Internal Market Orientation in Higher Education Institutions – its Inter-Relations with other Organisational Variables

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Abstract. Organisations increasingly realise that workers are essential to act in face of the changes that occur internally and externally, so understanding the needs and desires of the workers and how to address these issues is essential. Our main objective is to analyse the relationships between internal market orientation and job satisfaction, organisational commitment, organisational citizenship behaviour and performance. Therefore, we propose a research model. Direct and indirect relationships exist among the variables, although some are insignificant, so the model has an empirical foundation. Specifically in higher education, commitment, satisfaction and performance appear to be moderate. However, the display of organisational citizenship behaviours is, on average, moderate to high. Also, internal market orientation in this context is low.

Keywords: internal marketing, internal market orientation, job satisfaction, organisational commitment, organisational citizenship behaviours, performance, higher education.

Raktažodžiai: vidinė rinkodara, vidinė rinkos orientacija, pasitenkinimas darbu, organizacinis įsipareigojimas, organizacinio pilietiškumo elgiena, veikla, aukštasis mokslas.

Introduction

Many organisations have been decreasing the number of management levels in order to delegate management responsibility and move the decision-making to a level that is closer to the external customer [10], so organisations are realising that their most
important asset is the employee. Thus, ‘taking care of customers requires a focused effort in trying to take care of workers. These efforts include, among others, Internal Marketing (IM) [17]. Despite the rapid evolution at the level of literature, IM is applied in practice by few organisations and there is a wide variety of meanings attributed to the concept, causing some disagreement concerning the objectives, tools and ways to implement IM in organisations [3]. Due to the association that is made between its practice and the quality of services/products [1], the theme of this research is of great interest at the academic and organisational level. A high degree of internal market orientation (IMO), which determines the effective practice of IM [29], improves the response strategy of the organisation, thereby increasing its productivity [13]. There are also other variables that are of great importance in organisations. In conjunction with IM, also satisfaction, commitment [26], organisational citizenship behaviours [42] and individual performance [37] are associated with improvement in the quality delivered to external clients.

The context of higher education (HE) that has suffered constant changes seems appropriate to assess IMO as, according to the Legal System of Higher Education Institutions, higher education institutions (HEI) are establishments that provide services to the community, transfer knowledge, have the autonomy and must establish codes of good management practices. In conjunction with the assessment of job satisfaction, commitment, organisational citizenship behaviours and performance, the evaluation of IMO by professors makes sense since, according to the Statue of the Career of the Polytechnic (2007) and Universitary (2007) Staff, they must participate in the management of HEI, and, therefore, have a clear idea of how they act towards the workers.

**Internal marketing (IM)**

IM evolved from the idea that employees represent an internal market within the organisation and that this market needs to be educated and informed about the organisation’s mission, as well as the benefits of its products and services and the expectations of customers inside the organisation [10]. The literature indicates the existence of three phases of development of the concept of IM: the phase of employee/internal customer satisfaction [36], [6], the stage of customer orientation [Grönroos, 1981, quoted by [3]] and the phase of strategy implementation management [11], [33]. The beginning of the third phase is marked by a varied number of insights drawn by authors who began to acknowledge the role of IM as a way to implement strategies [3]. IM can be defined as a “concerted effort to overcome resistance to change in organisations and to align, motivate and integrate employees with effective implementation of corporate and functional strategies” [33: 222]. This definition incorporates the notion that any change in strategy is likely to require an effort of IM, in order to overcome organisational inertia and motivate employees to a required behaviour. From the analysis of relevant literature at both conceptual and empirical level, five main elements of the IM arise:
1. Employee motivation and satisfaction;
2. Customer orientation and satisfaction;
3. Inter-functional coordination and integration;
4. Marketing approach to the matters referred above;
5. Implementation of specific corporate or functional strategies [3].

As mentioned above, the measurement of internal market orientation (IMO) is used to assess the extent to which the practice of IM is achieved successfully in an organisation. Gounaris [13] created an instrument to assess the adoption of IMO within the organisations. The concept is defined as the extent to which an organisation is committed to creating value for its employees through the effective management of relationships among employees, supervisors and the management. Increasing the degree of IMO improves the response strategy of the organisation and eventually, their ability to satisfy customers consistently, so that profits and sales increase. This is the approach that will be adopted in this investigation.

According to the author, IMO integrates ten dimensions: (a) identification of the trading value, (b) awareness of labour market conditions, (c) segmentation of the internal market, (d) segmentation of the internal targets, (e) communication between managers and employees, (f) job description, (g) pay system, (i) concern on the part of management, and (j) training.

Work-related attitudes and behaviour

Job satisfaction (JS) has been originating some controversy, since it is characterised as a “complex emotional reaction to work” [24: 9] or as an attitude [34]. JS theories may be divided according to the following classification: (a) situational theories, which support that satisfaction is a result of the nature of work and environmental factors, (b) dispositional theories, according to which satisfaction results from personal and personality factors, (c) interactive theories, which suggest that JS derives from the interaction between personality factors and factors inherent to the situation. Dispositional theories are the most recent, but also the less developed ones. However, individual differences have been considered from the moment when investigation related to JS began [19].

The job characteristics model was suggested by Hackman and Oldham [16] to measure three classes of variables: work objective characteristics, mediator psychological stages and individual needs of growth. According to this model, the central characteristics of each task – like the variety of competencies, the identity and the meaning of the tasks, the autonomy, the level of information provided to the worker about his/her performance, that is, the feedback – influence the individual’s psychological stage. The function characteristics and satisfaction are also regulated by the worker’s need for growth.

Organisational commitment (OC) is seen as a force of connection – a psychological state or attitude – and determines a direction at the level of the individual’s behaviour [28]. The perspective that will be adopted in this research is the one proposed by Cook and Wall [8], who defend that the OC refers to the affective reactions to the characteristics
of the employer organisation. It is related to the worker’s feelings of connection with the goals and values of the organisation; to the role that he adopts in relation to them and to the connection with the organisation with the aim of benefitting it, and not just for its instrumental value. Since this is a positive result of the experience of quality work, the concept can be considered as a contributing factor to the well-being at work.

Organisational Citizenship Behaviours (OCB) are defined as ‘extra-role’ behaviours. The concept has different origins: (a) in Barnard’s proposal [4], according to which, the workers’ will to cooperate is indispensable for the organisation, (b) according to Katz and Khan [20], distinctions of behavioural typologies in organisations, (c) in Organ’s essay, which states that people can adopt cooperative behaviour in order to respond reciprocally to the work experiences that provide satisfaction, as opposed to the behaviours inherent in the role, which depend on certain restrictions. Based on Organ’s work [30], Bateman and Organ [5] measured this new kind of performance. From then on, several definitions and dimensions were proposed for the concept [40], [38], [22], [32].

According to González and Garazo [12], there are five dimensions of OCB that are more frequently used, which is in agreement with the literature: (a) altruism [25], [22], [31] – that is defined as ‘helping behaviour’ [23]; (b) civic virtue [25], [22], [31] – the responsibility of the subordinates to participate in the life of the organisation [32]; (c) sportsmanship [25], [22], [31] – behaviour of warmly tolerated unavoidable irritations. Workers will assume new responsibilities and learn [31]; (d) conscientiousness [25] – based on how organised, hardworking and responsible the worker is [23]; and (e) courtesy [22] – related to the prevention of problems at the work place [23].

Lo and Ramayah [23] adopted Organ’s conceptualisation, according to which OCB are ‘extra-role’ behaviours that arise as a way of acting beyond what is defined by work requirements. The perspective of OCB adopted by these authors will be the one used in this study.

Individual Performance (IP) can be defined as behaviours that can be evaluated. IP is composed of several behavioural manifestations, that are identifiable only through operational measures and that differ depending on the context in which they are applied [39]. A worker fundamental for the organisation may be recognised for his/her capacity to have high performance, as well as for his/her capacity to create value for the organisation. Thereby the fundamental workers are those who have influence on the other workers, who have knowledge and whose performance is characterised by the following aspects: (a) skills to deal with organisational networks, (b) skills to transmit organisational memory, (c) flexible confidence, (d) skills to act energetically in a team, (e) influence in the performance chain/net, (f) difficult to replace and (g) innovation traits [41].
Research model and hypothesis

\[ H_1: \text{There is a positive relationship between internal market orientation and job satisfaction.} \]

Gounaris [14] concluded that IMO has positive influence on job satisfaction.

\[ H_2: \text{There is a positive relationship between internal market orientation and organisational commitment.} \]

Abzari, Ghorbani and Madani [2] investigated the relationship between IM and commitment and concluded that IM has a positive influence on commitment. Thus, it is expected that internal market orientation has a positive impact on OC.

\[ H_3: \text{There is a positive relationship between internal market orientation and OCB.} \]

According to Kelley and Hoffman [21], OCB are behaviours that facilitate internal trade and that are positively correlated with customer-oriented behaviours (that facilitate external trade). Therefore, it is expected that internal market orientation has a positive impact on OCB.

\[ H_4: \text{There is a positive relationship between internal market orientation and performance.} \]

The mechanisms and strategies involved in the IM process, as well as their principles, aim at greater quality in the sale of products or services [6]. Thus, we expect to verify that IMO has a positive impact on the worker’s performance.

\[ H_5: \text{There is a positive relationship between job satisfaction and organisational commitment.} \]

According to Malik, Nawab and Naeem [27], there is a positive relationship between satisfaction and OC.

\[ H_6: \text{There is a positive relationship between job satisfaction and OCB.} \]

Previous studies [12], [18] have identified the positive influence of satisfaction on OCB.

\[ H_7: \text{There is a positive relationship between job satisfaction and performance.} \]
It was found that there is a positive relationship between satisfaction with facets of work and performance [35], [18].

H₈: There is a positive relationship between organisational commitment and OCB.

According to Feather and Rauter [9], those most committed to the organisation are more likely to display OCB.

H₉: There is a positive relationship between organisational commitment and performance.

The positive relationship between commitment and performance was previously proven by Samad [35].

H₁₀: There is a positive relationship between OCB and performance.

According to Podsakoff and MacKenzie [31], there is a positive relationship between OCB, in a perspective of helping behaviours, and the effectiveness of organisations. It is expected, then, that OCB have a positive impact on individual performance.

**Methodology**

**Sample and data collection**

The data needed to carry out this research was gathered through a questionnaire applied both in the public and private sector. This questionnaire was based on five 7 points Likert-type scales (from ‘completely disagree’ to ‘completely agree’) that allow a wide appreciation of collaborators’ perception about the variables under investigation. Accordingly, it was necessary to validate the questionnaire for the Portuguese population by translating it into Portuguese and converting it back into English. The second translation was compared to the original instruments and some mistakes were corrected. To enhance clarity, a pre-test was performed, and the questionnaire was reviewed, and a number of additional changes were applied. The final questionnaire was then created and published online for all the Portuguese public and private HEI (37281 professors, according to the information from the Portuguese National Institute of Statistics, in 2007). Professors were invited by e-mail to participate in the research. A total of 86 questionnaires were completed and returned from 19 HEI.

**Scales**

IMO - The scale that assesses IMO was developed by Gounaris [13] and consists of 43 items, arranged in ten dimensions of IMO: (a) identification of trading value (5 items), (b) awareness of labour market conditions (4 items), (c) segmentation of the internal market (4 items), (d) segmentation of internal targets (4 items), (e) communication between managers and employees (5 items), (f) communication among managers (4 items), (g) job description (4 items), (h) pay system (5 items), (i) concern on the part of management (4 items) and (j) training (4 items).
Job satisfaction - Job Diagnostic Survey (JDS) evaluates the global satisfaction and the satisfaction with job facets. Global satisfaction is measured by three dimensions, which include (a) general satisfaction (5 items), (b) internal work motivation (6 items) and (c) satisfaction with growth (4 items). JDS also measures satisfaction with the following job facets: (d) job security (2 items), (e) pay (2 items), (f) social (3 items) and (g) supervision (3 items). The scores of items 3, 5 and 9 have to be reversed for statistical analysis [15].

Organisational commitment - OC was operationalised through a nine-item measure scale developed by Cook and Wall [8] that describes collaborators’ commitment towards the organisation they belong to: (a) identification with the organisation (3 items), (b) involvement with the organisation (3 items) and (c) loyalty to the organisation (3 items). Three of the items are written in the negative form and their score was reversed later for the purposes of statistical analysis.

Organisational citizenship behaviours - OCB were assessed through a 20-items measure scale used by Lo and Ramayah [23] that describes Organ’s (1988) five-dimension taxonomy of OCB: (a) civic virtue, (b) conscientiousness, (c) altruism, (d) courtesy, and (e) sportsmanship. Four of the items were withdrawn from the scale by the authors, since they did not apply to the cultural context in which they used the instrument. However, those items were used in this study.

Individual performance - The concept of ‘individual performance’ was measured using the performance traits that characterise collaborators, through an 18-items measure scale developed by Xiaowei [41], based on an extensive literature review.

Data analysis methods

To analyse the results, we used the statistical package SPSS, version 18.0. To test the proposed model, we used the PLS method that has been increasingly applied because of its ability to shape latent constructs under conditions of non-normality and small to medium samples. This method is similar to the regression, but it models simultaneously the theoretical relationships among the latent variables, and it measures the relations among a latent variable and its indicators [7].

Data analysis

Means observation

What concerns the means observation, the data show that, on average, there is a moderate to high display of OCB (5.6267) in HEI. With regard to the commitment towards the institution of education, the results suggest that it is moderate (4.9147). There seems to be a moderate display of traits that lead to high performance (4.4942), moderate satisfaction (4.5298) and low IMO (3.5568) on HEI.
**Model Analysis**

To test the significance of the relationship, we used the Bootstrapping method, which consists of creating a large number of samples (1000 in this case) from the original sample by systematic deletions of observations. Where $\alpha \neq 0.05$ for a given relation between variables, that is, where the relationship is not supported by the data, this relationship is eliminated from the model. We eliminated, one by one, the following relationships: commitment and performance, performance and IMO, IMO and OCB and satisfaction and performance.

Concerning direct effects between the variables, OCB explain 68.8% of performance, which leads to the acceptance of $H_{10}$. Commitment explains 44.5% of OCB, which supports $H_8$. IMO explains 9.8% of commitment and 66.2% of satisfaction, results that are in agreement with $H_4$ and $H_2$, respectively. Satisfaction explains 65.8% of the commitment, so $H_5$ is not rejected.

Some variables showed no direct effects. It was found that there was an indirect effect between: (a) commitment and performance (30.6%), mediated by OCB, (b) OCB and IMO (23.7%), mediated by satisfaction and commitment, (c) performance and IMO (16.3%), mediated by satisfaction, commitment and by OCB, (d) satisfaction and OCB (29.3%), mediated by commitment, and (e) satisfaction and performance (20.1%), mediated by commitment and OCB. In addition to direct effect, there is also an indirect effect between IMO and commitment (43.5%), which is mediated by satisfaction.

![Diagram](figure2.png)

**Figure 2. Final model and direct effects**

**Table 1. Total effects of the model**

<table>
<thead>
<tr>
<th>Latent variables</th>
<th>OCB</th>
<th>OC</th>
<th>IMO</th>
<th>JS</th>
<th>IP</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.688</td>
</tr>
<tr>
<td>OC</td>
<td>0.445</td>
<td></td>
<td></td>
<td></td>
<td>0.306</td>
</tr>
<tr>
<td>IMO</td>
<td>0.238</td>
<td>0.534</td>
<td></td>
<td>0.662</td>
<td>0.163</td>
</tr>
<tr>
<td>JS</td>
<td>0.293</td>
<td>0.658</td>
<td></td>
<td></td>
<td>0.201</td>
</tr>
<tr>
<td>IP</td>
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</tr>
</tbody>
</table>
According to the results, OCB have a positive impact of 0.445 on OCB and of 0.306 on performance. IMO explains 23.8% of OCB, 53.4% of commitment, 66.2% of satisfaction and 16.3% of performance. The positive unitary variation of IMO has an impact of 0.238 on OCB, of 0.534 on commitment, of 0.662 on satisfaction and of 0.163 on performance. The one-unit increase in satisfaction leads to positive increases of 0.293 on OCB, of 0.658 on commitment and of 0.201 on performance. All the hypotheses in the model are supported.

In order to complete the analysis of the model, it is necessary to verify its explanatory capacity considering R². The variable OCB explains 19.8% of the model, commitment explains 52.8% of the model, satisfaction explains 43.8% of the variation in the model and the explanatory capacity of the variable performance is 47.3%. The variable IMO does not explain the variations in the model because it appears as a predictor of the other variables. What concerns composite reliability, the value for performance is moderate (0.682), whereas the values for other variables are high (>0.890).

Conclusions

1. The main goal of this research was to understand the relationship between the marketing directed towards the internal market and the attitudes or behaviours of workers. Through the analysis of the data, we verify that there is a relationship between the extent to which an organisation is committed to creating value for its employees through the effective management of relationships between employees, supervisors and management [13] and the worker’s satisfaction, commitment, OCB and performance. Specifically, IMO has a direct impact on satisfaction and on organisational commitment, and an indirect impact on OCB, though not very significant, and on performance, although very low. The fact that there is a positive correlation between the variables suggests that, in order to obtain satisfied and committed workers, who undertake non-mandatory tasks and who show explicit traits that result in a better performance, organisations must become more oriented towards the internal market, which implies an increase in the quality delivered to external costumers.

2. What concerns the behaviours and attitudes in the workplace, the final model shows relationships between the variables. It seems important to note that job satisfaction has a direct impact on commitment, which is significant and in agreement to the study of Malik, Nawab and Naeem [27], carried out in public universities.

3. Specifically concerning HE, satisfaction, commitment and performance of professors appear to be moderate. However, the display of OCB is, on average, moderate to high. The concept ‘IMO’ does not seem to be implemented much, which means, according to Naudé, Desai and Murphy [29], that IM is not effectively practiced. Taking as a starting point the dimensions that constitute IMO according to Gounaris’s perspective [13] and the results obtained, HEI, as well as other organisations, should invest in good communication, trading value between the management and the workers, continuous training, in differentiating, by groups, the needs of employees and in making decisions that reflect these needs. Likewise, they should clarify what is expected from the worker and what are the possibilities for
career development that the work done will allow to achieve, as well as to seek consistency between what the employee «does» and what he/she «receives».

4. One great limitation of this study is the size of the sample, which translates into the need to test the model using a wider sample.

5. Although we identified relationships between all the variables, some relationships present low values. Thus, it would be interesting to see if both the direction and the strength of the relationships between the variables remain in HE, at a later time, in other countries. We also suggest the replication of the study in other levels of education, and even on sales and other service activities, in order to make comparisons and to extend the empirical evidence of the proposed model.

6. It seems important to note that there have been changes with the introduction of the Bologna Process in the HE system. On the other hand, there’s a growing uncertainty lived worldwide that has consequences in many areas, including the economic area. These factors may have influenced the results of the investigation. It would then be appropriate to evaluate the variables again, at a later time.

References


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**Aukštojo mokslo institucijų orientacija į vidaus rinką**

**Anotacija**

Augantis organizacijų konkurencingumas didina jų geros vadybos poreikį. Ypatingai tai svarbu aukštojo mokslo institucijoms, įsitraukusioms į Bolonijos procesą ir nuolat patiriančioms vis naujų pokyčių šio dalyvavimo, taip pat ekonominių ir socialinių permainų kontekste. Labai svarbu, kad Europos aukštojo mokslo institucijos būtų pasirengusios naujiems iššūkiams ir gebėtų
pritraukti gabiausius studentus, profesorius, investitorius, gebėtų užmegzti partnerystės santykius su verslo bendrovėmis, kitomis aukštojo mokslo institucijomis. Šiame kontekste atliktas tyrimas vertintinas kaip reikšmingas indėlis aukštojo mokslo institucijoms ir organizacijoms apskritai.

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