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## **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.*

**Keywords:** *Internal market orientation (IMO); Job satisfaction; Organizational commitment; Work/family balance.*

## **1. Introduction**

In recent decades there has been considerable research into the role of service staff as regards customer satisfaction (Tornow & Wiley, 1991; Foster & Cadogan, 2000; Donovan & 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 & Payne, 1991). For their part, Papasolomou and Proctor state that IM encourages "appropriate behavior towards target external markets" (Papasolomou & 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 et al. (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.

## **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 Jaworski (1990) and Desphandé 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 & 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 Jaworski’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 towards external customers. Nonetheless, the research that has been conducted suggests that IMO favors the development and maintenance of a service culture (George & Grönroos, 1989) and makes it easier to bring the internal market into line with marketing objectives (Lings, 1999; Awwad et al, 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 & Greenley, 2005) and more satisfied employees (Gounaris, 2008), which in turn should give rise to increased market share or profits compared to competitors (Lings & 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 & 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, 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&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 Figure 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 value that each employee brings to the company and that which the company offers the employee. This equity theory has a key role in internal marketing as it suggests that employees assess their work by considering what they put in and what they get out in return. The outcome of this balance may lead company managers to redesign posts in an attempt to improve the benefits which employees receive, or at least the perception of them (Huseman& Hatfield, 1990; Lings &Greenley, 2005). As regards internal market segmentation, Ahmed and Rafiq (1993) show that IM leads to increased marketing strategy such as segmentation and targeting; Lings (2004) acknowledges that it is advisable to group employees with similar characteristics and needs as this facilitates the design of more effective strategies targeted at the internal market. In light of the above, it is proposed that (see Figure 1):

**H2:** Identification of value exchange and internal market segmentation are sub-dimensions of intelligence generation.

The third dimension of the model concerns those actions taken in response to the needs of employees, and it comprises three aspects: management concern (MC), training (TR), and work/family balance (WFB).

Several authors have pointed out that managers have a key role when it comes to fostering internal market orientation (Webster, 1988; Grönroos, 1990; Jaworski&Kohli, 1993; Lukas &Maignan, 1996). Indeed, one of their responsibilities is to create a climate for market orientation (Grönroos, 1990), and as organizational leaders they are

role models who must demonstrate their dedication to internal customers (Lukas & Maignan, 1996). In this regard, one might hypothesize that greater management concern and support for an internal market orientation will lead to higher levels of IMO in the organization. This societal nature of internal marketing is also captured in the concept of managerial consideration (Lings, 2004), which in this paper we will call “management concern”. Specifically, we refer to the degree to which managers develop a work climate of psychological support, helpfulness, friendliness, and mutual respect (Johnston et al., 1990). As Lings (2004) points out, this does not mean that managers cater to employees’ needs on a *carte blanche* basis, but refers simply to the degree to which employees are recognized as individuals and treated with dignity and respect.

One way of conveying the importance and nature of a market orientation is through training programs (Grönroos, 1990), which can provide employees with skills and foster the attention to customer needs that is required to develop a market orientation (Ruekert, 1992). Furthermore, improving employees’ attitudes through training increases the likelihood of their becoming ingrained in the organizational culture (Grönroos, 1990). In the context of the present study, we therefore propose that training could be utilized to develop internal market orientation.

Finally, as result of our qualitative research, Family Work Balance will be included, as most of the 15 experts consulted, identified it as a fundamental aspect to be studied within this research regarding employee needs. We draw upon the work of Lings and Greenley (2005), who suggest that the “response to generated intelligence” dimension could include other elements which they call “social”. These social elements include certain less tangible benefits which are nonetheless important as regards the value exchange (Huseman & Hatfield, 1990), a good example being the work/family balance

(WFB) (Thomas & Ganster, 1995). The literature on this question suggests that higher levels of job satisfaction (Thomas & Ganster, 1995; Thompson & Prottas, 2005) and less intention to quit (Thompson et al., 1999; Thompson & Prottas, 2005) are to be found in those companies in which managers actively support attempts to balance work and family commitments. Similarly, the IFREI report (Informe IFREI, 2011) concluded that employee commitment was four times higher in companies in which the work environment was favorable to WFB, whereas in those that made WFB difficult, job dissatisfaction was seven times higher and employees were eleven times more likely to express the intention to quit.

In light of the above, we propose that (see Figure 1):

**H3:** Management concern, training, and work/family balance are sub-dimensions of the response to intelligence.

The literature review indicates that the adoption of an internal marketing strategy gives rise to numerous benefits within a company. For example, Gounaris (2008) argues that just as an external marketing strategy can make a company more effective and improve performance, an internal marketing strategy will improve a firm's internal marketing. This implies employees who are more satisfied and more committed to the company, since those companies which attend to internal marketing will study their employees' needs and design strategies based on their characteristics. Moreover, they include their employees in the decision-making process through the dissemination of information. These employees will feel "looked after" by the company as a result of the commitment of managers, the development of strategies for combining work and family life, or the implementation of specific training programs designed to make them more effective and efficient in their posts (Jaworski & Kohli, 1993; Caruana & Calleya, 1998; Ruekert, 1992,

Siguaw et al., 1994; Zaman et al., 2012). Creating satisfied and motivated employees is the role of internal marketing (Sasser and Arbeit, 1976; . Berry, 1984; Berry and Parasuranam, 1991).

The next two hypotheses concern the relationship between IMO and both job satisfaction and commitment. In their study of employee behavior Harrison et al. (2006) refer to two key attitudes: job satisfaction and commitment to the organization. The correlation between job satisfaction and commitment has also been demonstrated by several other studies (e.g., Firth et al., 2004; Silva, 2006). Job satisfaction plays a key role in relation to the rotation of employees and managers, and it therefore also influences commitment (Chinchilla, 2009). In an empirical study of the hotel sector Gounaris (2008) showed that an IMO improved substantially the degree of job satisfaction among employees. Therefore, we propose that (see Figure 1):

**H4:** IMO has a positive impact on job satisfaction.

Caruana and Calleya (1998) conclude that companies which are oriented towards the needs of their employees develop higher levels of commitment. In an empirical research Tansuhaj et al (1987) showed how IM practices increased levels of job satisfaction and commitment to the organization. Similarly, Testa (2001) argues that commitment is an emotional response by employees to favorable developments in the workplace. We therefore propose that (see Figure 1):

**H5:** IMO has a positive impact on employees' commitment.

Gounaris (2006) points out the importance of testing IMO with a performance index of the company's IM strategy effectiveness (job satisfaction). Malhotra and Mukherjee (2003) found a positive correlation between employee-perceived service quality and

commitment, especially what they termed affective commitment. More recently, Lam and Ozorio (2012) investigated job satisfaction in the casino sector in Macao, a context characterized by difficult working conditions (long hours, little natural light, a complex environment, suicides, etc.). The results confirmed one of their hypotheses, namely that high levels of satisfaction among employees had a positive impact in terms of job loyalty and commitment. Lings (2004) who first defined IMO as a concept, clearly stated that behaviors associated with creating satisfied and compromised employees are labeled “IMO”. He considered employee satisfaction, employee retention and employee commitment as internal aspects of performance. So job satisfaction and commitment are fundamental to the IMO concept. In light of these findings we propose that (see Figure 1):

**H6:** Job satisfaction has a positive impact on employees’ commitment.

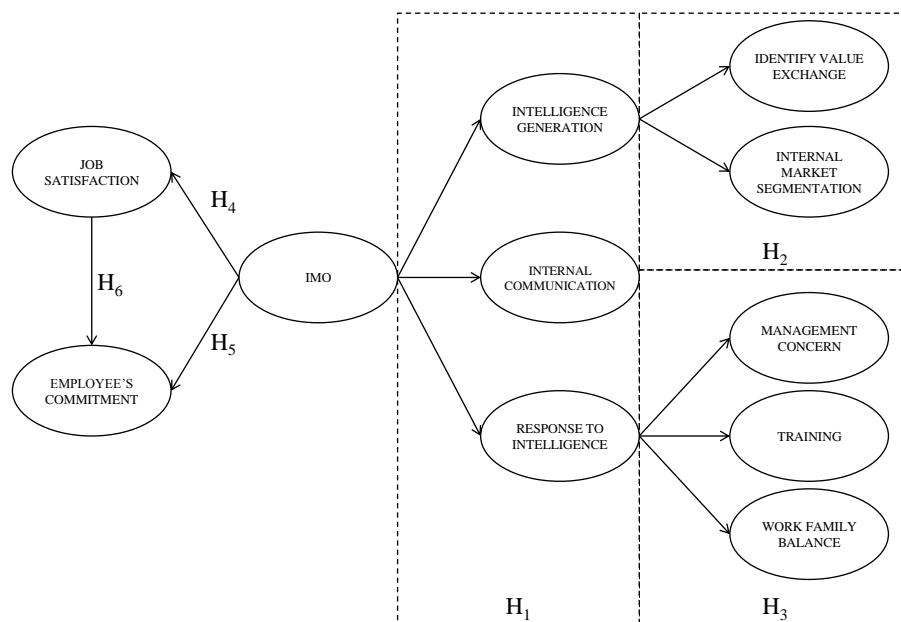


Figure 1: A suggested conceptualization of internal market orientation.

### **3. Methodology**

#### **3.1 Sample and data collection**

The source for potential participants was the official census of three-, four-, and five-star hotels in Spain (Guía de Hoteles de España [Guide to Hotels in Spain], 2010), which lists a total of 4,478 establishments. Of these, 750 hotels to which we had access were selected by means of stratified sampling, proportional to the category of the establishments.

The sample unit was made up of a key informants from hotel, middle managers, with a dual function, able to provide both information on the management of the organization, and their own satisfaction and commitment to the organization, due to the fact that they are also subject to supervision from others in the same field of the hotel establishment.

Data was collected between January and May 2010, this period being chosen so as not to coincide with the busy summer season.

The final sample comprised 201 hotels of different categories (three, four, and five stars), which corresponds to a response rate of 26.8%. Under the assumption of simple random sampling this implies a sampling error of 7.02%.

#### **3.2 Questionnaire and the scales on which it was based**

Data were collected using a 28-item questionnaire. Twenty-two items referred to the measurement of IMO and the remaining six to the other two factors analyzed: three for job satisfaction and three for employees' commitment.

The questionnaire was based on existing scales designed to measure IMO (Lings and Grenley, 2005; Gounaris, 2008), job satisfaction, commitment and Family Work Balance (Meyer & Allen, 1991; Kossek& Nichol, 1992; Thompson et al., 1999; Hartline & Ferrel, 1996; Clark, 2001), and the 28 items were presented in a seven-point Likert format, anchored by totally disagree and totally agree. Lings (2004) defined IMO and recognized that there no scales to measure IMO. He suggested the adaptation of MARKOR (Kohli, et al, 1993) because of its conceptual similarities with IMO. He clearly states that any modification of the MARKOR scale for use in the internal market must be preceded by qualitative research such as we undertook.

Two pretests of the questionnaire were undertaken following Churchill's (1979) suggestions: firstly with personal interviews and secondly with a small-scale test. The questionnaire was piloted by means of 15 interviews with managers of hotels and hotel chains in order to identify any bias or difficulties with item interpretation. As a result of the feedback received, four of the original 32 items were eliminated. The pretest was contributed to by 15 specialists, of whom 86.7% indicated that vertical communication is the most important factor facing a study on the degree of market orientation with these key informants. This is due to the fact that other dimensions of communication, such as horizontal, are managed at other levels where these employees are not present and cross-functional coordination takes place.

The questionnaire was then reviewed again by 10 experts, including both university lecturers and professionals in the field.

The questionnaire items covered the following dimensions: Identify Value Exchange (IVE) (4 items); Internal Market Segmentation (IMS) (3 items); Internal Communication (IC), between managers and employees (4 items); Management



Concern (MC), with respect to employees (5 items); Training (TR), to develop the skills and capacities required by a job (3 items); and Work/Family Balance (WFB) (3 items).

The wording of these 22 items was based on previous studies (Clark, 2001; Kossek & Nichol, 1992; Thompson et al., 1999; Hammer et al., 2009).

In addition, Job Satisfaction (JS) was measured using three items taken from Hartline and Ferrel (1996), while Employee's Commitment (EC) was measured with two items used by Meyer and Allen (1991), as well as one item developed by the present authors. The 28 questionnaire items are listed in the Appendix.

#### **4. RESULTS**

In order to test the proposed hypotheses the model was evaluated by means of partial least squares (PLS) path modeling, a tool designed to estimate structural equation models and which seeks to minimize the residual variance of the endogenous variables (manifest and latent) (Fornell & Bookstein, 1982). According to Chin (1998), two applications of PLS are possible: It can either be used for theory confirmation or theory development. PLS allows to determine convergent and discriminant validity of the measurement instruments by the use of indicators such as composed reliability, extracted variance and also the factor loadings of each latent variable with its respective indicator, such as traditional models based in covariances do (e.g. LISREL).

PLS path modeling was chosen here for a number of reasons. First, we are attempting to estimate a complex model that requires the estimation of a large number of parameters with a small sample. Models based on covariance structures (e.g., LISREL) require large sample sizes in order to achieve precise estimations (Kline, 2011). Furthermore,

sample size also depends on the complexity of the model, and complex models require large samples. In this context, an oft-used rule is what is known as the “N:q rule” (Jackson, 2003), according to which between 10 and 20 cases are needed for each estimated parameter. The model proposed here must estimate 67 parameters, which would imply the availability of 670 cases. However, PLS path modeling can be used to estimate complex models in a consistent way even if the sample size is small (Barclay et al., 1995; Tenenhaus et al., 2005). The second reason for choosing the PLS approach is that models based on covariance structures assume that the sample follows a multivariate normal distribution (Kline, 2011). By contrast, this assumption does not have to be fulfilled in PLS path modeling (Chin et al., 2003). As regards our data, Mardia’s multivariate kurtosis coefficient indicated that the sample did not follow a multivariate normal distribution ( $K = 226.66$ ;  $p = 0.00$ ). In light of the above, and following the recommendations of other authors (Henseler et al., 2009), we decided to use PLS path modeling to estimate the proposed model.

In the estimation of the model the outer weights were calculated as the covariances between the inner proxy of each latent variable and its indicators (in Mode A, reflective). The inner weights were estimated by means of the path weighting scheme (Lohmöller, 1989). The two second-order constructs (intelligence and company response) and the third-order construct (internal market orientation) were specified in line with the recommendations of authors such as Chin et al. (2003), Lohmöller (1989), and Wilson (2010) regarding hierarchical component models. Finally, the standard errors were obtained through bootstrapping, using 250 samples and employing the PLS path modeling module of the XLSTAT software.

Although there is no overall fit index in PLS path modeling a global criterion of goodness of fit has been proposed by some authors (Esposito et al., 2010). This index, named GoF, has been developed in order to take into account the model's performance in both the measurement and the structural model and thus provide a single measure of its overall prediction performance. The GoF index is bounded between 0 and 1, and it is descriptive because there is no inference-based threshold to judge the statistical significance of its values. As a rule of thumb, a value of the relative GoF equal to or higher than 0.90 indicates clear support for the model. For the proposed model the relative GoF reached a value very close to this limit (0.89), thereby supporting the model's validity. The results also clearly indicate that the fit of the outer model is better than that of the inner model ( $GoF_{outer} = 0.99$ ;  $GoF_{inner} = 0.89$ ).

The psychometric properties of the different scales used are shown in Table 1. It should be noted that one of the items used to measure internal market segmentation had to be eliminated due to its very low factor loading. The remaining items were shown to be reliable measures of each of the latent constructs included in the model. In all cases the composite reliability was above or close to 0.90, while the values of Cronbach's alpha were always greater than 0.70. As regards the average variance extracted (AVE), this was always close to or above the limit of 0.50. Taken together, these results suggest that the scales used to measure each latent variable are valid and reliable (Kline, 2011).

**Table 1 Composite reliability, average variance extracted (AVE), and Cronbach's alpha for the scales used.**

Latent variable	Number of items	R <sup>2</sup>	AVE	Composite reliability	Cronbach $\alpha$
<i>First order</i>					
Identify value exchange (IVE)	4	0.92	0.72	0.91	0.87
Internal market segmentation (IMS)	2	0.68	0.78	0.87	0.72
Internal communication (IC)	4	0.60	0.69	0.90	0.85
Management concern (MC)	5	0.90	0.70	0.92	0.89
Training (TR)	3	0.63	0.69	0.87	0.78
Work/family balance (WFB)	3	0.76	0.79	0.92	0.86
Job satisfaction (JS)	3	0.44	0.77	0.91	0.85
Employee's commitment (EC)	3	0.54	0.70	0.87	0.78
<i>Second order</i>					
Intelligence generation (IG)	6	0.81	0.62	0.91	0.88
Response to intelligence (RI)	11	0.95	0.57	0.93	0.92
<i>Third order</i>					
Internal market orientation (IMO)	20		0.49	0.95	0.94
Mean		0.72	0.61		

With respect to discriminant validity, Table 2 shows the correlations between the first-order latent constructs, as well as the AVE for each one of them. According to Fornell and Larcker (1981), discriminant validity is present if the squared correlation between each pair of latent constructs is less than the AVE. The results show that this condition is fulfilled in all cases, thereby confirming that there is discriminant validity between the first-order constructs. As regards the second-order constructs (intelligence generation and response to intelligence) the squared correlation between them has a value of 0.51, which is lower than the AVE for both intelligence generation and response to intelligence. Therefore, there is also discriminant validity between the second-order constructs.

**Table 2 Squared correlations and AVE for the first-order constructs**

Latent variable	IVE	IMS	IC	MC	TR	WFB	JS	EC	AVE
IVE	1								0.72
IMS	0.41	1							0.78
IC	0.33	0.16	1						0.69
MC	0.61	0.34	0.44	1					0.70
TR	0.39	0.26	0.44	0.43	1				0.69
WFB	0.43	0.38	0.27	0.56	0.30	1			0.79
JS	0.28	0.19	0.36	0.35	0.32	0.32	1		0.77
EC	0.22	0.14	0.33	0.29	0.29	0.28	0.51	1	0.70
AVE	0.72	0.78	0.69	0.70	0.69	0.79	0.77	0.70	

The coefficients of the inner model are shown in Table 3. As the bootstrap confidence intervals never include zero it can be concluded that the estimated coefficients are significantly different from zero. It can also be seen that the standardized coefficients which relate IG to IVE and IMS are very high and above 0.80 in both cases (0.96 and 0.83, respectively). Consequently, it can be stated that both IVE and IMS are sub-dimensions of IG, as predicted by H<sub>2</sub>.

Similar conclusions can be drawn regarding RI. It can be seen in Table 3 that the standardized coefficients of MC, TR, and WFB are very high (0.95, 0.80, and 0.87, respectively) and, therefore, they can be regarded as sub-dimensions of RI, as proposed by H<sub>3</sub>.

Finally, and as predicted by H<sub>1</sub>, IMO is shown to be a construct with three sub-dimensions (IG, IC, and RI), since the corresponding standardized coefficients are again very high and significantly different from zero (0.90, 0.77, and 0.97, respectively). This means that H<sub>1</sub> cannot be rejected either.

**Table 3 Standardized coefficients of the inner model (bootstrap CI)**

	Independent latent variables									
	IVE	IMS	MC	TR	WFB	IG	IC	RI	JS	EC
IG	0.96 (0.95- 0.97)	0.83 (0.76- 0.88)								
RI			0.95 (0.93- 0.96)	0.80 (0.69- 0.86)	0.87 (0.83- 0.91)					
IM						0.90 (0.86- 0.93)	0.77 (0.66- 0.84)	0.97 (0.96- 0.98)	0.67 (0.57- 0.74)	0.25 (0.11- 0.40)
O										
JS										0.55 (0.39- 0.69)

Our fourth and fifth hypotheses were that a stronger IMO would be associated with greater job satisfaction (H<sub>4</sub>) and greater commitment on the part of employees (H<sub>5</sub>).

Table 3 shows that neither of these hypotheses can be rejected. Specifically, the standardized coefficient between IMO and JS is 0.67 and its confidence interval ranges between 0.57 and 0.74, indicating that the coefficient is significantly different from zero. The standardized coefficient between IMO and EC is 0.25 and its confidence interval ranges between 0.11 and 0.40, which likewise indicates that the coefficient is significantly different from zero.

Finally, H<sub>6</sub> argued that greater job satisfaction would lead to greater commitment on the part of employees. It can be seen in Table 3 that the standardized coefficient between JS and EC is 0.55 and that its confidence interval ranges between 0.39 and 0.69, thereby confirming that the coefficient is statistically significant. This means that H<sub>6</sub> cannot be rejected.

## 5. Discussion, limitations, and implications

The results of this study have both academic and practical implications. First, by demonstrating the validity and reliability of the measure of IMO in the hotel sector the study is consistent with the work of authors such as Piercy (1995) or Gounaris (2008)

who argue that within the context of strategic marketing there should be an internal marketing orientation that matches the focus on external marketing. We agree with Gounaris (2006) that it ought to be noted that caution is needed before the instrument presented in this study can be safely adopted as an universal measure of the company's degree of IMO adoption.

The results also show that within the hotel sector the IMO consists of three constructs: intelligence generation, internal communication, and response to intelligence. The first and last of these constructs are formed, in turn, by five first-order constructs: identification of value exchange and internal market segmentation in the case of intelligence generation; and management concern, training, and work/family balance in the case of the response to intelligence.

A noteworthy finding of this study is the confirmation of the validity of including work/family balance as part of the response to intelligence construct. The very high standardized coefficient obtained for work/family balance (0.87) is not only higher than that corresponding to training (0.80), an aspect that has been widely studied for its influence on response to intelligence, but is also very close to the value corresponding to management concern (0.90).

With respect to business practice, many authors (e.g., Rafiq & Ahmed, 2000) have noted that although there is a sound scientific basis for IM very few companies actually implement it. In this regard, an IMO can act as a stimulus for IM strategies, not only in relation to front office staff but for any employee in the hospitality sector. This stimulus role is supported by the present results, which confirm that the presence of an IMO improves job satisfaction among hotel employees.

The study also shows that the presence of an IMO has an influence on employees' commitment, and that it does so in two ways: both directly and through the positive effect which job satisfaction has on commitment. As such, the presence of an IMO improves the effectiveness of IM practices and, therefore, customer satisfaction as a result of two processes: improved performance and the increased search for service excellence which follows from greater job satisfaction.

One line of research which is suggested by the present results concerns the relationship between IMO and performance. In relation to market orientation, and based on the concept of Sigauw et al. (1994), Piercy et al. (2009) argue strongly that a market-oriented company would influence salespeople's selling behaviors and their performance. In an analogous way one could study whether something similar occurs with employee performance as the degree of IMO increases.

Other aspects that merit further investigation include testing the questionnaire in different cultural contexts, since employees' interests and values may vary according to the setting in which they work (Hofstede, 1994). It would also be interesting to carry out comparative studies on the extent to which an IMO is adopted by hotels in different countries, as well as investigating sectors other than hotels within the hospitality industry.

Drawing upon the findings of authors such as Kandasamy and Ancheri (2009), Line and Runyan (2012) argue that the growth of research in the field of IM "indicates an increased belief that internal issues of employee satisfaction and quality of work life [...] have a direct impact on customer satisfaction and retention" (Line & Runyan, 2012: 483). In this regard, there is a need for further research on the relationship between IMO



and the satisfaction and loyalty of external customers. Brown and Leigh (1996) examine the relationship between customer orientation and employee job satisfaction (Hoffman and Ingram, 1992; Pettijohn et al, 2002), they concluded that customer satisfaction increases increments of job satisfaction levels.

Likewise, one should consider the research on customer orientation of service employees (COSE) which has been conducted in order to reach a better understanding of customer-related outcome variables (Kelley, 1992; Henning-Thurau et al. 2002; Kim & Ok, 2010), and it is our view that IMO could be investigated as a possible precursor of COSE. Lings and Greenley (2005) analyzed IMO and customer satisfaction: the results of regression analysis indicated that IMO had a significant impact on customer satisfaction providing empirical support for the assertions of Grönroos (1990) and Reynoso and Moores (1995).

Another line of research would be to carry out empirical studies of small enterprises within the hotel sector. In a recent study of rural tourism enterprises, Polo et al. (2012) suggested that market orientation models should be adapted so as to enable them to be applied to smaller enterprises. They concluded that smaller size has implications for how the enterprise adopts MO, differentiating it from the approach taken by larger businesses. In our view, this recommendation would also apply to the study of IMO in smaller enterprises.

Finally, there is also a need to study further the relationship between IMO and work/family balance in companies. Research by Rafiq and Ahmed (2000) showed that few companies implement IM practices because they lack an IMO, and this suggests that companies would find it easier to apply IM strategies were they to adopt an IMO.

Future research should therefore examine whether companies that introduce and/or strengthen their IMO subsequently obtain better financial results and develop sustainable competitive advantages. More importantly, by placing a greater emphasis on the needs of their employees these companies would be respecting more the dignity of each individual and, therefore, would be helping to improve society as whole.

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## APPENDIX: DETAILED LIST OF THE QUESTIONNAIRE ITEMS

### ✓ **Identify Value Exchange (IVE)**

**Q1:** *“One of this company’s priorities is to understand the needs of its employees before any decisions are made”.*

**Q2:** *“We make sure we meet our employees face to face so as to understand better their needs”.*

**Q3:** *“In this company we regularly conduct studies to identify our employees’ needs and expectations”.*

**Q4:** *“An important aspect of our work is to check whether our employees are satisfied with their job and to identify any problems they might have”.*

### ✓ **Internal Market Segmentation (IMS)**

**Q5:** *“This company classifies its employees into well-defined groups according to their individual needs (e.g., health problems, those with dependents, etc.)”.*

**Q6:** *“When we draw up a particular policy or aim to implement it we always ask ourselves how it will affect the different segments of employees with similar needs and characteristics”.*

**Q7:** *“All our employees are treated in exactly the same way, regardless of their needs and individual characteristics”.*

### ✓ **Internal Communication (IC)**

**Q8:** *“Our supervisors are genuinely interested in listening to what employees have to say about their work, any problems they might have, and the suggestions they put forward”.*

**Q9:** *“If employees have a personal problem that has a negative effect on their performance, we encourage them to talk to their supervisor about it”.*

**Q10:** *“The supervisors in this company are always available to meet personally with an employee if such a meeting is requested”.*

**Q11:** *“Supervisors are expected to spend time with employees, explaining to them the company’s objectives and how these objectives affect what the company expects from each individual employee”.*

✓ **Management Concern (MC)**

**Q12:** *“The managers of this company invest resources (time and/or money) where needed in order to satisfy the specific needs or requirements of employees”.*

**Q13:** *“The needs of employees are taken seriously by company managers, and policies are developed with the aim of satisfying these needs”.*

**Q14:** *“The management of this company is clearly geared toward solving any problems that employees may have and providing them with the support they need to perform their job well”.*

**Q15:** *“Managers are genuinely interested in employees as people, regardless of how well they perform their job or the results they achieve”.* (This item was developed by the present authors).

**Q16:** *“Managers are genuinely interested in hearing about and understanding their employees’ feelings insofar as these affect their work”.* (This item was developed by the present authors).

✓ **Training (TR)**

**Q17:** *“Prior to implementing a new service, or modifying an existing one, employees are given extensive training in relation to the change and how it will affect their way of working”.*

**Q18:** *“This company systematically and continuously organizes training seminars so that employees can develop their skills”.*

**Q19:** *“If an employee is moved to a new task or department, his/her new supervisor will personally provide training in relation to the new role”.*

✓ **Work/Family Balance (WFB)**

**Q20:** *“Managers understand the family needs of employees”.*

**Q21:** *“Managers support employees so that they can combine their work and family commitments”.*

**Q22:** *“In this company, employees are able to find a balance between work and family life”.*

✓ **Job Satisfaction (JS)**

**Q23:** *“I’m satisfied with the relationship I have with my bosses”.*

**Q24:** *“I’m satisfied with the support I receive from the company”.*

**Q25:** *“I’m satisfied with the career opportunities I have in this company”.*

✓ **Employee’s Commitment (EC)**

**Q26:** *“This company deserves that I do my best at work”.* (This item was developed by the present authors).

**Q27:** *“I feel an emotional tie to the company”.*

**Q28:** *“I would feel a bit guilty if I had to leave the company right now”.*