marketing:

Internal marketing concept is rooted in the growth of service industries in the 1980s which was done in order to increase the quality of service sectors through surveying and monitoring the service delivery mechanism which is the staff. Internal marketing is based on the fundamental assumption that service providing in an effective and efficient

manner requires motivated and customer-oriented (Gronroos, 1981). This branch of marketing science is largely influenced by the quality management and marketing of services and emphasizes on importance and necessity of creating quality throughout the process of service providing. Internal marketing discusses the relationship between internal customers and suppliers of the organization in creating value for external customers. This can be manifested as a value chain and a tool to develop the quality of products and services and also interorganizational and intraorganizational relations (Ling, 2000). Next studies not only emphasized on the relationship between customer satisfaction and employee but also expanded the scope of internal marketing. In addition to the above relationship, it has been mentioned that employees are the internal customers of company and internal marketing was defined as considering the employees as internal customers and jobs were defined as internal products that provide the needs of internal customers in order to meet the goals of company. Internal marketing is the philosophy of treating employees like customers and design job activities so that they are consistent and compatible with human needs (Ahmed & Rafiq, 1995). Gronroos (1981) stated that the purpose of internal marketing is to get employees who are motivated and understand the customer. Finally, Liao defines the internal marketing as benefiting from a marketing method for managing all activities within the organization in order to create a more efficient internal environment and finally achieve the principle of customer orientation by employees. So, definitions and concepts of internal marketing in this study are known as processes that deal with entrustment of jobs, activities, views, strategies, etc to employees using internal marketing and state that understanding of internal marketing concept by employees is equal to employees' awareness of all activities undertaken by the organization in the field of internal marketing. Parasuraman & Berry (1991) believed that internal marketing is a process including employment, training, encouragement, and maintaining of competent employees through the provision of appropriate facilities that meet their needs.

#### 1.1.2.1. Job satisfaction:

Job satisfaction is a complex concept that can have different meanings for different persons. Job satisfaction is often closely associated with the concept of motivation and is a pleasurable emotional state that a person obtains from doing a work. Job satisfaction is of a great importance, especially in service organizations, because job satisfaction is one of the reasons that motivate the staff to provide better services to customers (Hartline & Ferrell, 2001). Job satisfaction can be the result of the employees'

investigation of their job or considering various aspects of job such as payments, benefits, leadership style, and communications (Burke, 1999). Consequently, internal marketing is essential to employ, motivate, encourage, and satisfy these employees. So, the first hypothesis can be stated as follows: Internal marketing has an impact on job satisfaction

#### 2.1.2.1. Organizational commitment:

Porter *et al* (1974) raised organizational commitment as a one-dimensional structure and defined it as the loyalty of a person to an organization and his/her contribution in that organization. Mowday *et al* (1979) also defined organizational commitment as loyalty and contribution of a person to an organization. Hogg (1996) stated that internal marketing means to manage human resources through attraction and marketing and finally the expectation of increasing loyalty of employees to the organization and could be a way to increase employees' commitment to the organization. Also, it has been stated that internal marketing means the commitment of employees to the organization and implementation of marketing plan. Correct and successful application of internal marketing certainly affects the performance of employees and can lead to organizational commitment (Pierce and Morgan, 1994). So, the second hypothesis can be stated as follows: Internal marketing has an impact on organizational commitment of employees.

#### 3.1.2.1. Customer orientation:

The term *Customer orientation* has same meaning as considering the market, customer priority, and awareness of customer and can be used interchangeably. Narver & Slater (1990) stated that customer orientation means to direct and guide customer to understand the customer value chain in progressing and future transactions. Katle & Armstrong (1991) defined internal marketing as doing the act of customer orientation by the staff which is achieved by training and motivating frontline staff (line) and support staff (Staff) to do teamwork. So, the third hypothesis can be stated as follows: Internal marketing has an impact on customer orientation.

#### 4.1.2.1. Forth hypothesis: Dose Job satisfaction has an impact on customer orientation?

Siguaw *et al* (1994) found that job satisfaction is not relevant to customer orientation. According to Hoffman & Ingram (1992), job satisfaction is preferred to customer orientation. A study by Kelley (1992) also showed there is a job satisfaction and customer orientation. Curkovic *et al* (2000) stated that employee's satisfaction is effective in customer oriented behaviors in the workplace. So, satisfied employees are more likely to have a better

mode and treat customers more considerately. Hence, keeping employees satisfied with their jobs creates customer oriented behaviors among employees (Gronroos, 1989). So, the fourth hypothesis can be stated as follows: Job satisfaction has an impact on customer orientation.

**5.1.2.1. Fifth hypothesis: Dose Organizational commitment has an impact on internal marketing?**

Without loyal employees, it is not possible for a company to have loyal customers (With a long-term relationship) (Reicheld, 1996). The main nature of customer orientation is exactly this: A long-term relationship with customers. Generally, committed employees work harder and more and are more willing to put more time to work, try more, and use their talents to the benefit of their organizations (Parasuraman, 1987). Consequently, a long-term relationship with customers can be achieved by committed workforce in a long term (Boshoff & Allen, 2000). So, the fifth hypothesis can be stated as follows: Organizational commitment has an impact on internal marketing.

**6.1.2.1. Sixth hypothesis: Dose Job satisfaction has an impact on commitment of employees to their organization?**

Many research have been done on the relationship between job satisfaction and organizational commitment indicating that employees who are more satisfied with their job and organizations are more eager to remain in the organization, are more efficient, offer higher quality services, are more committed to the results of organizational performance, and make the customers more satisfied (Wagner, 2006). Research about the jobs that dealing with providing services show there is a positive relationship between job satisfaction and the quality services provided by employees. Employees who are more satisfied with their jobs offer better services to customers (Malhotra & Mukherjee, 2006). When managers treat their employees well, employees will consequently treat customers well and probably increase their commitment to the organization when they feel organization's commitment to themselves (Fuller et al, 2003). Recent research also shows that job satisfaction of employees affects organizational commitment of employees and their willingness to stay in the organization. Hence, it can be stated that there is a direct relationship between job satisfaction and organizational commitment of employees (Caykoylu et al, 2007). It is likely that job satisfaction of employees affect their commitment to the quality of services. However, Bateman & Strasser (1984) stated that there may be an inverse relationship. On the other hand, Curry et al (1986)

stated that there is no relationship between these two concepts. So, the sixth hypothesis can be stated as follows: Job satisfaction has an impact on commitment of employees to their organization.

**7.1.2.1. Hypothesis 7, Hypothesis 8, Hypothesis 9**

Understanding the role of job satisfaction and organizational commitment of employees in an organization is essential to fully understand the relationship between the structures in this study. So, explaining that whether the levels of job satisfaction and organizational commitment mediates the exercise of effect of internal marketing on the principle of customer orientation or not can be of great importance. Additionally, job satisfaction may cause interruption in the relationship between customer orientation and internal marketing. This means that internal marketing may affect customer orientation through influencing job satisfaction and organizational commitment. In other words, employees who have a better understanding of the internal marketing will have a greater job satisfaction and organizational commitment. This will ultimately lead to behaviors that are more customer-oriented (Liao, 2009). In addition to direct effects of variables stated in the model and explained in the above hypothesis, indirect effects (the intermediate effect) of variables job satisfaction and organizational commitment as a mediator between internal marketing and customer orientation are expressed in hypotheses 7 and 8 and intermediate effect of job satisfaction among variables internal marketing and organizational commitment is also expressed in hypothesis 9. Hypothesis 7: Internal marketing has an impact on customer orientation considering job satisfaction. Hypothesis 8: Internal marketing has an impact on customer orientation considering organizational commitment. Hypothesis 9: Internal marketing has an impact on organizational commitment considering job satisfaction.

**2. Material and Methods:**

Based on library research, theoretical foundations of research were defined at first. Data were collected from the answers of the respondents to the questions of a questionnaire containing demographic questions (gender, age, education level, and work experience) and 25 specialized questions. This questionnaire was adapted from a study by Liao (2009) with some modifications. Likert scale from completely disagree (1) to completely agree (5) was used in this questionnaire. Lisrel software was used for confirmatory factor analysis and path analysis. In order to confirm the validity of questionnaire, questionnaire was sent to some of experts and their evaluation of each question and hypotheses were asked. Finally, its face validity was confirmed by applying the comments. Since the structural

equations method was used in this study, it was also necessary to use confirmatory factor analysis at first. To determine the reliability of the questionnaire, a sample of 30 employees was selected and then its reliability was accepted by calculating Cronbach alpha coefficients ( $\alpha=0.849$ ). Since the objective of the present study was to identify the impact of internal marketing on customer orientation in the grade 8 municipalities in Fars, the employees of these municipalities formed the study population, because they directly provide services to customers and clients. There are a total of 310 employees in the grade 8 municipalities in Fars. The sample size was 153 persons in this study and sampling was done by stratified random sampling.

**1.2. Data analysis:**

Structural equations method is one of the strongest and most appropriate methods of analysis in the behavioral sciences and social sciences. Analysis of covariance structures or causal modeling or structural equations model is one of the main methods to analyze the structure of complex data. Conformity factor analysis tests the hypotheses. This analysis is part of the measurement model which deals with the observed relationships between variables and factors. Conformity factor analysis is a hypothesis test model, in which the researcher begins his/her analysis with a previous hypothesis. This model which is based on a strong theoretical and empirical foundation, determines that which variables are correlated with which factors. Conformity factor analysis was done in this study and then structural equations model was run to investigate and test hypotheses within the research proposed model. According to Hair criterion (2010), conformity factor analysis has an acceptable fitness for this research.

**2.2. Model analysis:**

According to the output of Lisrel software, the main presented model is as follows, in which the relationships between variables (the measurement model and structural model) are shown. (Explanation: Since there were three questions for the variable *job satisfaction* in the questionnaire, this variable was not classified like others and all three questions directly used in the model analysis. So, Js1, Js2, and Js3 denote question first, question second, and question third in terms of job satisfaction). According to the indices expressed in Table 1, it can be said that the model has an acceptable fitness. So, confirmation or rejection of hypotheses can be studied based on output model. In the analysis of structural equations model, each hypothesis is tested within a direction. Directions among the variables indicate the research hypotheses. After approval of the overall fitness of model, the value of the statistic *t* for each path indicates that the corresponding hypothesis is

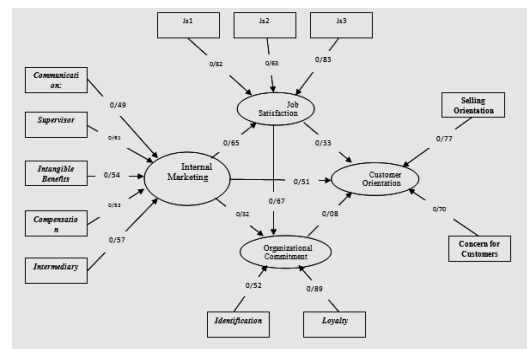
confirmed or not. If the absolute value of statistic *t* is greater than 2.093, the hypothesis will be found significant or confirmed. Table 2 shows that 7 hypotheses are confirmed and 2 hypotheses are rejected.

**Table 1:** Fitness indices of analysis model path

Index	Appropriate criteria	Index value
(Chi-Square)	Chi-Squared( $\chi^2$ ) --	94/2 (P = 0.0571)
Root mean square of remaining	RMR < 0/05	0/051
GFI (Goodness of Fit Index)	GFI > 0/9	0/91
Adjusted Goodness of Fit Index (AGFI)	AGFI > 0/9	0/87
RMSEA	RMSEA < 0/05	0/064
Normalized fitness index (NFI)	NFI > 0/9	0/91
Comparative fitness index (CFI)	CFI > 0/9	0/92
Increasing fitness index (IFI)	IFI > 0/9	0/93

**Table 2:** A Summary of hypotheses

Hypotheses	Hypotheses concerning	Fit Efficient	T-value	Confirmed rejected
H1	Internal marketing → Job satisfaction	0.65	4.93	Confirmed
H2	Internal marketing → Organizational commitment	0.32	3.1	Confirmed
H3	Internal marketing → Customer orientation	0.51	2.3	Confirmed
H4	Job satisfaction → Customer orientation	0.33	2.27	Confirmed
H5	Organizational commitment → Customer orientation	0.08	0.37	rejected
H6	Job satisfaction → Organizational commitment	0.67	6.45	Confirmed
H7	Internal marketing → job satisfaction → Customer orientation	0.214	---	Confirmed
H8	Internal marketing → Organizational commitment → Customer orientation	0.025	---	rejected
H9	Internal marketing → Job satisfaction → Organizational commitment	0.435	---	Confirmed



**Fig 2:** Results of model analysis

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1- According to Interior Ministry regulations, Iran's municipalities are divided into 12 ranks, from the smallest municipality with 2 staff which ranks 1 to the biggest one which ranks 12. Three main criteria are considered for the ranking of municipalities including regular and net income of municipality, population, and position in terms of divisions. Grade 8 municipalities of Fars Province studied in this paper are the municipalities of Fasa, Firoozabad, Neyriz, Abadeh, and Lar.