

## **Internal-Market Orientation: A Misconceived Aspect of Marketing Theory**

***Spiros Gounaris, Ph.D.***

*Associate Professor of marketing  
Athens University of Economics & Business,  
Department of Marketing & Communication  
76 Patission Street  
Athens 10434, GREECE  
Email: [sgounar@aueb.gr](mailto:sgounar@aueb.gr)  
Tel/Fax: +302108203712*

***Aikaterini Vassilikopoulou Ph.D.,***

*Adjunct Lecturer  
Athens University of Economics & Business,*

***Kalliopi C. Chatzipanagiotou, Ph.D.***

*Research Assistant  
Athens University of Economics & Business,*

***Spiros Gounaris, Ph.D.*** is Associate Professor of Marketing in the Department of Marketing and Communication of the Athens University of Economics and Business. He is a member of the European Marketing Academy and a Founded Member of the Hellenic Marketing Academy. His research interests presently pivot around services marketing, internal marketing, business-to-business marketing, key account management and customer satisfaction and loyalty. His work has appeared in both American and European journals including *European Journal of Marketing*, *Industrial Marketing Management*, *Journal of Business Research*, *Journal of Services Marketing* and other.

***Aikaterini Vassilikopoulou Ph.D.*** is Adjunct Lecturer in marketing in the Athens University of Economics and Business (AUEB). She holds a BSc in Business Administration from AUEB, an MSc in Economic Psychology from the University of Exeter, U.K., an MBA from the National Technical University of Athens and AUEB and PhD in marketing from AUEB. Her research interests include: business ethics, crisis management and consumer behavior

***Kalliopi C. Chatzipanagiotou, Ph.D.*** is an adjunct lecturer in Marketing in the department of Business Administration of the Athens University of Economics and Business. She received her Ph.D. in Marketing from the Athens University of Economics and Business. Her research interests are in the areas of Services Marketing, Tourism, Marketing Information Systems, and Retail Marketing.

# **Internal-Market Orientation: A Misconceived Aspect of Marketing Theory**

## **INTRODUCTION**

The established relationship between the customer's Perceived level of Service Quality (PSQ) and the customer's subsequent behavior explains the significance attached to the former and the companies' effort to improve how their customers perceive the quality of their services. To do so, companies try to improve their ability to deliver value to their customers. Since the early 1990's the research stream on Market Orientation (MO) has been tackling conceptually and empirically this issue. Eighteen years of investigation show that adopting MO helps companies to improve the level of customer's PSQ since the adoption of MO allows the company to align with the needs of the customer by developing the necessary knowledge, skills and procedures that are required to serve these needs.

Nonetheless, the adoption of MO has certain implications for the company's structure (Pelham and Wilson 1996) and processes (Ruekert 1992), which make the adoption effort a complex task. For instance, the study by Ruekert (1992) shows how the employee recruiting, training and remuneration processes influence the company's success in developing a MO. More recent studies (Conduit and Mavondo 2001, Harris 2002, Harris and Ogbonna 2000) have also come to similar conclusions.

The 2004 AMA's revised definition of marketing defines marketing as the effort to deliver value to the customer in ways that benefit the organization and the organization's stakeholders. Thus marketing has become accountable for simultaneously catering the needs of both the customer and various company stakeholders. According to the relationship marketing paradigm (e.g. Grönroos 1983, Gummesson 1987), the company's employees are a significant group of stakeholders because they influence the value customers receive directly or indirectly. Thus considering and meeting the needs of the employees can improve the customer value generation efforts and, also, coincides with the revised definition by AMA. This calls for marketing techniques applied internally (Berry et al. 1976, Grönroos 1981, Rafiq and Ahmed 1993) aiming to improve customer perceived service quality through improved employee job satisfaction (Snipes et al. 2005, Wangenheim et al. 2007,). Hence, employee job satisfaction poses the intermediate objective of an internal marketing program (Grönroos 1981), while customer satisfaction remains the end-goal (Grönroos 1983).

Nevertheless, the development and the antecedents of internal marketing programs effectiveness remain puzzling. Recent studies show that developing an Internal-Market Orientation (IMO) towards satisfying employees' needs (Gounaris 2006, Lings 2004, Lings and Greenley 2005) precedes the effective implementation of internal marketing. According to these studies, the IMO concept reflects a system of values that guide the company's behavior towards its employees, while the end-goal always remains to improve customer value. Consequently, it would appear that IMO falls under the same umbrella with MO, that of marketing philosophy (McGee and Spiro 1988) but in a broadened context in order to incorporate the values of satisfying employees' needs, as well as the needs of the customers. Yet, this broadened view of marketing philosophy has received no empirical examination.

Thus, the purpose of this manuscript is to suggest an integrated conceptual framework for examining this broadened view of the marketing philosophy and examine the consequences for customer and employee perceived value as well as customer perceived service quality. Through the investigation of these relationships, this manuscript seeks to make a contribution in three ways. Firstly, the study attempts to empirically examine the scope of a broadened view of the marketing philosophy, one that focuses on two markets (the customers and the employees) simultaneously. Answering this question allows to justify the rationale for internal marketing programs. A second contribution is derived by revealing an important barrier customer-value generation: the lack of focus on the needs of the company's employees. Finally, if MO and IMO jointly represent two elements of the marketing philosophy and jointly influence the value the company offers, then there is a need to integrate the marketing and the human resources function. Thus, the third contribution of the study is derived from providing the empirical findings regarding the joint effect of MO and IMO on the company's value generation efforts and the need to start considering the integration of the marketing and human resources functions within a broader marketing strategy perspective.

We have organized the rest of the manuscript as follows. First, we present the theoretical background underlying this study. Then, based on relevant literature review, we develop the conceptual framework of the study and we build specific research hypotheses. The methodology of the study follows. The data analysis, the discussion and the limitations along with directions for future research are the last three parts of the manuscript.

## LITERATURE REVIEW, CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES

### The Notion of Customer Value

Given the centrality of value for marketing, it is strange to note that the term *customer value* has still many meanings (Woodall 2003), while different authors offer different definitions of customer value (CV). For instance, some simple definitions (e.g., Heard 1993) refer to CV as being what customers get (benefits, quality, worth, utility) from the purchase and use of a product versus what they pay (price, costs, sacrifices).

Holbrook (2005, p. 46) offers a different definition in order to capture some of the key characteristics of value. These include: it is perceived uniquely by individual customers; it is conditional or contextual (depending on the individual, situation, or product); it is relative (in comparison to known or imagined alternatives); and it is dynamic (changing within individual customers over time). Consequently, Holbrook defines value as the interactive, relativistic preference and experience of the customer. This definition is in line with the AMA's definition of marketing since, the relativistic preference for a specific product that Holbrook uses in defining CV, implies superiority of the product over competing offerings. Thus, for the purposes of this study we approach CV according to the definition of Holbrook (2005).

### Market Orientation and Customer Value Generation

Following from the above definition of CV, understanding the needs of the customer and developing the skills required to actually meet these needs, are two significant antecedents of CV generation. In the marketing literature, these two prerequisites are referred to as "developing a Market Orientation" (Kohli and Jaworski 1990, Narver and Slater 1990).

The notion of MO captures the behavioral consequences of adopting the marketing philosophy. While the interpretations of MO are numerous<sup>1</sup> (e.g. Deshpandé et al. 1993; Kohli and Jaworski 1990; Narver and Slater 1990), all share a similar focus on (a) specific information related activities regarding customers and competitors, particularly information acquisition and information distribution, and (b) the ability to respond to this information by designing and implementing the company's marketing effort in a manner that will allow the company to actually deliver value to specific, targeted, customers (Gray et al. 1998). Hence, the company's ability to deliver CV appears to be a function of whether the company has or has not adopted a

---

<sup>1</sup> Like with many other constructs in marketing, Market Orientation is frequently used interchangeably with marketing orientation and marketing philosophy adding unnecessary confusion and complexity. McGee and Spiro (1988) have offered however a helpful clarification: Marketing Philosophy represents the broad umbrella that can be considered to govern the life of the company; Market Orientation is the recognized way of operating within the governing philosophy; and Marketing Orientation (or marketing practice) is the implementation of specific actions within the broader framework that a concept defines

market-oriented behavior promote. Through MO adoption companies seek and attempt to coordinate, and eventually integrate, the marketing with the R&D and the production (operations in the case of services) functions, in order to improve the company's degree of responsiveness to the needs of the customer and CV generation (for a detailed discussion see Kahn 2001). Thus, the more market-oriented the company's functioning is, the higher the company's ability to deliver value for the customer.

### **Internal Marketing and Customer Value Generation**

Gummesson (1994) argues that moving from a dominant internal focus, which Levitt described as marketing myopia (1960), to a predominant external focus, that MO seems to imply, manifests a "service marketing myopia" (Gummesson 1998) since the company's ability to generate value for the customer requires a balanced strategic thinking of both the external and the internal company environment (Piercy 1995). In market oriented firms it remains doubtful whether employees' awareness of the importance of customer, if left unmanaged, will produce behavior change and enhanced performance at the customer interface (Piercy et al. 2002).

Various researchers have considered the influence of employees' satisfaction with their working conditions on customer's perceived quality and perceived value. Research in the banking sector (Yoon et al. 2001), the restaurants and hotels sectors (Hartline and Ferrell 1996, Karatepe et al. 2004), as well as in the retail sector (Schneider et al. 2005), has shown that greater levels of employee job satisfaction lead to higher levels of customer perceived service quality. The rationale for this relationship grounds on the reflection that the amount of the employee's job effort has on the customer's perception of service quality (Blau, 1993, Brown and Leigh 1996, Gardner et al. 1989): satisfied employees are more likely to put more effort in serving the customer (Locke and Latham, 1990; Weatherly and Tansik, 1993). This, in turn, results in improved levels of customer perceived service quality (Bitner 1990). Thus, an internal marketing program represents a marketing strategy focusing satisfying the needs of employees (internal customers) so that, eventually, the company's service and customer related objectives can be met (Berry et al. 1976).

Thirty years of investigation of the principles, scope and application of marketing internal have produced the following findings (cf. Foreman and Money 1995, Grönroos 1981, Naude et al. 2003): The principles of applying marketing internally mirror those of applying marketing externally; the application of marketing internally helps employees (front-desk and back-office alike) to meet their needs; the scope of internal marketing is externally oriented because it complements the company's overall marketing strategy

regarding (a) what customers to target and (b) what service promises to make, given the company's employees skills and willingness to serve the customer.

Hence the practice of marketing internally is subject to the same principles that influence the application of marketing externally (Berry et al. 1976). Thus, adopting an Internal-Market Orientation (e.g. Gounaris 2006, Lings 2004) is critical to the successful application of marketing internally, much in the same manner that adopting MO is critical to the application of marketing externally. More importantly Internal-Market Orientation (IMO) has a clear objective, to improve the value for the customer, just like MO, but it is different from the latter because it seeks to do so by catering for the needs of the company's employees.

### **A Broadened Perspective of the Marketing Philosophy Notion**

Although Marketing Philosophy is a well established notion, pursuing the investigation of a broadened view warrants a brief discussion of the nature and essence of the Marketing Philosophy as well as the scope for its broadening. Marketing philosophy has evolved from the earlier Product and Selling views of deploying the business activities. The former mainly holds that, in designing a product, the company knows better than the consumer what will or will not work. The Selling Philosophy, on the other hand, holds that when supply shortage does no more represent the sovereign condition in the market, it is merely adequate to employ marketing techniques, such as advertising and personal selling in order to overcome the gap between the consumer's own understanding of his/her needs and the company's management perception of what these needs are.

The marketing philosophy emanates from a different perspective. The customer knows best what is of value to him/her. Hence, the company has to monitor the customer's needs and ensure that outperforms competition in serving the needs of the customer, while safeguarding its own profitability. This fundamental system of values that comprise the marketing philosophy are reflected upon specific behaviors that various authors have described as the concept of MO, which they suggest as a proxy indication of marketing philosophy adoption (e.g. Kohli and Jaworski 1990, Narver and Slater 1990).

In fact, the research paradigm of MO is based on these studies. The goals of this paradigm, briefly are to 1) study the extent to which companies adopt the marketing philosophy, 2) examine the conditions under which a company adopts or not the marketing philosophy and 3) investigate the relationship between the adoption of the marketing philosophy with various other business practices, such as new product development, sales personnel management and so on. In pursuing these research objectives, the MO

research paradigm has been relying on the idea that three core values constitute the notion of the marketing philosophy: i- focus on understanding the needs of the customer from the customer's perspective, ii- coordination of the company's procedures in order to align the company with the needs of the customer and iii- generation of value for the customer through the company's products and services (Narver and Slater 1990, Kohli and Jaworski 1990, Gray et al. 1988, Golfetto and Gibbert 2006).

Interestingly enough, while pursuing these main research issues, the realization that the company's employees, particularly in service organizations, condition the company's ability to generate value for the customer has been systematically reported (Harris 2002, Harris and Ogbonna 200, Piercy 1999, Piercy et al. 2002, Schmit and Allsched 1995). When employees see no clear benefits for them, or feel threatened by the company's effort to focus on customers' needs they have the power to weaken or eliminate the company's effort to generate value for the customer.

While it may be possible to argue that generating value for the employee is merely an antecedent to the company's ability to offer value for the customer, under the relationship marketing perspective this is hardly the case. In addition to the customers, the company's employees represent a significant internal market (Grönroos 1981). Catering for the needs of this internal market becomes thus an important task for the function of marketing (Payne et al. 1988). Thus developing and offering value for the employees can be considered as part of a broadened perspective of the marketing philosophy. The effort to generate value for both the customers and the employees (Šimberová, 2007) is at the core of this broadened view of the marketing philosophy notion. Consequently, the "broadened" view of the marketing philosophy is comprised of two concepts: MO (focusing on the value the company generates for the customer) and IMO (focusing on the value the company generates for the employee). The two concepts interrelate in reflecting a "broadened" view of marketing philosophy which represents a second order construct that Piercy (1995) has referred to as "a balanced centrality", which translates in delivering value for both customers and employees simultaneously (Šimberová, 2007).

## **CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES**

Having presented the theoretical arguments underlying this study, it is possible to introduce a conceptual framework in order to examine the influence of this broadened view on the variables of interest in this study. Figure depicts this conceptual framework. According to Figure 1, the first research hypothesis examined in

this study investigates the relationship between the notions of IMO and MO in deriving the broadened view of marketing philosophy.

**INSERT FIGURE 1 AROUND HERE**

MO alone, as a concept, is too limited as a foundation for the marketing philosophy, and, consequently, the possibility to implement the marketing philosophy remains partial (Gummesson 2008). Shaping up the structure, culture, processes and metrics of an organization can improve the company's responsiveness to the needs of the customer and the organization's ability to implement the philosophy of marketing (Shah et al. 2006). Nonetheless, all these strategies have already been addressed but have failed to produce the expected results, allowing thus considerable scope for questioning whether focusing only on the needs of the customer can fit the foundational credo of the marketing philosophy: securing the interests of multiple parties (Gummesson 2008), such as the company's employees.

Therefore the management has to consider an additional, second, element of marketing philosophy, one that focuses on the company's employees. The rationale for this lays on the prevailing view that organizational culture consists of four distinguishable but interrelated components: shared basic values, behavioral norms, different types of artifacts, and behaviors (cf. Deshpandé and Webster 1989, Hofstede et al. 1990, Schein 1984), with shared values forming the basis for the development of these norms, which legitimate specific behaviors. The theory of organizational behavior (Katz and Kahn 1978, p. 43) underlies this structure and explains how organizational members are driven by the norms prescribing and sanctioning these behaviors and the values in which the norms are embedded.

If, for example, the members of an organization share the value of openness of internal communication, a specific norm related to that value is the openness of market-related internal communication (Homburg and Pflesser 2000). This allows customer- and market-related information exchanges between different organizational functions and, consequently, improves the company's responsiveness to the needs of the customer. Thus, when workplace values produce norms and behaviors that are intrinsically motivating and supportive for the employees influence the employee's willingness to serve customers (Paulin et al. 2006).

Hence it becomes clear that, since the company's employees are an important determinant of the customer's perception of the value (s)he gets from the company, adopting IMO allows the company to implement the required internal marketing programs that improve the company's ability to deliver value for the employees, through which the value the company offers to the customer also improves (Hartline and

Ferrell 1996, Karatepe et al. 2004, Schneider et al. 2005, Yoon et al. 2001). On these grounds we investigate the following hypothesis:

**H1: The concepts of IMO and MO jointly reflect the company's adoption of a broadened view of marketing philosophy that helps generating value for both customers and employees simultaneously.**

The next hypothesis captures the impact of the broadened marketing philosophy on employee perceived value. Employee perceived value, as a notion, follows the same principles with customer's value perceptions: it is perceived uniquely by individual employees; it is conditional or contextual, depending on the individual and the work situation; it is relative, in comparison to known or imagined alternatives; and it is dynamic, changing within individual employees over time (Ulaga 2003).

With regards to the influence of the broadened marketing philosophy adoption on perceived employee value, the Fit theory (Chatman 1991; Nadler and Tushman 1980) and the contingency perspective (Dewar and Werbel 1979) provide the required theoretical grounds. Employees try to choose vocations and careers in order to fit their own personalities with their career (Super 1953) because this enhances the benefits they perceive from their employment (Nadler and Tushman 1980). In other words, people tend to look for jobs with such characteristics that match their needs and wants in order to derive satisfaction from their jobs (Paulin et al. 2006), albeit not always successfully. But even when they succeed to get such jobs, the company's objectives change as markets change. Therefore, jobs and working conditions alter accordingly (Child 1974). Consequently, employees may find themselves in a miss-fit situation: their job description and conditions do not meet their needs any more. This decreases the perceived value they receive in exchange for the employment they offer.

A company that has adopted a broadened view of the marketing philosophy and, along with the MO, has developed a strong IMO will seek to rectify such situations and recover perceived employee value. Such companies will monitor the employees' values and needs, stimulate and facilitate the communication between employees and their direct supervisors, as well as the communication between supervisors, and eventually be more responsive to the individual needs of the employees. This is reflected upon job descriptions, degree of empowerment, delegation and participation in decision making that such companies allow for their employees in order to improve the value they offer to the employees (Schneider et al. 1994). On these grounds we investigate the following hypothesis:

**H2: Adopting a broadened view of marketing philosophy will result in greater perceived employee value**

Adopting a broadened view of the marketing philosophy though does not compromise the effort to generate value for the customer. Quite the opposite since, one direct consequence is the positive influence on customer perceived service quality. MO adoption, one of the two constructs that comprise the broadened view of the marketing philosophy, describes the set of processes that enable the firm to learn (Dickson 1996) how to use specific marketing capabilities more effectively (Celuch et al. 2002) in order to serve the needs of the customer in a manner superior than competition and improve organizational performance (Day 1994, Kohli and Jaworski 1990, Narver and Slater 1990). By investing in actions, such as market research and complaints management, the company derives a clearer understanding of the customer's needs and the utility the customer expects from the service the company offers (Berry and Parasuraman 1994; Tax and Brown 1998). Effectively and promptly aligning the company's services accordingly requires (a) coordination between all the organizational functions that, directly or indirectly, influence the customer's service experience and (b) using existing corporate knowledge for handling customer's service demands, regardless whether these demands are normal (falling within the company's standardized operational procedures) or exceptional (Dobni 2002).

Consequently, the adoption of the broadened marketing philosophy has a direct effect on customer perceived quality because of the MO element, one of the two key notions that comprise the marketing philosophy. Day (1994) points out that market sensing, manifested through systematically gathering, interpreting, and using market information, and customer linking are two distinctive capabilities of the market driven organization. Market oriented service firms take various steps to make sure that they provide adequate services to their customers and meet their expectations and, therefore, premium perceived service quality is the outcome of market-oriented service firms. Caruana et al. (2003) investigate this MO – Service Performance link in more depth and report on the strength of the MO – quality relation, under the caveat that the company has ensured customer service reliability by eliminating fluctuations in quality. On these grounds we examine the following hypothesis:

**H3: Adopting a broadened view of marketing philosophy will result in greater customer perceived service quality.**

Another direct influence on customer perceived quality that it is possible to identify is the one stemming from the employee's perceived value. This direct effect of perceived employee value on customer perceived quality grounds on many empirical studies that substantiate why delivering employees a surplus of perceived benefits in exchange for the labor they offer affects the customer's perception of service quality (e.g. Hartline and Ferrell 1996, Karatepe et al. 2004, Schneider et al. 2005, Yoon et al. 2001). The underlying principle behind this direct effect is that employees' efforts are an integral part of the total experience customers receive from the service organization (Bitner 1990, Blau, 1993, Brown and Leigh 1996, Gardner et al., 1989), even when the service is not labor intensive. Thus when employees are satisfied this translates into improved job performance which leads to improved perceived quality.

The theory underlying this is can be found in Bagozzi's (1992) model regarding the formation and the relationships between attitudes, intentions and behavior. Employees' service intentions are a function of the employees' emotional response to the company's internal conditions and the support they perceive they receive from managers, supervisors (Schmit and Allscheid 1995) and co-workers (Paulin et al. 2006). Also, employees make attributions of the company's internal practices and priorities and these lead to organizational commitment (Nishii et al. 2008), particularly so when employees share a positive perception regarding their working conditions. Consequently, when delivering a surplus of value to the company's employees, the latter become committed to the organization and more willing to put the extra effort to serve customers better and deliver superior service quality. Hence, we investigate the next hypothesis:

**H4: Improving perceived employee value will lead to increased levels of customer perceived service quality.**

When it comes to the influence of the broadened marketing philosophy on customer value, it has to be noted that, in general, the idea that a company has to satisfy the needs of different stake holders in order to ensure its viability is not new (e.g. Payne, et al. 1998). Yet, customers are still the key group of stake holders whose needs come on the top of the company's agenda (Wengler, Ehret and Saab 2006) and a major company objective is to satisfy the needs of the customer in order to deliver customer value.

The extant empirical work on market orientation offers a wide ground of evidence regarding the influence of market-orientation on customer value (e.g. Golfetto and Gibbert 2006, Guenzia and Troilo 2007, Reynolds 1991, Slater and Stanley 1994, Tuominen, Rajala and Mö 2004). In short, ensuring that information regarding the needs of the customer flows through the organization helps the company to adjust

its output accordingly, provided that the management has warranted the presence of the necessary skills required to become responsive to the needs of the customer (Kohli and Jaworski 1990, Morgan, Katsikeas and Appiah-Adu 1998, Woodruff 1997).

Moreover, within the context of the broadened marketing philosophy the company's orientation towards the needs of the internal (employee) market is equally important in delivering value to the customer (Hallowell, Schlesinger and Zornitsky 1996, Lings 1999, Piercy 1999). The arguments regarding the importance of the company's internal market in delivering customer value are equally compelling (e.g. Barnes, Fox and Morris 2004, Gounaris 2008, Piercy 1995, Šimberová 2007). When the company's employees perceive they receive value from their employer they become committed to the organization and are more willing to put the extra effort to serve customers better and deliver superior service. This enhances further the value the company can generate for the customers as a result of adopting a broadened marketing philosophy. On these grounds, we investigate the following hypothesis:

**H5: Adopting a broadened view of the marketing philosophy will result in greater customer perceived value**

The last hypothesis investigates the influence of perceived service quality on perceived customer value. The model suggested by Parasuraman et al. (1985) and the disconfirmation paradigm, is a valuable paradigm in explaining variations in quality perceptions and serves as the theoretical basis for H6. According to this well established paradigm, the customer's evaluation of the company's quality is a function of what the customers expect from the company vis-à-vis the customer perception of what the company actually has delivered. Chen's (2008) study in the transportation industry examines the structural relationships between perceived value and quality and the findings show that perceived CV is the consequence of the customer's perception of the service quality the company has delivered. Hartline and Jones (1996, p.210) describe the structural relationships between perceived service quality, the customer's perception of value and the customer's intention to recommend the service provider. According to their findings (p.212) it is clear that perceived quality influences the value the customer perceives that receives by the service provider.

While this view treats service quality as an attribute that only the customer, extrinsically, determines (Walker et al. 2006), it is the prevailing view of marketing since, closing the (potential) gaps between customer's quality expectation and what the service organization actually offers (Parasuraman et al. 1985) leads to improved perceptions of service quality, which in turn the customer translates into value since

increasing perceived quality augments the benefits the customer receives from the supplier (Grönroos and Ravald 1996). On these grounds we examine the following hypothesis:

**H6: Improving perceived service quality will lead to increased levels of customer perceived value**

## **METHOD**

### **Sample and Data Collection**

The context of this study is the B2B relation between financial services providers and their customers, while the unit of analysis is the individual dyadic relationship between the service providers and their customers (e.g. McFarland et al. 2006). Following the same approach also employed by Homburg and Stock (2004), we asked corporate customers to identify their perception regarding the quality of the service they receive and their perception of the value that the service provider offered them, while the financial-service providers were surveyed regarding the rest of the variables included in the study.

The procedure to collect the data included several steps. First, a random sample of 1200 companies from various sectors and with an annual turnover in excess of €5m was generated. The sample was cautiously split in three groups of 400 companies so that the profile (in terms of sector and company size) of the companies in each group was as close as possible to the profile of the companies included in the other two. The first group of 400 companies was then assigned to provide information in relation to their primary bank, the second to their primary insurance company and the last in relation to their primary leasing company. A cover letter explaining the purpose of the study along with the questionnaire used to assess the customer related variables were sent to the company's Financial Director (FD). The first question in the questionnaire asked the FD to identify the specific provider of financial services for which (s)he completed the questionnaire.

In total 312 companies replied (response rate 26%). In receiving the questionnaires, we recorded the date each questionnaire was received and also numerated each questionnaire in an increasing order. This process allowed controlling for non-response bias through early and late respondents comparisons (ANOVA test did not reveal statistical differences between earlier and later responses) and also developing a random rule to decide which questionnaire to keep in the case two or more customers indicated the same financial-services company (the rule was set to keep the first questionnaire we received). This procedure resulted in 197 usable questionnaires since the rest were eliminated because referred to a financial-services company already mentioned by the first 197 questionnaires. These 197 usable questionnaires formed the sample of the

financial-services companies we approached. The Marketing Manager of each unit in the sample received a questionnaire and a cover letter explaining the purpose as well as the design of the study. Of the 197 questionnaires we sent-out we received 127 usable ones (response rate about 65%) which were matched with the questionnaires collected from their customers. To examine the hypotheses presented earlier in the manuscript we use these 127 dyads.

## **Measures**

All constructs included in this research were measured using multi-item scales drawn from prior studies. The response categories for each scale were anchored from 1 (Strongly disagree) to 7 (Strongly agree), with the exception of the MO scale which used anchors of 1 = “Not at all” to 7 = “To an extreme extent”. In the following paragraphs we offer a brief description of each measure.

**Internal-Market Orientation.** IMO was measured using the scale reported by Gounaris (2006), which assesses the degree of IMO adoption based on the evaluation of the three components that comprise IMO: (1) collect internal-market related intelligence that helps specify employees’ needs and expected value, (2) establish internal communication between supervisors and subordinates and (3) respond to employees’ needs and expected value. Ten sub-dimensions, which consist of 43 items in total, reflect at a higher level these three components of IMO. Table A1 in the Appendix summarizes the results of the confirmatory factor analysis we performed in order to examine the dimensionality, the convergent, the discriminant validity and the composite reliability index (Brunner and Süß 2005) of the measure.

**Market Orientation.** MO was assessed based on the work of Jaworski and Kohli (1993) but following the conceptualization suggested by Gray et al. (1998), who report that breaking the “Response to Intelligence” dimension in two separate dimensions, namely “Response Design” and “Response Implementation” derives a better measure of MO adoption. In order to derive the measure for each dimension, we ran CFA (see table A2 in the Appendix) which produced a reasonable fit. Each dimension was also assessed for internal consistency using Cronbach's alpha coefficient (also reported in table A2). The scales were also examined for convergent and discriminant validity using again the process described by Fornell and Larcker (1981). Having considered these psychometric properties, we developed summative constructs for each of the four dimensions.

**Perceived Customer Value.** The measure relies on the suggestions of Holbrook’s work (1996, 2005) and the studies by Dodds et al. (1991) and Sweeney et al. (1997). The measure we employed comprised of

three items reflecting perceived CV as a function of customer's needs coverage, cost and sense of security vis-à-vis competitive services.

**Perceived Employee Value.** Regarding the measure of perceived EV, this was based on the suggestions of Vora (2004) in order to reflect employees' perceived recognition by supervisors, total income fairness, development and participation vis-à-vis the ability of each individual employee to find a better job in a competitor employer.

**Perceived Service Quality.** PSQ was measured using the scale (INDSERV) reported by Gounaris (2005) since it appears to be more appropriate than SERVQUAL for assessing perceived service quality in b2b services. Again, CFA was used in order to examine the psychometric attributes of INDSERV. Table A3 in the appendix is informative of this analysis.

Table I summarizes the correlations, covariances and the Cronbach's alpha coefficients among the key variables of the Study

**Insert Table I around Here**

## **DATA ANALYSIS**

In order to examine the first hypothesis we run a structural equation model (SEM) with MO and IMO, the results of which are summarized in Table II.

**Insert Table II around Here**

As Table II shows, the Average Variance Extracted (AVE) from both constructs is above 0,50 providing evidence of convergent validity while the quotient of AVE to the squared correlation between the two constructs is well above the unity, providing thus evidence of discriminant validity. Hence, we accept H1 that IMO and MO reflect a broadened view of the marketing philosophy.

With regards to the rest of the hypotheses, we performed a second SEM following the conceptual framework presented in Figure 1. Table III presents the results from this second analysis. The results confirm all our hypotheses. More specifically, the analysis reveals a significant effect of the broadened marketing philosophy upon both perceived employee value (0,41) and perceived service quality (0,22), providing thus support for Hs 2 and 3. Similarly, perceived employee value also directly influences customer perceived quality (0,38), offering support to H4, while the customer's perception of value is

directly influenced by the broadened marketing philosophy notion (0,43), which also supports H5. Finally, the analysis shows a direct effect from customer perceived service quality to customer perceived value (0,71), supporting thus H6.

#### **Insert Table III around Here**

Table IV is informative of the effects that the analysis reveals regarding the major endogenous variables we examined. As Table III shows, 62% of the total effect (0,69) of marketing philosophy on customer value is direct while the remaining 38% comes indirectly (0,263). Of this indirect effect, some 42% (0,11) is attributed to the “*marketing philosophy* → *perceived employee value* → *perceived service quality* → *perceived customer value*” path. This finding is particularly important because it demonstrates a significant moderation of employee perceived value on the impact of the broadened marketing philosophy notion on customer perceived quality. The indirect (mediation) effect is 0,16 (see Table IV). Using the Aroian version of the Sobel test (Baron and Kenny 1986) we calculated the standard error of the moderation effect (0,85) and the z-value (1,97), which indicated significance of the indirect effect at the 0,05 level. We elaborate further this finding in the next section of the manuscript.

#### **Insert Table IV around Here**

In addition, it is also worth reporting that the model presented in Table III explains a considerable amount of the study’s key variables variance. Derived squared multiple correlation (SQM) from the model presented in Table II for *Customer Value* is 0.54; for *Perceived Service Quality* is 0.534; for *Perceived Employee Value* is 0.67; and for *IMO* and *MO* SQM is 0.78 and 0.76 respectively. In other words, the model presented in Table II explains more than 50% of the variance in all key endogenous variables examined. The next section of the manuscript elaborates in more detail these results and addresses the implications from this study for both scholars and practitioners.

Finally, following the emerging consensus in structural equations modeling that researchers should compare rival models (Bollen and Long, 1992) we investigated the two alternative models presented in Figure A1 shown in the Appendix. Model a1 allows for only direct effects between the variables of the study rendering thus Perceived Service Quality and Employee Value nomologically similar to their antecedents (MO and IMO, which are allowed to enter the model separately). The comparison fit indices for this model fall below the accepted values (CFI 0,88; TLI 0,85; RMSEA 0,11). Model a2 allows for IMO and

MO to correlate while mediation effects ( $IMO \rightarrow Employee\ Value \rightarrow Customer\ Value$  and  $MO \rightarrow Perceived\ Service\ Quality \rightarrow Customer\ Value$ ) have also been incorporated. Again, the second alternative model proved inferior in explaining the data (CFI 0,85; TLI 0,81; RMSEA 0,12). Hence, the hypothesized model presented in Figure proves superior to the two rival models that we examined.

## DISCUSSION AND IMPLICATIONS

The revised definition of Marketing that AMA introduced in 2004 raises once again the importance of various stakeholders in addition to the emphasis put in satisfying the needs of the customer. The relationship marketing paradigm (cf. Grönroos 1997) has raised this concern quite some time now and the company's employees have been considered as one of the primary additional group of stakeholders that the company has to look after. As a result, normative arguments regarding the need to develop a more balanced view of marketing have already been put forward (e.g. Piercy 1995), opening thus the way for a broader view of the marketing philosophy. Nevertheless, while various authors have implied the need for marketing to extend its focus and address the need to generate value for additional company stakeholders, other than the customer, (e.g. Berry 1981, Grönroos 1981), empirical evidence remains particularly slim (e.g. Hartline and Ferrell 1996) and lacks an integrated conceptualization.

This study has attempted to address the issue by investigating whether the concepts of market orientation and internal-market orientation jointly reflect a broadened, more balanced, view of the marketing philosophy notion. As our results would seem to suggest, although MO and IMO are distinct one from the other, are interrelated and reflect a potential broadened view of marketing philosophy. Hence, one significant contribution for scholars from this study is that the notion of marketing philosophy may in fact represent the effort to generate value not only for the customers but also company stakeholders, such as the employees. Because the company's ability to generate value for the customers influences directly the company's sales revenue, customer value remains a primary objective. Nevertheless, under this broadened view of marketing philosophy, it appears more appropriate to consider customers as *primus inter pares*: First among equally significant stakeholders. One group of such alternative stakeholders are the company's employees, whose needs must also be satisfied and they, too, have to derive value from the company. Consequently, our study extends the relationship marketing perspective (Payne et al. 1998) and lays the way for a paradigm shift. The conceptualization and the practice of marketing breaks loose from the micro-economic environment perspective and assumes a far more important scope, that of generating value by

meeting the needs and expectations of diversified groups of stakeholders, such as the company's customers and the company's employees.

Another significant contribution for academia that stems from this study is the empirical support of the extroverted nature of IMO adoption. Based on our findings, it would appear that the behaviors which reflect the adoption of the principles that IMO promotes may, actually, be an integral part of a broadened marketing philosophy and the company's commitment to generate and deliver value to the different company stakeholders. As such, the broadened notion of marketing philosophy, along with all the concepts that comprise it, are extroverted in nature. This conclusion, again, is in line with the relationship marketing paradigm (Grönroos 1983, Gummesson 1999), which promotes the effort to generate value for the various company stakeholders as the key role of the marketing function. Following this conclusion, it would appear that considering the needs of additional stakeholders, such as and particularly the company's employees, and satisfying them is an effort that demonstrates the openness of the company's system and the company's ability to successfully interact with different markets, such as the internal market of the company's employees.

This, in turn, raises the issue of integrating the marketing and the human-resources functions. Insofar, the focus of the marketing literature has been on the need to integrate the marketing function with the production, the R&D or the sales functions. With manufactured goods this integration (Kohli and Jaworski 1990, Narver and Slater 1990) allows the company to produce products that enhance customer value (O'Leary-Kelly and Flores 2002, Parente et al. 2002, Fornell et al. 1996). By contrast, the contribution of the human resources function in the customer value generation effort, and consequently the need to integrate human resource practices with those of the marketing function, has received little empirical examination in the marketing literature (originally from the US cf. Berry et al. 1976, Berry 1987 and later from Europe e.g. Grönroos 1981, Lings 2004, Rafiq and Ahmed 1993; 2003), failed to conspicuously raise the issue of the marketing and human resources functions integration. As a result the functional responsibility for practicing marketing internally as well as the appropriateness of viewing employees as (internal) customers has been questioned (Mudie 2003). Yet, the findings from this study, by demonstrating the mediating effect that customer perceived quality has on the relationship between employee perceived value and customer perceived value, highlight the need to cultivate and adopt an IMO as part of the marketing philosophy notion and the necessity to promote and cultivate the integration between the functions of marketing and human

resources. Consequently, our study empirically demonstrates a second, parallel, road to customer value generation that goes through delivering value to the company's employees and satisfying their needs. Thus, the findings from this study help to open the discussion regarding the integration between these two (marketing and human resources) functions, which will allow the company to improve such capabilities as personnel selection, motivation, monitoring and training in relation to the company's capabilities to deliver customer value.

The practical implications from this study are also significant. An indication as to how management can gain directions from this study becomes evident when the findings are considered in conjunction with the competitive advantage concept. Service organizations seek to advance their competitive position by improving their responsiveness to the needs of their customers because the MO research paradigm has clearly established that by doing so they can enhance their market share and develop their profitability (Kohli and Jaworski 1990). Thus, managers try to develop new services, re-engineer existing ones, smooth and simplify the operations and the service delivery process as a means to improved customer experience and responsiveness. Nevertheless, the intangibility of services makes services fairly easy to imitate (cf. Lovelock 2001). Consequently such efforts cannot secure the company's long term competitive position, particularly so if customers respond favorably. Competition can promptly replicate the company's services and operational procedures. By contrast, imitating employees encounter performance, willingness to serve, ability to match the needs of the customer with the company's offerings and flexibility when dealing with customer demands are some of the personnel-specific capabilities that competition will find much harder to copy. This is because developing and, more importantly, deploying these capabilities in order to improve the customer's perception of the company's service quality is tightly related with delivering value to the company's employees, which in turn requires developing IMO as part of the broader marketing philosophy. Hence practitioners need to maintain a balance between the company's ability to meet the needs of the customers with its ability to meet the needs of the employees.

Along this line, practitioners may benefit from the "two-stage" process for MO development that Narver et al. (1998) have suggested in developing a MO. Since IMO is part of the broader marketing philosophy, the same process may also apply. The "programmatic approach", is the first stage and represents the educational learning process required to develop IMO. This stage will include such actions as teaching of the various "principles" to achieve a critical level of understanding. In general, it consists of teaching

employees and managers the nature and importance of internal-market orientation and the basic processes, approaches, and skills of creating superior value for employees. The programmatic approach also includes the teaching of how a business might change its structures and policies to better position itself as potential employer. The “market-back approach” is the second stage of the IMO adoption process. During this stage, the service organization adapts its processes, procedures, and structures based on its continuous learning from its actual employee-value-creation performance. Assigning people to problem-solving contexts, both current and new, is the key to learning and thereby, the key to changing and reinforcing the culture of an organization that seeks to develop an IMO as part of the effort to adopt a broader view of the marketing philosophy. The “market-back approach” represents an experiential learning process involving experimentation with actions specific to the company’s internal market, which, eventually, modify the way a company competes in meeting the needs of the customers and delivering value to both the customer and the employee.

Another important practical implication from the study is that the marketing and the human resource functions need to join efforts and integrate their actions under the marketing philosophy umbrella. Although this is not a simple task, since it goes beyond internal processes re-engineering, the potential contribution that each function can make in improving customer perceived quality, and consequently customer satisfaction warrants the required effort. Towards this direction, the marketing function has to set the pace by developing a clear customer service strategy and describe plainly the personnel specific requirements (in terms of abilities and expertise) that are necessary given the company’s customer service strategy. The marketing function has also to monitor personnel-related customer service performance deviations and assist the human resources function in designing corrective actions. The latter, on the other hand, has to ensure a systematic tracking of the company’s competitiveness as employer in order to sustain and attract those employees that fit the company’s customer service strategy requirements. Also, the human resources function has to design and implement the appropriate personnel-related policies that will meet employees’ needs and also, when and if necessary, design the corrective actions that will help narrow the gap between employee customer service performance and customer service marketing strategy objectives.

## **LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH**

The major limitations of this study pertain to the nature of the sample that deters from generalization and the lack of objective data on company performance. Regarding the former, single industry samples allow the

researcher to probe into the selected industry. The trade off here is that the researcher cannot draw conclusions for other contexts without replication the study. Although this limitation does not severely diminish the contribution of the study since, after all, there is no clear answer as to how many different sections would be required before generalization becomes possible, it should be considered. On the other hand, it represents a direction for future research, which is particularly welcome, towards examining the relationships that this study reveals in other service contexts, both B2B and B2C. With regards to company performance, this study has not considered the company's ultimate financial performance and, particularly, through objective data. This is an important limitation because, ultimately, increased customer and employee perceived value should translate to improved company performance. Nevertheless, this also does not diminish the contribution of the study because the study's main scope is to provide empirical evidence regarding the necessity, or not, to treat the marketing philosophy as a broader notion. Having shown this, future researchers may now wish to consider the impact of this broadened view of the marketing philosophy on the company's financial performance.

Moreover, the focus of the study is on service organizations only. Considering the concept of IMO and its relation with MO requires examining the possibility of broadening the marketing philosophy perspective in the context of industries that the value generation effort is less employee-intensive. This is a significant limitation because in service organizations employees influence directly and heavily the company's ability to meet customers' expectations and perceived value. By contrast, this may not be entirely the case with manufactured goods since customers derive significant value from the physical features of the product. Hence the relationships that this study reveals may not necessarily stand or be equally strong in the case of manufactured goods industries. Future research towards this direction is definitely required.

Another limitation from this study is the non-hierarchical research design. We lack data regarding the supplier's degree of IMO and MO adoption from the customer's perspective. Based on our findings it is clear that both constructs, as parts of the broader marketing philosophy notion, influence customer's perceived value. As such, both constructs are important for the customer. The main reason for not considering the customer's perspective is that, for the most part, customers cannot answer the questions that the existing instruments use. For instance, it is impossible for the customer to know whether "the impact on groups of employees with common needs is evaluated before taking any action" or whether "customer satisfaction data are regularly distributed to all departments". Hence, a promising and useful direction for

future researchers is to develop the required instruments that will measure the supplier's degree of MO and IMO adoption but from the customer's perspective.

Probing into the relationships between the concept of IMO and customer perceived quality and value, as well as between the concept of MO and employee value is clearly another significant and strongly recommended direction for future research. This study has shown how these two concepts jointly serve the company's effort to create value for both employees and customers. Nevertheless, by isolating the structure of the relationships between IMO, MO and value generation efforts, future researchers may draw significant conclusions, particularly for practitioners and their effort to improve the integration between the marketing and the human resources functions. Moreover, since this study focuses primarily on the relationships between key variables (such as perceived employee value and perceived customer quality), the possible mediators of this relationship unavoidably are missed. Hence, future research is required in order to investigate, for instance, the mediation that affective and calculative employee commitment towards the company, employee job satisfaction and employee corporate-citizenship may have on the relationship between employee's perceived value and customer perceived quality. Investigating these (possible) mediation effects is beyond the scope of this study but will, whatsoever, allow for a clearer insight regarding the impact of IMO on customer perceived value.

Investigating the potential for further broadening the scope of the marketing philosophy is yet another interesting direction for future research. Clearly, employees are only one of the many likely stakeholders who can benefit from a broadened view of marketing. Collaborators, lenders as well as the general public and the society represent a significant market in its own. Each of these stakeholders has direct or indirect interests in the company and each of them seeks to satisfy specific needs. Hence future researchers may wish to pursue this direction.

A final direction for future research is to examine the consequences of the marketing and the human resources functions integration on the company's overall marketing strategy. For instance, do customer-targeting decisions relate with certain personnel related policies, such as hiring or training? In services, the company's employees are an important element of the company's marketing mix (Lovelock 2001). This means, for instance, that coping with customers face -to- face requires certain skills an individual can acquire but also certain personality traits (Brown et al. 2002). Future research could attempt to match these employee personality traits with specific strategic marketing objectives and derive a typology of the

personality traits that service companies should look for among the employees they hire. In other words, having evidence pointing to a broadened view of the marketing philosophy, an interesting next step would be to examine how the practice of marketing and that of internal-marketing interrelate, both at the strategic and the tactical levels.

## References

- 1 Bagozzi R.P. (1992), “The self-regulation of attitudes, intentions and behavior”, *Social Psychology Quarterly*, Vol. 55 No. 2, pp. 178-204.
- 2 Barnes, B., Fox, M. and Morris, D.S. (2004), “Exploring the Linkage between Internal Marketing, Relationship Marketing and Service Quality”, *Total Quality Management & Business Excellence*, Vol. 15, No. 5/6, pp. 593-601.
- 3 Baron, R. M., & Kenny, D. A. (1986), “The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations”, *Journal of Personality and Social Psychology*, Vol. 51, pp. 1173-1182.
- 4 Berry, L.L. (1981), “The Employee as Customer”, *Journal of Retail Banking*, Vol. 3 March, pp. 25-28.
- 5 Berry, L.L. (1987), “Big Ideas in Services Marketing”, *Journal of Services Marketing* Vol. 1 No.1, pp. 5-9.
- 6 Berry, L.L. and Parasuraman A. (1994), “Improving Service Quality in America, pp. Lessons Learned”, *Academy of Management Executive*, Vol. 8 No.2, pp. 32-52.
- 7 Berry, L.L, Hensel J.S. and Burke M.C. (1976), “Improving Retailer Capability for Effective Consumerism Response”, *Journal of Retailing*, Vol. 52 No.3, pp. 3-14.
- 8 Bitner, M.J. (1990), “Evaluating Service Encounters. The Effects of Physical Surroundings and Employee Responses”, *Journal of Marketing*, Vol. 54 No.2, pp. 69-82.
- 9 Blau, G. (1993), “Operationalizing Direction and Level of Effort and Testing Their Relationships to Individual Job Performance”, *Organizational Behavior and Human Decision Processes*, Vol. 55 No.1, pp. 152-70.
- 10 Bollen K. and Long JS. (1992), “Tests for structural equation models: introduction” *Sociological Methods and Research*, Vol. 21, pp. 123–31.
- 11 Brown, S.P. and Leigh T.W. (1996), “A New Look at Psychological Climate and Its Relationship to Job Involvement, Effort, and Performance”, *Journal of Applied Psychology*, Vol. 81 No.4, pp. 358-68.
- 12 Brown T.J., Mowen J.C., Donavan T.D. and Licata J.W. (2002), “The Customer Orientation of Service Workers: Personality Trait Effects on Self- and Supervisor Performance Ratings”, *Journal of Marketing Research*, Vol. 39 No.1, pp. 110-9.
- 13 Brunner M. and Süß H-M (2005), “Analyzing the Reliability of Multidimensional Measures: An Example from Intelligence Research”, *Educational and Psychological Measurement*, Vol. 65 No.2, pp.227-40
- 14 Caruana A., Leyland P. and Michael E. (2003), “The Market Orientation – Performance Link: the Role of Service Reliability”, *The Service Industries Journal*, Vol. 23 No.4, pp. 25-41.
- 15 Celuch, K.G., Kasouf, C.J. and Peruvemba, V. (2002), “The Effects of Perceived Market and Learning Orientation on Assessed Organizational Capabilities”, *Industrial Marketing Management*, Vol. 31 No.6, pp. 545-54.

- 16 Chatman, J.A. (1991), "Matching People and Organizations: Selection and Socialization in Public Accounting Firms", *Administrative Science Quarterly*, Vol. 36 No.3, pp. 459-84.
- 17 Chen, C.F. (2008), "Investigating structural relationships between service quality, perceived value, satisfaction, and behavioral intentions for air passengers: Evidence from Taiwan", *Transportation Research Part A: Policy & Practice*, Vol. 42 No.4, pp. 709-17.
- 18 Child, J. (1974), "Managerial and Organizational Factors Associated with Company Performance: Part 1", *Journal of Management Studies*, Vol. 11 No.3, pp. 175-89.
- 19 Conduit J. and Mavondo F.T. (2001), "How Critical Is Internal Customer Orientation to Market Orientation?", *Journal of Business Research*, Vol. 51 No.1, pp. 11-24.
- 20 Day, G.S. (1994), "The Capabilities of Market-Driven Organizations", *Journal of Marketing*, Vol. 58 No.4, pp. 37-52.
- 21 Deshpandé, R. and Webster, F.E. (1989), "Organizational Culture and Marketing: Defining the Research Agenda", *Journal of Marketing*, Vol. 53 January, pp. 3-15.
- 22 Deshpandé, R., Farley, J.U. and Webster, F.E. (1993), "Corporate Culture, Customer Orientation and Innovativeness in Japanese firms: A Quadrant Analysis", *Journal of Marketing*, Vol. 57 No.1, pp. 23-37.
- 23 Dewar R. and Werbel J. (1979), "Universalistic and Contingency Predictions of Employee Satisfaction and Conflict", *Administrative Science Quarterly*, Vol. 24 No. September, pp. 426-48.
- 24 Dickson, P.R. (1996), "The Static and Dynamic Mechanics of Competition: A Comment on Hunt and Morgan's Comparative Advantage Theory", *Journal of Marketing*, Vol. 60 No.4, pp. 102-06.
- 25 Dobni, B. (2002), "A Model for Implementing Service Excellence in the Financial Services Industry", *Journal of Financial Services Marketing*, Vol. 7 No.1, pp. 42-53.
- 26 Dodds, W.B., Monroe K.B. and Grewal D.D. (1991), "Effects of price, brand, and store information on buyers' product evaluations", *Journal of Marketing Research*, Vol. 28 August, pp. 307-19.
- 27 Foreman, S.K. and Money A.H. (1995), "Internal marketing: concepts, measurement and application", *Journal of Marketing Management*, Vol. 11 No.8, pp. 755-68.
- 28 Fornell, C. and Larcker, D. (1981), "Structural equation models with unobservable variables and measurement error", *Journal of Marketing Research*, Vol. 18 No. 1, pp. 39-50.
- 29 Fornell, C., Johnston, M.D. Anderson, E., Cha, J., and Bryant, B.E. (1996), "The American Customer Satisfaction Index: Nature, Purpose, and Findings", *Journal of Marketing*, Vol. 60 (October), pp. 7-18.
- 30 Gardner, D.G., Dunham R.B., Cummings L.L. and Pierce J.L. (1989), "Focus of Attention at Work: Construct Definition and Empirical Validation", *Journal of Occupational Psychology*, Vol. 62 No.1, pp. 61-77.
- 31 Golfetto, F. and Gibbert, M. (2006), "Marketing competencies and the sources of customer value in business markets", *Industrial Marketing Management*, Vol. 35 No 8, pp. 904-912.
- 32 Gounaris, S. (2005), "Measuring Service Quality in B2B Services. An Evaluation of the SERVQUAL Scale vis-à-vis the INDSERV Scale", *Journal of Services Marketing*, Vol. 19 No.6, pp. 421-35.
- 33 Gounaris, S. (2006), "Measuring Internal Market Orientation in Services: Some Empirical Evidence", *Journal of Business Research*, Vol. 59 No.4, pp. 432-48.

- 34 Gounaris, S. (2008) "The notion of internal market orientation and employee job satisfaction: some preliminary evidence", *Journal of Services Marketing*, Vol. 22 No 1, pp. 68-90.
- 35 Gray, B., Matear, S., Boshoff, C. and Matheson, P. (1998), "Developing a Better Measure of Market Orientation", *European Journal of Marketing*, Vol. 32 No.9/10, pp. 884-903.
- 36 Grönroos, C. (1981), "Internal Marketing – Theory and Practice", *AMA Services Marketing Conference Proceedings*, pp. 236-38.
- 37 Grönroos, C. (1983), "Strategic Management and Marketing in the Service Sector", *Massachusetts, Marketing Science Institute*, Report no. 83-104.
- 38 Grönroos, C. (1997), "From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing", *Management Decision*, Vol. 35 No.3/4, pp. 322-39.
- 39 Grönroos, C. and Ravald, A. (1996) "The value concept and relationship marketing", *European Journal of Marketing*, Vol. 30 No. 2, pp. 19-30.
- 40 Guenzia, P. and Troilo, G. (2007) "The joint contribution of marketing and sales to the creation of superior customer value", *Journal of Business Research*, Vol. 60 No 2, pp. 98-107.
- 41 Gummesson, E. (1987), "Lip Service. A Neglected Area in Service Marketing", *Journal of Services Marketing*, Vol. 1 No.1, pp. 19-24.
- 42 Gummesson, E. (1994), "Service management. An evaluation and the Future", *International Journal of Service Industry Management*, Vol. 5 No.1, pp. 28-36.
- 43 Gummesson, E. (1998), "Implementation requires a relationship marketing paradigm", *Academy of Marketing Science*, Vol. 26 No.3, pp. 242-49.
- 44 Gummesson, E. (1999), *Total relationship Marketing*, Butterworth-Heinemann, Oxford.
- 45 Gummesson, E. (2008), *Total Relationship Marketing*, 3rd edition, Butterworth-Heinemann, Oxford.
- 46 Hallowell, R., Schlesinger, L.A. and Zornitsky, J. (1996), "Internal Service Quality, Customer and Job Satisfaction: Linkages and Implications for Management", *Human Resource Planning*, Vol. 19 No. 2, pp. 20-31.
- 47 Harris, L.C. (2002), "Sabotage Market-Oriented Culture Change: An Exploration Of Resistance Justifications and Approaches", *Journal of Marketing Theory and Practice* 10 No.3, pp. 58-74.
- 48 Harris, L.C. and Ogbonna, E. (2000), "The Responses of Front-line Employees to Market-oriented Culture Change", *European Journal of Marketing*, Vol. 34 No.3/4, pp. 318-40.
- 49 Hartline, M.D. and Jones, K.C. (1996), "I Employee Performance Cues in a Hotel Service Environment: Influence on Perceived Service Quality, Value, and Word-of-Mouth Intentions", *Journal of Business Research*, Vol. 35 No. 3, pp. 207-215.
- 50 Hartline, M.D. and Ferrell, O.C. (1996), "The Management of Customer Contact Service Employees: An Empirical Investigation", *Journal of Marketing*, Vol. 60 No.4, pp. 52-70.
- 51 Heard, Ed. (1993), "Walking the Talk of Customer Value", *National Productivity Review*, Vol. 11 winter, pp. 21-27.
- 52 Hofstede, G., Neuijen, B., Ohayv, D.D, and Sanders, G. (1990), "Measuring Organizational Cultures: A Qualitative and Quantitative Study across Twenty Cases", *Administrative Science Quarterly*, Vol. 35 No. 2, pp. 286-316.

- 53 Holbrook, M.B. (1996), "Customer Value: A Framework for Analysis and Research", *Advances in Consumer Research*, 23 No.1, pp. 138-42.
- 54 Holbrook, M.B. (2005), "Customer Value and Autoethography: Subjective Personal Introspection and the Meanings of Photograph Collection", *Journal of Business Research*, Vol. 58 No.1, pp. 45-61.
- 55 Homburg, C. and Pflesser, C. (2000), "A Multiple-Layer Model of Market-Oriented Organizational Culture: Measurement Issues and Performance Outcomes", *Journal of Marketing Research*, Vol. 27 No. 4, pp. 449-62.
- 56 Homburg, C. and Stock, M.R. (2004), "The Link Between Salespeople's Job Satisfaction and Customer Satisfaction in a Business-to-Business Context: A Dyadic Analysis", *Journal of the Academy of Marketing Science*, Vol. 32 No. 2, pp. 144-58.
- 57 Jaworski, B.J. and Kohli, A.K. (1993), "Market Orientation: Antecedents and Consequences", *Journal of Marketing*, Vol. 57 No.3, pp. 53-70.
- 58 Kahn K.B. (2001) "Market orientation, interdepartmental integration, and product development performance", *Journal of Product Innovation Management*, Vol. 18 No 5, pp. 314-323
- 59 Karatepe, O.M., Turgay A. and Huseyin A. (2004), "Effects of Job Standardization and Job Satisfaction on Service Quality: A Study of Frontline Employees in Northern Cyprus", *Services Marketing Quarterly*, Vol. 25 No.3, pp. 1-17.
- 60 Katz, D. and Kahn R.L. (1978), *The Social Psychology of Organizations*, 2<sup>nd</sup> edition, John Wiley & Sons, New York.
- 61 Kohli, A.K. and Jaworski, B. (1990), "Market Orientation: The Construct, Research Propositions, and Managerial Implications", *Journal of Marketing*, Vol. 54 April, pp. 1-18.
- 62 Levitt, T. (1960), "Marketing Myopia", *Harvard Business Review*, Vol. 38 July, pp. 24-47.
- 63 Lings, I.N. (1999), "Balancing Internal and External Market Orientations", *Journal of Marketing Management*, Vol. 15 No.4, pp. 239-63.
- 64 Lings, I.N. (2004), "Internal Market Orientation, pp. Constructs and Consequences", *Journal of Business Research*, Vol. 57 No.4, pp. 405-13.
- 65 Lings, I.N. (1999) and Greenley, G.E. (2005), "Measuring Internal Market Orientation", *Journal of Service Research*, Vol. 7 No.3, pp. 290-305.
- 66 Locke, E.A. and Latham, G.P. (1990), "Work Motivation and Satisfaction: Light at the End of the Tunnel", *Psychological Science*, Vol. 1 No.4, pp. 240-46.
- 67 Lovelock, C. (2001), *Services Marketing*, 5<sup>th</sup> edition, , Prentice Hall, New Jersey.
- 68 McFarland, R.G., Challagalla, G.N. and Shervani, T.A. (2006), "Influence Tactics for Effective Adaptive Selling", *Journal of Marketing*, Vol. 70 No.4, pp. 103-17.
- 69 McGee, L.W. and Spiro R.W. (1988), "The Marketing Concept in Perspective," *Business Horizons*, Vol. 31 No.3, pp. 40-5.
- 70 Morgan R.E., Katsikeas, C.S. and Appiah-Adu, K. (1998), "Market Orientation and Organizational Learning Capabilities", *Journal of Marketing Management*, Vol. 14 No. 4/5, pp. 353-281.
- 71 Mudie, P. (2003), "Internal Customers: By Design or by Default", *European Journal of Marketing*, Vol. 37 No.9, pp. 1261-76.

- 72 Nadler, D. and Tushman M. (1980), "A Model for Diagnosing Organizational Behavior", *Organizational Dynamics*, Vol. 9 No.2, pp. 35-51.
- 73 Narver, J.C. and Slater S.F. (1990), "The Effect of a Market Orientation on Business Profitability", *Journal of Marketing*, Vol. 54 August, pp. 20-35.
- 74 Narver, J.C., Slater, S. and Tietje, B. (1998), "Creating a Market Orientation", *Journal of Market Focused Management*", Vol. 2 No. 3, pp. 241-55.
- 75 Naude, P., Desai, J., and Murphy, J. (2003), "Identifying the Determinants of Internal Marketing Orientation", *European Journal of Marketing*, Vol. 37 No.9, pp. 1205-20.
- 76 Nishii L.H., Lepak, D.P. and Schneider, B. (2008), "Employee Attributions of the Why of HR Practices: Their Effects on Employee Attitudes and Behaviors, and Customer Satisfaction", *Personnel Psychology*, Vol. 61 No. 3, pp. 503-45.
- 77 O'Leary-Kelly, S.W. and Flores, B.E. (2002), "The Integration of Manufacturing and Marketing/Sales Decisions: Impact on Organizational Performance", *Journal of Operations Management*, Vol. 20 No.3, pp. 221-40.
- 78 Parasuraman, A., Zeithaml V.A. and Berry L.L. (1985), "A Conceptual Model of Service Quality and its Implications for Future Research", *Journal of Marketing*, Vol. 49 No.4, pp. 41-50.
- 79 Parente D.H., Pegels, C.C. and Suresh, N. (2002), "An Exploratory Study of the Sales-Production Relationship and Customer Satisfaction", *International Journal of Operations & Production Management*, Vol. 22 No. 9, pp. 997-1013.
- 80 Paulin M., Ferguson R.J. and Bergeron J. (2006), "Service climate and organizational commitment: The importance of customer linkages", *Journal of Business Research*, Vol. 59 No. 8, pp. 906-15.
- 81 Payne, A., Christopher, M. Clark, M. and Peck, H. (1998), *Relationship Marketing for Competitive Advantage Winning and Keeping Customers*, Butterworth Heinemann Oxford.
- 82 Pelham, A.M. and Wilson D. T. (1996), "A Longitudinal Study of The Impact of Market Structure, Firm Structure, Strategy, and Market Orientation Culture on Dimensions of Small-Firm Performance", *Journal of the Academy of Marketing Science*, Vol.24 No.1, pp. 27-43.
- 83 Piercy, N.F. (1995), "Customer Satisfaction and the Internal Market: Marketing Our Customers to Our Employees", *Journal of Marketing Practice: Applied Marketing Science*, Vol. 1 No.1, pp. 22-44.
- 84 Piercy, N. (1999), "Barriers to implementing relationship marketing: analysing the internal marketplace", *Journal of Strategic Marketing*, Vol. 6 No. 3, pp. 209-222.
- 85 Piercy, N., Harris L.C. and Nikala L. (2002) "Market orientation and retail operatives' expectations", *Journal of Business Research*, Vol. 55 No.4, pp. 261-73
- 86 Rafiq, M. and Ahmed, P.K. (1993), "The Scope of Internal Marketing: Defining the Boundary Between Marketing and Human Resource Management", *Journal of Marketing Management*, Vol. 9 No.3, pp. 219-32.
- 87 Rafiq, M. and Ahmed, P.K. (2003), "Internal Marketing Issues and Challenges", *European Journal of Marketing*, Vol. 37 No.9, pp. 1177-86.

- 88 Reynolds, R. (1991), "Towards a Marketing Orientation", *Marketing Intelligence & Planning*, Vol. 9 No. 2, pp. 20-22.
- 89 Ruekert, R.W. (1992), "Developing a Market Orientation: An Organizational Strategy Perspective", *International Journal of Research in Marketing*, Vol. 9 No.3, pp. 225-45.
- 90 Schein, E.H. (1984), "Coming to a New Awareness of Organizational Culture", *Sloan Management Review*, 26 No. 4, pp. 3-16.
- 91 Schmit M.J. and Allsched, S.P. (1995), "Employee Attitude and Customer Satisfaction: Making Theoretical and Empirical Connections", *Personnel Psychology*, Vol. 48 No.3, pp.521-36.
- 92 Schneider, B., Ehrhart, M.G., Mayer, D.M., Saltz, J.L. and Niles-Jolly, K. (2005), "Understanding Organization-Customer Links in Service Settings", *Academy of Management Journal*, Vol. 48 No.6, pp. 1017-32
- 93 Schneider, B., Gunnarson, S.K. and Niles-Jolly, K. (1994), "Creating the climate and culture of success", *Organizational Dynamics*, Vol. 23 No.1, pp. 17-29.
- 94 Shah, D., Rust R.T., Parasuraman A., Staelin R. and Day G.S. (2006), "The Path to Customer Centricity", *Journal of Service Research*, Vol. 9 No.2, pp. 113-24.
- 95 Šimberová, I. (2007), "Internal Marketing As A Part Of Marketing Culture Supporting Value For External Customer", *Economics & Management*, Vol. 15 No. 1, pp. 470-480.
- 96 Slater, N. and Stanley, F. (1994), "Market orientation, customer value, and superior performance", *Business Horizons*, Vol. 37 No. 2, pp. 22-29.
- 97 Snipes, R.L., Oswald, S.L., LaTour, M. and Armenakis, A.A. (2005), "The Effects of Specific Job Satisfaction Facets on Customer Perceptions of Service Quality: An Employee-Level Analysis", *Journal of Business Research*, Vol. 58 No.10, pp. 1330-9.
- 98 Super, D.E. (1953), "A Theory of Vocational Development", *The American Psychologist*, Vol. 8 May, pp. 185-90.
- 99 Sweeney, J.C., Soutar G.N. and Johnson L.W. (1997), "Retail Service Quality and Perceived Value: A Comparison of two Models", *Journal of Retailing and Consumer Services*, Vol. 4 No.1, pp. 39-48.
- 100 Tax, S.S. and Brown S.W. (1998), "Recovering and Learning from Service Failure", *MIT Sloan Management Review*, Vol. 40 No.1, pp. 75-88.
- 101 Tuominen, M., Rajala, A. and Mö, K. (2004), "Market-driving versus market-driven: Divergent roles of market orientation in business relationships", *Industrial Marketing Management*, Vol. 33, No.3, pp. 207-17.
- 102 Ulaga, W. (2003), "Capturing value creation in business relationships: a customer perspective", *Industrial Marketing Management*, Vol. 32 No.8, pp. 677-93.
- 103 Vora, M.K. (2004), "Creating Employee Value in a Global Economy through Participation, Motivation and Development", *Total Quality Management*, Vol. 15 No.5-6, pp. 793-806.
- 104 Walker R.H., Johnson L.W. and Leonard S. (2006), "Re-thinking the conceptualization of customer value and service quality within the service-profit chain", *Managing Service Quality*, Vol. 16 No.1, pp. 23-36.

- 105 Wangenheim F.V., Evanschitzky H. and Wunderlich M. (2007), "Does the Employee–Customer Satisfaction Link Hold for All Employee Groups?" *Journal of Business Research*, Vol. 60 No.7, pp. 690-7
- 106 Weatherly, K.A. and Tansik D.A. (1993), "Managing Multiple Demands: A Role Theory Examination of the Behaviors of Customer Contact Service Workers", *Advances in Services Marketing and Management*, Vol. 2, pp. 279-300.
- 107 Wengler, S., Ehret, M. and Saab, S. (2006), "Implementation of Key Account Management: Who, why, and how? An exploratory study on the current implementation of Key Account Management programs", *Industrial Marketing Management*, Vol. 35, No. 1, pp. 103-12.
- 108 Woodall T. (2003), "Conceptualizing 'Value for the Customer': An Attributional, Structural and Dispositional Analysis", *Academy of Marketing Science Review*, Vol. 12, pp. 1-42.
- 109 Woodruff R.B. (1997), "Customer value, the next source for competitive advantage", *Journal of the Academy of Marketing Science*, Vol. 25 No.2, pp. 139-153.
- 110 Yoon, M.H., Beatty, S.E. and Suh, J. (2001), "The Effect of Work Climate on Critical Employee and Customer Outcomes. An Employee-level Analysis", *International Journal of Service Industry Management*, Vol. 12 No.5, pp. 500-21.

**APPENDIX**

**Table A1: Assessment of the Internal-Market Orientation Measure through CFA.**

		$\lambda_i$	$\lambda_i^2$	$e_i$
<b>Internal-Intelligence Generation Fit Statistics: CFI 0.97; TLI 0.95; RMSEA 0.08 <math>\chi^2</math>: 41 d.f.: 21</b>				
<b>Identification of Exchanges of Value</b>		<b>AVE/MaxCorr 1,028</b>		
Alpha 0,88	<b>AVE: 0,65 MaxCorr: 0,63</b> My company takes the time to understanding my needs.	0,76	0,58	0,43
	My manager sees that we all meet regularly so that we have the chance to say what we expect from the company.	0,90	0,81	0,21
	At least once per year we complete a questionnaire regarding our needs and wants about the company.	0,72	0,52	0,50
	The management team seeks to find out what competitors do to keep their employees satisfied.	0,71	0,50	0,21
	My manager assesses my job satisfaction as an important part of his/her job.	0,81	0,66	0,32
<b>Awareness of Labor Market</b>		<b>AVE/MaxCorr 1,050</b>		
Alpha 0,80	<b>AVE: 0,66 MaxCorr: 0,63</b> My company stays aware of legal developments in the labor market.	0,72	0,52	0,49
	My company is aware of employment rates in our industry. (unemployment)	0,91	0,83	0,36
	My company is aware of jobs in other industries that could attract employees away from this firm.	0,85	0,72	0,22
	This company is systematically analyzing the working conditions of employees working for the competition.	0,68	0,46	0,23
<b>Internal Communication Fit Statistics: CFI 0.95; TLI 0.92; RMSEA 0.08 <math>\chi^2</math>: 63 d.f.: 24</b>				
<b>Internal Communication with Employees</b>		<b>AVE/MaxCorr 1,120</b>		
Alpha 0,70	<b>AVE: 0,64 MaxCorr: 0,57</b> My manager informs me in advance of any pending policy changes.	0,87	0,76	0,39
	My manager sincerely listens to me about problems I am having doing with job.	0,44	0,19	0,12
	My manager is sincerely concerned about my personal problems that may affect my performance.	0,66	0,44	0,46
	My manager is never too busy to talk with me when I need him/her.	0,95	0,90	0,40
	My manager discusses my assignments and objectives, and takes the time to come to an agreement with me.	0,77	0,59	0,24
<b>Internal Communication between Managers</b>		<b>AVE/MaxCorr 1,206</b>		
Alpha 0,90	<b>AVE: 0,69 MaxCorr: 0,57</b> The managers in this company meet regularly to discuss subordinates' problems and listen to what the other managers have to say.	0,83	0,69	0,40
	If an employee in this company is faced with a serious problem, the managers from other departments will be informed of it immediately.	0,88	0,77	0,53
	This company encourages our managers to meet and discuss issues concerning their subordinates.	0,69	0,48	0,11
	Many times the solution to a problem I had came from a manager from a different department, not from my direct manager.	0,71	0,50	0,04
<b>Response Fit Statistics: CFI 0.95; TLI 0.94; RMSEA 0.07 <math>\chi^2</math>: 265 d.f.: 29</b>				
<b>Internal Segmentation</b>		<b>AVE/MaxCorr 1,628</b>		
Alpha 0,93	<b>AVE: 0,77 MaxCorr: 0,47</b> In my company employees are identified in groups based on our individual characteristics and needs.	0,91	0,83	0,52

	Before any policy change is introduced our individual needs are considered in advance.	0,83	0,69	0,02
	All employees are treated exactly the same. Individual needs are ignored (r).	0,90	0,81	0,15
	Our individual needs are systematically assessed in this company.	0,95	0,90	0,31
<b>Internal-segments Targeting</b>	<b>AVE: 0,74 MaxCorr: 0,47</b>	<b>AVE/MaxCorr</b>	<b>1,575</b>	
Alpha 0,79	Every important decision regarding human-resource policies is always adapted to our individual needs.	0,94	0,88	0,13
	Groups of employees having a common set of needs are taken into consideration when deciding on specific human-resource policies.	0,63	0,40	0,30
	The impact on groups of employees with common needs is evaluated before taking any action.	0,48	0,23	0,19
	Human-resource related policies apply to everyone. Individual needs are not considered (r)	0,91	0,83	0,20
<b>Job Description</b>	<b>AVE: 0,65 MaxCorr: 0,59</b>	<b>AVE/MaxCorr</b>	<b>1,103</b>	
Alpha 0,76	My job description allows me to satisfy my personal needs and goals through my work.	0,77	0,59	0,14
	Assignments are never given to me until my manager and I have agreed that I can really do it.	0,75	0,56	0,38
	The tasks I am assigned will help me advance my career with this company.	0,46	0,21	0,17
	My manager is required to justify my assignments and job description with senior level management.	0,69	0,48	0,30
<b>Remuneration</b>	<b>AVE: 0,60 MaxCorr: 0,46</b>	<b>AVE/MaxCorr</b>	<b>1,302</b>	
Alpha 0,86	When I do something extraordinary I know that I will receive some financial bonus/reward.	0,55	0,30	0,47
	My income and annual increases are not dependent on my individual performance but on the company's performance.	0,98	0,96	0,30
	My income and the annual increases are very closely tied to my qualifications and individual performance.	0,80	0,64	0,13
	Everyone gets an annual bonus regardless of their performance (r)	0,48	0,23	0,30
	My income and annual increases are similar to those with the same qualifications working in this or any other industry.	0,46	0,21	0,38
<b>Training</b>	<b>AVE: 0,56 MaxCorr: 0,51</b>	<b>AVE/MaxCorr</b>	<b>1,104</b>	
Alpha 0,79	Training is directly related to the individual needs of each employee. Large group training seminars are avoided when possible (and given on topics that are needed).	0,63	0,40	0,33
	A newly hired employee will have to find his own answers to the requirements of the job. (r) Training is not offered.	0,71	0,50	0,52
	Before the implementation of a major change in service rules/operations/activities/policies, we always get significant training regarding its impact on our daily activities and job description.	0,85	0,72	0,28
	When someone is moved from one department to another, the new manager will personally train him/her for a pre-specified period of time.	0,62	0,38	0,44
<b>Management Concern</b>	<b>AVE: 0,72 MaxCorr: 0,56</b>	<b>AVE/MaxCorr</b>	<b>1,282</b>	
Alpha 0,87	Senior Management is very considerate of our individual needs and makes policies that reflect it.	0,90	0,81	0,49
	Senior management will spare no cost to satisfy the specific needs of group of employees.	0,91	0,83	0,18
	Senior Management is committed to solving our problems and giving us the support necessary to complete our jobs.	0,70	0,49	0,18

**Internal-Market Orientation Fit Statistics: CFI 0.97; TLI 0.96; RMSEA 0.06  $\chi^2$ : 41.5 df: 27**

<b>Internal-Market Intelligence Generation</b>		<b>AVE:0,72 MaxCorr: 0,55</b>	<b>AVE/MaxCorr</b>	<b>1,314</b>
Alpha 0,90	Identification of Exchanges of Value		0,83	0,69 0,30
Composite Reliability Index: 0,70	Develop Awareness of Labor Market		0,87	0,76 0,26
<b>Internal Communication</b>		<b>AVE: 0,69 MaxCorr: 0,61</b>	<b>AVE/MaxCorr</b>	<b>1,134</b>
Alpha 0,86	Internal Communication with Employees		0,81	0,66 0,28
Composite Reliability Index: 0,71	Internal Communication between Managers		0,65	0,42 0,20
<b>Response to Internal-Market Intelligence</b>		<b>AVE: 0,64 MaxCorr: 0,61</b>	<b>AVE/MaxCorr</b>	<b>1,044</b>
Alpha: 0,70	Internal Segmentation		0,67	0,45 0,12
Composite Reliability Index: 0,75	Internal-segments Targeting		0,55	0,30 0,28
	Job Description		0,73	0,53 0,26
	Remuneration		0,42	0,18 0,31
	Training		0,78	0,61 0,38
	Management Concern		0,79	0,62 0,18

Abbreviations: AVE = Average Variance Extracted =  $\frac{\sum(\text{standard loadings})^2}{\sum(\text{standard loadings})^2 + \sum e_i}$ ; Cng = Convergent Validity (AVE > .50); Discriminant Validity = AVE/(MaxCorr) >1; MaxCorr = highest squared correlation between factor of interest and remaining factors.

**Table A2: Assessment of the Market Orientation Measure through CFA.**

<b>MARKET ORIENTATION Fit Statistics</b>		<b>CFI 0.92; TLI 0.91; RMSEA 0.08 <math>\chi^2</math>: 209 d.f.: 38</b>		
ITEMS	$\lambda_i$	$\lambda_i^2$	ei	AVE/MaxCorr
<b>Intelligence Generation</b>		<b>AVE: 0,717</b>	<b>MaxCorr: 0,660</b>	<b>1,086</b>
We do a lot of marketing research to assess customer perceptions of our products/services	0,90	0,810	0,421	
We are slow to detect changes in our customers' preferences	0,88	0,774	0,205	
We collect industry information on an informal basis	0,85	0,723	0,284	
We regularly review likely effects on our customers by changes of our business environment	0,72	0,518	0,207	
<b>Intelligence Dissemination</b>		<b>AVE: 0,706</b>	<b>MaxCorr: 0,660</b>	<b>1,070</b>
We regularly have inter-departmental meetings to discuss market trends and developments	0,86	0,740	0,122	
Our marketing people regularly discuss customer needs with other departments	0,90	0,810	0,152	
Customer satisfaction data are regularly distributed to all departments	0,63	0,397	0,392	
There is minimal communication between marketing and other departments about market developments	0,54	0,292	0,303	
When one department finds out something about a competitor it often slow to alert the rest	0,86	0,740	0,271	
<b>Response Design</b>		<b>AVE: 0,624</b>	<b>MaxCorr: 0,589</b>	<b>1,069</b>
It takes us forever to decide how to respond to competitor's price changes	0,73	0,533	0,208	
Somehow we tend to ignore changes to our customers' product/service needs	0,85	0,723	0,310	
Our business activities are driven more by technological advances than by market research	0,35	0,122	0,360	
The product/services we sell are determined more by internal politics than market needs	0,72	0,518	0,260	
<b>Response Implementation</b>		<b>AVE: 0,615</b>	<b>MaxCorr: 0,555</b>	<b>1,108</b>
If a competitor launches a program targeted at our customers, we react immediately	0,65	0,423	0,402	
Customer complaints fall on "deaf ears" in this firm	0,42	0,176	0,388	

We are quick to respond to significant changes in our competitors' pricing

0,87                      0,757                      0,132

If we find out that customers are dissatisfied with the quality of our products/services we take corrective action immediately

0,74                      0,548                      0,271

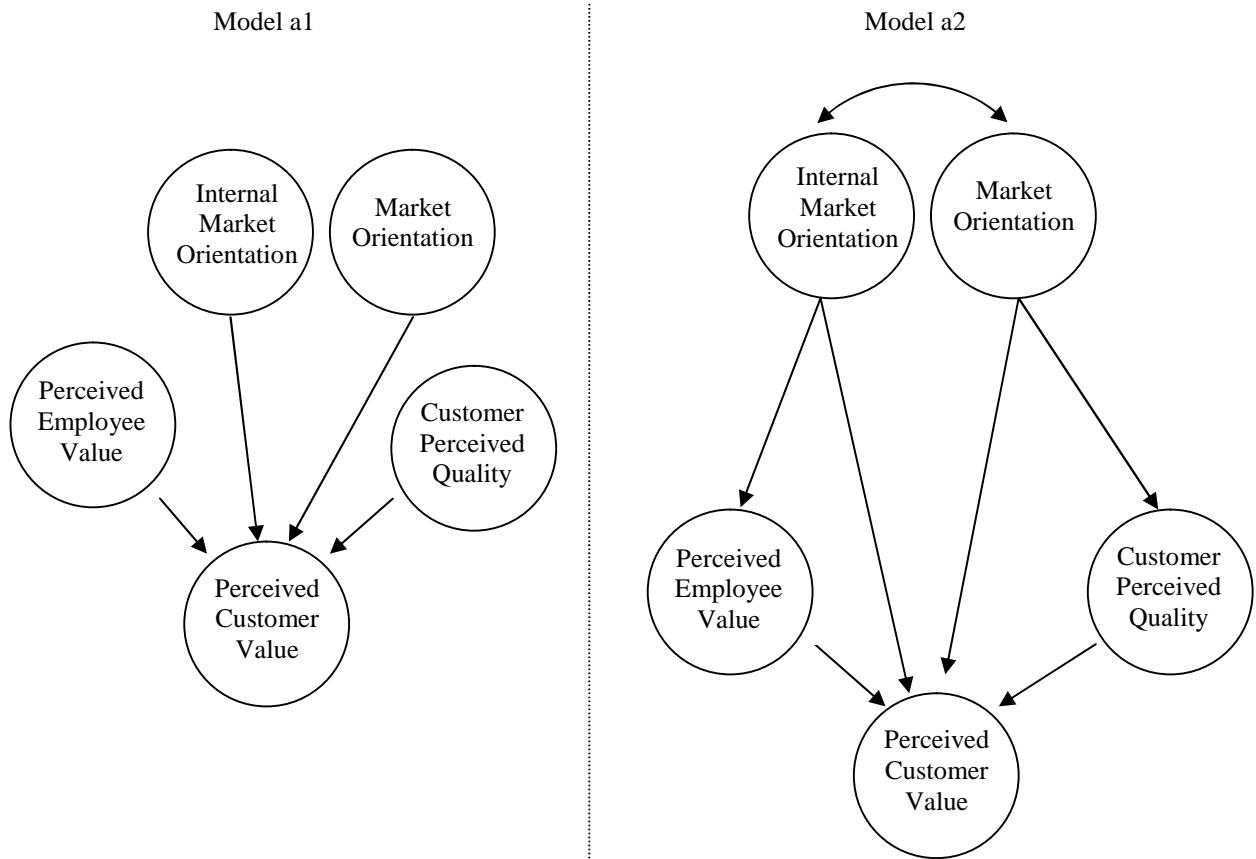
Abbreviations: AVE = Average Variance Extracted =  $\Sigma(\text{standard loadings})^2 / \Sigma(\text{standard loadings})^2 + \Sigma e_i$ ; Cng = Convergent Validity (AVE > .50); Discriminant Validity = AVE/(MaxCorr) >1; MaxCorr = highest squared correlation between factor of interest and remaining factors.

**Table A3: Assessment of the INDSERV Measure through CFA.**

	$\lambda_{yi}$	$\lambda_{yi}^2$	$e_i$	AVE/MaxCorr	
<b>INDSERV Fit Statistics: CFI 0,93; TLI 0,91; RMSEA: 0,07; <math>\chi^2</math> 279,32 df 162</b>					
<b>POTENTIAL QUALITY</b>	<b>AVE:</b>	<b>0,633</b>	<b>MaxCorr:</b>	<b>0,556</b>	<b>1,138</b>
Offers Full Service	0,524	0,275	0,408		
Has required personnel	0,648	0,420	0,130		
Has required facilities	0,706	0,499	0,080		
Has required management philosophy	0,503	0,253	0,220		
<b>SOFT PROCESS QUALITY</b>	<b>AVE:</b>	<b>0,673</b>	<b>MaxCorr:</b>	<b>0,651</b>	<b>1,033</b>
Accepted enthusiastically	0,719	0,517	0,434		
Listen to our problems	0,807	0,651	0,085		
Open to suggestions / ideas	0,692	0,479	0,345		
Pleasant personality	0,809	0,654	0,421		
Argue if necessary	0,956	0,914	0,349		
Look after our interests	0,851	0,723	0,282		
<b>HARD PROCESS QUALITY</b>	<b>AVE:</b>	<b>0,506</b>	<b>MaxCorr:</b>	<b>0,494</b>	<b>1,023</b>
Keeps Time Schedules	0,752	0,566	0,471		
Honors Financial Agreements / Stays in budgets	0,746	0,557	0,489		
Meets deadlines	0,605	0,366	0,634		
Looks at details	0,714	0,510	0,443		
Understands our needs	0,728	0,530	0,434		
<b>OUTPUT QUALITY</b>	<b>AVE:</b>	<b>0,692</b>	<b>MaxCorr:</b>	<b>0,651</b>	<b>1,063</b>
Reaches objectives	0,873	0,762	0,210		
Has a notable effect	0,814	0,663	0,190		
Contributes to our sales / image	0,625	0,391	0,350		
Is creative in terms of its offering	0,678	0,460	0,338		
Is consistent with our strategy	0,744	0,554	0,170		

Abbreviations: AVE = Average Variance Extracted =  $\Sigma(\text{standard loadings})^2 / \Sigma(\text{standard loadings})^2 + \Sigma e_i$ ; Cng = Convergent Validity (AVE > .50); Discriminant Validity = AVE/(MaxCorr) >1; MaxCorr = highest squared correlation between factor of interest and remaining factors.

**Figure A1: Alternative Models that Were Investigated**



**Table I: Pearson Correlations and Mean Values of the Key Variables of the Study**

VARIABLES	MO1	MO2	MO3	MO4	IMO-IG	IMO-C	IMO-R	SF	HD	OUT	POT	EV1	EV2	EV3	EV4	CV1	CV2	CV3
MO1 Intelligence Generation	4,89																	
MO2 Intelligence Dissemination	0,88	4,35																
MO3 Response Design	0,89	0,82	4,33															
MO4 Response Implementation	0,80	0,81	0,73	3,98														
IMO Intelligence Collection	0,94	0,86	0,92	0,75	4,74													
IMO Communication	0,60	0,74	0,54	0,49	0,56	5,09												
IMO Responsiveness	0,79	0,90	0,77	0,86	0,76	0,56	4,28											
Soft Process Quality	0,06	0,00	0,09	0,04	0,06	0,03	0,07	5,43										
Hard Process Quality	0,02	-0,03	0,01	0,04	0,00	0,05	0,03	0,61	5,47									
Output Quality	0,05	-0,03	0,05	0,06	0,03	0,03	0,04	0,66	0,52	4,80								
Potential Quality	0,02	0,02	0,04	0,03	0,03	0,05	0,06	0,49	0,48	0,46	5,07							
EV1 Supervisor Recognition	0,70	0,68	0,69	0,56	0,76	0,34	0,63	0,11	0,13	0,05	0,10	5,24						
EV2 Income Fairness	0,83	0,74	0,79	0,66	0,85	0,42	0,62	0,12	0,07	0,08	0,07	0,68	4,35					
EV3 Personal Development	0,65	0,76	0,66	0,56	0,63	0,57	0,77	0,04	0,05	0,01	0,04	0,54	0,53	4,68				
EV4 Participation in Decision Making	0,40	0,54	0,39	0,44	0,39	0,37	0,54	0,16	0,05	0,09	0,05	0,36	0,28	0,43	4,44			
CV1 Needs Coverage	0,77	0,84	0,75	0,68	0,82	0,52	0,73	0,06	0,02	0,05	0,09	0,65	0,72	0,61	0,40	4,81		
CV2 Sense Of Security	0,67	0,53	0,56	0,45	0,65	0,37	0,47	0,05	0,01	0,05	0,02	0,45	0,42	0,41	0,30	0,46	5,70	
CV3 Fair cost of the Service	0,79	0,72	0,75	0,62	0,84	0,57	0,65	0,01	0,04	0,00	0,06	0,52	0,63	0,61	0,38	0,63	0,65	5,05

*Correlations are below the diagonal. Mean values are in the diagonal*

**Table II: MO and IMO as Reflectors of the Marketing Philosophy.**

ITEMS	$e_i$				
	STND LOADINGS ( $\lambda_{yi}$ )	[STND LOADINGS ( $\lambda_{yi}$ )] <sup>2</sup>	SQMC	1-SQMC	AVE/MaxCorr
<b>MARKET ORIENTATION</b>	<b>AVE: 0,551</b>	<b>MaxCorr: 0,22</b>			<b>2,509</b>
Collect Intelligence	0,80	0,65	0,646	0,354	
Disseminate Intelligence	0,91	0,83	0,828	0,172	
Response Design	0,66	0,43	0,432	0,568	
Response Implementation	0,55	0,30	0,302	0,698	
<b>INTERNAL MARKET ORIENTATION</b>	<b>AVE: 0,643</b>	<b>MaxCorr: 0,22</b>			<b>2,922</b>
Intelligence Generation	0,86	0,73	0,735	0,265	
Communication	0,64	0,41	0,412	0,588	
Responsiveness	0,88	0,78	0,782	0,218	

$\chi^2$ : 18,31 ; df : 13; sign: 0,153

CFI: 0,986; TLI: 0,977; RMSEA: 0,05

**Table III: Results from SEM Analysis**

	Standardized Loadings*
Intelligence Collection ← MARKET ORIENTATION (MO)	0,46
Intelligence Dissemination ← MARKET ORIENTATION (MO)	0,50
Response Design ← MARKET ORIENTATION (MO)	0,42
Response Implementation ← MARKET ORIENTATION (MO)	0,43
Internal-Market Intelligence Generation ← INTERNAL-MARKET ORIENTATION (IMO)	0,78
Internal Communication ← INTERNAL-MARKET ORIENTATION (IMO)	0,72
Response to Internal-Market Intelligence ← INTERNAL-MARKET ORIENTATION (IMO)	0,92
Potential Quality ← PERCEIVED SERVICE QUALITY	0,50
Soft Process Quality ← PERCEIVED SERVICE QUALITY	0,94
Hard Process Quality ← PERCEIVED SERVICE QUALITY	0,76
Final (Output) Quality ← PERCEIVED SERVICE QUALITY	0,74
Supervisor Recognition ← EMPLOYEE PERCEIVED VALUE (EV)	0,97
Income Fairness ← EMPLOYEE PERCEIVED VALUE (EV)	0,76
Development ← EMPLOYEE PERCEIVED VALUE (EV)	0,99
Participation ← EMPLOYEE PERCEIVED VALUE (EV)	0,88
Needs Coverage ← CUSTOMER PERCEIVED VALUE (CV)	0,64
Sense of Security ← CUSTOMER PERCEIVED VALUE (CV)	0,72
Cost ← CUSTOMER PERCEIVED VALUE (CV)	0,48
Internal-Market Orientation (IMO) ← Marketing Philosophy	0,62
Market Orientation (MO) ← Marketing Philosophy	0,74
Hyp2. Employee Perceived Value ← Marketing Philosophy – <b>Accepted</b>	0,41
Hyp3. Perceived Service Quality ← Marketing Philosophy – <b>Accepted</b>	0,22
Hyp4. Perceived Service Quality ← Employee Perceived Value – <b>Accepted</b>	0,38
Hyp5. Customer Perceived Value ← Marketing Philosophy – <b>Accepted</b>	0,43
Hyp6. Customer Perceived Value ← Perceived Service Quality – <b>Accepted</b>	0,71

\*All values significant at 0,050 or better

**Table IV: Direct, Indirect and Total Effects of the Endogenous Variables**

	Marketing Philosophy	Employee Value	Perceived Service Quality
<b>Direct Effects</b>			
Marketing Philosophy	na	0	0
Employee Value	0,41	na	0
Perceived Service Quality	0,22	0,38	na
Customer Value	0,43	0	0,71
<b>Indirect Effects</b>			
Marketing Philosophy	na	0	0
Employee Value	0	na	0
Perceived Service Quality	0,16	0	na
Customer Value	0,26	0,26	0
<b>Total Effects</b>			
Marketing Philosophy	na	0	0
Employee Value	0,41	na	0
Perceived Service Quality	0,38	0,37	na
Customer Value	0,69	0,27	0,71

**Figure 1: A Broadened View of Marketing Philosophy and Consequences for the Customer**

