THE RELATIONSHIP BETWEEN INTERNAL MARKETING, JOB SATISFACTION, ORGANIZATIONAL COMMITMENT, AND MARKET ORIENTATION: A STUDY ON MANUFACTURING COMPANIES IN NORTHERN REGION OF MALAYSIA.

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Dedication

Dedicated with love to my dearest mom and dad.

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ABSTRAK

Kepentingan pemasaran dalaman menjadi tumpuan kebanyakan organisasi, terutama dalam bidang perkhidmatan. Selain daripada itu, orientasi pasaran kian popular kerana sumbangan terhadap prestasi perniagaan dan maklumbalas positif pelanggan. Kini, kebanyakkan organisasi telah mula mengunakan pemasaran dalaman untuk menjana orientasi pasaran sebagai salah satu langkah untuk menjamin kejayaan perniagaan. Tetapi, tidak banyak kajian dijalankan untuk menyiasat bagaimana pemasaran dalaman boleh menyebabkan orientasi pasaran. Sehubungan dengan itu, kajian di dalam sektor perkilangan pula amat kurang. Kajian ini bertujuan untuk mengkaji hubungan di antara pemasaran dalaman dan orientasi pasaran. Sehubungan dengan itu, kajian ini memperkenalkan kepuasan kerja dan komitmen organisasi sebagai pembolehubah pencelah. Dua ratus soal-selidik telah diberikan kepada pengurus di kilang-kilang di Malaysia Utara (Perak, Penang, Kedah, and Perlis). Berdasarkan daripada seratus soal-selidik yang dikumpul balik, keputusan kajian menunjukkan bahawa pemasaran dalaman berkaitan dengan kepuasan kerja dan komitmen organisasi. Sehubungan dengan itu, kepuasan kerja didapati mempunyai kaitan dengan orientasi pasaran. Tetapi, komitmen organisasi didapati tidak berkait dengan orientasi pasaran. Keseluruhannya, kajian ini berjaya menunjukkan bahawa kepuasan kerja dan komitmen organisasi sebagai pembolehubah pencelah di antara hubungan pemasaran dalaman dan orientasi pasaran.

ABSTRACT

The importance of internal marketing (IM) has become one of the main concerns for many organizations, especially in the service context. On the other hand, market orientation is popular due to its contributions to business performance and positive customer responses. Presently, most organizations have started to consider internal marketing to instill market orientation as an essential part of their business success. Unfortunately, there is limited research on how the practice of IM would lead to market orientation. Furthermore, there is limited research in the manufacturing context. This study intends to find the relationship between IM and market orientation, with the introduction of job satisfaction and organizational commitment as mediating variables. Two hundred questionnaires were distributed to managers in manufacturing companies located in the northern region of Malaysia (Perak, Penang, Kedah, and Perlis). Based on one hundred questionnaires collected back, the results show that internal marketing leads to job satisfaction and organizational commitment. Besides that, job satisfaction was found to be partially leads to market orientation. Conversely, organizational commitment does not lead to market orientation. Finally, it was found that both job satisfaction and organizational commitment only partially mediate the relationship between internal marketing and market orientation.

Chapter 1

INTRODUCTION

1.1 Introduction

The importance of internal marketing or IM has become one of the main concerns for many organizations, not only within the service industry but also in the manufacturing sector as well. Today, most organizations have started to consider IM and market orientation as an essential part of their business success. This chapter provides an overview of the study, which consists of background of the study, significance of the study, problem statement, research objectives, research questions, definition of key terms, and finally the organization of remaining chapters.

1.2 Background

Recently, IM become an important concept in an organization (Gronroos, 1981, 1985; Barnes, 1989; Collins & Payne, 1991; Piercy, 1995; Ahmed, Rafiq, & Saad, 2003). According to Rafiq and Ahmed (1993), evolution of IM started with the concept of employee satisfaction by treating employees as customer and jobs as products (Berry, 1981), to market orientation (Gronroos, 1985), the use of IM in implementing of external marketing programmes (Piercy & Morgan, 1991), and extension of IM to the implementation of any functional strategies (Rafiq & Ahmed, 1993).

It is identified in the literature that when scholars talk about IM, they will automatically relate to market orientation. For example, according to Gronroos (1983), IM is concerned with engaging in market-oriented management, in which marketing is not a function but rather a way of doing business (McKenna, 1991). Furthermore, Foreman and Woodruffe (1991) argued that market orientation is intended to "create a flexible and responsive internal environment, and nurtures common values and behavior which reflect organizational goals and its synergy with the marketplace".

Although there are many literatures, yet there is little systematic work on how IM actually work in practice. Majority of the study on IM is conceptual in nature. To date, most of the empirical studies focused mainly on the service providers, especially in the healthcare, financial, and professional services (Gronroos, 1983; Gummesson, 1991; Schlesinger & Heskett, 1991). Yet, little research is done on the manufacturing sector, whereby this industry also provides service to their customers, but more towards the offering of tangible products.

1.3 Significance of the Study

In today's competitive environment, marketplace advantages are often short-lived. Competition is getting more intense, technology is always changing, customers are more demanding on the quality of the products and also the service they received. Customers will decide who has the best offering, and they are the ultimate judge for quality of products and services. Henceforth, organizations today not only compete based on the tangible products they produced but also their services. Before improving services to customers, organizations need to know how to improve within its organization.

Most studies related to IM, market orientation, and business performance were concentrated in the service industry such as banking, professional, and health care (Greene, Walls, & Schrest, 1994; Richardson & Robinson, 1986). However, empirical study of IM and market orientation within the manufacturing sector is very little, furthermore, within the local context of Malaysia.

Theoretically, this study would add to the limited literature in understanding the relationship of IM and market orientation, by taking into consideration of job satisfaction and organizational commitment as the mediating variables, in manufacturing companies located in the northern region of Malaysia, which include the state of Perak, Penang, Kedah, and Perlis.

In addition, this study would also contribute to other manufacturing companies in understanding how IM actually works in order to achieve market orientation and finally business performance. Furthermore, this study will show the impact of the two most talked about factors in management (job satisfaction and organizational commitment) in the relationship of IM and market orientation.

1.4 Problem Statement

Globalization had made the world shrink in terms of size. Many companies despite large or small scale are competing against each other. Thus, to compete and survive in the global marketplace, firms, besides offering highest quality of products and services, need to be abreast on the needs, wants, and expectations of their customers. In other words, organizations should be more market oriented.

Many researchers promote market orientation as the preferred business strategy (Kohli & Jaworski, 1990; Caruana et al., 1997; Ngai & Ellis, 1998). There are many consequences related to market orientation:

(i) Improved business performance such as profitability, increase in sales, increase in market share, and sales growth (Kohli & Jaworski, 1990; Narver & Slater, 1990),

(ii) Positive customer responses such as customer satisfaction, repeat order, and customer loyalty (Kohli & Jaworski, 1990), and

(iii) Improved organizational performance in terms of learning orientation and product innovation (Baker & Sinkula, 1999)

Therefore, IM is now being practiced in many companies for the purpose of improving market orientation and hence business performance (Richardson & Robinson, 1986; Greene, Walls, & Schrest, 1994).

Unfortunately, there is few empirical evidence of a positive relationship between IM and market orientation. There is even less research examining the missing link between IM and market orientation.

Thus, this research intends to assess the effect of the missing link (that is job satisfaction and organizational commitment), along the implementation of IM and market orientation.

According to Tansuhaj et al. (1991) the major aim of IM is to ensure that employees feel that management cares about their needs and meeting their needs as well. Hence, successful application of IM will then translate into positive employee attitudes towards their work, including enhancing job satisfaction and organizational commitment relationship with market orientation.

Thus, the problem statement, which is central in this research, is formulated as follows:

"What are the roles of job satisfaction and organizational commitment variables in the IM and market orientation relationship?"

1.5 Research Objectives

To bridge the gaps of findings from previous researchers, this paper develops and evaluates empirically the proposed IM implementation framework in the Malaysian manufacturing environment, targeted on the industrial area in northern region of Malaysia, which include states like Perak, Penang, Kedah, and Perlis.

This study aims to investigate the relationship between IM and market orientation along with job satisfaction and organizational commitment as mediating variables. This research also seeks to achieve the following objectives:

(i) To determine the relationship between IM and job satisfaction.

(ii) To determine the relationship between IM and organizational commitment.

(iii) To determine the relationship between job satisfaction and market orientation.

(iv) To determine the relationship between organizational commitment and market orientation.

(v) To determine whether job satisfaction mediates IM and market orientation relationship.

(vi) To determine whether organizational commitment mediates IM and market orientation relationship.

1.6 Research Questions

The basic research questions that are being studied here are as follows:

(i) How IM lead to job satisfaction?

(ii) How IM lead to organizational commitment?

(iii) How job satisfaction lead to market orientation?

(iv) How organizational commitment lead to market orientation?

(v) How job satisfaction mediates IM and market orientation relationship?

(vi) How organizational commitment mediates IM and market orientation relationship?

1.7 Definition of Key Terms

For the purposes of this research study, the following terms are defined.

Internal Marketing (IM)

IM is defined as "viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the firm," (Berry & Parasuraman, 1991, p.272).

Job Satisfaction

Job satisfaction is the extent to which employee feels positively or negatively about his or her job (Odom et al., 1990).

Organizational Commitment

Organizational commitment is defined as individual's attachment, identification, and involvement in an organization (Mathieu & Zajac, 1990).

Market Orientation

Market orientation is the “organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it,” (Kohli & Jaworski, 1990, p.6).

1.8 Organization of Remaining Chapters

This report is divided into five chapters. Chapter 1, the current chapter introduces the research problems and discusses its context. Next, Chapter 2 reviews the relevant literature of IM, job satisfaction, organizational commitment, and market orientation. This will be followed by the discussion of theoretical framework and hypotheses. Chapter 3 addresses the methodology, research design, measurement, population or sample, procedure, questionnaire design, and data analyses. Subsequently, Chapter 4 analyzes the research hypotheses and findings of the study. Finally, Chapter 5 discusses the findings, implications, limitations, recommendations, and conclusion of the research.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the findings from previous researches and reports that are deemed most relevant to the present study. It begins with the review of IM, job satisfaction, organizational commitment, market orientation, IM and job satisfaction, IM and organizational commitment, job satisfaction and market orientation, and organizational commitment and market orientation. Then, to the generation of proposed theoretical framework and hypotheses. Finally, summary of this chapter will be presented.

2.2 Internal Marketing

Sasser and Arbeit's study (as cited in Gronroos, 1985), historically, IM develops from the service marketing, whereby "to be successful; the firm must first sell the job to its employees in order to be able to sell its services to customers". Subsequently, Gronross (1981) viewed IM as "selling the firm to the employees" who are treated as "internal customers".

Berry (1980) stated that the objective of IM is to employ and keep the best people, and at the same time, to make them do the best possible job by applying the philosophy and practices of marketing internally to the internal market of employees. In 1989, George and Gronroos, define IM basically as "the basic philosophy for managing the organization's human resources based on marketing perspective."

According to another research done by Tansuhaj et al. (1988, p.32),

"Internal marketing incorporates a multifaceted focus on employee development. A comprehensive internal marketing program is concerned with employee recruitment, training, motivation, communication, and retention efforts."

George (1990) agrees with this statement by describing IM as a holistic management process to integrate multiple functions of the organization.

Berry and Parasuraman (1991, p.272) defined IM as,

"Viewing employees as internal customers, viewing jobs as internal products, and endeavoring to offer internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization."

In tandem with that, Lovelock (1984) claimed that by satisfying the needs of its internal customers, the organization upgrades its capability for satisfying the needs of its external customers. In other words, IM can be defined as promoting of the firm and its products to the firm's employees (Greene, Walls, & Schrest, 1994).

However, Gronroos (1985) argued that IM must also consist of a work environment that will motivate employees to respond to management's demand. Gronroos (1985, p.43) mentioned that, *"the internal product consists of a job and work environment which motivates the employees to respond favorably to management's demand for customer-orientation."* In tandem with that, Gronroos goes further and explains that IM is about motivating employees (customer-consciousness, market-orientation, and self-mindness) by active marketing-like activities internally.

IM is important to all industries, but extremely important to the service industry (Greene, Walls, & Schrest, 1994). A study done on retail bank by Richardson and

Robinson (1986), IM is used to motivate and improve interactions with the client base, which in turn lead to improved staff attitudes and client interactions. It is also important to be aware that not only employees in the sales and marketing department are important in the practice of IM, but more so other categories of employees, whose main job is not sales or marketing but manufacturing, engineering, administration, purchasing, finance, etc. (Gronroos, 1985). It is of the utmost importance that the top managers are personally involve and support the process.

According to Gronroos (1981) and Richardson and Robinson (1986), IM implementation can be divided into two levels: strategic or tactical. Strategic level refers to creation of internal environment in order to support customer-consciousness and sales-mindedness amongst personnel. Whereas, tactical level refers to the focus on personal internal selling and internal information systems in order to sell services and marketing efforts to the employees.

At present there are many literature on IM from various researches, but all these literatures are limitations to the IM research because there is little agreement on what mix of policies can be used effectively to influence employees so that they are motivated and act in a customer-oriented way.

Collins and Payne (1991) suggested that external marketing tools (such as market research, segmentation, developing a marketing mix, and controlling marketing activities) may be used within the organization in order to implement IM. Furthermore, Greene, Walls, and Schrest (1994) also mentioned that IM must be supported by marketing programs such as training, collateral materials, and information systems.

Besides that, Foreman and Money (1995) claimed that there are three components of IM, which are rewards, development, and vision. Both Barnes (1989) and Kohli and Jaworski (1990) mentioned that the top management support is one of the most important antecedents for IM. Besides that, continuous management support is also needed for IM to be implemented effectively (George, 1990; Gronroos, 1985; Greene, Walls, & Schrest, 1994).

As cited in Ahmed, Rafiq, and Saad (2003), there are several components of IM mix that can be defined as the controllable elements inside the organization that can be used to influence and motivate employees. The three factors are top management support mix, inter-functional co-ordination mix, and business process support mix.

Their concept can be supported by previous literatures…

(i) Communication, training, education and information (Gummesson, 1991)

(ii) Motivating and developing, educating or training employees (Gronroos 1985; Cahill 1995; Foreman & Money, 1995; Varey, 1995)

(iii) Attracting, hiring and retaining employees (Berry & Parasuraman, 1991; Foreman & Money, 1995)

The practice of IM will lead to several consequences. Ramm-Schmidt (1984) claimed that IM is an on-going and long-term activity in order to achieve continuous customer-oriented operations and continuous high-perceived quality. IM is the key to superior service and the results in external marketing success (Greene, Walls, & Schrest, 1994). In tandem with that, Compton et al. (1987) claimed that IM program is a prerequisite for successful external marketing. If outside customers could get better service because of your company IM programs, eventually they will come back for more of what you are selling.

According to a study done by Ahmed, Rafiq, and Saad (2003) the consequences of IM mix is higher business performance. Besides that, Webster (1988) addressed that profitability in terms of long-term customer satisfaction and customer-oriented business are also consequences of IM. Conversely, firms that do not embrace the issues of IM and incorporate them into their strategic marketing plan will see their market share and profit base erode (Greene, Walls, & Schrest, 1994).

2.3 Job Satisfaction

Job satisfaction is the extent which employee feels positively or negatively about his or her job (Odom et al., 1990). According to Price (1997), job satisfaction is defined as the degree to which employees have a positive affective orientation towards employment by the organization. In addition, Arnett et al. (2002) refers job satisfaction as employees' general affective evaluation of their job. It helps to ensure employees will treat their customers with utmost respect.

On the other hand, O'Reilly, Chatman, and Caldwell (1991) defined job satisfaction as "a favorable attitude or pleasurable emotional state that results from a person's job experience or a fit between a person and an organization".

As cited in Tansuhaj, Randall, and McCullough (1998), job satisfaction is defined as the feelings a worker has about his or her job, has five dimensions: satisfaction with the work itself, satisfaction with pay, satisfaction with promotional prospects, satisfaction with supervision, and satisfaction with co-workers. It can be done through administration of extrinsic rewards, such as: salary, benefits, promotions, and managers enhance employee satisfaction level.

According to Ugboro and Obeng (2000) the antecedents of job satisfaction are health and safety provisions, quality of training programs, involvement in setting performance targets, process planning, career development, and promotion opportunity. In addition to that, top management leadership play an important role by providing organization's mission, values, and TQM climate.

In addition to that, Arnett et al. (2002) suggested that there are three antecedents in generating job satisfaction among employees, which consists of role clarity, working environment, and employees' evaluation of managers' performance.

The consequences of job satisfaction are increase employees' satisfaction, increase customer loyalty, increase customer orientation or market orientation, increase customer satisfaction, corporate success, productivity, and increase perceived service quality, Jerome and Kleiner (1995). Hence, job satisfaction lead to employees' intentions to continuously perform well in their job task. Arnett et al. (2002) mentioned that employee job satisfaction is a crucial prerequisite to service excellence.

2.4 Organizational Commitment

The major concern in organizational commitment is lack of consensus in construct definition. According to Mathieu and Zajac (1990), organizational commitment involves individual's attachment, identification, and involvement in an organization. Besides that, organizational commitment is more strongly affected by organizational factors such as leadership, culture, norms, and values of an organization (Sagie, 1993). In short, organizational commitment is defined as loyalty to a social unit (Price, 1997). In tandem with that, Lee et al. (1999) viewed organizational commitment as loyalty to the organization and mobilization of employees in the development of his or her goals, purposes, and infrastructure.

Porters, Steers, Mowday, and Boulian's study (as cited in both Meyer, Allen, & Smith, 1993; Birgit, 1996), the earliest and most influential literature in organizational commitment whereby "organizational commitment is divided into three factors: (a) strong belief in and acceptance of the organization's goals and values; (b) willingness to exert considerable effort on behalf of the organization; (c) desire to maintain organizational membership". It is also known as the OCQ (Organizational Commitment Questionnaire).

According to Mowday et al. (1982), there are two approaches to organizational commitment: attitudinal commitment and behavioral commitment. Attitudinal commitment focuses on the process whereby people think about their relationship with the organization. It is the mind-set of the individual whereby their values and goals are aligned with their organization. Whereas, behavioral commitment is the process whereby individuals become locked in a certain organization and how they deal with this problem.

Becker's study (as cited in Meyer & Allen, 1991) identified another dimension of organizational commitment, which is called continuance commitment. This dimension views employees as being less affective but more calculative in considering the costs that would result in terms of interests such as pensions and security.

Affective commitment (Meyer & Allen, 1984) happens when employee are emotionally attached with an organization, which will lead to his or her commitment in pursuing the organizational goals.

Normative commitment was developed by Allen and Meyer (1990). It refers to employees' feelings of obligation to stay with the organization, whereby the feelings of obligations result from a process of internalization of normative pressure. Meyer and Allen (1990, 1991) identify 24 items of commitment and split the items into 3 sections of affective, continuance, and normative commitment. This is the most recent and commonly used measurement for organizational commitment.

According to McNeese-Smith (1995) and Reilly and Orsak (1991), consequences of organizational commitment include consistent attendance, increase retention, and increased productivity. When organizational commitment happens, eventually it will lead to increase job satisfaction, increase job performance, and lower employee turnover (Jenkins & Thomlinson, 1992; Mathieu & Zajac, 1990; Schlesinger & Haskett, 1991).

2.5 Market Orientation

As cited in Jaworski and Kohli (1993), the foundation of market orientation (marketing concept) was first introduced in early 1950. Until late 1980s' and last century, there has been a lot of research in the market orientation concept (Shapiro, 1988; Webster, 1988; Day, 1990; Kohli & Jaworski, 1990; Narver & Slater 1990; Kohli, Jaworski, & Kumar, 1993; Slater & Narver, 1995). Therefore, market orientation has many definitions, whether market orientation means a specific set of organizational values or a specific set of behaviors has not been clearly resolved (Day, 1990, 1992, 1994). Conversely, some researchers (Webster, 1988; Hooley et al., 1990) classify market orientation as a business philosophy.

Researchers like (Deshpande & Webster, 1989; Deshpande, Farley, & Webster, 1993) defined market orientation as a form of culture. Meanwhile, Narver and Slater (1990, p.21) classify market orientation as the "culture that most effectively and efficiently creates the behaviors for the creation of superior value for buyers."

Another group of researchers (Kohli & Jaworski, 1990; Narver & Slater, 1990; Day, 1994; Deshpande, Farley, & Webster, 1993; Shapiro, 1988) mentioned that market orientation focus on creating superior customer value, which is based on knowledge derived from customer and competitor analysis. However, Kohli and Jaworski (1990, p.1) describe market orientation as the behavioral perspective, "the implementation of the marketing concept". Besides that, Greenley (1995a, 1995b) presented market orientation as a convergence of marketing and strategic management thinking.

Furthermore, market orientation is also defined as overall organizational value which provides strong norms for sharing of information and reaching a consensus on its meaning (Kohli & Jaworski, 1990; Day, 1994; Sinkula, 1994). Day and Wensley (1988) define customer orientation as understanding of the buyer's entire value chain by the seller, either by reducing customer's costs or increasing customer's value. In the context of competitor orientation, seller must understand short-term weaknesses and strengths, not forgetting long-term strategies and capabilities of both current and future potential competitors (Porter, 1980, 1985; Aaker, 1988; Day & Wensley, 1988). For inter-functional co-ordination, Webster (1988) mentioned that the seller must focus not only on individual department but also on the entire business as a whole.

Despite all the empirical findings from many researchers, the most well-known and widely recognized study for market orientation are from Narver and Slater (1990), Kohli and Jaworski (1990), and Jaworski and Kohli (1993). Market orientation is an important business culture for many researchers (Day, 1990, 1992; Deshpande & Webster, 1989, Narver & Slater, 1990; Shapiro 1988).

Narver and Slater (1990) view market orientation from organizational perspective and classify them into three dimensions in an organizational culture, consist of (1) customer orientation, (2) competitor orientation, and (3) inter-functional coordination. Strong market orientation within a business will lead to greater effort being exerted to offer superior value continuously to customers.

Conversely, Kohli and Jaworski (1990) and Jaworski and Kohli (1993) introduce the behavioral perspective, whereby market orientation consists of three behavioral components, namely: (1) intelligence gathering, (2) intelligence dissemination, and (3) responsiveness. They defined market orientation as the organization's wide generation of market intelligence pertaining to current and future needs if customer, dissemination of intelligence horizontally and vertically within the organization, and organization wide action or responsiveness to market intelligence.

Many antecedents have been identified for market orientation. In general (Kohli & Jaworski, 1990; Min & Mentzer, 2000; Ngai & Ellis, 1998; Lewis et al., 2001), market orientation focuses on customers needs and wants at the center of the organization's operations. It is the integration of the organization-wide effort to continuously satisfy customer needs and wants. The main objective of market orientation is to focus on the long-term profitability of the organization.

Findings from Jaworski and Kohli (1993) suggested that market orientation is related to the following antecedents: (i) Top management: top management emphasis on the orientation, risk aversion of top managers, (ii) Interdepartmental dynamics: interdepartmental conflict and connectedness, and (iii) Organizational system: centralization, and rewards system orientation.

In the top management context, another two researchers (Hambrick & Phyllis, 1984; Webster, 1988) also agreed that top managers play critical role in shaping an organization's values and orientation. Besides that, Kohli and Jaworski (1990) argued that willingness of top management to take risk and accept failures will be a good example (leading by example) to the junior managers. Whereby junior managers are more prone to propose new offering in response to changes and customer needs.

Meanwhile, in the interdepartmental dynamics context, the higher interdepartmental conflict, the lower market orientation (Ruekert & Walker 1987; Jaworski & Kohli, 1993). Conversely, greater interdepartmental connectedness will lead to greater market orientation (Jaworski & Kohli, 1993). From the organizational system, Jaworski and Kohli (1993) found that the greater the centralization the lower the market orientation. However, the greater the reward systems will lead to greater market orientation.

Relationship between market orientation and business performance has emerged (Narver & Slater, 1990; Ruekert, 1992; Deshpande, Farley, & Webster 1993; Jaworski & Kohli, 1993; Slater & Narver, 1994). Market orientation is frequently posited to improve business performance (Lusch & Laczniak, 1987; Narver & Slater, 1990).

Furthermore, it has lead to another finding of positive association between market orientation and business performance (Narver & Slater, 1990; Han et al., 1998; Ngai & Ellis, 1998). As cited in Narver and Slater (1990), another consequences for market orientation are profitability or economic wealth. Conversely for nonprofit organization, the profitability would be the survival of the organization (Kotler & Andreasen, 1987). In addition, many researchers promote market orientation as the preferred business strategy for many years (Kohli & Jaworski, 1990; Caruana et al., 1997; Ngai & Ellis, 1998).

Market orientation may have a strong or weak effect on business performance, depending on the environmental conditions such as market turbulence, competitive intensity, and technology turbulence (Houston, 1986; Jaworski & Kohli, 1993). This research observed that the absence of competition, market, and technology turbulence would lead to higher business performance. As cited in Jaworski and Kohli (1993), business performance is a multidimensional construct and may be characterized in a number of aspects, such as effectiveness, efficiency, and adaptability.

Furthermore, findings from Jaworski and Kohli (1993) suggested that market orientation consequences are: overall (judgmental) business performance (excluding market share), employees' organizational commitment, and esprit de corps. The greater the market orientation, the better the business performance. At the same time, it will lead to higher organizational commitment and esprit de corps.

Narver and Slater (1990), found that market orientation correlates with return on assets (ROA) and customer retention. Subsequently, in their study in year 1994, they mentioned that market orientation leads to improvement in company performance, such as: increased customer satisfaction, increase sales growth and profitability, and new product success. In due of the importance of market orientation, Baker and Sinkula (1999) found that higher order learning, influence the quality of market orientation and ultimately the competitive advantage of an organization. In general, both market orientation and learning organization will lead to successful new product development activities.

2.6 Internal Marketing and Job Satisfaction

The main aim of IM concept is to ensure that employees feel that the management cares about them and their needs. Effective implementation of IM will lead to positive employee attitudes towards their work including job satisfaction (Tansuhaj et al., 1991).

According to Arnett et al. (2002), successful IM would enhance both job satisfaction and pride in the organization, which will result in positive employee behavior. Positive work behavior consists of three actions and beliefs: commitment to customer service, cooperation among employees, and organizational commitment. Henceforth, job satisfaction is an important factor, which influence employee behavior towards the practice of market orientation. Besides that there is positive relationship between work environment and job satisfaction.

By satisfying the needs of employees, the firm upgrades its capabilities for satisfying the needs of its customer (Lovelock, 1984). This is because employees who are satisfied with their job will intend to keep on performing well, which in turn affect their actual behavior (market orientation).

This leads to first hypothesis,

H1: IM is positively related to job satisfaction

2.7 Internal Marketing and Organizational Commitment

One of the important consequences of IM is to improve organizational commitment of employees (Tansuhaj et al., 1991). In addition to that, it will lead to higher job performance and lower turnover of employees (Jenkins & Thomlinson, 1992; Mathieu & Zajac, 1990; Schlesinger & Haskett, 1991). Gronroos (1985) mentioned that IM focus on building employee commitment.

A study on the effect of IM on organizational commitment among retail bank managers by Caruana and Calleya (1998) shows that affective commitment is the only consequences of IM. Affective commitment concentrates on the emotional attachment of the employee to the organization. At the same time underlies the commitment of employee to pursue the goals of the organization.

This leads to second hypothesis,

H2: IM is positively related to organizational commitment

2.8 Job Satisfaction and Market Orientation

Berry (1981) mentioned employees must be satisfied with their job, organizational environment, and their relationship with their employer and employees, before they can serve the customer effectively (Foreman & Money, 1995). In other words, job satisfaction lead to good employee performance or engage in positive employee behavior (Arnett et al., 2002), which practices market orientation.

Job satisfaction has positive influence on service quality (Snipes et al., 2004). According to Ugboro and Obeng (2000), there is a strong relationship between job satisfaction and customer satisfaction. Gronroos (1981) mentioned that increase employee satisfaction result to more customer-focused and market-oriented organization. This leads to third hypothesis,

H3: Job satisfaction is positively related to market orientation

2.9 Organizational Commitment and Market Orientation

Lack of organizational commitment is harmful to an organization; it will result in poor business performance, such as inferior offerings and higher cost (Caruana & Calleya, 1998). Thus, organizational commitment is needed to improve market orientation.

An effective market orientation results in customer satisfaction, customer loyalty, and service quality (Kohli & Jaworski, 1990; Jaworski & Kohli, 1993). The easiest and fastest way to create positive image is through motivated, skilled, committed, and satisfied employees.

This leads to fourth hypothesis,

H4: Organizational commitment is positively related to market orientation

2.10 IM, Job Satisfaction, Organizational Commitment and Market Orientation

Previous literature (Tansuhaj et al., 1988; Ahmed et al., 2003) mentioned that the practice of IM would lead to the practice of market orientation. Tansuhaj et al. (1988), study how IM influence employees' attitude and behavior, which in turn have a direct impact on external marketing, and finally how market orientation, a component of external marketing influence customer attitudes. In tandem with that, Ahmed et al., (2003) further study the relationship between IM mix and market oriented behavior by introducing the marketing-like philosophy and marketing-like tools. Henceforth, this study is conducted to test whether there is mediating effect of job satisfaction and organizational commitment between the relationship of IM and market orientation.

This leads to fifth hypothesis,

> ***H5: Job satisfaction mediates the relationship between IM and market orientation***

This leads to sixth hypothesis,

> ***H6: Organizational commitment mediates the relationship between IM and market orientation***

2.11 Theoretical Framework

Independent **Mediators** **Dependant**

Figure 2.1 Theoretical framework for internal marketing and market orientation, with job satisfaction and organizational commitment as mediating variables.

Based on the above literature review, the proposed theoretical framework is developed. The conceptual model was developed to answer the research questions generated in earlier chapter.

Many research were done on the concept of IM (Gronroos, 1985; Foreman & Money, 1995). There are also researches on how IM is used in implementing marketing strategies (Ahmed & Rafiq, 1995; Ahmed, Rafiq, & Saad, 2003). Subsequently, many research can be found in market orientation and how it is related to business performance (Kohli & Jaworski, 1990; Kohli, Jaworski, & Kumar, 1993; Jaworski & Kohli 1993; Narver & Slater, 1990; Slater & Narver 1995). Unfortunately, there is little research on how IM leads to market orientation. Most of the researches were conducted within service providers (Richardson & Robinson, 1986; Schlesinger & Heskett 1991; Greene, Walls, & Schrest, 1994).

Due to the missing link between IM and market orientation, furthermore in the context on manufacturing companies, thus the proposed theoretical framework was generated. The model postulates the relationship between IM and market orientation. In addition, the model introduced job satisfaction and organizational commitment as mediating variables. In the propose framework, IM is developed from the theory of Foreman and Money (1995), whereas market orientation is based on the theory of Kohli and Jaworski (1990). Both job satisfaction and organizational commitment were adapted from the research of Kim, Leong, and Lee (2004) and Jaworski and Kohli (1993) respectively.

Foreman and Money (1995) mentioned that IM exist when organization provide clear vision, development, and rewards for its employees. According to Caruana and