



## Internal market orientation: An empirical research in hotel sector



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### ABSTRACT

The study has three aims. First, to measure internal market orientation second, to analyze the relationships between IMO and two organizational consequences: job satisfaction and commitment; and third, to incorporate a new sub-dimension work/family balance. Empirical research has been done in a sample of Spanish hotels. Results show that IMO is a strategic determinant of both job satisfaction and employee commitment.

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### 1. Introduction

In recent decades there has been considerable research into the role of service staff as regards customer satisfaction (Tornow and Wiley, 1991; Foster and Cadogan, 2000; Donovan and Hocutt, 2001). Indeed, their role has been considered a key aspect of a company's strategy for creating customer value (Berry, 1981). The link between employee satisfaction and customer satisfaction has been discussed for more than two decades and most researchers operate under the belief that employee satisfaction and customer satisfaction are significant and positively correlated (Lings and Greenley, 2005) but with limited literature exploring the exact nature of the relationship between the two (Piercy, 1995; Rafiq and Ahmed, 1993). A central notion in this context is that of internal marketing (IM). The work of Berry et al. (1976) was instrumental in introducing this concept, and their contributions have provided a theoretical basis for the subsequent description and development of employee-targeted marketing strategies. As a result, IM has come to be seen as a way of increasing performance and of improving service quality. Furthermore, it provides tools for achieving a better understanding of employees' needs, as well as for improving their job satisfaction. Bennett (1999) refers to IM as one of the management practices and characteristics which form part of the concept of pan-company marketing (PCM), while other authors have argued that it helps companies to promote, develop, and sustain the ethos of customer service for both internal and external customers (George, 1990; Collins and Payne, 1991). For their

part, Papsolomou and Proctor state that IM encourages "appropriate behavior toward target external markets" (Papsolomou and Proctor, 1997, p. 773). In the same context, Lewis (1989) suggests that IM fosters a marketing orientation among a firm's employees, and also that relationship marketing is a natural extension of IM.

The importance of IM in hospitality management has also been highlighted by the literature in the field. Indeed, Line and Runyan (2012) note that IM appears to be one of the fastest growing topical areas in hospitality marketing research from 2008 to 2010. This is of interest since Bowen and Schneider (1988) had previously pointed to a lack of empirically-based studies that address internal marketing, and they called for greater efforts to be made in this regard.

Since service delivery is an integral part of the hospitality product, employees' performance and attitudes play an essential role in selling the product. It is here that the concept of IM comes into play, since it views employees as a firm's internal customers and acknowledges the importance of satisfying these customers whose attitudes and performance are so crucial to the success of the operation (Lewis, 1989).

The present study aims to contribute to the IM debate in three ways. First, it seeks to measure internal market orientation (IMO) in the Spanish hotel sector. Second, it examines the relationships between IMO and certain organizational consequences, in particular, job satisfaction and commitment. Finally, it incorporates a new sub-dimension into the organizational responsiveness dimension of the IMO construct, namely, work/family balance (WFB). It is argued that this new sub-dimension could usefully be included in future research on IM since it is a key area that should not be overlooked, not least because a central feature of employees' needs today is the need to achieve a balance between work, family and personal life.

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## 2. Literature review and hypotheses

### 2.1. Internal market orientation

The concept of IMO is supported by a broad body of theory based on the paradigm of market orientation, which states that a specific system of values is required in order to create and offer value to customers. Authors such as Kohli and Jaworsky (1990) and Desphande et al. (1992) carried out research into market orientation (MO), highlighting the importance of responding to the needs of customers and of developing central corporate values as a basis for effective marketing practices. Narver and Slater (1990) defined MO as “the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business” (Narver and Slater, 1990, p. 21).

According to Grönroos (1990) the processes of IM form the basis of the orientation to both internal and external markets. Indeed, IM has come to be regarded as an essential component of marketing orientation in general (Gummesson, 1991; Morgan, 1991), with some authors highlighting the symmetry between the internal market (employees considered as internal customers) and the external one (external customers) (Piercy, 1995). This parallel relationship between internal and external markets (Liao et al., 2011) has led authors such as Mohr-Jackson (1991) to complement Kohli and Jaworsky's model (1990) by linking IMO to three fundamental activities: (1) understanding needs; (2) disseminating this information among departments; and (3) increasing the benefits for internal customers so that these are transferred to external ones (Kohli et al., 1993).

Whatever the case, it is essential to develop an IMO because customers interact with employees (Kotler, 1997), and employee satisfaction bears a positive relationship to customer satisfaction (George, 1977; Berry, 1987; Piercy, 1995). As Conduit and Mavondo (2001) noted, however, the scientific literature has tended to focus much more heavily on the orientation toward external customers. Nonetheless, the research that has been conducted suggests that IMO favors the development and maintenance of a service culture (George and Grönroos, 1989) and makes it easier to bring the internal market into line with marketing objectives (Lings, 1999; Awwad and Agti, 2011; Khansa et al., 2012). In this regard, Hartline and Ferrel (1996) investigated the impact of delegation on employee satisfaction, and found that the two were positively related. Lings (2004) argues that the role of IMO in facilitating the relationship between a company and its employees, which is a prerequisite to effective relationships between employees and customers, needs to be examined so that a more holistic approach to marketing can be developed. This author uses the term IMO to refer to the behaviors associated with creating satisfied and motivated employees (Lings, 2004).

As a result of research such as that mentioned above, IMO has come to be regarded as a core competency of the organization, one that creates a potential competitive advantage through having more satisfied and loyal customers (Lings and Greenley, 2005) and more satisfied employees (Gounaris, 2008), which in turn should give rise to increased market share or profits compared to competitors (Lings and Greenley, 2009). In this context, Liao et al. (2011) state that IMO represents the adaptation of MO to the context of employer–employee exchanges in the internal market. Hence, internal suppliers need to focus on satisfying the requirements of their internal customers so as to provide superior value to the external customer (Conduit and Mavondo, 2001).

Rivera and Upchurch (2008) note that at the start of this new millennium, tourism has become the number one industry in many countries, as well as being the fastest-growing economic sector in terms of foreign exchange earnings and job creation. In fact, tourism

is considered the world's largest export earner and an important factor in the balance of payments of most nations (WTO, 2006). Alongside the importance of this sector, one should also consider the key role which marketing and personnel have within the hospitality industry. In light of this, it seems particularly relevant to examine IMO in the hotel sector.

### 2.2. IMO in the hotel sector

Recent research has highlighted the importance of IM and IMO in the hospitality industry, which is not surprising given that the importance of service is most acute in contexts such as this, where the contact between customers and employees is high (Schneider and White, 2004). Indeed, the climate of service is particularly important in the hotel industry, a good example of this being the Ritz-Carlton hotel chain, which is renowned for its unique internal service culture and superior levels of customer service that result in engaged, committed and proud employees, a fiercely loyal customer base, and sustained financial returns (Michelli, 2008; Solnet and Kandampully, 2008). Further evidence of the importance of internal marketing comes from a study by Line and Runyan (2012), who conducted a topical analysis of four top hospitality journals from 2008 to 2010. They found that 47 papers (17.2%) were related to internal marketing and 35 of these concerned employee behavior/satisfaction. The authors maintain that research seems to be shifting away from the management/planning/strategy domain in favor of topics such as PR (+5.2%), internal marketing (+14.1%), and pricing/revenue management (+4.5%). In a similar vein, Gounaris (2008) conducted an empirical study in the hotel sector, seeking to validate a measure of IMO, and found that the presence of an IMO had a positive impact on job satisfaction. Finally, a study by Kralj and Solnet (2010) in the casino hotel setting concluded that internal functions and processes produce a real competitive advantage.

### 2.3. Proposed model and hypotheses

Pitt and Foreman (1999) pointed out the weakness of the theoretical foundations on IM, and suggested that Transaction Cost Analysis (TCA) theory could be the framework. However Gounaris (2008) stresses that the Relationship Marketing paradigm explains the need and importance of IM and offers a theoretical background. So following the market orientation paradigm with analogy with internal markets, with Lings (2004) and Gounaris (2008) we consider IMO to be a complex concept incorporating three elements (see Fig. 1): (1) gathering of information from the company's internal market and generating intelligence about it; (2) communication in relation to the internal market; and (3) the organization's response to the internal market. Gummesson (1987) stated that IM is implemented through communication with employees. Varey (1995), IM is implemented through internal communication aiming to “sell” the importance of customer service.

The second dimension of our model, internal communication, refers to the communication between employees and managers with the objective of disseminating new marketing strategies and strategic objectives to employees, mainly through internal communication channels (i.e., newsletters and other sources).

Consequently, we propose that:

**H1.** Internal market intelligence, internal communication, and response to intelligence are dimensions of IMO.

Internal market intelligence refers to all those activities that have to do with (1) the identification of employee value exchange, and (2) the recognition of specific employee segments with different characteristics and needs. According to George (1990) IM has great importance in effective internal exchanges. The identification of value exchanges consists in seeking a balance between the

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