



REVISITING THE RELATIONSHIP BETWEEN INTERNAL MARKETING AND EXTERNAL
MARKETING: THE ROLE OF CUSTOMER ORIENTATION

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Source: *The Journal of Developing Areas*, Fall 2015, Vol. 49, No. 3 (Fall 2015), pp. 249–262

Published by: College of Business, Tennessee State University

Stable URL: <http://www.jstor.com/stable/24737319>

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REVISITING THE RELATIONSHIP BETWEEN INTERNAL MARKETING AND EXTERNAL MARKETING: THE ROLE OF CUSTOMER ORIENTATION

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ABSTRACT

The strands of research performed on internal marketing (IM) and external marketing (EM) effectiveness have grown independently from each other, meaning that the way in which they are linked remains a mystery. Scholars have also pointed out that IM is the missing half of the marketing concept. In other words, scholars have argued that IM is the implementation segment of marketing orientation. This will, to a greater extent, result in the effectiveness of EM. There is currently no clear evidence to show how IM and EM are linked. Thus, this research aims to examine the relationship between the effectiveness of IM and EM with customer orientation being considered the missing link (mediator) between both variables. This research is mainly a hypothetico-deductive design which employ survey questionnaire. The population was large-sized manufacturing organizations which were located in Penang, Malaysia. Judgmental sampling was employed from Federation of Malaysia Manufacturers (FMM) Directory. Snowballing method was also used because some respondents were referred by the initial respondents. The contact persons at the respective entities were contacted either in person or by email. Weekly follow-ups were then made either by email or telephone to ensure that the data collection was progressing well. Out of the 250 individuals who had been provided with sets of questionnaires, a total of 110 (i.e. 44.0%) responded. All measurements items were developed from previous study with some modifications to suit the current research. In summation, the results of this study have shown that IM was found to be significantly related to customer orientation and EM effectiveness. Customer orientation was also found to be significantly related to EM effectiveness. Finally, it has been discovered that customer orientation mediated the relationship between IM and EM effectiveness. The findings of this study support the theoretical model on IM and EM effectiveness (product activities, pricing activities, promotion activities and distribution activities), with customer orientation being the mediator. i.e., customer orientation is the missing link between IM and EM effectiveness (product activities, pricing activities, promotion activities and distribution activities). Based on simple regression, the results have shown that IM is significantly related to product activities, pricing activities, promotion activities and distribution activities respectively. The results explain that IM is the right strategy to apply to large-sized manufacturing organizations. The implementation of IM practices will, furthermore, lead to enhancement of customer orientation and hence effectiveness of product activities, pricing activities, promotion activities and distribution activities.

JEL Classifications: M31

Keywords: Marketing, Internal Marketing, Marketing Mix, Marketing Effectiveness, Customer Orientation

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INTRODUCTION

It is a known fact that the literature on both IM and EM streams of the classical marketing concept has been developed separately. To date, there has been no real research done to relate one stream to another in a succinct and theoretically sound framework. This paper is dedicated to proving that interrelationship. The first argument being presented is that IM practices and programs will lead to the creation of customer orientation. The next assertion is that customer orientation will eventually improve EM effectiveness. It is not new for the scholars of IM to say that, in order for EM to be effective, it needs to be internally marketed. Piercy (1991) has proposed that IM is actually the missing half of the marketing concept. Here, IM is regarded as a mechanism that is used to create customer orientation (or market orientation, as will be discussed in the literature review.) Consequently, the result should be an improvement in the effectiveness of EM. This study has been done with the intention of taking the first logical step toward finding this out by proposing that IM actually promotes customer orientation which, in turn, improves EM effectiveness.

LITERATURE REVIEW

Internal Marketing (IM)

The fundamental argument for IM is the need for a mechanism to create customer-conscious and motivated personnel (Ahmed and Rafiq, 1993, 1995; Helman and Payne, 1995). IM was originally proposed as an approach to service management that would enable and motivate all members of the organization to be more customer-conscious and service-oriented (George and Martin, 1984). The currently accepted concept of IM is that it is a philosophy for managing an organization's human resources based on a marketing perspective (George and Grönroos, 1989). It is clear, as mentioned by Berry and Parasuraman (1991) that the IM concept is about applying an EM approach internally: Grönroos (1985) was the first to mention specifically that IM was about motivating the employees through the use of active marketing-like activities. He also drew attention to the fact that, while the issue of motivation was not new particularly in the personnel management and HRM context, it had been introduced in order to motivate employees, not with the aim of producing a customer-conscious employee, but rather to ensure high levels of performance. The purpose of motivating effort in IM is, on the other hand, to develop customer consciousness and sales-mindedness (Grönroos 1981: 237). To summarize, IM is a managerial philosophy that uses a marketing-like approach to convince employees regarding the importance of having an interest in both internal and external customers (Cahill, 1995). IM therefore involves meeting the needs of employees so that they can meet the needs of customers (Sybil, 1994).

Customer Orientation

Customer orientation is at the heart of the marketing concept itself. Kotler et al. (2011) stated that the marketing concept holds that fulfilling the needs and wants of customers better than one's competitors is essential to achieving organizational goals. In other

words, the marketing literature advocates the dictum: "The customer is King." This is a well-known marketing philosophy propagated by marketing scholars and practitioners. Having studied the literature, some marketing academicians argue that there is no clear distinction between customer orientation and market orientation. Thus, Shapiro (1988) contended that there were no significant differences between the terms "customer oriented" and "market oriented" and "market driven", or between "customer driven," and "market oriented." Accordingly, the terms used for customer orientation and market orientation are interchangeable. (Shapiro, 1988; Webster, 1988). The two most prominent conceptualizations of market orientation are those given by Kohli and Jaworski (1990), and Narver and Slater (1990). While Kohli and Jaworski (1990) consider market orientation to be the implementation of the marketing concept, Narver and Slater (1990) consider it an organizational culture. Kohli and Jaworski (1990) have identified customer orientation from the behavioral perspective, which consists of three behavioral factors – (1) intelligence gathering, (2) intelligence dissemination, and (3) responsiveness. Kohli and Jaworski (1990) have defined market orientation as, "the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organization-wide responsiveness to it."

According to them, the marketing concept is a business philosophy, whereas, the term "market orientation" refers to the actual implementation of the marketing concept. They have added that "a market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization." On the other hand, Narver and Slater (1990) have defined market orientation as, "the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business." As such, they consider market orientation to be an organizational culture consisting of three behavioral components, namely, i) customer orientation, ii) competitor orientation, and, iii) inter-functional coordination. In this study, customer orientation was categorized as the mediating variable. The measurement was adopted from Deshpande, Farley and Webster (1993) based on a detailed survey from Kohli and Jaworski (1990), and Narver and Slater (1990). Hence, the measurement was a mixture of the concepts operationalized from previous literature.

External Marketing (EM) Effectiveness

According to Lings (1999), it is important for marketers to balance the management of internal and external elements. In addition, he conceptualized that the internal elements were the people and processes; however, external factors were represented by the traditional marketing mix, which made up the 4Ps. Accordingly, in this study EM effectiveness actually reflects the effectiveness of the marketing mix in a company. According to Grönroos (1994), the marketing mix is a combination of marketing variables and it is not valid in all aspects of real life. The 4Ps only include product, promotion, place and price, which show that not all of the elements relevant to marketing are present. Hence, it is concluded as absolute when the 4Ps do not fit the actual situation. Other researchers have gone further by conceptualizing the marketing mix as a resource allocation model. The relevant resources involved in the exchange process are all

homogenous. The economic value from the resource is dependent on how they are combined (Hakansson and Waluszewski, 2005).

RESEARCH MODEL AND DEVELOPMENT OF THE HYPOTHESES

Based on the literature in the resource-based view (RBV) (see Makadok, 2001), this study examines the influences of IM and customer orientation on EM. The proposed research model is shown in Figure 1 and the hypotheses connected to it are discussed.

Internal and External Marketing Effectiveness

The evolution of marketing management has created the need for companies to manage internal factors (in particular people), as well as external factors, which can be symbolized explicitly by the traditional marketing mix (Lings, 1999). However, internal and external elements must be balanced out in order to achieve EM effectiveness for companies. Hence, to create good, interactive EM effectiveness, the concept of IM reacts as a philosophy as well as a tactical and a strategic instrument in fulfilling management needs (Grönroos, 1985). Hence, it can be concluded that:

H1: IM has a positive relationship with EM effectiveness

Internal Marketing and Customer Orientation

Piercy and Morgan (1991) were probably the first authors to state that there was a need to identify the framework within which customer orientation could be successfully implemented. They point out that the problem is not simply one of recognizing the implementation issue as a legitimate area of enquiry, but that it is, more fundamentally, the need for a relevant language and conceptual models in the marketing literature that are able to cope with this issue (Piercy and Morgan, 1991: 83). To date, marketing literature has, by and large, failed to provide the language required to address the issue of strategy implementation. Thus, IM is suggested as a neutral and legitimate language, suited to creating customer orientation. This leads us on to Hypothesis 2:

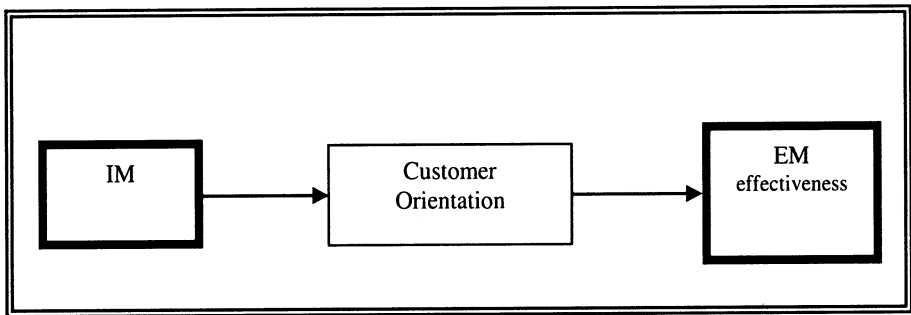
H2: IM has a positive relationship with customer orientation.

Customer Orientation and External Marketing Effectiveness

According to Grönroos (1985), the skills and knowledge of the employees will influence the end products such as marketing effectiveness. However, the functional quality will be affected by employees' appearances, behaviors, customer-orientation and service-mindedness. In the long-run, these excellent, functional qualities run parallel to good, or interactive, EM effectiveness. This relationship is also supported by Deshpande et al (1993), with the claim that "a business that improves customer orientation will enhance its market effectiveness." This leads to:

H3: Customer orientation has a positive relationship with EM effectiveness.

FIGURE 1 THE PROPOSED RESEARCH MODEL



METHODOLOGY

Research Population and Sample

The population used for this study consisted of large-sized manufacturing organizations which were located in Penang, Malaysia. The unit of analysis for this study was department, i.e. large-sized organizations in the manufacturing sector. Judgmental sampling was conducted and lists of samples were compiled from the Federation of Malaysia Manufacturers (FMM) Directory of 2006. However, the snowballing method was also used because some respondents were referred by the initial respondents. 250 sets of questionnaires were distributed to the respondents in the large-sized manufacturing organizations located at Penang. The distributions were carried out via postal mail and emails, which were sent to the respondents. Questionnaires were sent out to designated contact persons, who had been approached earlier. The contact persons at the respective entities were contacted either in person or by email. Weekly follow-ups were then made either by email or telephone to ensure that the data collection was progressing well. Out of the 250 individuals who had been provided with sets of questionnaires, a total of 110 (i.e. 44.0%) responded. Out of the 110 sets of questionnaires, only 105 were usable for analysis purposes. Therefore, the actual response rate, for analysis purposes, was 42.0% only.

Variable Measurements

All instruments and questionnaires were either derived directly from previously published literature, or else a minor adjustment was made in order to accommodate them within the new framework. Each variable was measured using previously developed components of instruments that had demonstrated good psychometric properties. The survey used in this study consisted of the five sections A to E, as shown in Table 1.1.

TABLE 1.1 QUESTIONNAIRE ITEMS

| Section | Variables | Number of Items |
|---------|----------------------------------|-----------------|
| A | Internal Marketing | 26 |
| B | Customer Orientation | 9 |
| C | External Marketing Effectiveness | 20 |
| D | Personal Information | 8 |
| E | Company Profile | 4 |
| | Total | 67 |

Instrument Reliability and Validation

In carrying out the measurement validation, conventional methods, namely coefficient alpha, item-to-total correlations, and exploratory factor analysis were used. 26 items, which had been used to measure IM were subjected to principal component factor analysis. The results have been shown in Table 1.2. 10 items had been dropped from the analysis due to poor communities and poor loading. Results from Factor analysis shows that only one factor had been extracted, with the eigenvalue of 6.67, explaining 41.73% of the total variance. The KMO measure of sampling adequacy indicated 0.86 and the Bartlett's test of sphericity was significant ($p < 0.01$). However, the remaining factors for dimensions two and three had been excluded from analysis due to poor loading, where most of the loading had been lower than 0.55. Varimax rotated principal component factor analysis was conducted on customer orientation, which was comprised of nine items. The results of the factor analysis yielded one factor solution with eigenvalues greater than one, and the total variance explained was 69.85%. Items 5, 7, 8 and 9 were deleted from the analysis due to poor loadings. The KMO measure of sampling adequacy was 0.79, while the Bartlett's test of sphericity was significant ($p < 0.01$). Finally, for the EM effectiveness, a factor analysis was conducted on product and services activities, pricing activities, promotion activities and distribution activities comprised of 20 items. Four factor solutions were yielded with eigenvalues greater than one, and the total variance explained was 50.11%. No item was found to have cross-loadings or poor loadings. The KMO measure of sampling adequacy was 0.87 and the Bartlett's test of sphericity was significant ($p < 0.01$). As seen in Table 1.2, the reliability coefficient of the study variables exceed the minimum acceptable level of 0.70 (Nunnally & Bernstein, 1994).

TABLE 1.2 SUMMARY OF RELIABILITY ANALYSIS RESULTS

| Variables | Total Items | No. of Items Deleted | Alpha Coefficient |
|---------------------------|--------------------|-----------------------------|--------------------------|
| Internal Marketing | 26 | 10 | 0.90 |
| Customer Orientation | 9 | 4 | 0.89 |
| <u>External Marketing</u> | | | |
| <u>Effectiveness</u> | | | |
| Product | 5 | - | 0.88 |
| Pricing | 5 | - | 0.92 |
| Promotion | 5 | - | 0.93 |
| Distribution | 5 | - | 0.92 |

DATA ANALYSIS AND RESEARCH FINDINGS

Table 1.3 depicts the profiles of the participating organizations. In this study, organizational profiles consisted of the following: primary business of the company, number of years the company had been functioning within its industry sector, status of company, and number of fulltime employees in the company. As revealed in Table 1.7, the majority of the respondents worked within electronics and electrical companies (53.3%). However, most of the large-sized organizations had been in their respective industries for a period that ranged from 11 to 20 years. With respect to company status, 84.8% of the large-sized organizations were fully owned by foreign companies, followed by 11.4%, which were joint ventures with Malaysian companies, and 3.8%, which were fully Malaysian owned. It was also discovered that 88.6% of the large-size organizations possessed more than 500 workers and only 11.4% of the companies consisted of fewer than 500 workers.

TABLE 1.3 SUMMARY OF ORGANIZATIONAL PROFILES

| Demographic Variables | Categories | Frequency | Percentage (%) |
|------------------------------|---------------------------|------------------|-----------------------|
| Company Business | Electronics & Electrical | 56 | 53.3 |
| | Plastic & Rubber Products | 4 | 3.8 |
| | Metal Products | 3 | 2.9 |
| | Telecommunication | 5 | 4.8 |
| | Textile & Garments | 4 | 3.8 |
| | Computer Products | 19 | 18.1 |
| | Other | 14 | 13.3 |
| Organization Tenure | 10 years and below | 5 | 4.8 |
| | 11 to 20 years | 34 | 32.4 |
| | 21 to 30 years | 24 | 22.9 |
| | 31 to 40 years | 17 | 16.2 |
| | Over 40 years | 25 | 23.8 |
| Company Category | 100% Malaysian | 4 | 3.8 |
| | JV-51% Malaysian | 9 | 8.6 |
| | JV-51% Foreign | 3 | 2.9 |
| | 100% Foreigner | 89 | 84.8 |

| | | | |
|---------------------|-------------|----|------|
| Number of Employees | 150 to 200 | 6 | 5.7 |
| | 201 to 500 | 6 | 5.7 |
| | 501 to 1000 | 22 | 21.0 |
| | Over 1000 | 71 | 67.6 |

Testing of the Hypotheses

The hypotheses were tested using SPSS 14.0.

H1: IM has a positive relationship with EM effectiveness.

Table 1.4 shows the results regarding IM and EM effectiveness (product, pricing, promotion and distribution). EM in this case has been operationalized into the marketing mix, or the 4Ps' effectiveness.

TABLE 1.4 REGRESSION RESULTS FOR HYPOTHESIS 1

| Internal Marketing | Product Activities | Pricing Activities | Promotion Activities | Distribution Activities |
|--------------------|--------------------|--------------------|----------------------|-------------------------|
| B | 0.31** | 0.21* | 0.35** | 0.21* |
| T-Value | 3.32 | 2.19 | 3.75 | 2.16 |
| R^2 | 0.10 | 0.04 | 0.12 | 0.04 |
| Durbin-Watson | 1.53 | 1.57 | 1.63 | 1.50 |
| F | 11.04 | 4.77 | 14.09 | 4.68 |

Note: * $p < 0.05$, ** $p < 0.01$

Based on the results shown in Table 1.4, IM is significant with $\beta = 0.31$ ($p < 0.01$) and has a positive effect on product activities. R^2 is 0.10, which means that 10% of the variance in product activities can be explained by IM. Thus, this model is fit.

In terms of pricing, based on the results shown, IM is significant with $\beta = 0.21$ ($p < 0.05$) and has a positive effect on pricing activities. R^2 is 0.04. Thus, H1b has been accepted. As far as promotion activities are concerned, based on the results, IM is significant with $\beta = 0.35$ ($p < 0.01$) and has a positive effect on promotion activities. R^2 is 0.12. Thus, H1c has been accepted. Similarly, IM is significant with $\beta = 0.21$ ($p < 0.05$) and has a positive effect on distribution activities. R^2 is 0.04, hence, H1d has been accepted.

H2: Internal marketing has a positive relationship with customer orientation.

TABLE 1.5 REGRESSION RESULTS FOR HYPOTHESIS 2

| Factor | Beta (β) | T-Value |
|--------------------|----------------------|---------|
| Internal Marketing | 0.30** | 3.21 |
| $R^2 = 0.30$ | Durbin-Watson = 1.56 | |

F = 10.30 Sig. =
0.002

Note: * $p < 0.05$, ** $p < 0.01$

Based on the results shown in Table 1.5, IM is significant with $\beta = 0.30$ ($p < 0.01$) and has a positive effect on customer orientation. R^2 is 0.30, hence, H2 has been accepted.

H3: Customer has a positive relationship with EM relationship.

Table 1.6 shows the correlation between customer orientation and the effectiveness of EM (product, pricing, promotion and distribution).

TABLE 1.6 REGRESSION RESULTS FOR HYPOTHESIS 3

| Factor: | | | | |
|-----------------------------|---------------------------|---------------------------|-----------------------------|--------------------------------|
| Customer Orientation | Product Activities | Pricing Activities | Promotion Activities | Distribution Activities |
| B | 0.54** | 0.25** | 0.62** | 0.42** |
| T-Value | 6.48 | 2.62 | 8.03 | 4.75 |
| R^2 | 0.54 | 0.06 | 0.38 | 0.18 |
| Durbin-Watson | 1.99 | 1.61 | 1.97 | 1.63 |
| F | 42.03 | 6.89 | 64.41 | 22.55 |

Note: * $p < 0.05$, ** $p < 0.01$

Based on the results shown in Table 1.6 above the following hypotheses have been accepted:

H3a: Customer orientation has a positive relationship with product activities.

H3b: Customer orientation has a positive relationship with product activities.

H3c: Customer orientation has a positive relationship with promotion activities.

H3d: Customer orientation has a positive relationship with distribution activities.

The above hypothesis was used to test the mediating effect of the perceived effectiveness of the intention of pro-environmental campaigns in the relationship between environmental concern and environmental intention. For the testing of the mediating effect, the Baron and Kenny (1986) approach was used.

H4: Customer orientation mediates the relationship between internal and external marketing effectiveness

The above hypothesis was used to test the mediating effect of the perceived effectiveness of customer orientation in the relationship between IM and EM effectiveness, whereby EM effectiveness consisted of four dimensions (product, pricing, promotion and distribution). For the testing of the mediating effect, the Baron and Kenny (1986) approach was used.

H4a: Customer orientation mediates the relationship between IM and product.

TABLE 1.7 REGRESSION RESULTS FOR HYPOTHESIS 4A

| Selected Variables | Beta Coefficients without CO (Model 1) | Beta Coefficients with CO (Model 2) |
|-------------------------------|--|-------------------------------------|
| Internal Marketing | 0.31** | 0.16 |
| Customer Orientation (CO) | - | 0.49 |
| R² | 0.10 | 0.31 |
| Adjusted R² | 0.09 | 0.30 |
| R² Change | - | 0.22 |
| Durbin Watson | 1.94 | 1.94 |
| F Value | 11.04** | 23.36** |
| F Change | - | 32.33** |

Note: * $p < 0.05$, ** $p < 0.01$

Based on the results shown in Table 1.7, IM product activities are significant with $\beta = 0.31$ ($p < 0.01$). In Model 2, the results show that R^2 increases from 0.10 to 0.31. Hence, the change in R^2 is significant. This shows that customer orientation significantly mediates the relationship between IM and the product. Thus, H4a has been accepted.

H4b: Customer orientation mediates the relationship between IM and pricing.

TABLE 1.8 REGRESSION RESULTS FOR HYPOTHESIS 4B

| Selected Variables | Beta Coefficients without CO (Model 1) | Beta Coefficients with CO (Model 2) |
|-------------------------------|--|-------------------------------------|
| Internal Marketing | 0.32* | 0.15 |
| Customer Orientation (CO) | - | 0.21* |
| R² | 0.04 | 0.08 |
| Adjusted R² | 0.04 | 0.07 |
| R² Change | - | 0.04 |
| Durbin Watson | 1.66 | 1.66 |
| F Value | 4.77* | 4.60* |
| F Change | - | 4.27* |

Note: * $p < 0.05$, ** $p < 0.01$

Based on the results shown above, IM and promotion activities are significant with $\beta = 0.2$ ($p < 0.05$). In Model 2, the results show that R^2 increase from 0.04 to 0.19. Hence, the change in R^2 is significant. Therefore H4b has been accepted.

H4c: Customer orientation mediates the relationship between IM and promotion.

TABLE 1.9 REGRESSION RESULTS FOR HYPOTHESIS 4C

| Selected Variables | Beta Coefficients without CO (Model 1) | Beta Coefficients with CO (Model 2) |
|---------------------------|--|-------------------------------------|
| Internal Marketing | 0.35** | 0.18* |
| Customer Orientation (CO) | - | 0.57** |
| R ² | 0.12 | 0.41 |
| Adjusted R ² | 0.11 | 0.40 |
| R ² Change | - | 0.29 |
| Durbin Watson | 2.04 | 2.04 |
| F Value | 14.09** | 35.86** |
| F Change | - | 50.82** |

Note: * $p < 0.05$, ** $p < 0.01$

Based on the results shown above, IM and promotion activities are significant with $\beta = 0.35$ ($p < 0.01$). In Model 2, the results show that R^2 increases from 0.12 to 0.41. This shows that customer orientation significantly mediates the relationship between IM and promotion. Thus, H4c has been accepted.

H4d: Customer orientation mediates the relationship between IM and distribution.

TABLE 1.10 REGRESSION RESULTS FOR HYPOTHESIS 4D

| Selected Variables | Beta Coefficients without CO (Model 1) | Beta Coefficients with CO (Model 2) |
|---------------------------|--|-------------------------------------|
| Internal Marketing | 0.21* | 0.09 |
| Customer Orientation (CO) | - | 0.40** |
| R ² | 0.04 | 0.19 |
| Adjusted R ² | 0.03 | 0.17 |
| R ² Change | - | 0.14 |
| Durbin Watson | 1.62 | 1.62 |
| F Value | 4.68* | 11.71** |
| F Change | - | 17.98** |

Note: * $p < 0.05$, ** $p < 0.01$

Based on the results, IM and promotion activities are significant with $\beta = 0.2$ ($p < 0.05$). In Model 2, the results show that R^2 increases from 0.04 to 0.19. This shows that customer orientation significantly mediates the relationship between IM and distribution. Thus, H4d has been accepted.

DISCUSSION AND CONCLUSION

The findings of this study support the theoretical model on IM and EM effectiveness (product activities, pricing activities, promotion activities and distribution activities), with customer orientation being the mediator. i.e., customer orientation is the missing link between IM and EM effectiveness (product activities, pricing activities, promotion activities and distribution activities). Additionally, the marketing mix, or “4P,” is used as a measurement in order to reflect the EM effectiveness of a company. Hence, it can be concluded that customer orientation is the missing link between IM and EM effectiveness, and that this is a necessity if a company is to gain better results.

In this paper, we have proposed and empirically evaluated whether or not IM affects customer orientation and, ultimately, enhances EM effectiveness. Based on simple regression, the results have shown that IM is significantly related to product activities, pricing activities, promotion activities and distribution activities respectively. Hence, this explains that IM is the right strategy to apply to large-sized manufacturing organizations. The implementation of IM practices will, furthermore, lead to the effectiveness of product activities, pricing activities, promotion activities and distribution activities. The results support the findings of Rafiq and Ahmed (1993), whereby IM involves a planned effort to motivate and encourage employees to lead the companies effectively when it comes to implementing corporate and functional strategies. Hence, these claims support the findings, which show that the implementation of IM will lead to EM effectiveness. The results also show that IM is significantly related to customer orientation with $\beta = 0.30$ ($p < 0.01$). Hence, IM is the right strategy to apply to large-sized organizations. In addition, the more that large-sized organizations practice IM, the more they will achieve customer orientation development. This result is consistent with the earlier studies of Grönroos (1985), which state that IM can be used to motivate the employees in an organization to respond favorably to the management's demands for customer orientation practices, as well as developing interactive marketing effectiveness in buyer-seller interaction. Accordingly, the higher the practice of IM and customer orientation, the more the employees will be directed toward “determining and understanding the needs of the target customer and adapting the selling organization's response in order to satisfy those needs better than competition, thereby creating a competitive advantage” (Michael, 1996, p.39) in order to maximize business profits. This corroborates studies done by Deshpande et al. (1993), and Naver and Slater (1990), where employees were instilled with the belief of placing the “customer first” while excluding other stakeholders, such as owners, managers, and other colleagues. The purpose of instilling this belief was to achieve the two decision-making criteria – long-term focus and profitability of organizations.

The findings of this study are in agreement with these former studies. They show that customer orientation is significantly related to product activities, pricing activities, promotion activities and distribution activities with $\beta = 0.54$ ($p < 0.01$), $\beta = 0.25$ ($p < 0.01$), $\beta = 0.62$ ($p < 0.01$) and $\beta = 0.42$ ($p < 0.01$), respectively. Hence, the more a large-sized organization stresses customer orientation practices, the more enhanced the EM effectiveness (product activities, pricing activities, promotion activities and distribution activities) will be. However, among the four dimensions, product activities have the strongest influence on customer orientation in that 54% of product activities can

be explained using the concept of customer orientation. This could be because products provide the first impression or image to the customers before they consider other factors such as pricing and so on. In tandem with the above, product activities, such as new product development, are most important in terms of fulfilling customer desire. Only after customers feel that the related products are fulfilling their needs will they further their action by deciding whether to buy or not. In addition, this finding supports Kwaku et.al., (1998), who refers to customer orientation as a “business philosophy or policy statement,” and contends that customer orientation is everything related to implementation and that it permeates all the activities in an organization. Consequently, the more strongly a company holds onto customer orientation as a philosophy, the more effective the EM of the company will be, hence, the more successful the company will become. Finally, the findings show that customer orientation mediates the relationship between IM and the effectiveness of EM. This has proven the theory proposed by Ballantyne (2003, p.1242), that “internal marketing requires a relationship-mediated approach, where this learning activity will generate new internally useful knowledge and consequently improve the external market effectiveness.” This implication is appropriate in situations where the implementation of customer orientation as the mediator will definitely improve EM effectiveness in a faster and shorter manner as compared to directly linking IM with EM effectiveness. This can be conceptualized if employees are satisfied in their jobs, as they will definitely exert extra effort within their scope of work. Hence, this will reflect the effectiveness of the daily activities, such as product activities, pricing activities, promotion activities and distribution activities.

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