

APPLICABILITY OF  
INTERNAL MARKETING FACTORS TO BOOST  
INTERNAL SERVICE QUALITY

NURUL AKMAL BINTI MOHD SULAIMAN

Universiti Teknikal Malaysia Melaka

## SUPERVISOR'S APPROVAL

I / We \* hereby declare that have read this works and in my / our \* this works is sufficient in terms of scope and quality for the submission Bachelor of Technology Management (High Technology Marketing)

Signature :.....  
Name of Main Supervisor : DR. ISMI RAJIANI  
Date :.....

Signature :.....  
Name of Panel Supervisor : PROF. DR. SALLEH BIN YAHYA  
Date :.....

*\*slide the unrelated*

THE APPLICABILITY OF INTERNAL MARKETING FACTORS TO BOOST  
INTERNAL SERVICE QUALITY

NURUL AKMAL BINTI MOHD SULAIMAN

This report is provided for fulfils a part of the graduation requirements for Bachelor  
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## DECLARATION

"I admit that this report is my own works except the summary and quote of each of which I have mentioned the source"

Signature : .....

Name : NURUL AKMAL BINTI MOHD SULAIMAN

Date : .....

## DEDICATION

I dedicate this to my family especially to my beloved mother, Roslinda Binti Abdul Razak and my father, Mohd. Sulaiman Bin Kastin; and all my siblings especially my brother, Muhammad Taquiuddin Bin Mohd Sulaiman. Without the support, assistance and motivation from them, I may not at the stage. Thank you very much. I love you all.

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## **ABSTRAK**

*Pada masa kini, konsep internal marketing telah digunakan dengan baik hanya untuk syarikat tertentu sahaja. Lebih daripada 30 tahun yang lalu, internal marketing telah dicadangkan sebagai penyelesaian yang pertama dalam menyelesaikan masalah dalam memberi 'Internal Service Quality' (ISQ). Tujuan kajian ini adalah untuk mengkaji kesesuaian faktor Internal Marketing (IM) terhadap Internal Service Quality (ISQ) syarikat. Di dalam kajian ini, Pos Malaysia Berhad Syarikat telah dipilih di antara syarikat di Malaysia untuk mengkaji bagaimana elemen internal marketing dan Internal Service Quality yang dijangkakan berhubungkait di dalam syarikat. Kajian ini mengaplikasikan enam praktis Internal Marketing dari segi motivasi pekerja, komunikasi yang berkesan, pemilihan pekerja, pembangunan pekerjaan, sistem sokongan dan persekitaran kerja yang sihat; dan internal service quality yang disampaikan. Satu siri temubual dijalankan untuk mengumpul 103 jawapan responden, manakala data yang dikumpul dianalisis secara kuantitatif dengan menggunakan Analisis Faktor dan Analisis Regresi Berganda. Keputusan menunjukkan bahawa terdapat hubungan yang positif antara unsur-unsur internal marketing dan internal service quality yang dijangkakan dalam magnitud pembolehubah. Selain itu, kajian menunjukkan bahawa sistem sokongan telah memberi kesan terbesar di dalam internal service quality. Pembekal perkhidmatan adalah dinasihatkan untuk mengaplikasikan internal marketing untuk memupuk kualiti perkhidmatan luar yang lebih baik kerana untuk memuaskan pelanggan, syarikat itu perlu memuaskan pekerja syarikat tersebut itu terlebih dahulu.*

**Kata kunci:** *Internal Marketing, Internal Service Quality, Pos Malaysia Bhd, Malaysia*

## ABSTRACT

Nowadays, the concept of internal marketing has been applied well to only certain company. More than 30 years ago, internal marketing have been proposed as the first solution to solve the problem in delivering high Internal Service Quality (ISQ). The purpose of this research is to examine the applicability of Internal marketing (IM) factors in relation to the Internal Service Quality (ISQ) of the company. In this study, Pos Malaysia Berhad Company is selected among the company in Malaysia to investigate how the Internal Marketing element and the anticipated Internal Service Quality relate in the company. The research applies six internal marketing practices in terms of employee motivation, effective communication, employee selection, employment development, support system and healthy work environment; and the delivered internal service quality. A series of interview is conducted to collect the 103 respondents answers, while the data collected is analyzed quantitatively by using the Factor Analysis and Multiple Regression Analysis. The results indicate that there is a positive relation between the elements of the Internal Market and the anticipated Internal Service Quality in variable magnitude. In addition to that, the research shows that the support system has effected the changes in Internal Service Quality the most. Service providers are advised to apply the Internal Marketing to foster a better external service quality because in order to satisfy the customer, the company has to satisfy the employee first.

**Keywords:** Internal Marketing, Internal Service Quality, Pos Malaysia Bhd, Malaysia



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### LIST OF SYMBOL/ ACRONYM

$\lambda$	=	factor loadings to be estimated
$x_{ij}$	=	combination of $p$ unobserved factors
$\delta_{ij}$	=	measurement error in $x_{ij}$
$Y$	=	Internal service quality
$a$	=	constant
$X_1$	=	motivation
$X_2$	=	communication
$X_3$	=	selection
$X_4$	=	development
$X_5$	=	support system
$X_6$	=	work environment
$b_1, b_2, b_3, b_4, b_5, b_6$	=	regression coefficient
IM	=	Internal Marketing
ISQ	=	Internal Service Quality

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction/ Background of Study**

Internal marketing (IM) is an emerging concept or discipline that has been practised by several companies under different names. Sometimes, the employee itself does not know that they are the internal customer of the company and their job as the product offered. Some company defines internal marketing as the internal marketing, internal communication or employee engagement, but the concept here is still the same, which is to align, motivate and empower the employees, at all functions and levels, which is to consistently deliver a good or positive customer experience that is aligned with the firm's organizational goal. Other than that, the concept of the Internal Marketing has been researched and adopted by companies enhance the quality of the products and services to achieve a better performance like the research of *The Impact of Internal Marketing on Internal Service Quality : A Case Study in a Jordanian Pharmaceutical Company* by Amjad Abu ELSamen & Muhammad Alshurideh.

Nowadays, the business has found that it is critical to look inward and assess their operation internally, in fact, most importantly, it is crucial to understand and

take into account their human resource or employees view about the company, whether they love enough to market the company or otherwise. Before this, not many of the companies that care or really look into this matter, but now a change of mindset has been detected in this area where the company is now most likely regarding the employees as customers that must be served well and the quality of this services is essential to ensure the success of a business. In this research, the researcher aims to examine the significance of the Internal Marketing on the internal service quality at Pos Malaysia Berhad Company. Service organizations are fundamentally important to the economy of a country in contributing to the gross domestic products (GDP) along with the employment rate. The growth of the service company has been kept up since the late 90's and service industries have contributed a good impact to the national economies. Some of the research about Internal Marketing in Malaysia has been done like the „Internal Marketing and The Mediating Role Of Organisational Competencies“ by Pervaiz K Ahmed, Mohammed Rafiq, Norizan M Saad and „Internal Marketing Issues in Service Organizations in Malaysia“ by Norbani Che Ha, Raida Abu Bakar & Syed Izzaddin Syed Jaafar.

The service sector's growth has led the service sector in becoming more competitive in addition to transforming the management and marketing of service organizations (BOSCH, 2007). In this research, the researcher examines the relationship between the six internal marketing practices and the delivered internal service quality. Hence, the researcher assess and examine the efficiency of all the tools and method that have been used by the company in marketing their company internally to their employees, and thus allowing them to know the views of their employees regarding the method and tools used and how the employees felt about the treatment given to their everyday work. The research after that, will grant the managers the ability to detect or recognize the area that need improvement to ensure higher productivity or services from their employee. The problem would like to highlight here is the elements of internal marketing that may boost internal service quality.

## **1.2 Research Question**

This research aims to answer the following research questions:

- i) What are the factors of the Internal Marketing (IM) and Internal Service Quality (ISQ) in order of ranking?
- ii) What is the highest factor of Internal Marketing and Internal Service Quality?

## **1.3 Research Objectives**

Where based on the research questions, there are three objectives have been planned to be studied, which are:

- i) To confirm which factors included in Internal Marketing and Internal Service Quality.
- ii) To explore the relationship of the Internal Marketing (motivation, communication, employee development, support system and work environment) and the extent of changes in Internal Service Quality.
- iii) To identify the factors that effects the changes in Internal Service Quality.

## **1.4 Scope, Limitation and Key Assumption of the Study**

In this research, the scope of the research is focussed at Pos Malaysia Berhad Company. Pos Malaysia Berhad Company is selected on the basis of its significance performance, market size, company characteristics and also the possibility to gain

some of the access to the company information, but still there is a limitation to the access to all of the company information. Other than that, it is assumed that, some of the employee may not answer the survey properly, so it maybe a little bit hard to get the total accurate result. Next limitation is the geographical scope is only Pos Malaysia Berhad at Johor Bahru.

### **1.5 Importance of the Study (Significance/Contribution)**

The research will give benefit and contribute to the academicians in terms of referral for their studies and research; and also the service industry that already applied or have not applied the internal marketing programs where the internal marketing programs will more likely to give a bigger payoffs to the organizations in the service industry in terms of increasing service quality, low employees turnover rate, high level of employees satisfaction, high level of customers satisfaction, good relation with the employees along with the customer and also the ability in implementing the change in several industry organization. Other than that, this research will then provide the managers with the ability to detect or recognize the areas that need improvement to ensure higher productivity or services from their employee in the future.

## 1.6 Summary

Overall in chapter one, the background of the research has been discussed, where the research examining the relation of the six essential elements of the Internal Marketing (IM) in terms of employee motivation, effective communication, employee selection, employment development, support system and healthy work environment towards the significance of the Internal Service Quality (ISQ) delivered at the Pos Malaysia Berhad Company. This research aim to answer the research questions regarding the factors of the Internal Marketing (IM) and Internal Service Quality (ISQ) in order of ranking; and the highest factor of Internal Marketing and Internal Service Quality. In addition to that, based on the propose research question, there are three objectives have been planned to be studied. The research objectives are to confirm which factors included in Internal Marketing and Internal Service Quality, to explore the relationship of the Internal Marketing (motivation, communication, employee development, support system and work environment) and the extent of changes in Internal Service Quality and to identify the factor that effects the changes in Internal Service Quality. Eventhough, effective recruitment is also essential in internal marketing, but in the research, it is not included, as the company wants something to improve the current employee not to employ new employee.

The scope of this research will be focusing on the service industry, which is the Pos Malaysia Berhad Company located in Johor Bahru. Other than that, the scope of this study will be limited to internal marketing. There may be some limitation of the research like the level of accurateness of the result regarding the survey that been done by the employee. Next, the significance of this research is that it will give benefit to the academician in terms of reference to their studies and to the service industry in terms of importance payoff if the industry fully understands the application internal marketing program and apply the program properly. On the other hand, the research will also grant the managers of the company to the detect or recognize the lacking of internal marketing program of the company and try to improve it for the better performance and high service quality of the company.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Internal Marketing**

Nowadays, it is not sufficient just to serve the external customer but now internal customer should also take into account in a way to obtain high performance and also high quality services. Actually the internal marketing terms have been introduced a long time ago, almost 30 years back, where the term of internal marketing appears have been first used by Berry et al. (1976) and later by George (1977) and Thompson et al. (1978, p. 243). Eventhough, they did not use the term internal marketing directly; still the idea of internal marketing was also present in the article. After that, internal marketing term has been defined in the publication of Berry's (1981) article in which he defined the internal marketing 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 organization". According to Palmatier et al. (2006), "logic of satisfying the needs of internal customers", places the business "in a better position to deliver the quality desired to satisfy external customers".

The concept of internal marketing have been appearing around 1970's, where internal marketing program have been founded to solve the problems that occur due to the lack of delivering services in a high quality (Panigyrakis, 2009). Therefore, the company should work hard on improving the method in ways to improve the delivery of services; Drakes (2005) concluded that the company should make the employees to love the brand, in order to convince the customer to love the brand as well, because the employee is the front lines that will market the company to the external customers. Furthermore, Vasconcelos (2007) argued that the external marketing strategies will be improved firstly by improving the internal marketing strategy such as developing the internal relationships between the internal customers, and satisfying the need of the internal customers (employee) and service providers to make them satisfied and motivated (Tsai & Tang, 2008). When internal customers perform, the likelihood of external customers continuing to buy is increased (Payne et al., 2000). In addition to that, internal marketing has been seen as a service company's effort in delivering all the employees about the corporate mission and objectives and with the additional training, motivation and also some set of evaluation to achieve the company desired objectives. Some academicians seen internal marketing as a process like Ballantyne et al. (1995), where he states that "Internal Marketing is considered to be the process of creating market conditions within the organization to ensure that internal customers' wants and needs are met".

Furthermore, some of the other academicians focussed on the organization's employees and see the employees as the asset or core stone that need to be motivated in way to execute the business properly. Grönroos (1980), introduced a new approach to internal marketing. According to George and Gronroos (1989), IM as Internal Market of employees is best motivated for service-mindedness and customer-oriented behavior by an active marketing-like approach (marketing-like activities are used internally). In addition to that, Kotler & Amstrong (1991) defined Internal Marketing as "the building of customer orientation among employees by training and motivating both customers-contact and support staff to work as a team". Therefore, the company needs to think of a way on how to sell the internal products (job) to the internal customers (employee) to succeed in fulfilling the company objectives and deliver high quality services. In addition to that, acknowledgement has appeared that highlights the importance of IM and its relationship in improving

the service delivery and how IM affects the external marketing strategy, in addition to keeping the internal customers or workforces satisfied and motivated.

According to Grönroos (1980), each employee should be trained as a marketer to do things like cross-selling and customer retention skills in addition to where the company should also adopt the framework similar to its external marketing where the company applying marketing-like activities internally in order to trigger the service awareness and customer oriented behaviour among the employee. Meanwhile, according to Berry (1981, p. 25), define internal marketing as a management philosophy where the management view employees as internal customers and the jobs as internal products that will satisfy the needs and wants of these internal customers (employee) while focusing on the objectives of the organization”. On the other hand, according to Rafiq and Ahmed (2000), “Internal marketing is a planned effort, using a marketing-like approach, to overcome organizational change resistance, align, motivate, inter-functionally coordinate and integrate employees towards the effective implementation of corporate and functional strategies, in order to deliver customer satisfaction through a process of creating motivated and customer orientated employees”. This shows that, treating the employee as customer and job as internal product is not enough, if marketing-like activities is not included because nowadays, the employee is needed to help the organization in doing some sort of marketing to the external customer like cross-selling as they will help to increase the performance of the company.

### **2.1.1 Employee Motivation**

Motivation refers to the psychological processes that direct, energize, and sustain action (Latham & Pinder, 2005) or “an inner desire to make an effort” (Dowling & Sayles, 1978, p. 16). According to Luthans (1998), motivation is a management process of influencing behaviour based on the knowledge of what