



ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE POST GRADUATE STUDIES

THE EFFECT OF INTERNAL MARKETING ON SERVICE QUALITY IN SELECTED ETHIOPIAN PHARMACEUTICAL INDUSTRIES. (THE CASE OF ADDIS PHARMACEUTICAL FACTORY AND CADILA PHARMACEUTICALS ETHIOPIA LIMITED COMPANY.)

BY

YOSEF ETEFA

A THESIS SUBMITTED TO THE DEPARTMENT OF MARKETING MANAGEMENT, SCHOOL OF COMMERCE, ADDIS ABABA UNIVERSITY POST GRADUATE STUDIES IN PARTIAL FULFILMENT FOR THE REQUIREMENT OF DEGREE OF MASTERS IN MARKETING MANAGEMENT

ADVISOR:

DR. TEWODROS MESFIN (PhD)

June, 2019

ADDIS ABABA,

ETHIOPIA

DECLARATION

The researcher declare that this thesis entitled **“THE EFFECT OF INTERNAL MARKETING ON SERVICE QUALITY IN SELECTED EHIOPIAN PHARMACEUTICAL INDUSTRIES IN THE CASE OF ADDIS PHARMACEUTICAL FACTORY AND CADILA PHARMACEUTICALS ETHIOPIA LIMITED COMPANY.”** is the original work of Yosef Etefa as it was not been presented for the partial fulfillment of the master’s degree in any university, and that all sources of materials used for the study have been duly acknowledged.

Name: Yosef Etefa

Signature _____

Date_____

CERTIFICATE

This is to certify that this thesis, **“THE EFFECT OF INTERNAL MARKETING ON SERVICE QUALITY IN SELECTED ETHIOPIAN PHARMACEUTICAL INDUSTRIES IN THE CASE OF ADDIS PHARMACEUTICAL FACTORY AND CADILA PHARMACEUTICALS ETHIOPIA LIMITED COMPANY.”** undertaken by YOSEF ETEFA for the partial fulfillment of Masters of arts in Marketing Management at Addis Ababa University School of Commerce, is an original work and not submitted earlier for any degree either at this University or any other University.

Research Advisor

Dr. Tewodros Mesfin (PhD)

Signature _____

Date_____

THE EFFECT OF INTERNAL MARKETING ON SERVICE QUALITY IN SELECTED ETHIOPIAN
PHARMACEUTICAL INDUSTRIES IN THE CASE OF ADDIS PHARMACEUTICAL FACTORY AND
CADILA PHARMACEUTICALS ETHIOPIA LIMITED COMPANY.

By: Yosef Etefa

Signature _____

Date _____

Approved by:

Internal examiner

Name _____

Signature _____

Date _____

External examiner

Name _____

Signature _____

Date _____

Acknowledgement

I would like to express my heartfelt thanks to almighty God at the very beginning and my deep gratitude is to my advisor Dr. Tewodros Mesfin who devoted his time in giving me constructive and well planned instruction in writing this thesis. My thanks also pass to Addis Ababa university school of commerce librarians for their cooperation and offering necessary materials throughout the thesis work. I would also like to pass my deepest appreciation to my beloved wife, Derartu Teshale for her endless patience, understanding and support throughout the work of this thesis.

Table of Contents

DECLARATION	i
CERTIFICATE	ii
Acknowledgement	iv
List of figures	viii
LIST OF TABLES	ix
Acronyms	x
Abstract	xi
CHAPTER ONE	1
1.1 Introduction	1
1.2 Background of the Study	1
1.3 Background of the company	3
1.4. Statement of the problem	4
1.5 Basic Research Question	5
1.6 Objective of the study	5
1.6.1. General objective	5
1.6.2. Specific objectives	5
1.7. Significance of the study	6
1.8. Scope of the study	6
1.9. Definition of terms	6
1.10. Organization of the research	7
CHAPTER TWO	7
LITERATURE REVIEW	7
2.1. Introduction	7
2.2. Theoretical review	8
2.2.1. Internal marketing	8
2.2.2. Service quality	11
2.2.3. Characteristics	13
2.2.4. Dimensions of Internal Marketing	14
2.3. Empirical review	17
2.4. Conceptual frame work	19

2.5. hypothesis	20
CHAPTER THREE	20
RESEARCH DESIGN AND METHODOLOGY	20
3.1 Introduction	20
3.2. Research Approach	21
3.3. Study Area	21
3.4. Study population	21
3.5. Research design	22
3.6. Sampling technique and sample size	22
3.7. Data collection techniques	23
3.7.1. Data collection instruments	23
3.7.2. Procedure of data collection	24
3.8. Variables of the study	24
3.8.1. Independent variables	24
3.8.2. Dependent Variables:	24
3.9. Data Analysis Techniques	25
3.10. Validity	25
3.11. Reliability	25
3.12. Ethical consideration	25
CHAPTER FOUR	26
Findings, Analysis and Discussion	26
4.1 Introduction	26
4.1.2. Summary of findings	26
4.1.3. Demographic characteristics	26
4.1.4 Reliability test	30
4.1.5. Correlation	31
4.1.6. Regression analysis	32
4.1.7. Hypothesis testing	34
4.1.8. Discussion	35
CHAPTER FIVE	37
Conclusion, Recommendations and limitations	37
5.1 Introduction	37

5.2 Conclusion.....	38
5.3 Recommendations.	38
5.4. Limitations.....	39
References	40
Annex	I

List of figures

Figure 1: sex ratio of respondents	28
Figure 2 proportion of education level of respondents.....	28
Figure 3 proportion of duration of employees	29
Figure 4 proportion of monthly income of the respondents.....	29

LIST OF TABLES

Table 1 Respondents Demographic Information	27
Table 2 Descriptive statistics.....	30
Table 3 Reliability test.....	31
Table 4 Correlation between internal marketing dimensions and service quality.....	32
Table 5 Model estimation of linear regression	33
Table 6 result of hypothesis testing	35

Acronyms

IM – internal marketing

SQ – Service quality

APF – Addis pharmaceutical factory

CPEL - Cadila Pharmaceuticals Ethiopia Ltd

PFSA - pharmaceutical fund and supply agency

Servqual – service quality

Abstract

Internal marketing is a way of promoting the company and its products to its employees, (Greene et al., 2003). It aims to reach on to customers through the development and motivating members of the organization that they carry out their tasks to the fullest quality (Al-Hariri, 2006). The goal of internal marketing is to identify and satisfy employees' needs so that employees can be retained and provide quality service to external customers (Berry 1984; Johnson et al. 1986; Kotler and Armstrong 1991). Quality service is a global judgment, or attitude, relating to the superiority of the service Parasuraman & Berry, (1988). Due to the increasing competitiveness among business organizations in recent years, the organizations began to focus on their employees by realizing the importance of investing in workers (Cassunde et al., 2014). The objective of this study is to examine the effect of internal marketing on service quality in selected Ethiopian pharmaceutical industries. The researcher used quantitative research approach and both descriptive and explanatory research design to examine and measure the relationship between internal marketing and service quality in Ethiopian pharmaceutical industries. Sampling technique was purposive sampling which was used to gather quality information from selected professionals those who involve directly in delivering quality service and believed to be key informants. The data was collected by using structured self-administered questionnaire and analyzed using the SPSS to show the relationships between internal marketing and service quality by descriptive statistics and correlation analysis. The findings of the study suggested that internal marketing has a direct relationship with service quality as correlational analysis has shown strong positive relationship. Internal consistency reliability test was used to determine relationships among scores derived from individual items within a test. In conclusion, internal marketing positively and significantly influences service quality as the results from all dimensions of internal marketing have shown a direct relationship with service quality. Finally, the study recommended Ethiopian pharmaceutical industries to train, reward, empower and communicate employees for better delivery of quality service and similar studies would also recommended to be conducted by students, academicians and researchers

Key words: *Internal marketing, service quality*

CHAPTER ONE

1.1 Introduction

This chapter describes the background information about internal marketing and service quality, Background of the company, statement of the problem, basic research questions, objectives of the study, significance of the study, scope and limitations would also be discussed briefly.

1.2 Background of the Study

Internal marketing is a way of promoting the company and its products to its employees, engendering involvement in and commitment to the organization's strategic programs as prerequisites for targeting that can lead to successful results for companies (*Greene et al., 2003*). Considering this goal, financial capital is no longer perceived as the key success factor and has been replaced by human capital (*Shiu & Yu, 2010; Jungsun et al., 2016*). Internal marketing should function as a continuous improvement (*Ballantyne, 2003*) process, aligning organizational goals with stimulated employee behaviors that lead to better performance and assumed higher levels of responsibility (*Quester & Kelly, 1999; Varey & Lewis, 1999; Che Ha et al., 2007*), thus improving the performance of the organization *Vasconcelos (2008)*.

Internal marketing's goal is not only to attract, retain and reward employees, but also to compensate more those who are more effective and efficient by providing economic incentive plans that encourage the long-term perspective (*Berry, et.al., 1976*), which in turn raises employee satisfaction (*Heskett, et.al., 2002*). Satisfaction is largely influenced by the value of services provided to the customers. Satisfied, loyal and productive employees create value. Employee satisfaction, in turn, results primarily from high-quality HR practices that enable employees to deliver results to the customers. It is clear then that the success of external marketing of a service organization is contingent on the success of how well it markets itself internally (*Heskett, et.al. 1994*). *Lings & Greenley (2005)* demonstrated that the internal market orientation has a positive impact (i) on customer satisfaction and (ii) competitive positioning of an organization. Therefore organizations must focus on the internal marketing before adopting market orientation (*Ahmed & Rafiq, 2003; Gounaris, 2006*).

The satisfaction of customers depends on the satisfaction of employees (*Lings, et.al 2004*) therefore, conditions for the implementation of external marketing strategies depend on the dissemination of internal marketing efforts among employees. This is because the most important capital of companies is their workforce (*Lings, 2004; Gounaris, 2006; 2008*).

The internal marketing orientation specifically contributes to the market orientation in general by the awareness of an internal supplier–client philosophy that leads to a greater commitment

to the company's objectives and greater motivational attitude (Lings, 2000; Panigyrakis & Theodoridis, 2009;

According to Berry & Parasurman (2000), the aim of internal marketing is to attract, develop, motivate and retain qualified personnel through the functions that satisfy their needs. Internal marketing also defined as a philosophy and activity aimed at delivering the organization's mission and its objectives for employees (Al-Tai & Al-Alaak, 2009). It is considered as management approach, it aims to reach on to customers through the development and motivating members of the organization that they carry out their tasks to the fullest quality (Al-Hariri, 2006).

The next issue concerned in this study which is assumed to be affected by internal marketing is service quality. Service quality is a global judgment, or attitude, relating to the superiority of the service (Parasuraman & Berry, 1988) and it continues to increase in importance as service industries grow and outnumber manufacturing organizations. The buyer will create a perception of quality that must be understood by the organization. An individual will compare the perceptions of what occurred versus what was expected and this is mediated by the amount of involvement the consumer has in the process Parasuraman & Berry, (1988).

Service quality means to conform with or adapt with requirements, this means that service establishments should create specific requirements and specifications for services it provides. Consequently, the goal of making various jobs of organization of quality is the whole conformity of such jobs with specifications and requirements defined by the organization Allerd (2001).

Organizations should put forward standards for specifications when they put quality goals. After defining these goals, service should conform to these specifications. Zeithaml and Bitner (2006) see service quality as the concentrated evaluation that reflects the customer realization of specified dimension for service, such as: Reliability, responsiveness, confirmation, good dealing and material evidence. When customers' realization is mentioned, it is done on assumption of various quality dimensions and methods used by customers in evaluating such quality Dehghan (2006).

According to Paul D. (2005) the importance of service quality continually increases as more emphasis is placed on meeting the expectations of customers. As the client increases the amount of involvement, the more likely the individual will recognize flaws in the service provided. Hence, firms' tradition of service delivery will ultimately affect the perceived service quality at the point of interaction Paul D. (2005).

In today's competitive environment, delivering high-quality services and keeping customers satisfied are generally regarded as indispensable for gaining a sustainable advantage. This is of particular interest in the health services industry, which is currently under great pressure to cope effectively with the fast-changing environment (Piercy, 1996).

1.3 Background of the company

Pharmaceutical industry is defined as all those who contribute to the discovery, creation and Supply of pharmaceuticals products and services (PISG Australia 2009). Global Pharmaceutical industries contribute significantly for the overall economy of the World (IMS Health 2007).

The pharmaceutical industry in Ethiopia is in its early stage and the contribution of the local pharmaceutical industry to the overall Ethiopian economy is explained to be minimal (Mohammed 2008). According to the health indicators of the Federal Ministry of Health (2011), there are 10 local pharmaceutical industries plus one new industry (Jolphur) which makes a total of 11 of which 9 are located in Addis Ababa. From these industries, APF and Cadila pharmaceuticals Ltd Ethiopia are the focus of this study.

Established in 1997, Addis Pharmaceuticals Factory (APF) Sh. Co. is the largest pharmaceutical manufacturing plant in Ethiopia. It is located in Adigrat, Tigray Regional State northern Ethiopia. In 2009, it acquired a second factory located at Akaki at the outskirts of Addis Ababa, which is dedicated to the manufacturing of large-volume parenteral. APF manufactures about 90 products having nine production lines with a capacity to produce 1.2 billion tablets, 19 billion ampoules, 10 million vials, 500,000 capsules, 4 million ointment tubes and 9.6 million bottles of syrup (Addis pharmaceutical factory 2016).

The second industry under this study is Cadila Pharmaceuticals Ltd. It is one of the largest privately held pharmaceutical companies in India which was founded by Mr. I. A. Modi in 1951 and headquartered at Ahmedabad, in the State of Gujarat. It is one of the ten new pharmaceutical plants established in Ethiopia by Cadila Pharmaceuticals Ltd (India) and Almeta Impex PLC (Ethiopia) in 2007, owning 57% and 43% of the company, respectively and it has a multicultural, multilingual and multinational workforce. The plant has the capacity to manufacture 390 million tablets, 165 million capsules and 1.44 million liters of liquid medicines annually. Cadila Pharmaceuticals Ethiopia PLC (CPEL) mainly focuses on therapeutic areas such as Cardiovascular, Anti Diabetes, gastroenterology (anti-acids, anti-ulcerative), Anti- Infective, Anti-Depressants and Anti-Fungal (Cadila pharmaceuticals Ltd 2018).

1.4. Statement of the problem

Organizations currently face multi-faceted challenges in how to increase productivity and manage their human resources efficiently and effectively for best competition. Ideally, companies have to have a trend of training, rewarding, empowering and communicating employees to the best possible level in order to achieve their objectives. This is because of the fact that satisfied employees will deliver quality service which helps to have satisfied and loyal customers which is very beneficial for the success of the companies in any business organizations. This implies that companies have to first satisfy its employees by implementing all possible dimensions of internal marketing. However, companies are now a days not implementing internal marketing activities as such which may be because of the lack of understanding about the benefit of internal marketing to the companies. This is the first and very important gap to be addressed in this study. According to *Hung and Lin, (2008)*, most businesses can't develop and execute internal marketing strategies due to the lack of knowledge and different understanding of the components of internal marketing. Besides, one of the most important challenges facing managers is the creation of a context within which employees feel motivated and will act in order to achieve the goals of the organization. This is also the second gap to be addressed in this thesis *Hung and Lin, (2008)*.

Researchers' interest in internal marketing is increasing because of increase in competition and growth of the human needs. So, it is becoming necessary for organizations to take care of internal marketing in order the employees deliver the required quality service. According to (*SEATINI 2013*), Shortage of skilled personnel & lack of training facilities for industrial pharmacy, lack of incentives to attract & retain technical staff and weak regulation are some of human resource challenges which is also necessary issue to be addressed in this study (*SEATINI 2013*).

As *Lin (2005)*, the internal marketing factors that influence employees' intentions of providing better service quality was the practices of intrinsic/extrinsic motivation and empowerment. Thus, recognition of the role of internal customers in the delivery of service quality raises the query of how an organization can achieve a suitable level of employee job satisfaction to achieve organizational objectives.

Even though there is a little/no study concerning the effect of internal marketing on service quality in pharmaceutical industries in our country, the review by *Saurabh, (2006)* on marketing strategies of pharmaceutical companies in India stated that there are some challenges from organizational perspective including low level of customer knowledge and poor customer acquisition, development and retention strategies; and the very high attrition of Sales/Marketing personnel is one of the challenges of pharmaceutical marketing. If employees

themselves endure poor internal customer services and negatively perceive the quality of service their colleagues and organization provide to the external customer, it is likely that their level of commitment will be low and service delivery will suffer in turn Gronroos (1994).

As the goal of internal marketing is to identify and satisfy employees' needs so that employees can be retained and provide superior service to external customers (Berry 1984; Johnson et al. 1986; Kotler and Armstrong 1991), this study is designed to investigate the relationship between internal marketing practice and service quality in pharmaceutical industries in Ethiopia from the view point of employees and customers to fill these empirical gaps in the industry. The other research gap that makes this study unique is scarcity of research conducted on effect of IM on service quality in Ethiopian pharmaceutical industries.

1.5 Basic Research Question

- How training positively and significantly affects service quality in selected pharmaceutical industries in Ethiopia?
- How incentives/reward positively and significantly affect service quality in selected pharmaceutical industries in Ethiopia?
- How empowerment positively and significantly affects service quality in selected pharmaceutical industries in Ethiopia?
- How internal communication positively and significantly affects service quality in selected pharmaceutical industries in Ethiopia?

1.6 Objective of the study

1.6.1. General objective

- To identify the effect of internal marketing on service quality in selected pharmaceutical industries in Ethiopia

1.6.2. Specific objectives

- To identify how training affects service quality in selected pharmaceutical industries in Ethiopia
- To describe how incentives affects service quality in selected pharmaceutical industries in Ethiopia
- To identify how empowerment affects service quality in selected pharmaceutical industries in Ethiopia
- To explain how internal communication affects service quality in selected pharmaceutical industries in Ethiopia

1.7. Significance of the study

Human beings strive to seek satisfaction in every aspect of their life. From satisfying their basic primal needs; hunger, thirst, rest and social interaction, the complex society today has its benchmark of goals and fulfillment that should be achieved by individuals. Internal marketing in the pharmaceutical companies would be practiced with the intention that satisfied employee would easily satisfy clients who patronize their services. Taking this in to account this study was designed to identify the extent of internal marketing and its effect on service quality in Ethiopian pharmaceutical industries in the case of Addis pharmaceuticals factory (APF) and Cdilla pharmaceuticals ltd Ethiopia in particular to fill the existing gap and forward constructive recommendations that would help the industries understand performing good internal marketing activities would result in retaining committed employees to deliver quality service and resulting in organizational success.

Any kind of research has something to add to the accumulated body of knowledge of mankind and also used to solve particular problem at hand. The effective implementation of the internal marketing by such companies produces core competencies so that they can compete with the significant competent.

Therefore, the study has practical significance to Ethiopian pharmaceutical industries in assessing the practice of the internal marketing and challenges facing them to implement properly. Moreover the study could also help the companies to make some changes based on the result of this study. In addition, the findings are expected to help any concerned body/stakeholders at different levels in the companies by creating and developing awareness on the practice and relationship between internal marketing and service quality. It could also help to provide reliable data about the effect of internal marketing on service quality in pharmaceutical industries for researchers, academics and students.

1.8. Scope of the study

This study was limited in conducting internal marketing activities in Ethiopian pharmaceutical industries focusing on APF and cadila pharmaceuticals Ethiopia ltd. affecting the employees' service quality.

1.9. Definition of terms

Basically, there are two types of definitions: constitutive and operational. A constitutive definition is, "the explanation of the meaning of a term by using other words to describe what is meant" (Fraenkel & Wallen, 2000), and this type of definition is similar to what may be found in a dictionary (Ary et al., 2002). An operational definition defines a term by stating the actions, processes, or operations used to measure examples of it (Fraenkel & Wallen, 2000). This helps to clarify meaning and terms that may be vague to others and allows the researcher to properly

measure the construct (Ary et al., 2002). Accordingly, the following are constitutive definitions of some variables stated in the study.

Internal marketing - is any form of marketing within an organization which focuses staff attention on the internal activities that need to be changed in order to enhance external market place performance. Ballantyne et al. (1995)

Service quality - is the degree and direction between customer service expectations and perceptions (Newman, 2001).

Empowerment- is “giving the authority, skills and tools to employees to serve customers”. Wilson, Zeithaml, Bitner and Gremler (2012)

Incentives: salary and benefits higher than average level according to performance and productivity (Soleimani Besheli, 2012).

1.10. Organization of the research

This study was organized in five sections. Section one consisted of a brief introduction of the study including statement of the problem, significance of the study, basic research question and objectives of the study. Section two contained extensive literature review on closely related research work of the effect of internal marketing on service quality. Section three provided methodology, Section four consisted of results and discussion and finally, section five displayed conclusion recommendation and limitation.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

In this section a range of literatures on key concepts which were believed to be essential for the study was reviewed. It was divided in to two main categories; Theoretical review and empirical review. Theoretical review attempts to describe how internal marketing research has been developed and how it is related to service quality. Each dimensions of internal marketing was also briefly discussed under this category. Empirical review attempts to review some empirical findings. Conceptual framework and hypotheses were also conducted under this chapter.

2.2. Theoretical review

2.2.1. Internal marketing

The concept of internal marketing is emerged from the development of business structures and services marketing, *Varey & Lewis, (2000)*. In particular, internal marketing has been perceived as a means of creating a sustainable competitive advantage in the marketplace through provision of high service quality, *Cronin & Taylor (1992)*. Internal marketing can assist in creating a working atmosphere and environment in which employees are valued and able to improve service delivery and business performance and foster long term competitive advantage through the creation of strong organizational cultures *Ahmed & Rafiq, (2003)*.

Internal marketing is defined as; a planned effort using a marketing-like approach directed at motivating employees for implementing and integrating organizational strategies towards customer satisfaction” *Ahmed & Rafiq, (2002)*. That is, internal marketing is seen as encompassing the efforts of the firm to encourage employees to respond to the market, which includes being able to adapt quickly to (often unpredictable) change within the external market *Ahmed & Rafiq, (2002)*.

A favorable understanding of the way in which the relationship between companies and their employees takes place is clearly important, as there is always a concern to reconcile the interests of both parties so that the needs of each of them could be better adjusted. The attitudes and behaviors demonstrated by the working force determine the relational quality perceived by the external customer (*Rifai, 2005*) and, consequently, their degree of satisfaction. Therefore, it is essential to motivate employees to adopt a marketing perspective, in a sense to promote their attitudes and, thus, to achieve organizational success in the external market (*Tortosa et al., 2009*). The satisfaction rates that have been identified in various focal companies are factors that promote the internal organizational environment with immediate and specific implications to the management of the organization, highlighting the comparative qualities which give them an operational advantage in the general business environment((*Rifai, 2005*).

It is possible to identify the use of more or less structured organizational models of internal marketing that lead to the well-being of employees and low staff turnover, allowing reaching the desired market orientation. The understanding of these conditions established by the organizations allows the availability of high-quality products to the clients, thus contributing to the desired market orientation. This increases and strengthens the quality of the external relationship such as in the same operating line, also facilitating more controlled production

costs, in a sales orientation to the market loyalty (Zhou & Li, 2007). In turn, this allows better positioning to adequately meet various customer needs (Matsuno et al., 2002).

The philosophy of internal marketing is that employees of an organization constitute its internal market, which has customers and suppliers and as a result, a chain of value if formed inside the organization which must be intended to supply the needs of both the internal and external customers. When the internal customers of an organization are satisfied they will perform better and maintain better interaction with the customers. As a result, the customers will get more satisfied, which will bring about their faithfulness in the long run and ultimately a competitive advantage will be obtained from the internal customers. Internal marketing influences the customers' understanding of the quality of services and, on the other hand, can influence both the quality of services and the customers' satisfaction Wambugu L, (2015).

In the past, employees were treated as servants whose primary concern was to provide goods and services. But now this concept is totally changed as organizations realized that human capital is critical for the success of any organization. Especially in service sector the quality of service mainly depends on employees because service providing companies do not have physical goods. Internal marketing is an equal handling of both employees and customers with the aid of proactive policies to reach organizational objectives N. Ahmad, N. Iqbal, M. Sheeraz (2012)

There are several steps in the implementation of internal marketing concepts to develop and evaluate internal marketing concept. These steps are classified into three parts. Step 1- employee motivation and satisfaction - the first step of internal marketing, is employee motivation. Step 2 - Customer focus - The primary aim of marketing is to create a positive interaction between employees and customers. Effective service delivery requires effective coordination between direct employees with customers on the one hand and ranked employees on the other hand (Greene et al., 1994). Step 3 - the development of internal marketing concept - at this stage the use of internal marketing strategies and change management in the organization is concerned. Generally at this stage internal marketing is used as a tool for implementing strategies and managing clients in order to achieve organizational goals (Greene et al., 1994).

The term internal marketing (IM), is used to describe the application of marketing internally within the organization. Every department and every person is both supplier and a customer, and the organization's staff works together in a manner supporting the company strategy and goals. IM relates to all functions within the organization, but it is vitally concerned with the management of human resource (Collins; Payne, 1991). About 41 years ago internal marketing

(IM) was first proposed as a solution to the problem of delivering consistently high service quality by Berry et al. (1976).

Nowadays, internal marketing is considered a paradigm of organizational change, management and implementation strategies (Ahmed & Rafiq, 2002). In relation to human capital, internal marketing is described as a philosophy for managing the organization's human resources based on marketing (Alencar de Farias, 2010), in other words, internal marketing describes the application of marketing internally within the organization (Alencar de Farias, 2010), which means that employees are regarded as internal customers. Treating both employees and customers with the same total dedication to satisfy their needs, enables the organization to inspire employees to do extra work beyond the call of duty and help to build and sustain a great organization (Vazifehdooost & Hooshmand, 2012). This means that internal marketing is a core tool to motivate, and retain the employees and to create strong employee engagement in organizations (Czaplewski, Ferguson, & Milliman, 2001).

Internal marketing can assist in creating a working atmosphere and environment in which employees are valued and able to improve service delivery and business performance and foster long term competitive advantage through the creation of strong organizational cultures Ahmed & Rafiq, (2003). This is achieved through breaking down bureaucratic processes and barriers and facilitating efficient and flexible interaction between management departments and groups within organization's internal marketing may also enhance employee creativity, innovation and performance. Hence, internal marketing appears a proficient method of changing the attitudes and behaviors of employees so as to recognize the importance of meeting external consumer expectations and satisfying customer needs. Service quality is the difference between customers' expectations of provided service performance and their evaluation of actual service Berry (1988).

Due to the increasing competitiveness among business organizations in recent years, and seeking to provide high quality of services to promote the concept of competitive advantage, the organizations began to focus on their employees, as organizations clearly realized the importance of investing in workers and enhance their skills through the provision of training programs and improve the level of motivation they have (Cassunde et al., 2014).

There is a considerable amount of work in examining the relationship among various elements of internal and external marketing processes. The higher the level of perceived service quality, the higher the external customer satisfaction. This, in turn, would lead to higher intentions to re-patronize the service provider. The link between external customer loyalty and company profitability follows intuitively. The higher the re-patronization of a service provider for its

services, the higher the profitability of that company (Anderson & Sullivan, 1993; Oliver & Swan, 1989).

Most businesses can't develop and execute internal marketing strategies due to the lack of knowledge and different understanding of the components of internal marketing, Hung and Lin, (2008). There are significant relationship between internal marketing and organizational performance, Hernandez and Sanchez, (2008). With a little reflection, it seems that internal marketing is associated with a significant number of management technologies such as human resource management, employee relations, strategic management, organizational communications and macro marketing (Varey, 2000).

Organization should put forward standards for specifications when they put quality goals. After defining these goals, service should conform to these specifications. Zeithaml and Bitner (2006) see service quality as the concentrated evaluation that reflects the customer realization of specified dimension for service, such as: Reliability, responsiveness, confirmation, good dealing and material evidence. When customers' realization is mentioned, it is done on assumption of various quality dimensions and methods used by customers in evaluating such quality, whether they were internal customers (workers) or external customers (individuals, organizations).

2.2.2. Service quality

Nowadays, organizations seek to improve their performance through increasing the quality of their services. Successful organizations need to emphasize the quality of services offered to both internal and external customers. Such organizations are astute enough to predict the changing needs of their customers, to concentrate on their organizational capability to offer high-quality services, and to see the quality of internal service as a tool to gain competitive advantage. In today's competitive environment, delivering high-quality services and keeping customers satisfied are generally regarded as indispensable for gaining a sustainable advantage. This is of particular interest in the health services industry, which is currently under great pressure to cope effectively with the fast-changing environment. M. Azzolini, J. Shillaber (1993).

In today's increasingly changing world, most companies are seeking to find innovative ways to enhance their competitive advantage in order to maintain customers and their loyalty. Intelligent and prospective companies focus primarily on the way of behavior and relationship to their employees, and first of all attempt to satisfy them. Employees are the most significant asset of a company and lack of efficient ones create several problems of providing quality service in the currently increasing competitive world. Studies indicate that satisfied employees provide quality service and results in satisfied customers and eventually their loyalty (Khodabakhsh and Gorgani, 2010). Loyal customers help to determine predictable sale and

increased benefit to organization. In addition, customers familiar with the organization brand endeavor to recommend that to their friends and acquaintances and influence organization's feedback and evaluation cycle and these play significant roles in today's business world (Hart and Smith, 1999). Due to the significance of customer loyalty in organization development the awareness of the concepts and loyalty models plays significant roles, otherwise service institutions select inaccurate indices to measure customer loyalty and they are not capable of linking customer loyalty to the performance indices and consequently make mistakes in planning loyalty programs and identifying customers' proper behavior (James and Baartlett, 2001). In this regard, internal marketing is a critical instrument which consider employees as internal customers and acts based on the premise that external customers need could not be satisfied unless internal customers' needs is met. The internal marketing significantly helps employees and organization achieve their goals (Keler, 2006).

Providing good-quality service for the employees considerably affects the interaction between the employees and external customers. Internal customers constitute a cycle that can influence the external customers' satisfaction and contribute to organizational success. Internal marketing, which affects the factors contributing to the service quality offered to external customers, depends on the supports provided by organizational directors, particularly HR managers. Maryam S. and Marzie T. (2013).

Service quality is a global judgment, or attitude, relating to the superiority of the service Parasuraman & Berry, (1988) and it continues to increase in importance as service industries grow and outnumber manufacturing organizations. The buyer will create a perception of quality that must be understood by the organization. An individual will compare the perceptions of what occurred verse what was expected and this is mediated by the amount of involvement the consumer has in the process. The ability to increase performance involves customer satisfaction, and it was described as an outcome of internal marketing, Ahmed & Rafiq (2003). Lovelock and wirtz, (2004) define it as having various concepts and meanings according to customers difference, and way through which they realize quality of service provided to them.

In the past two decades interest in SQ has strengthened as research has shown how improvements in quality can lead to improved organizational performance and competitiveness (SeyedJavadein et al., 2008; Leal and Pereira, 2003; Douglas and connor,2003).All organizations, particularly the service organizations must try to improve their SQ rapidly , because quality as the most fundamental factor brings excellent and stable competitive advantage to an organization (Bahia and Nantel, 2000).

2.2.3. Characteristics

Dimensions of Service Quality

As competition in service industries has increased, the notion of service quality has become increasingly important. Service quality has been identified as a determinant of market share, return on investment and cost reduction (Anderson and Zeithaml 1984; Parasuraman, Zeithaml and Berry 1985). They affirm that service quality is more difficult to define and measure than product quality because services are intangible, heterogeneous (service quality is very variable as a concept and a measure), and production is inseparable from consumption.

In the majority of services activities, the customer is often interacting with contact employees, whose role has become an element of differentiation. Through his/her attitude, contact employees could influence the service quality perceived by the customer. Thus, often contact employees and their attitude are considered as the full service by the consumers (Berry L.L., Conant J.S., Parasuraman A.1991). It became comprehensible that successful marketing can only be implemented if the firm is involved not only in external but also in internal marketing (Caruana & Calleya, 1998).

According to Parasuraman, Zeithaml and Berry, (1985) ten dimensions to the existence of service quality are referred as follows.

Credibility: means possibility of service provider obligations and if he/she is worthy of trust.

Responsiveness: readiness of service provider to achieve and perform service accurately and in a reliable way.

Reliability: it refers to service supplier ability to achieve and perform service accurately and in a reliable way.

Security: it relates to degree of security and risk free.

Understanding: understanding customers and knowing their needs accurately. **Tangibles:** It refers to aspect of material facilities provided to the service organization, such as, supplies, tools.

Accessibility: means that service is available in place and time wished by the customer.

Courtesy: means service provider's high degree of respect and consideration of customer feelings and dealing with them with cordiality.

Competence: service provider's having skills and knowledge required.

Communication: if service provider is able to enlighten beneficiary about nature of service provided, and the role that beneficiary should play to obtain service required, for example, is beneficiary informed with damages or obstacles that may occur in service providing systems (Al- Tai'e and Al-Alaq, 2009).

Four Points in Defining Quality

Lovelock and wirtz (2004) defined quality stating four points as having various concepts and meanings according to customers difference, and way through which they realize quality of service provided to them. These points are:

User himself: It means that the quality lies in the customer's opinion. Consequently, those customers have their own wishes and needs, it is noticeable that this definition equalize between quality and achieving farthest satisfaction of customers.

Product: It considers quality as a sensitive variable that can be measured; difference in quality reflects amount of difference in variable contents or characteristics of the product.

Intellectual: means conformity of quality with standards and effective performance, in it, individual realize quality through experience of them that they acquired by repeated exposure.

Value: It considers quality from price and value, through comparison between performance obtained by customer and price he/she pays for the service obtained.

By satisfying the needs of its internal customers, an organization upgrades its capability for satisfying the needs of its external customers. This is true for most organizations (Greene et al. 1994,). Service excellence calls for a marketing plan.

Gremler et al. (1994) claims that successful service organizations understand well the importance of carefully monitoring and managing customer satisfaction and service encounter can play an important role whether customer satisfaction will occur or not. The satisfaction of internal customers can be influenced by service encounters with service suppliers internally in the organization. Internal service encounters are the interaction between customers within a firm. In order to have their needs met; employees often depend upon internal services provided by others in the organization. Despite of its subjective character, excellence can be achieved by offering a superior service, with committed employees, willing to serve external customer better than the competition.

2.2.4. Dimensions of Internal Marketing

2.2.4.1 Empowering of Employees

Employee empowerment is an essential way to impact employee attitudes and behaviors and hence, the level of service provided to the external customer (Bansal et al., 2001).

Empowerment can be defined as giving the authority, skills and tools to employees to serve customers. Wilson, Zeithaml, Bitner and Gremler (2012,). The aim of empowerment is to enable employees to create loyalty to the organization and the commitment of employees to its objectives, and employ their full potential for it, and engaging in continuous improvement to satisfy the wishes and expectations of customers (Tai & Issa 2008). Empowering employees has

many benefits in return. It reduces the job-related stress, enhances the job satisfaction, and provides greater adaptability, Chebat and Kollias (2000). They mentioned that employees can be satisfied and better outcomes are achieved towards customers because they can take actions if any failure occurred.

2.2.4.2 Training Programs

Another element of internal marketing is extensive training; since almost all descriptions of IM practices emphasize the importance of training because frontline employees need the requisite knowledge and ability to recognize and solve problems and to ensure high-quality products and services.

A sub-system of the human resources system specializes in identifying and providing the knowledge, skills and attitudes necessary for the employees to perform their business more effectively (Abdul Nabi, 2010). Gronroos (1981) have emphasized that front-line employees should be trained as the salesman is trained because he is the one who sells the service. Moreover, Bansal, Mendelson and Sharma (2001) suggested that, training the employees would yield intangible outcomes such as improving the organizational performance and increasing the employee's skills. This will be reflected on service quality because employees are satisfied with their jobs.

2.2.4.3 Incentives and Rewards

Since rewards are considered to be an important component of internal marketing (Foreman and Money, 1995; Rafiq and Ahmed, 2000), it is imperative that organisations understand the significance of various types of rewards offered, as part of internal marketing, to influence employees' performance.

It is widely known that reward and wage systems determine, at least to a certain degree, the level of improvement of the work of internal customers. If there is no appropriate reward system, organizations are unlikely to deliver on all their promises to customers (Zeithaml & Bitner, 2003). Performance incentives are likely to persuade employees to fulfil organizational goals. Internal marketing adopts reward systems that link the service provider (employee) and the quality of the service with the customers (Tsai & Tang, 2008).

It is a psychological process which draws the behavior and a tendency to act in a meaningful way to achieve the needs. The motivation expresses the human relationship between marketing management and employees because it expresses the viewpoint of management by the employee's performance and their evaluation, and the employees as human beings always seek to get the praise, excellence and they think constantly that they are doing what they

should be. In his paper, Kovach (1995) suggested that an employee reward system is a must for motivating employees. He noted that the younger generation prefers growth, promotion, wages and job security, while the older generation prefers good working conditions, personal loyalty to employees and sympathetic help with personal problems.

Incentives have a significant impact on the employee's contribution in love with the employees of the company and its association with them and thus the employee work sincerely and trying to give the company all his presents innovative ideas contribute to excellence over competitors and thus achieve a competitive advantage

2.2.4.4 Internal Communication

In order to build trust, it is important that organizations function in a transparent manner, with a service focus. To do so, companies must be prepared to openly share information with their members, "information on their strategy, financial performance, and expenditures – sharing information is a key factor to IM.

It is a set of activities directed towards viewing employees as internal customers and viewing jobs as internal products to satisfy the needs and wants of these internal customers (Berry, 1981; George, 1990; Cahill, 1996; Hult et al., 2004).

All formal and informal communication that occur within the organization at all job levels, where to attract, develop and motivate the employees does not work unless it is through effective communication (Al-Haj & Hani, 2010). Marketing managers applying internal marketing concepts seek to improve interpersonal, interactive communication channels by establishing an open information climate. Internal communication with employee may be more important than external communication with customers (Heskett, 1981).

Internal marketing is an interaction process between the organization and its employees within a given company context. It emphasizes the organizational orientation towards selling its jobs to employees before selling its services to external customers (Gilmore and Carson, 1995). Such orientation will motivate employees by ensuring their need satisfaction, leading to success at external front (Gronroos, 1996; Greene, Walls and Schrest 1994; Varey, 1995).

2.3. Empirical review

Foad Shakouri G. (2015) stated that, the more effective dimensions of internal marketing are done in an organization, the more will be employees 'satisfaction and they will meet their tasks more motivated and they work harder with more peaceful mind and their productivity will be higher. Parasuraman A, Berry L. & Zeithaml, V.(1991) states that, even though proper implementation of IM program will ensure employees motivation, this task should not solely be the responsibility of human resource department but must be adopted by all managers throughout the organization which creates the opportunity to improve quality throughout the organization. One of the most important challenges facing managers is the creation of a context within which employees feel motivated and will act in order to achieve the goals of the organization.

According to Gronroos (1990), internal marketing is above all "a philosophy to manage the staff and a systematic way for developing and performing a service culture"; this definition emphasizes the customer orientation of the staff of service; Michon (1988) propose another definition, "the internal marketing is a marketing approach inside the company allowing this to conceive and promote ideas, projects or values useful for the company, to communicate by the dialogue with the employees so that they can express themselves, choose freely and after all facilitate their implication in the company " Michon (1988).

Mohammadi, Hashemi, and Moradi (2012) on their study made to see the effects of internal marketing on customer orientation in food & drug distribution companies of Kermanshah province in Iran, confirms that there is a significantly positive relationship between internal marketing and customer orientation within distribution companies. They also confirm in their study that there is a significantly positive correlation between internal marketing and organization commitment, positive correlation between organizational commitment and customer orientation is also observed within distribution companies Mohammadi, Hashemi, and Moradi (2012).

Some of the challenges of producing pharmaceuticals in East & Southern African region are categorized by Southern & Eastern African Trade, Information & Negotiations Institute (SEATINI 2013) in four major areas: finance, technology, infrastructure, and human resource. Shortage of skilled personnel & lack of training facilities for industrial pharmacy and government low accountability in proper use of aid & public funds, lack of incentives to attract & retain technical staff and weak regulation are some of human resource challenges.

According to Bitner and Hubbert (1994), service quality is "the consumer's overall impression of the relative inferiority/superiority of the organization and its services".

Allerd (2001) points out that service quality means to conform with or adapt with requirements, this means that service establishments should create specific requirements and specifications for services it provides. Consequently, the goal of making various jobs of organization of quality is the whole conformity of such jobs with specifications and requirements defined by the organization. On one hand, internal marketing aims to ensure that contact employee is satisfied and that quality is progressively built into the service as it passes through the company so that the external customer is also satisfied (Bansal et al, 2001); on the other hand, service quality is approached as 'customer-oriented' despite the fact that this is not the rule (Edvardsson, 1998); what supports our vision with regard to the antecedents of the service quality. Generally it is known that customers take into consideration numerous dimensions when evaluating quality.

Shamma & Hamed M.(2013), in the case study exploring internal marketing application in Egypt indicates that International companies such as Southwest, Apple, Dell and Ritz-Carlton, and local companies such as Raya, Mobinil, Eva Pharma and Vodafone Egypt were identified to be successful in applying various internal marketing practices in their organizations.

Gounaris (2008) stated that internal marketing's preface is based on two major parts: first, before satisfying customers' needs, employees' needs must be satisfied, then the rules which is executed in trade market must be used in internal marketing similarly.

Kelemen & Papasolomou, 2007 stated that, the concept of internal marketing emerged as one of the investment strategies in the labor force for business organizations, and make them more productive, loyal satisfied. Several studies results stressed the positive role played by internal marketing in increase productivity, since the interactions of employees in the organization among themselves, and the interactions that occur between the worker and the organization that works out, the business organization sees workers as boarder clients should consider them as investment.

White & Susan (2004) expressed that, one of the purposes of internal marketing is to have a satisfied, motivated and customer oriented employees, who can be created by supportive recruitment and training. In addition, organizations aim to satisfy their employees who are in direct contact with customers, as they have a big influence on customer perception of service quality. Having satisfied employees is a fundamental aspect, as it is believed that satisfied employee means happy and satisfied clients, especially when the service is in the financial field, Lundvall (2014).

It was mentioned by Lundvall (2014) that, employees are free to take actions to help customers. However their empowerment level has a limit. In other words, they are guided in which areas they can take decision. She also mentioned that empowerment is important in the service field, because it gives the feeling to the employees that they are responsible, which also makes them feel of being part of this company. The author also stated that, when strong leadership skills are established, it is very important to keep strong ties between managers and employees. For example, this is done by having ongoing face- to-face conversation with manager and employees at least twice a year.

According to Herzberg's opinion (1966) the leading factor of employee dissatisfactions are Company policy, Supervision, Relationship with Boss, Work conditions, Salary, Relationship with Peers and, the Leading factors to job Satisfaction are Achievement, Recognition, Work itself, Responsibility, Advancement, and Growth and so on.

2.4. Conceptual frame work

According to J. Swart, C. Mann, S. Brown, and A. Price (2005), Employees provide variety of skills, knowledge and talents to a company and they consider the most important and useful asset of any company, so organizations are needed to retain such human asset by keeping them motivated through effective trainings for further development and to enhance their skills for better service and success of the company. Condly et al, 2005 stated that, well rewarded employee feels valued by the company and the employee is thus encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers. Gazzoli, Hancer & Park (2010) mentioned that if employees feel a high level of empowerment, they would be more satisfied with their jobs and have a better sense of task control, which could facilitate employees' work actions that are required to boost the service quality of their workplace. Thus, empowerment really can be seen as a key determinant of service quality and customer satisfaction (Chow et al. 2006). On the other hand, Asif and Sargeant (2000) found that effective communication produces factors of employee engagement such as satisfaction, commitment, and loyalty resulting in delivery of quality service. Therefore the conceptual model below was developed based on the theory.

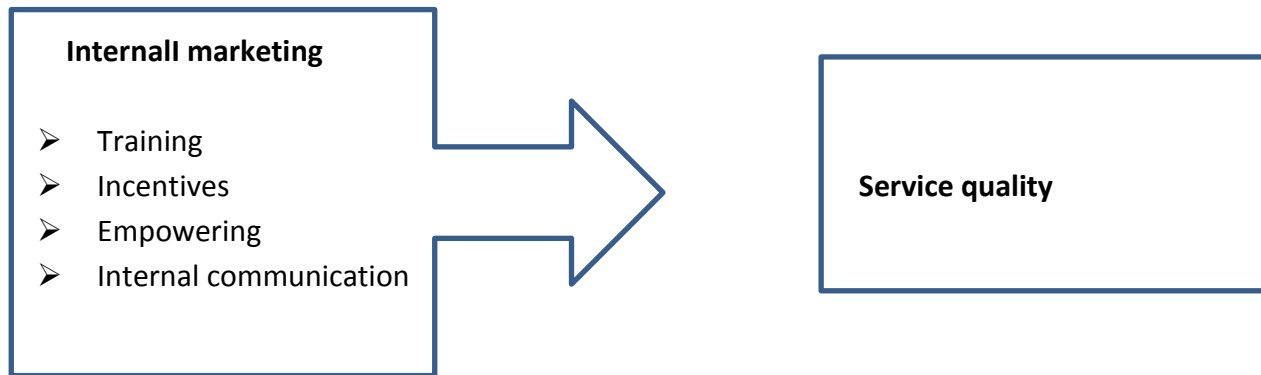


Figure 1. Conceptual frame work

Source: Researcher own work (2019)

2.5. hypothesis

Based on the above conceptual frame work, the following hypothesis were developed.

H1- Training has a positive and significant effect on service quality in selected pharmaceutical industries in Ethiopia.

H2- Incentives has a positive and significant effect on service quality in selected pharmaceutical industries in Ethiopia.

H3- Empowerment has a positive and significant effect on service quality in selected pharmaceutical industries in Ethiopia.

H4- Internal communication has a positive and significant effect on service quality in selected pharmaceutical industries in Ethiopia.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

In this section, methodology of the thesis is well discussed and elaborated. Research approach, design, study area and study population are also clearly identified in the chapter. Sampling techniques and sample size determination, data collection techniques, data collection instruments and data collection procedures are issues included in the chapter.

3.2. Research Approach

Research approaches are plans and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation John, (2014). There are three basic approaches to research (a) qualitative (b) quantitative (c) mixed methods. According to Christensen, (1985), quantitative survey is the most appropriate one to use if the purpose of an investigation is to describe the degree of relationship which exists between the variables. Accordingly this research was conducted using quantitative research approach to examine and measure the relationship between internal marketing and service quality in Ethiopian pharmaceutical industries.

3.3. Study Area

This study was conducted at Addis Ababa, Ethiopia as all the industries and their customers in which this study conducted is found in Addis Ababa. With an estimated population of 95 million in 2014, Ethiopia has the potential to become a significant market for pharmaceutical products in Sub-Saharan Africa. Although the Ethiopian pharmaceutical market grew on average by 20% per annum from 2007 to 2011, it is still rather limited, estimated at around US\$500 million, due mainly to low per capita income. Currently, there is slightly higher total health expenditure as a share of GDP, at 4.9% in Ethiopia, as compared to other countries in Africa (excluding South Africa), but the per capita health expenditure remains among the lowest in the region (Wamai, 2009). Ethiopia has launched a ten year strategy and plan of action for pharmaceutical manufacturing with the objectives of improving access to medicines through the local production of quality-assured pharmaceuticals in July 2015. (Ministry of Health and Ministry of Industry, Federal Democratic Republic of Ethiopia 2015).

3.4. Study population

Study population of the research was employees of APF and cadila pharmaceuticals Ethiopia ltd. and employees of top three customers of both industries who purchase their products directly from them. As the number of customers buying from these industries were too many to address, top three customers were selected based on the level of their annual purchasing volume from the highest to the lowest. PFSA (pharmaceutical fund and supply agency) was the leading customer for both APF and Cadila pharmaceuticals. Baker general business, Pharma birbir plc, Ketoran trading and Eshet Pharmaceuticals were the second and third customers for Cadila pharmaceuticals and APF respectively. The population size of cadila, APF, PFSA, Baker general business, Pharma birbir plc, Ketoran trading and Eshet pharmaceuticals were 279, 260, 420, 61, 25, 19 and 12 respectively. The total population size of the study was there for 1076 (one thousand seventy six).

3.5. Research design

Research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money Singh, (2006). There are different types of scientific research such as exploratory research, Descriptive research and Explanatory research (Bhattacharjee, 2012). Since Descriptive research attempts to describe systematically a situation, a problem, phenomenon, or attitudes towards an issue; and Explanatory research clarifies why and how there is a relationship between two or more aspects of a situation or phenomenon, both descriptive and explanatory research was used to understand the relationship between the internal marketing and service quality in selected Ethiopian pharmaceutical industries. Inferential statistics was also used to infer the reality that was observed in the sample to the whole population. Employees' perception toward company's internal marketing and their commitment toward the quality service delivery were assessed in the study and the consequence of internal marketing in the industries was also evaluated as per the opinion of the employees and quality service was evaluated from the view of the customers.

3.6. Sampling technique and sample size

Sampling is the process or technique of selecting a suitable sample for the purpose of determining parameters or characteristics of the whole population (Adams, et al., 2007). According to Field (2005), whenever it is impossible to access the entire population, it is possible to collect data from sample and use the behavior within the sample to infer things about the behavior of the population. Accordingly, purposive sampling technique was used in this study to gather quality information from selected professionals those who involve directly in delivering service quality. Purposive sampling is an informant selection tool and it is also called judgment sampling. It is the deliberate choice of an informant due to the qualities the informant possesses. The purposive sampling technique is a type of non-probability sampling that does not need underlying theories or a set number of informants. The researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Bernard 2002, Lewis & Sheppard 2006). It is most effective when one need to study with knowledgeable experts. Key informants are observant, reflective members of the community of interest who know much about the culture and are both able and willing to share their knowledge (Bernard 2002, Campbell 1955, Seidler 1974, Tremblay 1957). For both APF and Cadila pharmaceuticals Ethiopia Ltd, all sales men & promoters were selected to make the sample more representatives as they mostly interact with the company's customers from whom information about their quality service was gathered. Three key informants (general manager, marketing manager & technical manager) from top three customers were also purposely selected as a source of information about service quality

delivered by APF & Cadila pharmaceuticals Ethiopia Ltd. This was because of the fact that they directly involve in purchasing pharmaceutical products.

Accordingly,

cadila has 18 sales promoters and APF has 8 sales men

Total sample purposely taken from APF & Cadila are 26 and

Taking three representative sample from each top three customers of pharmaceutical company of both APF and Cadila ($3 \times 3 = 9$) $\times 2 = 18$

Therefore, total sample size was $26 + 18 = 44$

Based on this technique, data was collected from primary sources using structured questionnaires to collect the information from purposively selected respondents.

3.7. Data collection techniques

Research on internal marketing has focused primarily on quantitative methods (Ahmed et al. 2002). According to Christensen, (1985), quantitative survey is the most appropriate one to use if the purpose of an investigation is to describe the degree of relationship which exists between the variables. Accordingly, quantitative data collection techniques was used in this study to collect primary data by using self-administered structured questionnaires from employees of APF and cadila pharmaceuticals Ethiopia Ltd. and customers of both industries during the data collection.

3.7.1. Data collection instruments

In order to identify the effect of internal marketing on service quality in selected Ethiopian pharmaceutical industries, a structured self-administered questionnaire consisting of a number of questions intended to capture responses from respondents in a standardized manner was used to collect required information from employees of APF and Cadila pharmaceuticals Ethiopia Ltd. as well from the customers of both industries who buy their pharmaceutical products directly from them. While Valsa (2005) confirmed the use of questionnaires at the start of a project can often be very useful because it helps to collect a range of information with relative ease. Besides this theoretical supports, it is common to see a standardized questionnaire in many empirical studies of IM and perceived service quality. The questionnaires were developed through a review of literature which consisted of two parts each consisting of two sections. The first part incorporated closed-ended questions to gather demographic profile of employee and about IM constructs which were developed through a review of literature that measured firms IM practices. The second part contained the demographic information of the

respondents and SQ constructs which were developed to measure delivery of SQ of the industries. All these items were used a 5-point Likert-scale, anchored on 1= “strongly disagree”, through 5= “strongly agree”. Higher scores on this scale indicate higher levels of both variables. These questions were properly constructed with the aim of making the result valid and reliable that could assess the true attitude of the respondents.

The pilot study was done to check possible errors in the instrument. The questionnaire was then be self -administered in hard copy form to each of the respondents and picked up later after a day to increase the response rate.

3.7.2. Procedure of data collection

The procedure for the data collection was operated in such a way that the questionnaire was first pre-tested before the final distribution according to Cooper and Schindler (2001) who noted that this is usually done to detect any weaknesses or in the research design. The pre-testing (pilot testing) was done with the aim of refining and fine tuning the questionnaire so as to ensure that it was valid and reliable. The pilot study was done on five respondents from the study population who were not included in the final study to eliminate bias. Then, respondents were communicated to get their consent and once their consent was known, the prepared questionnaires were distributed to each participant by appreciating their participation and devoting their precious time for the research. The questionnaires were collected by checking the completeness of the data and finally, the activities were accomplished by appreciating the respondents.

3.8. Variables of the study

The purpose of the research was to examine relationships between independent and dependent variables. An independent variable is an antecedent and presumed to influence the dependent variable (Ary et al., 2002; Fraenkel & Wallen, 2000). A dependent variable is the outcome and believed to be influenced by the independent variable(s) (Ary et al., 2002; Fraenkel & Wallen, 2000). The main construct of this study which was interested to be measured was IM which was the independent variable and perceived service quality which was considered as dependent variable that could be affected depending on quality of IM programs in the organization.

3.8.1. Independent variables:

- Socio-demographic variables
- Internal marketing

3.8.2. Dependent Variables:

- Service quality

3.9. Data Analysis Techniques

Data collected from the questionnaire were analyzed using the SPSS. Its reliability was tested using Cronbach's alpha as it is applicable to analyze close-ended questions with multiple answers. Reliability is an important test of sound measurement. A measuring instrument is reliable if it provides consistent results Kothari (2004). For this purpose, Cronbach's Alpha-values were applied to determine the reliability of the construct as a measurement instrument.

3.10. Validity

In order to validate the questionnaire, the pilot study was done to check possible errors in the instrument. Kothari (2004) says that validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. The study largely depend on Uchenna (2005) exploratory phenomenological study and other contemporary researches output to measure IM construct. Regarding customers' perception of service quality, a standardized questionnaires were adopted to measure perceived service quality construct whereby the study can assures construct validity. The study used simple random sampling to select the sampling units from which one sample was drawn among each five companies. The questionnaire was distributed to each of five selected sample and it was filled and returned without any compliant showing validated construct.

3.11. Reliability

Reliability is the degree of consistency with which it measures whatever it is measuring (Ary et al., 2002). Reliability test was determined by using internal consistency coefficients. According to Kothari (2004), a measuring instrument is reliable if it provides consistent results. Consistency is determined through reliability coefficients of which three exist: (1) test-retest, (2) alternate-form, and (3) internal-consistency (Ary et al., 2002). In the current study the internal consistency coefficients were utilized to determine relationships among scores derived from individual items or subsets of items within a test (Ary et al., 2002). The two variants of reliability will be assured through standardizing the condition under which the instrument administered (stability aspect) and employing the same design of measurement for the whole sample (equivalence aspect). For this purpose, Cronbach's Alpha-values were applied to determine the reliability of the construct as a measurement instrument.

3.12. Ethical consideration

Ethics in a marketing research is a code of conduct or expected societal norm of behavior while conducting research" Sekaran (2013). Researchers have ethical responsibilities in three areas: sponsors of research, the researchers undertaking the research and research participants. This study was conducted with the approval of the Addis Ababa University School of commerce Research Committee. This ethics approval process ensured the confidentiality of participants throughout the research process and safe and secure storage of the data collected.

CHAPTER FOUR

Findings, Analysis and Discussion

4.1 Introduction

This chapter examines the summary of findings, demographic information and descriptive statistics to elaborate the result and response rate of respondents. Reliability test, correlational analysis, hypothesis testing and discussion of the result were also stated under this chapter.

4.1.2. Summary of findings

The findings of different literatures were crucial to compare the findings of this study. Shiu & Yu, 2010; Jungsun et al., 2016 stated that financial capital is no longer perceived as the key success factor and has been replaced by human capital. Internal marketing should function as a continuous improvement (Ballantyne, 2003) process, aligning organizational goals with stimulated employee behaviors that lead to better performance and assumed higher levels of responsibility (Quester & Kelly, 1999; Varey & Lewis, 1999; Che Ha et al., 2007), thus improving the performance of the organization (Vasconcelos, 2008; To et al., 2015).

Based on presentation of the results, the findings of the study were summarized and presented as follows. To measure the effect of internal marketing on employee service quality in selected Ethiopian pharmaceutical industries (in the case of APF and Cadila pharmaceuticals Ltd.), the researcher looked for different analytical methods and interpretation for the data collected from the respondents. The data were processed in quantitative approaches, descriptive statistics, correlation and regression analysis to show the relationships between internal marketing and service quality in APF and Cadila pharmaceuticals.

This research examined how internal marketing in the companies were taking place helping employees in delivering quality service that increase customers' perception of service quality in turn. The paper discussed and empirically tested the nature of relationship among each variables of IM and perceived service quality.

4.1.3. Demographic characteristics

Observing the demographic trend or characteristics of the sample population before starting the data analysis would be useful to make the analysis more meaningful for the reader. This part of the questionnaire requested limited amount of information related to personal and demographic status of respondents. The importance of demographic examination in this research was to describe the characteristics of the sample, like proportion of male and female, duration in the company and education level of respondents. Accordingly these variables are summarized and described in tables shown below.

Table 1 Respondents Demographic Information

	Category	Frequency	Valid Percent
Age of respondent	18-25	0	0
	26-35	24	54.5%
	36-45	12	27.3%
	>46	8	18.2%
	Total	44	100.0%
sex of respondent	male	29	65.9%
	female	15	34.1%
	Total	44	100.0%
duration of respondent in the company	<2yrs	3	6.8%
	2-5yrs	23	52.3%
	6-10yrs	13	29.5%
	>10yrs	5	11.4%
	Total	44	100.0%
respondent monthly income	<5000	3	6.8%
	5001-10000	26	59.1%
	10001-15000	12	27.3%
	>15000	3	6.8%
	Total	44	100.0%
education level of respondent	Diploma holder	0	0
	First degree holder	29	65.9%
	Masters' degree	15	34.1%
	PhD holder	0	0
	Total	44	100%

From the above table, the highest gender distribution of respondents was covered by male (66%) and the highest age group coverage distribution was 26-35yrs (54.5%). The highest work experience (duration of the respondents in the company) was 2-5yrs (52.3%) and the least number of respondents duration was <2yrs (6.8%). The highest educational level was covered by first degree holder showing the cumulative average of 65.9% and the rest 34.1 was covered by master's degree holder. The figurative picture of these demographic characteristics is displayed in pie chart and bar chart below.

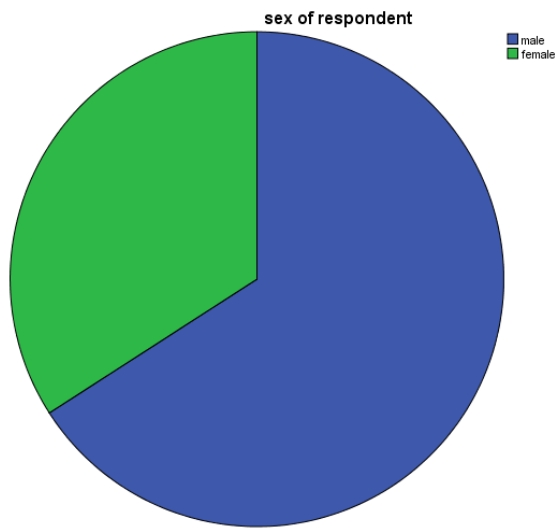


Figure 1: sex ratio of respondents

From the above figure, it was shown that the gender ratio of respondents was dominated by male and therefore the involvement of the females was shown to be minimal.

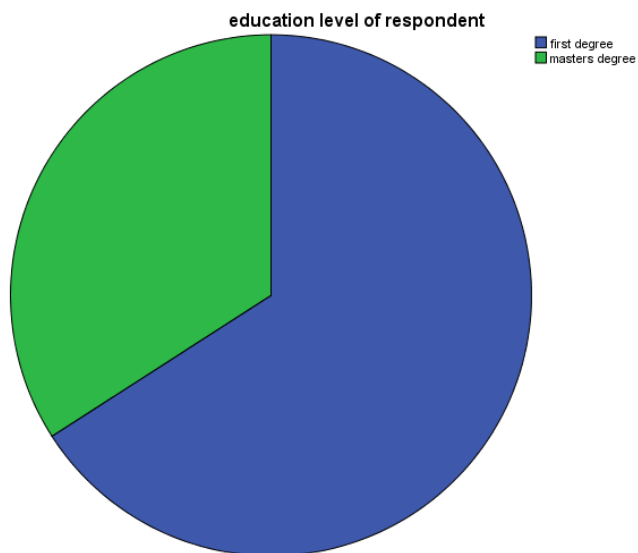


Figure 2 proportion of education level of respondents

The above figure shows that the highest education level of the respondents was first degree (65.9%) followed by master's degree (34.1%). There is no respondent with diploma level and PhD level.



Figure 3 proportion of duration of employees

From the above figure, the highest number of respondents have the experience of 2-5 years (52.3%) followed by 6-10 years (29.5%). This shows that there is high return rate of employees in the companies and this may be because of lower implementation of internal marketing activities.

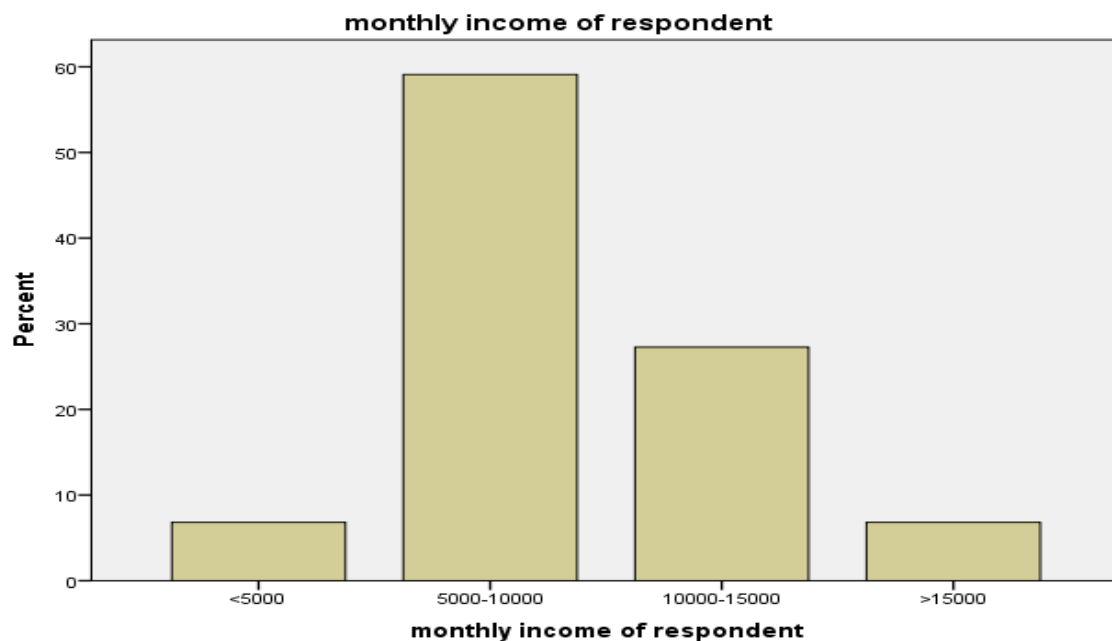


Figure 4 proportion of monthly income of the respondents

The above figure indicates that, the highest number of respondents (59.1%) earns the monthly income of 5000-10000. From this result, the study could suggest that income of the employees is unsatisfactory which may be one of the factors for delivering minimal quality service.

Table 2 Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Training	26	2.40	4.00	3.1077	.41658
Reward/incentive	26	2.20	3.80	2.9231	.40822
Empowerment	26	2.60	4.00	3.2692	.36196
Internal communication	26	2.60	4.00	3.1462	.36903
internal marketing	26	2.60	3.85	3.1115	.29234
service quality	18	2.73	4.36	3.6515	.49915
Valid N (listwise)	18				

From the above table the average score of respondents show that, the satisfaction level of respondents of APF and Cadila pharmaceuticals is unsatisfactory to the internal marketing activities of the companies and the perceived quality service by the customer companies (PFSA, Pharma Birbir plc, Beker General Business, Ketoran trading and Eshet pharmaceuticals) is also shown to be minimal.

4.1.4 Reliability test

Reliability is “the degree of consistency with which it measures whatever it is measuring” (Ary et al., 2002) and is essential to instruments utilized in a study. Consistency is determined through reliability coefficients of which three exist: (1) test-retest, (2) alternate-form, and (3) internal-consistency (Ary et al., 2002). In the current study the internal consistency coefficients were utilized to determine relationships “among scores derived from individual items or subsets of items within a test” (Ary et al., 2002). A Cronbach’s alpha was used to determine the reliability of the measures utilized and is typically used with Likert-type scales. Reliability analyses were conducted on the responses from employees of selected Ethiopian pharmaceutical industries and on the responses from the customers of respective companies.

Table 3 Reliability test

Reliability Statistics	
Cronbach's Alpha	N of Items
.962	5

Item-Total Statistics		
	N of Items	Cronbach's Alpha
Training	5	.943
Reward/incentive	5	.944
Empowerment	5	.940
Internal communication	5	.942
SERVICE QUALITY	11	.994

From the above table, the psychometric properties of internal marketing and service quality scales were tested and found to be acceptable as Cronbach's alpha of constructs were greater than 0.7 revealing good reliability as all items are developed based on theories and literature.

4.1.5. Correlation

Correlation is used to express a relationship between two variables that one could usually compute the correlation coefficient. A correlation coefficient is a single number that represents the degree of association between two sets of measurements. It ranges from +1 (perfect positive correlation) through 0 (no correlation at all) and to -1 (perfect negative correlation).

The value of coefficient of correlation indicates both the strength and direction of the relationship. If it is -1 there is perfectly negative correlation between the variables. If it is 0 there is no relationship between the variables and if it is +1 there is perfectly positive relationship between the variables. For values between +1 and 0 or between 0 and -1, the different scholars have proposed different interpretations with slight difference. For this study the prediction rule given by Bartz (1999) was used. Bartz (1999) described the strength of association among variables as mentioned as follows. 0.80 Or higher is Very high, 0.6 to 0.8 is Strong, 0.4 to 0.6 – Moderate, 0.2 to 0.4 is Low and 0.2 or lower is described as Very low.

Correlations are usually worked out on the basis of samples from populations and it is generally to infer what the true population correlation is, on the basis of the correlation calculated from the sample. The size of the sample determines the reliability of correlations in such a way that the larger the sample size the more stable (reliable) the correlation is, and the smaller the sample size the lower reliability of the obtained correlation keeping all other things equal.

Table 4 Correlation between internal marketing dimensions and service quality

Correlations		
Training	Pearson Correlation	.651 ^{**}
	Sig. (1-tailed)	.000
Reward/incentive	Pearson Correlation	.663 ^{**}
	Sig. (1-tailed)	.000
Empowerment	Pearson Correlation	.675 ^{**}
	Sig. (1-tailed)	.000
Internal communication	Pearson Correlation	.669 ^{**}
	Sig. (1-tailed)	.000
N		44

^{**}. Correlation is significant at the 0.01 level (1-tailed).

Since the alternative hypothesis in the study has stated that the effect was expected to be positive (unidirectional), a one-tailed prediction was used in correlation analysis.

According to Bartz (1999), the above correlation table shows that there is strong positive correlation between all dimensions of internal marketing and service quality. This indicates that, as internal marketing (training, reward/incentive empowerment and internal communication) activities in the company increases, there is a significant increment of service quality too.

4.1.6. Regression analysis

Regression analysis is a statistical technique that attempts to explore and model the relationship between two or more variables. It forms an important part of the statistical analysis of the data obtained from designed experiments. A linear regression model attempts to explain the relationship between two or more variables using a straight line. Regression analysis is all about determining how changes in the independent variables are associated with changes in the dependent variable.

Table 5 Model estimation of linear regression

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.670 ^a	.449	.436	1.38445

a. Predictors: (Constant), internal marketing

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	65.555	1	65.555	34.202	.000 ^b
	Residual	80.501	42	1.917		
	Total	146.056	43			

a. Dependent Variable: SERVICE QUALITY

b. Predictors: (Constant), internal marketing

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.042	.324		.129	.898
	internal marketing	.790	.135	.670	5.848	.000

a. Dependent Variable: SERVICE QUALITY

From the model summary table, the R value is .670 which indicates that there is the high degree of correlation. The R square value is .449 indicating that 44.9% of total variation in service quality is associated to variation in internal marketing.

The ANOVA table shows that the sig. level is less than .05 indicating that the regression model statistically significantly predicts the outcome variable and it is a good fit for the data.

From the Coefficients table, the computed regression line has an equation $\hat{y} = 0.042 + 0.790x$. Where y substitutes dependent variable (SQ) and x substitutes independent variable (IM). This shows that the rate of change of the conditional mean of SQ with respect to IM is 0.790. In

other word, when IM increase by one unit, the average SQ increases by 0.790 unit (79%) keeping all other variables constant.

4.1.7. Hypothesis testing

In the standard approach to significance testing, one has a null hypothesis (H_0) and an alternative hypothesis (H_a) which describes opposite and mutually exclusive patterns regarding some phenomena. Usually, the null hypothesis (H_0) denies the existence of a relationship between X and Y and the alternative hypothesis (H_a) supports that X and Y are associated. CRAMER, Duncan and HOWITT, Dennis L. (2004)

Since the alternative hypothesis represents the corroboration of the theoretical expectations of the researcher, scholars are usually interested in rejecting the null hypothesis in favor of the alternative hypothesis. However, McLean and Ernest (1998) argue that “a null hypothesis (H_0) and an alternative hypothesis (H_a) are stated, and if the value of the test statistic falls in the rejection region the null hypothesis is rejected in favor of the alternative hypothesis. Otherwise the null hypothesis is retained on the basis that there is insufficient evidence to reject it”.

The alternative hypothesis describes two things; first, it illustrates what predictions did we make about the effect of the independent variable(s) on the dependent variable(s) and Secondly the predicted direction of its effect. If an alternative hypothesis has a direction (either negative or positive), the hypothesis is said to be one-tailed and if it has no choice over the direction of the effect that the experiment takes (neither negatively nor positively), it is said to be two-tailed hypothesis implying that the effect would be either positive or negative.

The level of statistical significance is often expressed as the so-called p-value. Depending on the statistical test chosen, a probability would be calculated (i.e., the p-value) to observe the sample results given that the null hypothesis is true. Another way of phrasing this is to consider the probability that a difference in a mean score (or other statistic) could have arisen based on the assumption that there really is no difference. The p-value is a number between 0 and 1 and interpreted in such a way that a small p-value (< 0.05) indicating strong evidence against the null hypothesis to reject it. This means that such a difference or relationship is likely to occur by chance 5 or fewer times out of 100. This level is generally described as the proportion 0.05 and sometimes as the percentage 5%. The 0.05 probability level was historically an arbitrary choice but has been acceptable as a reasonable choice in most circumstances (Cramer and Howitt, 2004: 151). Based on the correlation analysis table above, the result of hypothesis developed in this study is shown in table 6 below.

Table 6 result of hypothesis testing

S.N	Statement	p-value	result
H ₁	Training has a positive and significant effect on service quality in selected pharmaceutical industries in Ethiopia.	.000	accepted
H ₂	Incentives have a positive and significant effect on service quality in selected pharmaceutical industries in Ethiopia.	.000	accepted
H ₃	Empowerment has a positive and significant effect on service quality in selected pharmaceutical industries in Ethiopia.	.000	accepted
H ₄	Internal communication has a positive and significant effect on service quality in selected pharmaceutical industries in Ethiopia.	.000	accepted

4.1.8. Discussion

The introduction of the concepts of internal marketing and service quality has given a role to employees of the firms and their customers in the evaluation of service quality. Internal marketing is one of the main components contributing to the efficiency of organizations. Therefore, the present study was set to investigate the effect of internal marketing on service quality in selected Ethiopian pharmaceutical industries and the results of this study revealed that there is a strong positive correlation between internal marketing and service quality which is consistent with the findings of Davis (2005) and Tabatabai (2010) which says that Employees should extend beyond departmental walls and create relationships with customers through interaction and he stated as internal marketing has to precede external marketing. Implementing good IM considerably affects the interaction between the employees and external customers and internal customers (employee) constitute a cycle that can influence the external customers' satisfaction by delivering quality service and contribute to organizational success.

The average mean score (3.11) of employees' overall evaluation of internal marketing of their respective organization, IM practice was found to show little satisfaction of employees. The correlation and regression analysis result revealed that there is a strong direct relationship between internal marketing and service quality in Ethiopian pharmaceutical industries that shows increase in IM results in increased service quality. This indicates that, these companies have to focus on activities of internal marketing to encourage employees in delivering quality service. The main objective of the study was to identify the effect of internal marketing in selected Ethiopian pharmaceutical industries on service quality they are delivering to their

customers. The study also tested the proposed hypotheses which were related to the effect of internal marketing variables on perceived service quality.

The first research question in this study concerned about the effect of training on service quality in selected Ethiopian pharmaceutical industries. The primary role of training is to improve employees' skill for current and future duties and responsibilities. Recent researches reveal that training enables most organizations meet their goals and objectives. In doing so, employees able to learn new work concepts, refresh their skill, improve their work attitude and boost productivity (Cole 2002).

The statistical analysis result of this study regarding training (internal marketing 1) revealed that it is strongly positively correlated with service quality and this directly answers the first research question of this study. This is similar to the statement of Mishra 2010 which says that employees always play the main part for the successful journey on any organization and therefore it is mandatory to increase their educational level, motivate them and make them happy in any means that it is must to make a differential and competitive advantage in the world. To build up the business through handsome sale, they are at front to deal directly to the external customers as the back bone of the organizations (Hartline and Ferrell 1996).

The issue of relationship between internal marketing 2 (Reward/incentive) and service quality was the concern of the second research question. Incentive schemes based on individual performance, such as weekly or monthly production bonuses or commission on sales, generally offer a short-term incentive. Schemes such as profit sharing and share option schemes Longer-term incentives and may not provide as much incentive to individual workers as schemes based on personal performance. They can, however, help to generate in workers a long-term interest in the success of the organization (Beer & Cannon, 2004).

The statistical analysis of this research concerning Reward/incentive revealed that, it is in the same word to many studies as it was strongly positively correlated to service quality as a correlation coefficient was (0.663). This shows that the increased reward/incentive program in the companies has a significance potential to increase delivery of service quality by employees.

This is similar to the result of study conducted by Danish & Usman (2010) revealing that better performance was best foreseen by the job reward. Indeed, the financial and non-financial rewards motivate the employees; and this motivation leads to realize a higher performance level. Therefore, the result of this study answered the second research question in such a way that reward/incentive positively and significantly affects service quality.

Employee empowerment is the issue of third research question. It is an optional concept that managements undergo as to giving employees the ability to make decision and freewill with their duties (Hsieh and Chao, 2004). Various forms of employee empowerment include training,

provision of tools and equipment, proper compensation and involvement of employees in decision making. Training is a method that empowers workers to attain skills and knowledge so as to accomplish their responsibilities in effective and efficient manner (Armstron 2006).

The correlation analysis has shown that employee empowerment has a strong positive linear relationship with service quality. So the result of this study answered the third research question in such a way that increasing the activity of employee empowerment would result in increase of delivery of quality service which is similar to many scholars. According to Malhotra and Mukherjee, 1999; Hancer and George, 2003, application of empowerment encourage frontline employees to bring excellent quality service.

The fourth research question is to know how internal communication positively and significantly affects service quality. Communication is well known to establish change readiness, to decrease uncertainty and apparently as a crucial factor in obtaining commitment (Armenakis et al., 1993; Klein, 1994). According to Lai & Ong 2010, without a proper and adequate communication, it might make harder or irresponsible to execute the change plan, such as through the policy plan. Previous studies showed a good communication reduce employee's feelings of inertia, and provide them with the considerate that the change is imperative. On the other hand, *Asif and Sargeant (2000)* found that effective communication produces factors of employee engagement such as satisfaction, commitment, and loyalty resulting in delivery of quality service.

The results of this study also show that there is a significant and positive relationship between internal communication and service quality. This indicates that increasing internal communication program in the company results in increase of quality service delivery by employees. This result was supported by several authors those who argued that facilitating communication during the change process, allows employees to understand what, when and why the organization should adapt to the new circumstances (Dutton et al., 2001; Lewis et al., 2006). Employees should not only demonstrate the behaviors of the need to change, but also comprehend the reasons why the need of change is important in the current situation.

CHAPTER FIVE

Conclusion, Recommendations and limitations

5.1 Introduction

In this chapter the study was summarized as a conclusion and necessary recommendations was forwarded for pharmaceutical industries, academicians and students. Limitations that faced the researchers while conducting the study was also identified and discussed.

5.2 Conclusion

In conclusion, internal marketing positively and significantly influences service quality as the results from dimensions of internal marketing have shown a direct relationship with service quality in this study. The higher the internal marketing practice in the organization, the higher would be the service quality delivered by employees. The results of this study demonstrated that internal marketing currently existing in the APF and Cadila was unsatisfactory and consequently, quality service being delivered by employees was shown to be weak.

Otuko, Chege and Douglas (2013) pointed out that employee training is a critical competitive tool that impacts skills in employees for developing innovative products and creating value in a unique way that competitors cannot easily copy. This is vital for success in the current expansion of the global economy and the fast-changing evolution of technology and innovation.

In any competitive business environment, it is becoming common for companies to offer employees attractive, lucrative and competitive remuneration packages to encourage for delivery of quality service. *Condly et al, (2005)* mentioned this in such a way that well rewarded employee feels valued by the company and the employee is thus encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being taken care of by their company.

According to *Randolph (2000)*, employee empowerment involves delegation of authority to employees and ensures that resources are available to them; provide good working environment and provision of proper tools which lead to high quality performance of employees. *Carless, 2004* also stated that empowerment brings about spread out of power by including workers in decision making.

Communication is also needed to raise awareness among employees on the need of change as well as creating the readiness to the change whereby it leads to the commitment to change. Ineffective communication is detrimental for managers, employees and organizations since it can lead to poor performance, strained interpersonal relations, poor service and dissatisfied customers. Communication is needed to raise awareness among employees on the need of change as well as creating the readiness to deliver quality service whereby it leads to the commitment to change.

5.3 Recommendations.

The results of the data analysis in the study demonstrated that internal marketing positively and significantly affects service quality and the internal marketing activities in the APF and Cadila pharmaceuticals shown to be weak. Hence the study recommends that, the companies have to focus actively on performing internal marketing activities.

Training is the first element of internal marketing to be dealt with in the companies and the study recommends that training should be conducted time to time to ensure that employees have the necessary engagement to change processes, innovation; delivery of high quality service and job enthusiasm.

Companies have to develop the trend of appraisal and rewards systems for employees as it is closely linked to the performance measurement indicators of the companies. If such reward does not commensurate with their job performance, this can lead to low motivation and high attrition, finally affecting quality service delivery.

The study also recommends that companies have to concern about employees' empowerment as empowered employees would be more satisfied with their jobs and have a better sense of task control, which could facilitate employees' work actions that are required to boost the service quality of their workplace.

Effective internal communication is also detrimental for managers, employees and organizations for good performance, good interpersonal relationships, and quality service delivery to have satisfied customers.

Other studies on other pharmaceutical industries regarding this topic would also welcome to ensure strong empirical conclusions on how training, reward, empowerment and internal communication affect service quality.

5.4. Limitations

The major limitation of the study was the involvement of the managers and employees of pharmaceutical industries giving their right perception voluntarily on time. As they were in competitive business world, customers of the company were also too busy in filling the questioner timely and therefore time and financial constraint was considered as major limitation.

References

- Abdul Nabi, Mohamed Ahmed (1sted) (2010) Human resources management, Amman, Jordan Dar Zamzam Publishers & Distributors.
- Addis pharmaceutical factory (2016) analysis of the Ethiopian pharmaceutical market. Online Available at <http://www.apfethio.com/researchandmarkets>. Accessed in april 2019.
- Ahmed, P. and Rafiq, M. (2003). „Internal marketing issues and challenges,“ *European Journal of Marketing*, 37(9):1177-1186.
- Ahmed R. (2010) Performance appraisal politics and employee turnover intention. *Journal of Kemanusiaan*, (16), 1-11.
- Allerd, A. T. (2001). Employees evaluations of service quality at banks and credit unions, *The International Journal of Banking*, 19(4), 179-185.
- Al-Haj, Amal Ibrahim & Hani, Al-Zoumor, 'Impact of application of the internal marketing in job satisfaction for the sales staff in the Jordanian Telecom Group', *Jordanian Journal of Business Management*, Vol. 6, (1), p38.
- Al-Tai, Hameed & Al-Alaak, Basheer, (1sted) (2009) Principles of modern marketing (inclusive entrance), Amman, Jordan Dar Al-Yazouri publication and distribution.
- American Marketing Association. (2004). Available online at www.marketingpower.com accessed February 2019.
- Anderson, E. W., & Sullivan, M. W. (1993) 'The antecedents and consequences of customer satisfaction for firms', *Marketing Science*, Vol. 12 (2), pp123-143.
- Anderson, C. and C.P. Zeithaml (1984). Stage of the product life cycle, business strategy and business performance. *Academy of Management Journal*, 27 (3), 5-24.
- Ary et al (2002). *Introduction to Research in Education* (6th Ed.). Belmont, CA: Wadsworth/Thomson Learning.
- Asif, S., & Sargeant, A. (2000). Modelling internal communication in the financial servicesector. *European Journal of Marketing*, 34, 299-317.
- Azzolini, J. Shillaber 1993 *Journal of Quality Progress*. 26(2) pp75.
- Bahia, K. and Nantel, J. (2000). A reliable and valid measurement scale for the perceived service quality of banks, *International Journal of Bank Marketing*, 18(2), 84-91.
- Ballantyne, D. (2003) 'A relationship-mediated theory of internal marketing', *European Journal of Marketing*, Vol.37 (9), pp1242-1260.
- Bansal, H. S., Mendelson, M. B., & Sharma, B. (2001). The impact of internal marketing activities on external marketing outcomes. *Journal of Quality Management*, 6(1), 61-76.
- Bernard, H.R. (3rded) (2002) *Research Methods in Anthropology*. Altamira Press, Walnut Creek, California.
- Berry, L. L., J. S. Hensel, and M. C. Burke. 1976. Improving Retailer Capability for Effective Consumerism Response. *Journal of Retailing*, 52(3):3-14.
- Berry, L. L. (1981). The Employee as Customer. *Journal of Retail Banking*, III (1), 33-40.
- Cadila pharmaceuticals Ltd (2018). Uniting the pharmaceutical industry online available as 13 september 2018. Accessed on murch 2019.
- Campbell, D.T. 1955. The informant in quantitative re- search. *The American Journal of Sociology* 60:339-342
- Carless, S. A. (2004). Does psychological empowerment mediate the relationship between psychological climate and job satisfaction? *Journal of Business and Psychology*, 18, 405-25.
- Cheng-Ping and Wei-Chen Chang (2008), Internal Marketing Practices and Employees Turnover Intentions, *the Journal of Human Resource and Adult Learning*, 4(2)
- Che Ha et al (2007). Internal Marketing Issues in Service Organizations in Malaysia. *International Review of Business Research Papers*, 3(5), 134-145.
- Cole, J. (2002). *Personnnel Management: Theory and Practice* (5th ed.). London: York Publishers.
- CRAMER, Duncan and HOWITT, Dennis L. (2004), *The SAGE Dictionary of Statistics: A Practical Resource for Students in the Social Sciences*. SAGE Publications Ltd., London.
- Cronbach, L. (1951). Coefficient alpha and the internal structure of tests. *Psychometricka*, 16, 297-334.
- Cronin, J. & Taylor, S. (1992). Measuring service quality: A reexamination and extension. *Journal of Marketing*, 56, 55-67.
- Danish R.Q., & Usman A., 2010, Impact of Reward and Recognition on Job satisfaction and Motivation, *International Journal of Business and management*
- Davis, P. S., Babakus, E., Englis, P. D., & Pett, T. (2010). The Influence of CEO Gender on Market Orientation and Performance in Service Small and Medium- Sized Service Businesses. *Journal of Small Business Management*, 48(4), 475-496.
- De Bruin-Reynolds, L., Roberts-Lombard, M. and de Meyer, C. (2015) 'The traditional internal marketing mix and its perceived

influence on graduate employee satisfaction in an emerging economy. *Journal of Global Business and Technology*, Vol.11 (1), pp24-38.

Dehghan A. (2006). Relationship between Service Quality and Customer Satisfaction. Luella University of Technology, Master Thesis.

Dennis, H.S. (1974). A theoretical and empirical study of managerial communication climate in complex organizations. Unpublished doctoral dissertation, Purdue University, West Lafayette, FN.

Edward Burch., Hudson P., & James U. 2004. 'Exploring SERVPERF: An Empirical Investigation of The importance-Performance, Service QualityRelationship In The uniform Rental Industry.

Federal Democratic Republic of Ethiopia Ministry of Health. (2011). Health and Health Related Indicators. Addis Ababa.

Fisk, R. P., S. W. Brown, and M. J. Bitner,. 1993. Tracking the Evolution of the Services Marketing Literature. *Journal of Retailing*, 69(1):61-103.

Foreman, S. K., & Money, A. H. (1995). Internal Marketing: Concepts, Measurement and Application. *Journal of Marketing Management*, 11, 755-768.

George WR. (1990) Internal marketing and organizational behavior: a partnership in developing customer-conscious employees at every level. *J Bus Res.*;20(1):63–70.

Gounaris, S. P. (2006). The notion of internal market orientation and employee job satisfaction: some preliminary evidence, *Journal of Services Marketing*, 22(1), pp. 68- 90.

Greene, W. E., Walls, G. D., & Schrest, L. J. (1994). Internal marketing – the key to external marketing success. *Journal of Services Marketing*, 8(4), 5-13.

Gronroos, C. (1984), A service quality model and its marketing implications. *European Journal of Marketing*,18(4), 36–44.

Herzberg, F. (1966). *Work and the nature of man*. Cleveland and New York: The Word Publishing Company.

Heskett, J. L., (1981) *Managing in a Service Economy*, Boston, MA: Harvard Business School Press.

Heskett, J.L., Jones, T.O., Loveman, G.W., Sasser, W.E., & Schlesinger, L.A. (1994). Putting the service-profit chain to work. *Harvard Business Review*, March–April, 164–174.

Hsieh, A. T., & Chao, H. Y. (2004). A reassessment of the relationship between job specialization, job rotation and job burnout: example of Taiwan's high-technology industry. *International Journal of Human Resource Management*, 15, 1108-23.

IMS Health. (2007). Global Pharmaceutical Industry Facts and Figures available online at (http://www.oft.gov.uk/shared_ofi/reports/comp_policy/oft885d.pdf) accessed January 2019.

Jerome P.2005. The Effects of Internal Marketing on Service Quality within Collegiate Recreational Sport: A Quantitative Approach. The Degree Doctor of Philosophy. Ohio State University.

J.P. Davis (2005) PhD thesis, Ohio State University, Ohio, USA. (2005). Available online at <http://www.osu.edu/osutoday/stuinfo.html> accessed may 2019.

Jungsun, K., Hak, J. S., & Choong-Ki, L. (2016) 'Effects of corporate social responsibility and internal marketing on organizational commitment and turnover intentions'. *International Journal of Hospitality Management*, Vol. 559(1), pp25-32.

Kothari, C.R. 2004. *Research methodology, methods and techniques* 2nd ed. New Delhi: New age international.

Kotler, P. 1991. *Marketing Management – Analysis, Planning, Implementation and Control*. Prentice Hall. 7th ed. NJ: Englewood Cliffs.

Kotler, P. and Armstrong, G. (2004), *Principles of Marketing*, Prentice – Hall, Upper Saddle River, NJ.

Kotze, K. and Roodt, G. (2005) Factors that Affect the Retention of Managerial and Specialist Staff: An Exploratory Study of an Employee Commitment Model. *SA Journal of Human Resource Management*, 3(1) 48-55.

Lengnick-Hall, M. L., & Lengnick-Hall, C. A. (1999) 'Expanding customer orientation in the HR function'. *Human Resources Management*, Vol.(38), pp201–214.

Lewis, J.L. & S.R.J. Sheppard. 2006. Culture and communication: can landscape visualization improve forest management consultation with indigenous communities? *Landscape and Urban Planning* 77:291–313.

Lings, I. N. (2000) 'Internal marketing and supply chain management'. *Journal of Service Marketing*, Vol. 14(1), pp27-43.

Lings, et.al (2004) 'Internal market orientation Construct and consequences', *Journal of Business Research*, 57, 405-413.

Lings, I. N., & Greenley, G. E. (2005) 'Measuring internal market orientation', *Journal of Service Research*, 7(3), pp290-305.

Locke, E.A. M.D. Dunnette (ed) (1976). *The nature and causes of job satisfaction* Chicago, IL: Rand McNally.

Lovelock, C., & Wirtz, J. (2004). *Service Marketing People, Technology and Strategy*. United States of America: Hamilton Printing Co.

- Malhotra, N., & Mukherjee, A. (2003). Analyzing the commitment – service quality relationship: a comparative study of retail banking call centers and branches. *Journal of Marketing Management*, 19, 941-71.
- Matsuno et al (2002). The effects of entrepreneurial proclivity and market orientation on business performance. *Journal of Marketing*, 66(3), 18-32.
- Ministry of Health and Ministry of Industry, Federal Democratic Republic of Ethiopia. National strategy and plan of action for pharmaceutical manufacturing development in Ethiopia (2015-2025). Developing the pharmaceutical industry and improving access. July 2015. available at http://www.who.int/phi/publications/Ethiopia_strategy_local_production.pdf. Accessed 12 Nov 2018.
- Mishra, S. (2010). Internal Marketing- A Tool To Harness Employees' Power In Service Organizations In India. *International Journal Of Business And Management*. Volume 5, No.1.
- Mohammed H. and Shirley L. 2009. „Customer perception on service quality in retail banking,“ *International Journal of Islamic and Middle Eastern Finance and Management*, 2(4).
- Newman, K., 2001. Interrogating SERVQUAL: a critical assessment of service quality measurement in a high street retail bank. *Int. J. Bank Marketing*, 19(3): 126-39.
- N. Ahmad, N. Iqbal, M. Sheeraz 2012. *International Journal of Academic Research in Business and Social Sciences*. 2(4) 270.
- Oliver, R. L., & Swan, J. E. (1989) 'Consumer perceptions of interpersonal equity and satisfaction in transactions', *Journal of Marketing*, 53, 21–35.
- Otuko, A. H., Chege, K. & Douglas, M. (2013). Effect Of Training Dimensions On Employee's Work Performance: A Case Of Mumias Sugar Company In Kakamega County. *International Journal of Business and Management Invention*, 2(9), 138-149
- Panigyrakis, G. G., & Theodoridis, P. K. (2009). Internal Marketing Impact on Business Performance in a Retail Context. *International Journal of Retail & Distribution Management*, 37 (7), 600-626.
- Parasuraman A., Zeithaml V., & Berry L. (1988). SERVQUAL a multiple-item scale for measuring customer perceptions of service quality. *Journal of Retailing*, 64 (1), 12-40
- Parasuraman, A, Berry, L. & Zeithaml, V. 1991. Refinement and Reassessment of the SERVQUAL Scale, *Journal of Retailing*, 67(4):420-50.
- Parasuraman, A., Zeithaml, V., & Berry, L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49, 41-50.
- Piercy, N.F. (1996). The effects of customer satisfaction measurement: The internal market versus the external market. *Marketing Intelligence and Planning*, 14(4), 9–15.
- Quester, P. G., & Kelly, A. (1999). Internal Marketing Practices in the Australian Financial Sector: an exploratory study. *Journal of Applied Management Studies*, 8(2), 217-229.
- Rafiq, M., and P. K. Ahmed. 2000. Advances in the Internal Marketing Concept: Definition. Synthesis and Extension. *Journal of services marketing*, 14(6):449-462.
- Richardson, B. A., & Grant Robinson, C. (1986). The impact of internal marketing on customer service in a retail bank. *International Journal of Bank Marketing*, 4 (5), 3-30.
- Rifai, H. A. (2005). A test of the relationships among perceptions of justice, job satisfaction, affective commitment and organizational citizenship behavior. *Gadjah Mada International Journal of Business*, 7(2), 131-154.
- Sagie A., Koslowsky M., 2000. Participation and Empowerment in Organizations: Modeling, effectiveness, and application. Thousand Oaks, California: Sage Publications, Inc.
- SEATINI (2013). Literature review on co-operation in essential medicines production and procurement between Eastern and Southern Africa (ESA) and Brazil, India and China'. Harare.
- Seidler, J. 1974. On using informants: a technique for collecting quantitative data and controlling measurement error in organization analysis. *American Sociological Review* 39:816-831.
- Sergeant, A., & Asif, Saadia. (1998). The Strategic Application of Internal Marketing. *International Journal of Bank Marketing*, 16(7), 66-79.
- Shiu, Y.-M., & Yu, T. W. (2010) 'Internal marketing, organizational culture, job satisfaction and organizational performance in non-life insurance', *Service Industries Journal*, 30(6), 793-809.
- S.V. Tabatabai, national Conference of Management and Leadership Challenge in Organizations of Iran, 24 July. 2010, Isfahan, Iran.
- Tortosa, et al (2009). Internal market orientation and its influence on organizational performance. *European Journal of Marketing*, 43(11/12), 1435-1456.
- To, et al (2015). Effect of management commitment to internal marketing on employee attitude. *International Journal of Hospital- ity Management*, 45, 14-21.
- Tremblay, M.-A. 1957. The key informant technique: a non ethnographic application. *American Anthropologist* 59:699-701.
- Tsai, Y., & Tang, T. (2008). How to improve service quality: Internal marketing as a determining factor. *Total Quality Management*, 19(11), 1117–1126.

Uchenna, P. (2008). A Phenomenological Exploration of the Domain and structure Of Internal Marketing. Degree of Doctor of Philosophy. University of Wolver Hampton

Valsa, K. (2004). Action Research for Improving Practice. London: Paul Chapman Publishing London. Online available at (<http://www.cbe.com/>accessed on April, 2019)

Varey and Lewis (1999). *European Journal of Marketing* 33(9/10), 926-944.

Varey, R. J., & Lewis, B. R. (2000). A broadened conception of internal marketing. *European Journal of Marketing*, 33(9/10), 926-944.

Varey, R. J. (1995). A Model of Internal Marketing for Building and Sustaining a Competitive Service Advantage. *Journal of Marketing Management*, 11, 41-54.

Vasconcelos, A. F. (2008) 'Broadening even more the internal marketing concept', *European Journal of Marketing*, 42(11), 1246-1264.

Wambugu L. (2015) 'Impact of Internal Marketing on Service Quality and Customers Satisfaction' *Research Journal of Finance and Accounting* Vol.6(19) p63.

Woodruffe, C. (2006). Employee engagement: the real secret of winning a crucial edge over your rivals. *British Journal of Administrative Management*, Dec-Jan(50), 28-29.

Yamane, Taro. 1967. *Statistics. An Introductory Analysis*, 2nd Ed., New York: Harper and Row.

Zeithaml, V., Berry, L. and Parasuraman, A. (1996) The Behavioral Consequences of Service Quality. *Journal of Marketing*, 60, 31-46.

Zhou, K. Z., & Li, C. B. (2007). How does strategic orientation matter in Chinese firms? *Asia Pacific Journal of Management*, 24, 447-466.

Annex

Addis Ababa University School of Commerce

Questionnaire to be filled by employees of selected Ethiopian pharmaceutical industries.

Dear Respondent

I would like to share your wonderful insights on this questionnaire with regard to your experience you have had in the past within Ethiopian pharmaceutical industry. The questionnaire is designed to measure **internal marketing** views of employees. Please consider each question carefully to determine how you feel about the subject matter personally as a customer of your organization. The consumption is purely for academic research purpose for partial fulfillment of a post graduate program in marketing management at Addis Ababa University School of Commerce. Thank you for sharing your valuable time and your exact opinion in filling this questionnaire. For any inconvenience, do not hesitate to contact me for any explanation at yosefetefa@yahoo.com or 251-9 11 80 64 89

Questioner for employees of _____

I. **Socio demographic**
characteristics of respondents for IM

- i. Age 18-25____ 26-35 ____ 36-45 ____ >46 ____
- ii. Sex M ____ F ____
- iii. Duration in the company < 2yrs____ 2-5yrs____ 5-10yrs____ >10yrs ____
- iv. Monthly income < 5000 birr____ 5001-10,000____ 10,001-15,000____ >15,000____
- v. Educational status: diploma holder____ first degree holder____ master's degree holder____
PhD holder____

II. Question for internal marketing

Internal marketing is a way of promoting the company and its products to its employees, engendering involvement in and commitment to the organization's strategic programs as prerequisites for targeting that can lead to successful results for companies. Show your agreement from the following alternative about internal marketing taking place in your organization by putting "v" in the box provided under the five given alternatives.

sn	Dimension of internal marketing	Highly disagree	disagree	neutral	agree	Highly agree
1	You are courteous in delivering QS because of training program your company is providing you.					
2	You are responsive in delivering QS because of training program your company is providing you					
3	You are reliable in delivering QS because of training program your company is providing you					
4	You are accessible in delivering QS because of training program your company is providing you					
5	You have good communication system in delivering QS because of training program your company is providing you					
6	You are courteous in delivering QS because of reward/incentive program your company is providing you.					
7	You are responsive in delivering QS because of reward/incentive program your company is providing you					
8	You are reliable in delivering QS because of reward/incentive program your company is providing you					
9	You are accessible in delivering QS because of reward/incentive program your company is providing you					

10	You have good communication system in delivering QS because of reward/incentive program your company is providing you					
11	You are courteous in delivering QS because of empowerment program your company is providing you.					
12	You are responsive in delivering QS because of empowerment program your company is providing you					
13	You are reliable in delivering QS because of empowerment program your company is providing you					
14	You are accessible in delivering QS because of empowerment program your company is providing you					
15	You have good communication system in delivering QS because of empowerment program your company is providing you					
16	You are courteous in delivering QS because of internal communication program in your company.					
17	You are responsive in delivering QS because of internal communication program in your company.					
18	You are reliable in delivering QS because of internal communication program in your company.					
19	You are accessible in delivering QS because of internal communication program in your company.					
20	You have good communication system in delivering QS because of internal communication program in your company.					

Addis Ababa University School of Commerce

Questionnaire to be filled by employees of selected pharmaceutical companies being customer of APF/Cadila pharmaceuticals Ethiopia Ltd.

Dear Respondent

I would like to share your wonderful insights on this questionnaire with regard to your experience you have had in the past within Ethiopian pharmaceutical companies. As you are the customer of APF/Cadila pharmaceuticals Ethiopia Ltd, the questionnaire is designed to measure the level of **service quality** that the industry is delivering to you. Please consider each question carefully to determine how you feel about the subject matter. The consumption is purely for academic research purpose for partial fulfillment of a post graduate program in marketing management at Addis Ababa University School of Commerce. Thank you for sharing your valuable time and your exact opinion in filling this questionnaire. For any inconvenience, do not hesitate to contact me for any explanation at yosefetefa@yahoo.com or 251-9 11 80 64 89

Questioner for customer of _____

III. Socio demographic information for respondents of SQ

Socio demographic characteristics

- i. Age 18-25____ 26-35 ____ 36-45 ____ >46 ____
- ii. Sex M ____ F ____
- iii. Duration in the company < 2yrs____ 2-5yrs____ 5-10yrs____ >10yrs ____
- iv. Monthly income < 5000 birr____ 5001-10,000____ 10,001-15,000____ >15,000____
- v. Educational status: diploma holder____ first degree holder____ master's degree holder____ PhD holder____

IV. Question for SQ

Service quality is “a global judgment, or attitude, relating to the superiority of the service” and it continues to increase in importance as service industries grow and outnumber manufacturing organizations. Indicate your level of agreement to the following dimensions of service quality taking place in your organization by putting “V” in the box provided under the five given alternatives.

	Customers’ perception	Highly disagree	disagree	neutral	agree	Highly agree
1	they have high degree of customer respect quality					
2	they have good considerations of customer feeling					
3	they deal with the customers properly					
4	they are courteous in all direction					
5	They are always ready to perform their service accurately & in a reliable way					
6	They are responsive positively at any time					
7	They have a good ability to perform service accurately and in a reliable way					
8	Their service is accessible in place and time wished by the customer					
9	They enlighten customer/beneficiary about nature of service					
10	They enlighten the role that customer should play to obtain service required					
11	They have a good customer communication style at all					