

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE**



**ENHANCING EMPLOYEE JOB SATISFACTION
THROUGH INTERNAL SERVICE QUALITY AT AWASH
INSURANCE S.C**

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY,
SCHOOL OF COMMERCE IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS IN HUMAN
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KENESA BALCHA DABALA

ADVISOR: WUBSHET BEKALU (PhD)

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ENHANCING EMPLOYEE JOB SATISFACTION THROUGH INTERNAL SERVICE QUALITY AT AWASH INSURANCE S.C

Kenesa Balcha Dabala

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Advisor: Wubshet Bekalu (PhD)

Addis Ababa University School of Commerce

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Declaration

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted at any university for a degree.

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School of Graduate Studies

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Abstract

This study aimed to comprehensively evaluate internal service quality (ISQ) and its impact on employee job satisfaction at Awash Insurance S.C. Employing an explanatory research design with a descriptive approach, the research targeted frontline employees to understand the nuances of internal service delivery. The target population was systematically sampled using proportional data sampling with stratification to ensure representation across different employee segments. From a sample size of 124 employees, 110 completed and returned the questionnaires correctly, providing a robust dataset for analysis. The research focused on examining the intricate relationship between the quality of internal services provided by the organization and the overall job satisfaction of its employees. Utilizing the adapted SERVQUAL model, the study measured employees' expectations and perceptions of ISQ across various dimensions such as reliability, responsiveness, assurance, empathy, and tangibility. This model facilitated a nuanced understanding of how these dimensions contribute to job satisfaction. The data analysis comprised both descriptive statistics and correlation analyses, which were employed to delineate the status of ISQ and its association with job satisfaction. Additionally, ordinal logistic regression analysis was conducted to delve deeper into the effects of each ISQ dimension on employee job satisfaction, providing a more granular insight into the significance and impact of these dimensions. The findings of the study revealed that all ISQ dimensions exhibited a moderate positive correlation with employee job satisfaction. Notably, the reliability dimension stood out, demonstrating a significantly strong positive influence on job satisfaction. This suggests that employees place a high value on the consistency and dependability of internal services, which in turn, greatly enhances their satisfaction levels.

Key terms: Internal service quality, Employee job satisfaction, and Awash Insurance (S.C.)

Executive Summary

This thesis entitled "Enhancing Employee Job Satisfaction through Internal Service Quality at Awash Insurance S.C." examines the critical role that internal service quality plays in fostering employee satisfaction within organizations. The study explores the relationship between internal service quality and job satisfaction, identifying internal service quality dimensions that contribute to a positive internal service environment.

The research methodology includes a comprehensive literature review, quantitative data collection, and analysis. Surveys were conducted with frontline employees across various departments to gather insights into their perceptions of internal service quality and its impact on their job satisfaction.

Key findings of the study indicate that high levels of internal service quality dimensions significantly contribute to employee job satisfaction. Dimensions such as Reliability, Empathy and Tangibility were identified as essential components of internal service quality that enhance job satisfaction.

The thesis concludes with practical recommendations for Awash Insurance and similar organizations to improve their internal service quality, thereby boosting employee morale and satisfaction. Strategies include implementing regular feedback mechanisms, fostering a culture of continuous improvement, investing in employee development programs, and enhancing internal communication channels.

By prioritizing internal service quality, organizations can create a more engaged, motivated, and satisfied workforce, ultimately leading to increased productivity and overall organizational success.

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ACRONYMS AND ABBREVIATIONS

EJS	Employee Job Satisfaction
GAP SQM	Gap Model of Service Quality Measurement
HR	Human Resources
HRM	Human Resources Management
INTSERVQUAL	Internal Service Quality Model
ISQ	Internal Service Quality
ISQB	Internal Service Quality Battery
JCM	Job Characteristics Model
NBE	National Bank of Ethiopia
SDT	Serf-Determination Theory
SERVPERF	Service Performance
SERVQUAL	Service Quality
SPC	Service-Profit-Chain
SPSS	Statistical Package for Social Sciences
SQB	Service Quality Battery
SQM	Service Quality Models

CHAPTER ONE

INTRODUCTION

In today's competitive business landscape, organizations increasingly recognize the pivotal role of employee job satisfaction in achieving sustained success and competitive advantage. Job satisfaction refers to the positive emotional state that arises from evaluating one's job or job experiences has been widely associated with numerous beneficial outcomes. Research by Judge et al. (2001) highlights that high levels of job satisfaction can lead to stronger organizational commitment, lower intentions to leave the organization, and better job performance. These positive correlations underscore the importance of fostering job satisfaction within the workplace to achieve a more engaged and productive workforce. Moreover, it serves as a critical indicator of overall employee well-being and organizational health (Faragher et al., 2005).

In the insurance industry, maintaining high-quality service and ensuring customer satisfaction are crucial. To achieve this, employee job satisfaction plays a pivotal role. Happy and satisfied employees are more likely to deliver exceptional service, thereby directly impacting the overall customer experience. Therefore, fostering a positive work environment and ensuring that employees feel valued, and content becomes even more critical for the success of the business. Previous studies demonstrate a significant positive relationship between employee job satisfaction and customer satisfaction, emphasizing the crucial role that contented employees play in providing excellent services and creating positive customer experiences (Schneider & Bowen, 1999). Consequently, insurance companies are required to increasingly prioritize strategies aimed at enhancing internal service quality to encourage employee job satisfaction and ultimately improve organizational performance (Parasuraman et al., 1988).

In the Ethiopian insurance industry, Awash Insurance S.C. stands out as a prominent private insurer. However, the company is currently struggling with challenges such as a high turnover of professional employees and decreasing customer retention rates. Recognizing these issues, it becomes crucial for Awash Insurance S.C. to prioritize the creation of a supportive work environment that encourages employee job satisfaction and

engagement. Given these circumstances, the researcher conducted a study focused on addressing the current challenges within the company.

1.1. Background of the study

Job satisfaction, defined as a positive emotional state that arises from evaluating one's job experiences, is widely recognized as a crucial determinant of employee's well-being and organizational productivity (Locke, 1976). Satisfied employees exhibit higher levels of engagement, motivation, and commitment to their work, ultimately contributing to enhanced performance and retention rates within an organization (Judge et al., 2001).

Research conducted by Judge et al., (2001) has consistently shown a positive correlation between job satisfaction and organizational performance across different industries and job categories. Additionally, the Job Characteristics Model introduced by Hackman and Oldham (1976) suggests that specific job characteristics can influence employee motivation and job satisfaction.

The service sector, characterized by its dynamic nature and client-centric operations, places a considerable emphasis on delivering high-quality services to both external clients and internal customers, the employees. In the contemporary business world, internal service quality (ISQ) has become a major concern for organizations in such industries. This is attributed to the fact that Internal Service Quality (ISQ) has been demonstrated to exert a considerable influence on the satisfaction levels of employees. This, in turn, yields favorable outcomes for customer satisfaction and the overall performance of the organization (Saks, 2006; Pantouvakis, 2011; Sharma et al., 2016; Abdullah et al., 2020; Hakro et al., 2022).

Moreover, the concept of internal service quality (ISQ) has emerged as a critical determinant of overall organizational success in service organizations (Parasuraman, Zeithaml, & Berry, 1985). It significantly contributes to enhancing employee job satisfaction by guaranteeing that employees receive prompt and effective assistance from internal departments like Human Resources, Information Technology, and Finance. This includes timely processing of employee requests, efficient resolution of issues related to

payroll or benefits administration, and clear communication channels for addressing employee concerns (Schneider et al., 2005).

Numerous studies have highlighted the positive correlation between ISQ and employee job satisfaction (Smith et al., 2015; Johnson and Brown, 2018; Lee and Kim, 2017; Garcia et al., 2016; White and Jones, 2019). Al-Ababneh et al. (2018) conducted research on the service-profit chain, highlighting the interconnectedness of internal service quality, employee job satisfaction, customer satisfaction, and financial performance. Their findings underscored that companies prioritizing enhancements in internal service quality observed increased levels of job satisfaction.

According to a study by Schneider et al. (2005), when employees perceive high levels of internal service quality within their organization, they are inclined to experience job satisfaction. This is because effective internal service delivery leads to smoother operations, better communication, and overall higher morale among employees. Furthermore, research conducted by Sharma et al., (2016) revealed a notable correlation between ISQ and employee job satisfaction within the manufacturing sector. The research findings indicated that organizations that prioritize internal service quality tend to have more satisfied employees, leading to increased productivity and lower turnover rates.

The concept of ISQ holds significant relevance within the insurance sector, highlighting the intrinsic workings of an organization as a crucial determinant of the service quality extended to external customers (Kotler, Bowen, & Makens, 2017). However, previous research in the Ethiopian insurance sector has predominantly focused on assessing the external service quality delivered to external customers (Akalu, 2015, Awoke H.M, 2015, Tariku Wadajo, 2023). Consequently, there exists a notable gap in research that specifically examines internal service quality within insurance companies though it plays a foundational role in shaping the external service quality provided to customers. Therefore, this research seeks to address existing gaps by shifting the focus towards the employee's expectation and perception of Internal Service Quality. It intends to thoroughly investigate the dimensions of SERVQUAL and their influence on employee job satisfaction within Awash Insurance S.C.

The aim of this study was to investigate and comprehend the correlation between the dimensions of ISQ and employee's job satisfaction within Awash Insurance S.C., while also evaluating the impact of these dimensions on job satisfaction. By comprehensively examining the ISQ expectations versus perceptions of employees and their impacts on job satisfaction in Awash Insurance, this research uncovered critical insights that can inform strategic interventions.

1.1.1. Background of the Organization

Currently, in Ethiopia, there are 18 insurers licensed to function in both general and long-term insurance. Awash Insurance S.C is a leading private Insurance Company in the country. It was founded in October 1994 after the opening up of the economy in line with the regulations outlined in the licensing and oversight of insurance business proclamation No.85/1994 by NBE. Awash Insurance S.C. has become the leading private insurance company in Ethiopia with strong financial capacity of Birr 4 billion subscribed capital. Currently it has more than 63 branches and five contact offices operating in the country with over 600 professional workforces. The company scored 29 years of experience in insurance operations with a large and increasing customer base, annual turnover and amount of risk covered. The company's vision is "To be the leading and most dependable insurer of choice" while its mission is "Awash Insurance exists as a trusted insurance partner for all stakeholders, by delivering value and financial security through innovative, customer-centric solutions and excellent customer service".

Awash Insurance S.C. engages itself in all classes of general, life insurance and Takaful services. Its business dealings are customized to fulfill the requirements of its clients. There is a very tough competition in the insurance industry so that service quality is important because it helps to ensure that customers are satisfied with their insurance service. Ensuring that service delivery meets customer satisfaction levels is an objective that aligns with the service provider's interests. Establishing this goal requires a strong basis of internal service excellence, which relies on the perspectives of employees within organizations concerning their services. In essence, the alignment of employee service

perceptions is pivotal not just for the internal workings of the organization but also for meeting the expectations and satisfaction of the end customer.

To enhance service quality, insurers should prioritize their internal service quality, ensuring a strong alignment with the required service standards. Consequently, insurance companies must formulate a strategic approach aimed at becoming recognized as the leading service providers in the industry investing on their ISQ. This strategic focus is instrumental in elevating customer satisfaction, fostering loyalty and retention. Moreover, it contributes to building a positive reputation and a reputable brand for the company. Ultimately, ensuring that internal service quality (ISQ) corresponds with employees' perceptions of service emerges as a crucial element in bolstering market share and optimizing corporate earnings.

Hence, in the need for higher performance, it is essential for Awash Insurance S.C. to acknowledge the critical importance of placing internal service quality at the forefront to drive external customer satisfaction. The intended research seeks to assess internal service quality level and its relationship with employee job satisfaction within the organization.

Table 1. 1: Overview of Awash Insurance S.C.

Name of Organization	Awash Insurance S.C
Establishment	Established on October 1, 1994.
Services	Offers a range of insurance services i.e., General Insurance, Life Insurance, and Takaful Services.
Ownership	Operates as a private share company.
Shareholders	Encompasses more than 1,714 individual and corporate shareholders.
Principal Banker	Awash Bank serves as the principal banker.
Capital	Subscribed capital stands at ETB 4 billion, with a Paid-Up capital of ETB 1.4 billion as of July 2023.
Asset	Boasts assets valued at over ETB 5 billion.
Human Capital	Employs a workforce exceeding 600 permanent employees.
Intermediaries	Engages over 250 sales agents and 60 brokers.
Branches	Operates through a network of 63 branches and 5 contact offices.

Source: Awash Insurance S.C. as of June30, 2023

1.2. Problem Statement

In the larger scope of service sectors, the importance of ISQ in promoting a favorable workplace atmosphere and enhancing employee job contentment has been widely recognized. Internal Service Quality is essential for facilitating effective communication, fostering teamwork, and fostering a nurturing workplace atmosphere, as highlighted by Saks (2006). This is particularly relevant in service-oriented sectors where employee-customer interactions are critical for organizational success.

As we narrow our focus to the insurance industry, the importance of ISQ becomes even more evident. The insurance industry is characterized by complex risk management processes and a high level of client trust. Ensuring a positive work environment through internal service quality is imperative to navigate the intricate nature of operations successfully within insurance companies (Kotler et al., 2017). Specific to the Ethiopian insurance industry, organizations face unique challenges influenced by the cultural and business landscape of the region making internal service quality and its relationship with job satisfaction is a major issue. However, there is a gap in understanding the specific service quality dimension that influences job satisfaction in the industry in general and at Awash Insurance in particular.

Awash Insurance S.C, a key player in the Ethiopian private insurance sector, is challenged with a notably high turnover rate among insurance professionals compared to other staff members. Feedback obtained from frontline employees through exit interview form indicated issues primarily related to the company's Internal Service Quality as contributing factors to their resignations. Over the past five years, 88 out of 120 exit interview forms collected by the HR department of Awash Insurance were completed by frontline employees, representing approximately 73.3% of the total forms collected. Among these forms completed by frontline employees, 63 (71.6%) of the feedback provided highlighted issues related to Internal Service Quality including concerns about poor communication, lack of sufficient training, feelings of being unrecognized, undervalued, unsupported, or frustrated. These findings highlight the importance of addressing internal service quality to mitigate turnover within the company.

Table 1. 2: Frontline Employee Turnover Rate Trends

S/N	Year	Turnover Number			Number of Frontliners	Turnover Rate
		Male	Female	Total		
1	2019/20	15	12	27	219	12.3%
2	2020/21	19	17	36	266	13.5%
3	2021/22	22	21	43	290	14.8%
4	2022/23	29	18	47	305	15.4%
5	2023/24	37	26	63	382	16.5%

Source: Awash Insurance HRM as of December 2023

Table 1 presents a clear visualization of the increasing turnover rate trend of insurance professionals in the last five years, from 12.3% in 2020 to 16.5% in 2024, indicating a significant upward trend in frontline employee turnover within Awash Insurance S.C.

Although the previous research by Jalane Hailu (2018) and Rahel Melaku (2019) has emphasized the need to increase monetary rewards and promotional opportunities to address turnover, these recommendations have not considered the wider influence of comprehensive ISQ and job satisfaction. Moreover, these studies failed to underscore the severity of the high turnover rate among frontline employees, which can significantly impact organizational performance more than turnover among other staff members. As a result, this critical issue has not received the necessary attention and focus it deserves in previous research efforts.

To effectively tackle the issue of employee turnover and maintain a competitive advantage in the industry, Awash Insurance S.C. must focus on improving its internal service quality. This improvement is expected to have a positive effect on employee job satisfaction, which will contribute to the overall improvement of the employee retention strategy within the organization. Simply following the previously suggested solutions by Jalane Hailu (2018) and Rahel Melaku (2019) may not be enough to address the root causes of the high turnover rate of employees who work directly with customers in Awash Insurance S.C. Furthermore, there is scarcity of literature addressing the

relationship between internal service quality and employee job satisfaction within the Ethiopian insurance industry.

Thus, this study addressed the gap by conducting a thorough analysis of ISQ and its impact on employee job satisfaction in Awash Insurance S.C. The research provided valuable recommendations for improving ISQ in the Ethiopian insurance industry, particularly at Awash Insurance, by systematically investigating the most influencing service quality dimensions.

1.3. Research Objectives

The study's objectives are divided into general objective and specific objectives to provide a comprehensive framework for understanding and evaluating ISQ and employee's job satisfaction at Awash Insurance S.C.

1.3.1. General Objective

The main objective of this research is to evaluate the level of internal service quality and its impact on the employees' job satisfaction within Awash Insurance S.C.

1.3.2. Specific Objectives

The study aims to achieve the following specific objectives:

- To evaluate the level of internal service quality within Awash Insurance S.C.
- To investigate the level of employee job satisfaction at Awash Insurance.
- To measure employees' expectations and perception gap of internal service quality using SERVQUAL dimensions.
- To explore the correlation between the dimensions of ISQ and employee job satisfaction at Awash Insurance.
- To investigate the effect of ISQ dimensions on employee's job satisfaction at Awash Insurance.

1.4. Research Hypotheses

The researcher has adopted alternative hypotheses regarding the association between ISQ dimensions and employee job satisfaction.

H1: There is a significant relationship between the reliability dimension and employee job satisfaction at Awash Insurance S.C.

H2: There is a significant relationship between the responsiveness dimension and employee job satisfaction at Awash Insurance S.C.

H3: There is a significant relationship between the assurance dimension and employee job satisfaction at Awash Insurance S.C.

H4: There is a significant relationship between the empathy dimension and employee job satisfaction at Awash Insurance S.C.

H5: There is a significant relationship between the tangible dimension and employee job satisfaction at Awash Insurance S.C.

H6: Internal service quality dimensions significantly affect employee job satisfaction at Awash Insurance S.C.

1.5. Significance of the Study

This study is significant for both academic scholars and industry professionals, especially within the realm of Awash Insurance S.C. It serves as a strategic guide for the company, providing insights on how to improve internal service quality. By identifying gaps and areas for improvement, Awash Insurance can implement targeted strategies that will create a more positive work environment and increase employee job satisfaction. In the competitive insurance industry landscape, addressing the ISQ gap can give the company an advantage by helping it retain and attract top talents. The study also provides Awash Insurance with a benchmark for evaluating internal service quality, which will aid in continuous learning and development.

Additionally, the study contributes to HRM scholarship by providing comprehensive view of internal service quality and employee job satisfaction which provides alternative insights that are valuable for scholars. It sets the foundation for future studies concerning employee job satisfaction within the Ethiopian insurance industry, offering a procedural framework and directing researchers toward investigating wider aspects. In conclusion, the study has implications that go beyond the boundaries of Awash Insurance, providing practical insights and contributing to the discourse on internal service quality and employee job satisfaction.

1.6. Scope of the Study

Geographically, the study was conducted at Awash Insurance S.C.'s headquarters and branches in Addis Ababa. Outlying branches were excluded from the study due to the inconvenience of collecting data. Furthermore, the research centered on insurance professionals or frontline staff members responsible for regular interactions with customers on behalf of the organization. These employees include branch managers, underwriting officers, claim officers, surveyors, and customer relation officers.

Scientifically, the scope of this study will focus on exploring the correlation among internal service quality dimensions such as reliability, responsiveness, assurance, empathy, and tangibility, and employee's job satisfaction within the context of Awash Insurance S.C. Furthermore, the objective of the research is to explore how internal service quality influence employee job satisfaction.

Methodologically, the research used a quantitative research method to gather data from employees at different levels within their work units at headquarters and branches in Addis Ababa to provide a comprehensive analysis of the factors influencing employee job satisfaction. The research employed an adapted SERVQUAL Battery by Kang et al., 2002, to assess the internal service quality expectations and perceptions of frontline employees. Additionally, overall employees' job satisfaction was rated.

1.7. Limitations of the Study

Despite the valuable insights gained from this research, several limitations should be acknowledged. The study was restricted to 110 frontline employees of the company, that may not fully represent the entire employee population of the organization. Consequently, the findings might not be generalizable to all employees within the company or across other organizations in the insurance sector. Regarding data collection method, the use of proportionate sampling and the reliance on self-reported data could introduce bias, as employees might have provided socially desirable responses or might have misinterpreted questions. This might impact the precision of the results.

The study also utilized a cross-sectional design, capturing data at a single point in time. This approach does not account for changes in ISQ and employee's job satisfaction over time, limiting the ability to make causal inferences. While the study employed the adapted SERVQUAL model, it might not have encompassed all possible dimensions of ISQ that could influence employee job satisfaction. Additional factors that are pertinent but not accounted for within the model could also exert a notable influence.

Focusing on one organization, Awash Insurance S.C., which may limit the applicability of the results to other organizations or industries. Organizational culture, policies, and practices specific to Awash Insurance might have influenced the findings.

In addition, the study did not account for external factors such as economic conditions, industry trends, or competitive pressures that could influence both ISQ quality and employee's job satisfaction.

The research primarily utilized quantitative methods, which may not fully capture the depth and complexity of employee experiences and perceptions. Insights from qualitative data might offer a deeper comprehension of the correlation between ISQ and job satisfaction.

The research was carried out within a restricted time frame, potentially limiting the extent of the examination and the capacity to investigate prolonged patterns and consequences.

1.8. Definition of Terms

Service - A service is defined as an action or advantage offered by one party to another, typically intangible and not resulting in ownership of any physical asset. The production of a service may or may not be linked to a physical product (Kotler & Armstrong, 2017).

Service Quality - Service Quality is characterized as the gap between customers' expectations of service from firms in a specific industry and their actual perceptions of the service delivered by a particular firm (Parasuraman et al., 1985).

Internal Service Quality - ISQ is an interactive exchange mechanism, wherein employees serve as providers of services, offering services to their co-workers to meet their needs and enhance their satisfaction Marshall et al. (1998).

Customer Expectation - Customer expectations refer to the desires or needs of employees regarding the services provided within the organization (Parasuraman et al., 1988).

Perception of Service - The excellence of internal service, as perceived by employees, depends on the difference between the service they expect to receive and the service they perceive (Parasuraman et al., 1985).

Employee job satisfaction - a comprehensive assessment encompassing a global sentiment towards one's job or a complex interplay of attitudes towards various facets of the job Spector (1997).

1.9. Organization of the Study

The thesis is structured into five distinct chapters. Chapter One provides an introduction, covering background of the study, statement of the problem, research objectives, research questions, the significance of the study, and the scope and limitations. Chapter Two provides an in-depth examination of the existing literature, covering a range of theoretical concepts related to internal service quality, the components of internal service quality, the differentiation between service quality expectations and perceptions, the correlation between service quality dimensions and employee satisfaction, relevant service quality models, and conceptual framework guiding the study. Chapter Three details the research design, including sample size determination, sampling techniques, data sources and collection methods, the data collection procedure, and the method of data analysis. Chapter Four presents the analysis of the collected data and interprets the findings. The final chapter, Chapter Five, summarizes the study's findings, draws conclusions, and offers recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter is divided into three main sections. The initial part offers a theoretical examination of ISQ and employee's job satisfaction, encompassing conceptual elucidations put forth by different researchers across different periods. The subsequent part of the report explores various research endeavors carried out by different scholars, shedding light on the impacts of ISQ on employee's job satisfaction. The chapter concludes with a conceptual framework developed in the third section.

2.1. Theoretical Review

2.1.1. Internal Service Quality Definition

Internal service quality is a critical aspect of organizational dynamics, emphasizing the excellence of services provided within the organization to its employees. Scholars have put forth diverse definitions and conceptual frameworks for ISQ, showcasing a range of viewpoints regarding its essence and factors influencing internal service quality.

One approach to defining ISQ is the user-based approach, which emphasizes comparing the quality level of a service consumed with customers' satisfaction (Yarimoglu, 2014 as cited in Almohaimmed, 2019). Yarimoglu highlights the intrinsic variances between goods and services, noting that perceived service quality, which reflects the actual level of service provided by a service provider as perceived by the customer, is crucial in assessing ISQ.

Internal service quality pertains to the excellence of services exchanged within an organization among its various departments or units. It encompasses the efficiency, effectiveness, and responsiveness of internal processes and services that bolster the organization's overarching functions and goals (Parasuraman, Zeithaml, & Berry, 1985). This concept underscores the importance of seamless interactions and support among

internal stakeholders, ensuring that every department functions optimally to contribute to the organization's success.

Enhancing internal service quality not only streamlines operations but also fosters a collaborative environment that can significantly impact overall productivity and employee satisfaction.

Fadil et al. (2016) describes internal service quality as the level of satisfaction that employees derive from their favorable perceptions of the services delivered by internal providers within the organization. This definition highlights the critical role that employees' perceptions play in forming the overall quality of internal services. Essentially, ISQ is contingent upon how positively employees view the support and services they receive from their colleagues and internal departments. This perspective emphasizes that enhancing employees' perceptions of service quality is vital for improving their overall job satisfaction and engagement within the organization.

Nazeer et al. (2014) describe internal service quality as the perceived satisfaction of employees derived from their interactions with internal service providers. This concept includes the way employees assess the quality of services exchanged among their colleagues, highlighting their subjective judgments regarding the efficiency and excellence of services within the organizational environment. Internal service quality thus focuses on the internal dynamics of service provision and the resultant satisfaction levels, reflecting how well the organization supports and meets the needs of its employees through these internal exchanges.

Internal service quality implies the efficiency and effectiveness with which an organization delivers its internal services to employees. It is essentially a metric for evaluating the quality of services offered within the organization, akin to external customer service but focused on internal stakeholders. As defined by Parasuraman, Zeithaml, and Berry (1985), internal service quality is about meeting or surpassing employees' expectations concerning the services provided by different departments within the organization. This concept encompasses key factors such as reliability, responsiveness, assurance, empathy, and tangibility. These elements together play a

critical role in ensuring the overall satisfaction of employees as internal customers, as highlighted by Zeithaml et al. (1990). By maintaining high internal service quality, organizations can foster a more supportive and productive work environment, ultimately enhancing employee satisfaction and performance.

Frost and Kumar (2000), as referenced by Yarimoglu (2014) and Almohaimmeed (2019), define Internal Service Quality as the difference between the expected services and the actual services perceived by employees from front-line staff. This disparity arises from the service delivery executed by their colleagues or support staff. This definition underscores the significance of employee interactions and the support they receive in determining ISQ.

Conversely, Hallowell (1996), as cited by Susanti (2015) and Almohaimmeed (2019), describes ISQ as the level of contentment an employee experiences in their role as an internal customer. This satisfaction is based on employees' perception of the services provided by another employee acting as an internal service provider. This definition emphasizes the critical role of internal interactions and the effectiveness of service delivery in shaping employees' perceptions of ISQ. Together, these definitions emphasize that internal service quality is profoundly influenced by the quality of interpersonal relationships and the adequacy of support provided within the organization.

Heskett et al. (1994), as cited by Sankaran et al. (2014) and Almohaimmeed (2019), emphasize that internal service quality involves equipping employees with the necessary skills to effectively serve internal customers. This perspective emphasizes the importance of training and development as crucial elements in improving ISQ.

Meanwhile, Marshall et al. (1998) conceptualize ISQ as a bidirectional process where employees act as service providers, delivering services to their colleagues to address their needs and enhance their satisfaction. This view highlights the reciprocal and collaborative nature of internal service provision within an organization, illustrating how mutual support and service among employees contribute to overall organizational effectiveness and employee satisfaction.

The concept of internal service quality, initially introduced by Sasser and Arbeit (1976), highlights the significance of treating employees as internal consumers who offer services to their colleagues within the organization (Stauss, 1995). This concept arises from the internal marketing framework, which advocates for considering employees as internal customers and aligning organizational efforts to meet their needs to achieve broader strategic goals (Sharma et al., 2016).

Internal service quality can be understood as the perceived excellence of services provided by departments or individuals within an organization to other internal stakeholders, encompassing employees from various departments (Back et al., 2011; Stauss, 1995).

Likewise, Dužević et al. (2014) emphasize the essential role of employees in service-oriented organizations as internal customers within the service quality continuum, acting as a crucial link in delivering superior service. Particularly in sectors such as insurance, fulfilling the needs of internal customers is regarded as a fundamental requirement for providing outstanding service to external clients. By prioritizing the well-being and satisfaction of internal consumers or employees, organizations can significantly enhance their appeal and retention rates among external customers (Skarpeta et al., 2019).

The performance and service quality delivered by employees are intrinsically connected to the overall service quality within the organization (Bansal et al., 2001). Jun and Cai (2010) argue that an organization's ability to satisfy the demands of external customers is dependent on its success in meeting the expectations and needs of internal customers. This concept aligns with the foundational principle of the Service-Profit Chain developed by Harvard professors (Heskett et al., 1994), which highlights the interdependence of ISQ, employee job satisfaction, external service value, customer satisfaction, and ultimately, organizational profitability.

In essence, these diverse conceptualizations of ISQ underscore its multidimensional nature, reflecting the importance of employee expectations, employee perceptions, interactions, and service delivery in shaping ISQ within organizations.

2.1.2. Concept of Internal Service Quality

The Service-Profit Chain model, proposed by Heskett, Jones, Loveman, Sasser, and Schlesinger in 1994, offers a comprehensive theoretical framework that elucidates the interconnectedness between internal service quality, employee job satisfaction, customer satisfaction, and overall financial performance. This model posits that when employees are content and actively engaged, the excellence of service they provide improves significantly. This enhancement in service quality, in turn, boosts customer satisfaction and loyalty, which are critical drivers of profitability and long-term organizational success.

Internal service quality plays an essential role in this chain, as it ensures that employees receive adequate resources, support, and motivation to consistently deliver outstanding service to internal as well as external customers (Heskett et al., 1994). By fostering a positive work environment and addressing employees' needs effectively, organizations can create a virtuous cycle that enhances both employee and customer experiences, ultimately leading to superior financial outcomes.

2.1.3. Significance of Internal Service Quality

The importance of Internal Service Quality (ISQ) has increasingly been recognized within organizations, especially in service-focused sectors where the satisfaction of employees directly influences customer satisfaction. Traditionally, companies have concentrated on cultivating relationships with their external customers. However, there has been a shift in paradigm towards understanding the vital contribution of internal services in empowering frontline employees, thereby improving the overall quality of service provided to external clients (Reynoso & Moores, 1995).

Likewise, internal service quality plays a key role in enhancing organizational performance and employee job satisfaction. When employees receive adequate support and resources, they are better equipped to perform their tasks efficiently. This internal focus on service excellence promotes higher employee morale and productivity, which translates into superior service delivery to customers. Creating an environment that

prioritizes internal service quality not only boosts employee satisfaction and effectiveness but also reinforces the organization's capacity to meet and exceed customer expectations (Schneider et al., 2005).

By ensuring that internal processes and interactions are streamlined and supportive, organizations can encourage a workplace culture that values and practices service excellence at all levels. This holistic approach leads to improved organizational outcomes, including higher employee retention rates, increased customer loyalty, and overall business success. Thus, the shift towards recognizing and enhancing internal service quality is a strategic move that benefits both employees and customers alike.

Additionally, the provision of internal services plays a critical role in ensuring that organizations deliver products and services that fulfill the expectations of external customers. Frontline employees heavily rely on the quality of services provided by support departments to effectively serve external customers (Stauss, 1995). Furthermore, Kang, Jame & Alexandris (2002) proposed the implementation of marketing-like strategies within organizations to ensure that support departments adequately meet the needs of frontline staff. This approach, supported by other scholars (Back, Lee, & Abbott, 2011), underlines the importance of recognizing ISQ as a fundamental aspect of an overarching service quality strategy.

Moreover, research has emphasized the significant impact of ISQ on organizational performance and customer satisfaction. For instance, studies conducted by Heskett et al. (1994) highlighted the positive correlation between employee job satisfaction, customer satisfaction, and business outcomes. Additionally, Lin et al. (2021) emphasized the pivotal role of ISQ in fostering employee engagement and driving organizational performance.

In essence, prioritizing internal service quality not only ensures efficient operations within the organization but also contributes to improved customer satisfaction and overall business success. Recognizing and investing in internal service excellence can yield

tangible benefits, including enhanced employee morale, increased customer loyalty, and sustainable competitive advantage.

Internal service quality holds significant importance as it directly impacts the job satisfaction of internal employees, a factor that has tangible implications for business performance, as highlighted by Pantouvakis (2011). Therefore, it is imperative for managers in service organizations to pay attention to both the soft and hard dimensions of ISQ to cultivate a work environment conducive to enhancing employee job satisfaction and, consequently, driving business performance.

Moreover, the significance of internal service quality dimensions has been emphasized in the context of the insurance service industry. For instance, research conducted by Johnson et al. (2019) highlighted the fundamental role of ISQ in promoting employee engagement and job satisfaction within insurance companies.

Similarly, findings from a study conducted by Han et al. (2021) indicated that enhancements in internal service quality positively correlated with improvements in customer satisfaction and loyalty within the insurance sector.

Therefore, recognizing the importance of internal service quality dimensions and actively addressing them can produce substantial benefits for insurance companies, leading to increased employee job satisfaction, enhanced customer experiences, and ultimately, improved business outcomes.

2.1.4. Internal Service Quality Dimensions

Various theoretical frameworks and models offer valuable insights into understanding service quality dimensions. According to Yarimoglu (2014), as referenced in Almohaimmed (2019), a comprehensive examination of service quality models (SQM) reveals several significant frameworks. These include Grönroos's (1984) SQM, the GAP SQM introduced by Parasuraman et al. (1985), Haywood-Farmer's (1988) SQM, the SERVQUAL model introduced by Parasuraman et al. (1988), the SERVPERF model by

Cronin and Taylor (1992), the Retail Service Quality Scale developed by Dabholkar et al. (1996), and INTSERVQUAL (the ISQ model) by Frost and Kumar (2000).

These models and frameworks offer diverse perspectives on service quality, highlighting the multidimensional nature of the concept. They provide organizations with valuable tools to assess and enhance service quality across various industries, enabling them to better meet customer expectations and improve overall business performance. Through the utilization of these frameworks, businesses can identify areas for improvement, implement targeted strategies, and ultimately deliver superior service experiences to their customers.

The theoretical framework established by Parasuraman et al. (1985) in the SERVQUAL model lays the groundwork for evaluating service quality across multiple dimensions. This model, renowned for its versatility, has been embraced and customized to suit diverse service environments, including internal services within organizational settings.

In the domain of measuring Internal Service Quality, two primary methodologies are commonly employed. The first approach revolves around utilizing a gap-based evaluation system, often employing the renowned SERVQUAL scale pioneered by Parasuraman et al. (1988). This scale explores five critical dimensions of service quality: reliability, responsiveness, assurance, empathy, and tangibles. It effectively gauges the variance between employees' expectations and actual perceptions of service quality, thereby offering valuable insights into areas necessitating improvement.

On the other hand, an alternative methodology involves the development of perceptions-only measures tailored specifically for ISQ assessment. Unlike the SERVQUAL scale, which encompasses both expectations and perceptions, these measures solely focus on employees' perceptions of service quality within the organizational context. Researchers craft these measures meticulously, considering the unique intricacies and demands associated with internal service delivery, thus ensuring a tailored and contextually relevant evaluation framework.

The SERVQUAL model, developed by Parasuraman et al. (1985), serves as a fundamental framework proposing the evaluation of service quality through multiple dimensions. Widely embraced, this model has been adapted across diverse service sectors, including the internal services domain within organizations.

Primarily utilized in researching internal service quality due to the distinct nature of services in industries like insurance, SERVQUAL has become a cornerstone for evaluating service excellence. Originally, Parasuraman et al. (1985) outlined ten dimensions within the SERVQUAL framework. However, they later streamlined these dimensions to five core elements (1988): reliability, responsiveness, assurance, empathy, and tangibility.

Reliability pertains to the consistent and dependable delivery of services by the provider. Customers anticipate services to be executed flawlessly upon the initial instance and within the designated timeframes.

Responsiveness captures the service provider's willingness to promptly assist customers and address their needs. It entails employees' readiness to respond to customer inquiries, provide timely updates on service provision, and deliver prompt assistance.

Assurance refers to the level of confidence and trust instilled in customers through the knowledge, courtesy, and competence demonstrated by service personnel. It involves ensuring reliability in service delivery, adeptly addressing customer inquiries, and consistently maintaining a professional and courteous attitude during all interactions.

Empathy involves providing personalized attention and understanding customers' individual needs and concerns. Service employees demonstrate empathy by actively listening to customers, addressing their specific requirements, and treating them as unique individuals. Additionally, empathy extends to ensuring that service processes, such as operating hours, align with customers' convenience.

Tangibility pertains to the tangible elements of the service interaction, such as the visual presentation of physical facilities like equipment, personnel appearance, and

communication tools. It encompasses the overall impression conveyed by these tangible assets and the appearance of staff members, reflecting the level of professionalism and attractiveness associated with the company's physical attributes.

Similarly, these dimensions are used to measure ISQ in different organizations to contribute to the effectiveness of service delivery within organizations. These dimensions are crucial for ensuring employee job satisfaction and, consequently, enhancing overall service quality. Several researchers have identified and elaborated on these dimensions in literature.

Reliability: Similar to its counterpart in external service quality, reliability is the ability of internal service providers to consistently deliver services accurately and dependably. This dimension ensures that internal customers can rely on the timely and consistent provision of services from internal service providers (Prakash & Srivastava, 2019).

Responsiveness: Internal service responsiveness entails the readiness and capacity of internal service providers to promptly address the needs and requests of internal customers. It involves timely and attentive service delivery, ensuring that internal customers receive prompt assistance and support when required (Stauss, 1995).

Assurance: Assurance in internal service quality relates to the knowledge, competence, and professionalism demonstrated by internal service providers. It involves instilling confidence and trust in internal customers through competent and courteous service delivery (Chen, F., 2008).

Empathy: Empathy involves understanding and addressing the individual needs and preferences of internal customers. Internal service providers demonstrate empathy by providing personalized attention and tailored solutions to internal customers, ensuring that their unique requirements are met (Nagel & Cillers, 1990).

Tangibility: Tangibility encompasses the concrete facets of delivering internal services, encompassing the physical appearance of facilities, equipment, and communication materials. These tangible components play a critical role in shaping the holistic

perception of ISQ and have the potential to significantly impact the contentment levels of internal customers (Stauss, 1995).

2.1.5. ISQ Measure

Several studies have utilized SERVQUAL in measuring ISQ. The SERVQUAL Model was developed to assess service quality within organizations. Originating from the foundational work of Parasuraman et al. (1985), the SERVQUAL Model initially focused on external service quality measurement. The SERVQUAL Model builds upon this framework, adapting it to assess the quality of services given internally, recognizing the unique dynamics within organizational settings (Lings & Greenley, 2009).

Kang et al. (2002) carried out a study affirming the suitability of SERVQUAL in measuring ISQ (Information Service Quality), a notion supported by subsequent researchers such as Jumadi (2014) and Fitwi and Abdissa (2016), who integrated employee-focused elements into the dimensions. Meanwhile, Abu El-Samen and Alshurideh (2012) employed a SERVQUAL-based approach with 22 items to evaluate factors like responsiveness, reliability, tangibles, empathy, and assurance.

In contrast, alternative dimensions for ISQ have been explored by various scholars. Wang (2012) concentrated on four aspects linked to the workplace, employees, and teamwork.

Similarly, Ahmed et al. (2011) incorporated five dimensions pertaining to the workplace, job roles, and employees. Furthermore, Khan et al. (2011) evaluated ISQ through the lens of five human resource management practices: employee selection, training and development, compensation and rewards, work design, and job definition.

Critics of the adapted SERVQUAL Model contend that while it provides a structured framework for evaluating service quality, its effectiveness may be limited in diverse organizational settings and industries. Pantouvakis and Mpogiatzidis (2013) suggest that the model could oversimplify intricate internal service processes, potentially failing to capture the nuanced dynamics at play. In essence, they argue that the model's universal applicability might be questionable, as different organizational contexts may require

more tailored approaches to assessing service quality. This critique underscores the importance of considering the specific nuances and complexities within each industry and organizational environment when applying service quality frameworks. The model's reliance on perceptions might introduce subjectivity, and the cultural aspects of organizations can influence how employees perceive and evaluate internal services. Additionally, the adapted SERVQUAL may not capture the evolving nature of contemporary HRM practices, necessitating adaptations to suit changing organizational landscapes (Caruana et al., 2000).

Brandon-Jones and Silvestro (2010) conducted a study focused on assessing internal service quality, aiming to compare the effectiveness of two distinct methodologies: the gap-based approach and the perceptions-only approach. Their research indicated the intricacies of these methods, investigating their reliability and validity within the context of internal service evaluation. While their results indicated that both approaches exhibited satisfactory reliability and validity, the perceptions-only approach demonstrated a slight edge in performance. However, the study also highlighted the benefits and limitations inherent in each method, shedding light on their applicability within the scope of internal service quality assessment. The researchers noted the constraints inherent in their investigation, which centered exclusively on a particular aspect of internal service, specifically, the delivery of e-procurement software along with associated training and user assistance. Their data collection efforts were confined to a select number of organizations, prompting them to underscore the importance of validating their metrics for gauging internal service quality (ISQ) within the original research framework before generalizing to wider settings.

Numerous academics advocate for the efficacy of the SERVQUAL model in pinpointing quality gaps within organizational settings. Originally formulated by Parasuraman and colleagues in 1988, the SERVQUAL scale encompasses five key dimensions: assurance, reliability, responsiveness, empathy, and tangibles. Over time, this model has been widely embraced and customized to suit diverse contexts. For example, Kang and associates in 2002 introduced the Internal Service Quality Battery (ISQB), which adjusts SERVQUAL's dimensions to evaluate the quality of services provided by colleagues

within an organization, as highlighted by Fadil and others in 2016. This adaptation demonstrates the flexibility of the SERVQUAL framework in capturing and assessing various facets of service quality within organizational dynamics.

The current study follows a well-established trend by utilizing the SERVQUAL dimensions to gauge Internal Service Quality (ISQ). This approach builds upon the groundwork laid by previous researchers such as Jumadi (2014), Fadil et al. (2016), Fitwi and Abdissa (2016), and Latif et al. (2016). However, it adapts the ISQB model introduced by Kang et al. (2002) to assess employees' expectations and perceptions regarding their coworkers at Awash Insurance. The decision to employ ISQB is rooted in its tailored design for internal services, specifically focusing on coworker interactions. Unlike more general service quality metrics, ISQB provides a nuanced understanding of internal service dynamics, covering multiple dimensions and offering actionable insights. By pinpointing gaps between coworkers' expectations and perceptions, this approach empowers management to take targeted steps toward enhancing internal service quality.

2.1.6. Concept of Employee Job Satisfaction

The exploration of employee job satisfaction within organizational settings has sparked considerable interest among researchers, yielding a multifaceted landscape of definitions and viewpoints. Scholars have contributed diverse interpretations to the scholarly discourse, resulting in a nuanced understanding of this phenomenon. Locke (1976) characterizes employee job satisfaction as a state of contentment or positive emotional resonance stemming from an individual's evaluation of their job or work-related encounters. Additionally, job satisfaction is often conceptualized as the degree to which an employee feels favorably or unfavorably toward their job.

This broad conceptualization encompasses various factors influencing an individual's perception of their work environment, including but not limited to intrinsic rewards, organizational culture, and interpersonal relationships.

Hoppock's seminal study from 1935, referenced in Perić et al. (2021), suggests that employee satisfaction hinges on a complex interplay of both internal psychological states

and external environmental factors. These elements coalesce to form an individual's overall sense of happiness and satisfaction within their work role. Expanding upon this groundwork, Locke (1976) delves deeper into the emotional aspects of job satisfaction, characterizing it as a favorable and enjoyable state stemming from an individual's assessment of their job and associated experiences. In essence, both Hoppock and Locke highlight the multifaceted nature of job satisfaction, emphasizing its dependence on a combination of internal perceptions and external circumstances.

Spector (1997) presents a comprehensive view of employee satisfaction, emphasizing its multifaceted nature. He suggests that employee satisfaction goes beyond a simple sentiment towards one's job; it involves a complex interplay of attitudes towards various aspects of the job. These aspects include fair compensation, opportunities for growth, quality of supervision, benefits, recognition, alignment with organizational policies, relationships with colleagues, the characteristics of the work, and communication within the organization.

These facets of job satisfaction, as identified by Spector, are crucial determinants of employee engagement and retention. They can be measured through different methods and serve as predictors for various workplace behaviors like turnover, absenteeism, and irregular behavior. Moreover, they also influence an individual's overall life satisfaction.

Perić et al. (2021) further emphasize the importance of recognizing the diverse dimensions of employee satisfaction. They argue that organizations should not only assess satisfaction with specific job facets but also understand the underlying expectations and aspirations of employees regarding their roles and contributions.

By actively addressing these diverse dimensions of satisfaction, organizations can cultivate a work environment that fosters engagement, motivation, and overall well-being among employees.

This, in turn, contributes to a culture of productivity, job satisfaction, and organizational success. Therefore, it's crucial for organizations to adopt a holistic approach to employee satisfaction, considering the various elements that contribute to it.

Enhancing employee job satisfaction is paramount for the overall success and performance of an organization. It plays a crucial role in shaping numerous organizational outcomes, encompassing various aspects such as productivity, employee retention, morale, and overall work quality.

- a. **Employee Retention:** Satisfied employees are more likely to remain with the organization for a longer duration, reducing turnover rates and associated costs (Harter et al., 2002).
- b. **Productivity:** Satisfied employees tend to be more productive, engaged, and motivated in their roles, leading to higher levels of performance and output (Judge et al., 2001).
- c. **Organizational Performance:** Job satisfaction is positively associated with organizational outcomes such as customer satisfaction, profitability, and overall organizational performance (Harter et al., 2002 and Faragher et al., 2005).

2.1.7. Theoretical Background

Theoretical models and frameworks related to employee job satisfaction provide crucial insights into the factors that influence job satisfaction and its impact on employees' well-being and performance.

Locke's Range of Affect Theory, introduced by Edwin Locke back in 1976, underscores the pivotal role of individual valuation of various job aspects and the level to which these align with their expectations. According to Locke, job satisfaction hinges on the harmony between personal values and actual job experiences. In essence, when there's congruence between what individuals anticipate from their jobs and what they actually encounter, they're more likely to experience satisfaction. However, the theory also highlights the potential downside of fixating excessively on specific facets of work, such as teamwork. Overemphasizing teamwork, for instance, to the detriment of other crucial elements like individual recognition or avenues for personal growth, can ultimately erode overall job satisfaction. Thus, striking a balance among different job attributes is crucial for fostering enduring contentment in the workplace.

The Dispositional Approach offers a different perspective by focusing on individual differences. This theory suggests that inherent dispositions play a substantial role in influencing job satisfaction. According to Staw and Cohen-Charash (2005), some individuals are naturally predisposed to be more satisfied with their jobs, while others tend to be less satisfied regardless of external job characteristics. This implies that personal traits and inherent dispositions significantly impact how satisfied an individual feels about their job, independent of the work environment or job conditions.

The Job Characteristics Model (JCM), formulated by Hackman and Oldham in 1976, explains the key components of jobs that influence employees' satisfaction and motivation levels. It emphasizes five fundamental aspects of job design: skill variety, task identity, task significance, autonomy, and feedback. When these elements are integrated into job roles, employees are more likely to experience heightened satisfaction and motivation. For example, roles that offer a diverse range of skills to be utilized (skill variety), clear delineation of tasks (task identity), tasks with substantial impact (task significance), autonomy in decision-making (autonomy), and regular feedback loops (feedback) tend to foster greater job satisfaction and motivation among employees.

Proposed by Frederick Herzberg in 1959, the Motivator-Hygiene Theory differentiates between hygiene factors and motivators. Hygiene factors are extrinsic elements such as working conditions, salary, company policies, and interpersonal relationships. Their absence can lead to dissatisfaction, but their presence does not necessarily result in satisfaction. Motivators, on the other hand, are intrinsic factors such as achievement, recognition, responsibility, and growth opportunities that directly influence job satisfaction. Herzberg argued that satisfaction and dissatisfaction are separate constructs rather than opposite ends of the same continuum. Thus, improving motivators can enhance job satisfaction, while addressing hygiene factors can prevent dissatisfaction.

Equity Theory, proposed by Adams in 1965, suggests that employees gauge their job satisfaction by comparing their inputs (effort, skills, time) to their outcomes (rewards, recognition). If employees perceive that the proportion of their inputs to outcomes is equitable compared to others, their job satisfaction increases.

Conversely, perceived inequity leads to dissatisfaction. For example, if an employee feels like working as hard as their peers but receiving fewer rewards or recognition, they may feel dissatisfied with their job.

Self-Determination Theory (SDT), introduced by Ryan and Deci in 2000, underlines the importance of intrinsic motivation and autonomy in achieving job satisfaction. According to SDT, when employees feel a sense of autonomy, competence, and relatedness in their work, they are more likely to feel satisfied. Autonomy refers to the degree of control and discretion employees have over their work. Competence involves the feeling of being effective in one's activities, and relatedness pertains to the sense of connection with others. Together, these elements contribute to enhanced job satisfaction and overall well-being.

In summary, these theoretical perspectives provide a comprehensive understanding of the various factors influencing job satisfaction. Real-world experiences of job satisfaction are often shaped by a combination of these factors. However, in this study context Herzberg's Motivator-Hygiene Theory (1959) that distinguishes between hygiene factors and motivators such as working conditions and interpersonal relationships are crucial for preventing dissatisfaction. Motivators, including recognition and opportunities for growth, directly contribute to job satisfaction. This theory supports the idea that improving internal service quality can address both hygiene factors and motivators, thus enhancing overall job satisfaction among employees. Organizations can leverage insights from this theory to initiate an optimistic work environment, thereby enhancing employee satisfaction and performance.

2.1.8. Employee Job Satisfaction Scale

In a study on scales for measuring employee job satisfaction, Yanchovska (2022) identified three primary categories of job satisfaction measurement tools: a) global scales, which assess the overall level of employee satisfaction, b) facet scales, which evaluate satisfaction with various aspects of the work environment, and c) composite scales, which, although infrequently used, measure the wholistic level of job satisfaction by averaging the scores obtained from individual factors.

She also explained that global scales are widely used with single items to measure overall job satisfaction due to their simplicity and ease of implementation across various cultural and industrial contexts. The questions in these scales are often quite similar.

For instance, participants might be asked, "Considering everything, how would you rate your overall satisfaction with your current job?" or "How would you describe your overall satisfaction with your work in this organization?", typically measured on a 5-point scale. Another instance includes the question, "All things considered, how satisfied or dissatisfied are you with your present job overall?", which is assessed on a 7-point scale. These straightforward instruments are popular because they facilitate quick and efficient data collection without overwhelming respondents.

The researcher opted to use a single-item scale for simplicity, considering that the SERVQUAL battery, which includes 44 attributes to assess both the expectation and perception of employees regarding internal service quality, would be overly cumbersome for respondents. The extensive nature of the SERVQUAL instrument could potentially lead to respondent fatigue and reduced quality of responses. By using a single-item scale, the researcher aimed to streamline the data collection process, making it more efficient and less burdensome for participants while still capturing essential insights into internal service quality.

2.2. Empirical Literatures

The literature review delves into past research concerning the correlation between internal service quality and employee job satisfaction, specifically focusing on the insurance industry. This segment amalgamates insights from various scholars to offer a thorough grasp of how different dimensions of ISQ, such as reliability, responsiveness, assurance, empathy, and tangibility, impact employee perceptions and contentment. Through an examination of these empirical studies, the goal is to pinpoint crucial elements that contribute to employee job satisfaction and underscore potential avenues for enhancing internal service frameworks within organizations. Additionally, this review sets the groundwork for the present study by situating its objectives within the broader context of research on internal service quality.

2.2.1. Internal Service Quality and Employee Job Satisfaction

The idea of the "Service-Profit Chain," as introduced by Heskett et al. (1994), emphasizes the significant effect of ISQ on enhancing employee satisfaction. This idea suggests that for an organization to deliver high-quality external services, it must first focus on improving its ISQ. This involves providing employees with the necessary tools, policies, procedures, and training, as well as fostering teamwork, effective management, and goal-oriented cooperation, all of which are crucial for boosting employee job satisfaction (Hallowell et al., 1996). Moreover, Heskett et al. (1994) highlighted that the nature of internal work environments directly influences employee satisfaction.

According to Hallowell et al. (1996), ISQ is of paramount importance as it not only improves the competency of employees in delivering services but also significantly enhances their job satisfaction. This, in turn, positively affects the quality of services provided to external customers. They further emphasized the strong correlation between ISQ and employee's job satisfaction, noting that this relationship is often more influential than employees' satisfaction with their remuneration and benefits. The findings suggest that by prioritizing ISQ, companies can create a more satisfied and effective workforce, which ultimately leads to better external service quality.

Organizations commonly face challenges and barriers in enhancing internal service quality. These may include resistance to change, absence of communication channels, inadequate resources, and a disconnection between management and employees (Bowen & Ostroff, 2004; Schneider & Bowen, 1999). Employee resistance to new processes and the absence of a strong communication framework can impede efforts to improve ISQ. However, organizations need to employ various strategies to overcome these challenges. Implementing change management initiatives, fostering transparent communication channels, allocating sufficient resources, and ensuring leadership alignment with service quality goals are common strategies (Bowen & Ostroff, 2004; Schneider & Bowen, 1999). By addressing these challenges proactively, organizations can create an environment conducive to enhancing internal service quality.

Numerous studies have reported the correlation between ISQ and employee's job satisfaction. For instance, Khan et al. (2011) conducted research exploring how perceived human resources ISQ practices impact employee job satisfaction, particularly in public and privatized banks. Their study revealed that various factors within human resource management, such as employee selection, training and development, work-design, job definition, and rewards and compensation, significantly contribute to the perceived quality of internal services.

Moreover, these aspects were identified as having a substantial and positive influence on employees' job satisfaction. This underscores the critical role that effective management practices in areas like employee selection, training, and rewards play in enhancing employees' overall job satisfaction.

Ehrhart and colleagues (2011) conducted a study investigating how internal service quality influences the connection between service climate and service outcomes. They found that maintaining a high level of internal service quality is crucial for fostering a positive service climate, which in turn improves the quality of service provided to external customers. However, their analysis uncovered fluctuations in results depending on the statistical distribution utilized, indicating limited variation between organizational units in terms of ISQ and inconsistent average scores across groups.

Research conducted by Pantouvakis (2011) highlighted the importance of both soft (interactive and physical) and hard dimensions of ISQ in influencing the job satisfaction of internal customers. The study underscored the necessity for managers in service-oriented organizations to consider these dimensions, as they significantly impact employee satisfaction. This research underscores the crucial role that ISQ plays in shaping internal customer satisfaction and suggests a holistic approach, including elements such as employee development, effective job design, and recognition programs.

In Ridwan's study conducted in 2014, the focus was on exploring how internal marketing, internal service quality, and internal customer satisfaction interrelate, particularly within

the tourism sector. The research outcomes underscored the substantial influence of internal marketing strategies and ISQ on the contentment of internal customers.

It's noteworthy that the study employed diverse dimensions of ISQ, including tangibles, reliability, responsiveness, assurance, and empathy, to offer a thorough insight into the elements shaping internal customer satisfaction in the tourism industry.

In a study conducted by Al-Ababneh and colleagues in 2018, they explored how ISQ affects job satisfaction of hotel industry, focusing on five-star hotels in Jordan.

Their research unveiled a significant and positive relationship between ISQ and employees' job satisfaction, thus affirming the hypothesis that a strong ISQ contributes to higher job satisfaction levels among industry workers. Similarly, another study delved into the influence of internal service climate on job satisfaction, this time within the context of the Commercial Bank of Ethiopia, Gedeo Zone. This research revealed that employees who perceive a more favorable internal service climate tend to experience heightened job satisfaction within their workplace environment. These findings collectively underscore the importance of fostering positive internal service dynamics to enhance employees' overall job satisfaction, both in the hotel sector and in other organizational settings.

2.2.2. Gaps in the Existing Literature

Despite the existing literature on internal service quality, there are gaps and limitations. Some studies may lack diversity in organizational contexts, and there is a need for more longitudinal research to assess the sustained impact of ISQ initiatives (Pantouvakis & Mpogiatzidis, 2013). Additionally, the specific focus on internal service gaps within the adapted SERVQUAL battery is an underexplored area in the existing literature.

Given that insurance is a service-oriented industry, the role of its employees becomes critically important, as the success and reputation of an organization are largely dependent on the efficiency of its workforce. In the current scenario, a significant

concern for HR managers in the insurance sector is the lack of job satisfaction of frontline employees (Rayat et al., 2018).

None of the studies have utilized the SERVQUAL model adapted by Kang et al. (2002), which has been validated to measure the gap between employees' expectations and perceptions. This approach is crucial for identifying discrepancies in internal service quality, which can inform decision-making processes.

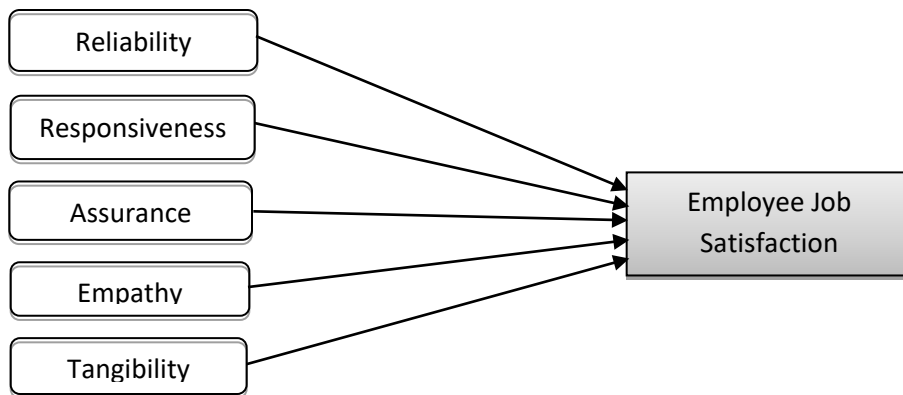
Thus, the proposed research aims to address this gap of the literature by focusing on internal service gaps using the adapted SERVQUAL model. By applying this comprehensive tool, the study seeks to provide a deeper understanding of the specific challenges and strategies related to enhancing job satisfaction within the internal service context.

This research will contribute valuable insights into how discrepancies in internal service quality can affect employee satisfaction and will offer practical recommendations for improving service delivery and employee morale.

2.3. Conceptual Framework

The conceptual framework of the study is depicted in the diagram as follows.

Figure 1.1 Conceptual Framework for the Study



CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter details the research framework and methodological approach employed in this study. It encompasses the research design, and specific methods used to investigate internal service quality gaps. The discussion includes the target population, sampling techniques, and procedures for determining the sample size. Additionally, the chapter describes the data collection instruments utilized, along with the strategies for data gathering and analysis aimed at testing the proposed hypotheses. The comprehensive outline provided here ensures a thorough comprehension of the methodology underpinning this research, facilitating an in-depth examination of the study's objectives and findings.

3.2. Research Approach

For this study, a researcher has chosen a quantitative approach to comprehensively explore the internal service quality gaps within Awash Insurance. This approach allows for a detailed examination of the expectations and perceptions of employees regarding internal service quality. By employing the SERVQUAL model adapted by Kang et al. (2002), the study aims to measure and analyze the discrepancies that exist between employee expectations and actual service experiences and internal service quality dimensions relationships with and their effects on employee job satisfaction.

3.1. Research Design

The study employed an explanatory research design combined with a quantitative approach to investigate the relationship between ISQ dimensions and employee job satisfaction at Awash Insurance S.C.

To address the research objectives effectively, the study utilizes descriptive statistics, correlation analysis, and ordinal logistic regression:

Descriptive Statistics: This method is used to assess the levels of ISQ and employee job satisfaction. Descriptive statistics provide a clear summary of the data, offering insights into the central tendencies, dispersion, and overall trends within the sample.

Correlation Analysis: By employing correlation analysis, the study identified the relationships between different dimensions of ISQ and employee job satisfaction. This step is crucial in understanding how various aspects of ISQ correlate with the job satisfaction levels of employees.

Ordinal Logistic Regression: Finally, ordinal logistic regression analysis was conducted to measure the effect of specific internal service quality dimensions on employee job satisfaction. This analysis is suitable because job satisfaction often falls into ordered categories (e.g., low, medium, high), and ordinal logistic regression is adept at handling such ordinal dependent variables. It allows us to quantify the effect of each internal service quality dimension on different levels of job satisfaction, providing a detailed understanding of which aspects are most influential.

By integrating these methods, the selected research design ensures a comprehensive examination of the connections between ISQ and employee job satisfaction. This multifaceted approach allows for robust and actionable insights, aligning well with the study's objectives to improve internal service delivery and enhance job satisfaction within the organization.

3.2. Population and Sampling

The population was frontline employees across all branches in Addis Ababa and professionals at Headquarters who interact with each other and are influenced by internal service quality at Awash Insurance. These frontline employees include branch managers, underwriting officers, customer relation officers, surveyors, claims officers and employees within the Operations Division.

3.2.1. Sample Design

Proportional data sampling was used to select a sample from a population in a manner that each individual in the population has a probability of being selected that is proportional to its size. Accordingly, the population was divided into different strata based on their job role. Accordingly, frontline employees whose job role is branch manager, underwriting officers, claim officers, surveyors, and customer relation officers were targeted.

3.2.2. Sample Size

The total sample size is determined by using the following sample size determination formula developed by Taro Yamane (1967).

$$N / (1+Ne^2) = n$$

Where: n = the sample size N = the population size

e = the level of precision or sampling error for this study 0.05 will be chosen for the confidence level at 95%.

According to data from Awash Insurance, the total number of frontline employees working in Addis Ababa branches and at Headquarters is 180 at the end of December 2023 and the total sample size of employees is calculated as follow:

$$180 / (1+180*0.05^2) = 124$$

The sample size of each stratum was then determined proportionally to the size of the stratum within the population as follow:

Table 3. 1: Sample Size proportion

S/N	Strata	Proportion	Sample Size
1	Branch Managers	30	21
2	Underwriting Officers	82	56
3	Claim Officers	35	24
4	Surveyors	26	18
5	Customer Relation Officers	7	5
	Total Sample		124

Source: HRM of Awash Insurance, December 2023

3.2.3. Data Collection

The research utilized both primary and secondary data sources.

Primary data was gathered using a structured questionnaire that was prepared based on the stated research questions for internal service quality and employee job satisfaction. The survey instruments based on a 5-point Likert scale was designed to capture employees' expectations and perceptions of internal service quality using adapted SERVQUAL battery. Therefore, the questions are standardized question for the five internal service quality dimensions and their measure scale ranging from Strongly disagree to Strongly agree. However, the researcher made slight adjustment on the original SERVQUAL battery to make it suitable for the context relevant to the local insurance industry. Global job satisfaction scale with one item question was also used to measure overall employee job satisfaction at Awash Insurance. This question is also a 5-point Likert scale with measurement scale of Highly dissatisfied, Dissatisfied, Neutral, Satisfied, and Highly Satisfied.

Secondary data were collected from various sources, including books, research reports, articles, journals, online databases, company profiles, annual reports from the company and the National Bank of Ethiopia (NBE), and other relevant publications. These sources provided additional context and background information to support and validate the findings from the primary data.

3.2.4. Data Analysis

For the analysis of the collected data, the Statistical Package for Social Sciences (SPSS) version 27 software was utilized. The data analysis procedures involved descriptive, correlation, and regression analyses to address the research objectives and test the hypotheses.

Descriptive statistics, including frequency distributions and percentages, were employed to provide an overview of the data. These analyses allowed a researcher to understand the distribution and central tendencies of the variables under study.

Pearson's correlation coefficient was calculated to examine the relationships between the five internal service quality dimensions (Reliability, Responsiveness, Assurance, Empathy, and Tangibility) and employee job satisfaction. This analysis helped identify any significant associations between these variables.

To search deeper into the correlation between ISQ dimensions and employee job satisfaction, ordinal logistic regression analysis was conducted. This statistical technique was chosen to assess how changes in the predictor variables (internal service quality dimensions) impacted the response variable (employee job satisfaction).

The rationale to use SPSS for data analysis was based on its versatility and robustness in handling various statistical procedures. Descriptive statistics provided a clear summary of the data, while correlation and regression analyses enabled to test the hypothesized relationships between ISQ dimensions and employee job satisfaction. By employing these analytical tools, a researcher aimed to provide rigorous and evidence-based insights into the factors influencing employee satisfaction within the internal service context.

3.3. Scale Reliability and Validity

In this section, we elaborate on the procedures undertaken to ensure the validity and reliability of the data collection instrument. The discussion is supported by appropriate explanations of how validity was maintained, and statistical tests are utilized to demonstrate scale reliability.

Before distributing the questionnaire to respondents, a validity test was conducted to ensure that the instrument accurately measured the intended constructs. This test involved a thorough examination of the questionnaire's content, ensuring alignment with the research objectives and theoretical framework. Additionally, expert judgment was sought to assess the questionnaire's face validity, confirming that the items effectively captured the desired dimensions of ISQ. Following this assessment, the questionnaire was deemed valid and subsequently utilized for the study.

Reliability measurement is crucial for determining the consistency and stability of the data collection instrument. It assesses the extent to which items in the questionnaire are interrelated, providing an overall index of the repeatability or internal consistency of the entire scale. Additionally, reliability testing aids in identifying problematic items that may introduce noise or bias into the data.

For this study, Cronbach's alpha coefficient was employed to assess the reliability of the scales. Cronbach's alpha calculates the internal consistency reliability of a scale by measuring the average correlation between items. A value greater than 0.7 is generally considered acceptable, indicating high reliability. This analytical procedure offers insights into the relationships between individual items within the scale, facilitating the identification of potential improvements or revisions to enhance scale reliability.

3.3.1. Ethical Consideration

In conducting this study, several ethical considerations were meticulously addressed to ensure the integrity and ethical standards of the research process. Prior to distributing the questionnaire, a letter of invitation from Addis Ababa University was provided to Awash Insurance S.C. to obtain permission to conduct the research within the company.

The questionnaire was then distributed to frontline employees at the branches in Addis Ababa and the Headquarters of Awash Insurance S.C., targeting those working in five different job roles to measure the effect of ISQ on frontline employee job satisfaction. The participants were thoroughly informed that joining the study was completely voluntary and that their responses would be utilized exclusively for academic research purposes. They were assured that all data would be handled with the utmost confidentiality. The questionnaire explicitly stated that participants' identities would remain anonymous and that their answers would be kept confidential.

Respondents and researcher's biases were minimized by ensuring a fair selection process for research participants and locations (branches and headquarters). A standard instrument for data collection was utilized to reduce researcher bias, and care was taken to avoid sensitive or leading questions to prevent any potential discomfort or offense to participants.

Voluntary agreement was attained from all research participants through a covering letter, which outlined the purpose of the study and assured participants of the confidentiality and anonymity of their responses. The confidentiality and anonymity of research participants were strictly maintained throughout the study.

Additionally, all sources of information, including materials and literature consulted or quoted, were properly acknowledged to avoid any possibility of plagiarism. By adhering to these ethical considerations, the study ensured that the study was conducted responsibly and respectfully, upholding the highest standards of academic integrity.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1. Introduction

This chapter presents a detailed discussion of the results and the methodology through which these results were obtained. Additionally, it provides background information on the respondents. The statistical methods employed in the analysis are thoroughly discussed, including descriptive analysis, correlation analysis, and regression analysis, all conducted using SPSS version 27. Out of the 124 distributed questionnaires, 110 were returned and served as the data set for analysis. These responses form the basis for presenting the findings and drawing conclusions.

4.2. Response Rate and Demographic Data

4.2.1. Validity Test

Before distributing the questionnaire to respondents, its validity was assessed to ensure it accurately measured the intended constructs. Accordingly, the questionnaire was deemed valid and subsequently utilized for the study.

4.2.2. Reliability Test

Reliability measurement is essential for determining the extent to which items in a questionnaire are interrelated, providing an overall index of the repeatability or internal consistency of the entire scale. It also aids in identifying problematic items that should be excluded from the scale. This analytical procedure calculates several widely used measures of scale reliability and offers insights into the correlations between individual items within the scale. Cronbach's alpha is employed to assess reliability across the scales.

Cronbach's Alpha is a tool used to evaluate the reliability of a scale, typically ranging between 0 and 1. A Cronbach's alpha coefficient closer to 1.00 indicates greater internal

consistency of the items within the scale. According to George and Mallery (2003), the following guidelines are provided for measuring reliability:

Table 4. 1: Reliability Scale

Alpha Value	Reliability Scale
>0.90	Excellent
0.8 – 0.89	Good
0.7 – 0.79	Acceptable
0.6 – 0.69	Questionable
0.5 – 0.59	Poor
<0.5	Unacceptable

Source: George, D. & Mallery, P. (2003)

Since surveys and tests function as measurement tools, it is essential to assess the reliability of the collected data. To ensure reliability, the survey questionnaire distributed to the respondents was analyzed, generating the following Cronbach's alpha values for the parameters used to measure service quality. The table below presents Cronbach's alpha values, providing a comprehensive measure of the reliability of the questionnaire items.

Table 4. 2: Result of Reliability Test

SERVQUAL Dimensions	Number of Attributes	Cronbach's Alpha of Expectation	Cronbach's Alpha of Perception
Reliability	5	0.801	0.779
Responsibility	4	0.845	0.841
Assurance	4	0.803	0.855
Empathy	5	0.864	0.866
Tangibility	4	0.871	0.834

Source: Survey Data (2024)

The findings indicate that Cronbach's alpha coefficients for perceived service and expectations across all scales demonstrate good reliability scale except perception scale for Reliability dimension which is acceptable. This suggests that the questionnaire comprising forty-four questions effectively measures the internal service quality of Awash Insurance.

4.2.3. Profile of Respondents

According to Table 4.3, 64.5% (n=71) of the participants were male, while 35.5% (n=39) were female. This indicates that most of the participants were male.

Table 4. 3: Gender Distribution of Respondents

Sex	Frequency	Percentage
Female	39	35.5%
Male	71	64.5%
Total	110	100%

Source: Survey Data (2024)

As presented in Table 4.4 below, the age distribution of respondents is as follows: 31 respondents (28.2%) are under the age of thirty, 50 respondents (45.3%) are between 31 and 40 years old, and 29 respondents (26.5%) are between 41 and 50 years old. Notably, there were no respondents in the 51 to 60 years age category. Consequently, the highest number of respondents falls within the 31 to 40 years age range.

Table 4. 4: Age Distribution of Respondents

Age	Frequency	Percentage
18-30	31	28.2%
31-40	50	45.3%
41-50	29	26.5%
51-60	0	0.0%
Total	110	100%

Source: Survey Data (2024)

Regarding the educational background of the respondents, the data presented in Table 4.5 indicates that the majority, 61.8% (n=68), hold a bachelor's degree. In comparison, 30.9% (n=34) possess a master's degree. Additionally, it can be observed that 7.3% (n=8) of the respondents have qualifications below a bachelor's degree, such as completion of 10th or 12th grade or a high school diploma.

Table 4. 5: Education Background Distribution of Respondents

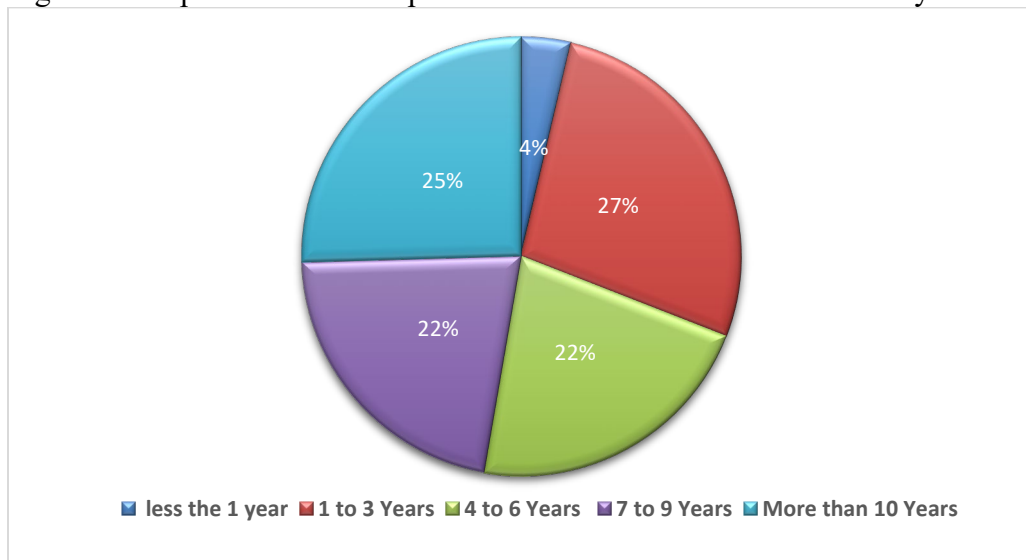
Education Status	Frequency	Percentage
10 or 12 Complete	3	2.7%
Highschool Diploma	5	4.6%
Bachelor’s Degree	68	61.8%
Master’s Degree	34	30.9%
Total	110	100%

Source: Survey Data (2024)

Regarding the employees' tenure with Awash Insurance S.C., the data presented in Figure 4.1 indicates that the largest group of respondents, accounting for 27%, have 1 to 3 years of experience.

This is followed by those with over 10 years and 4 to 6 years of experience, each constituting 25% and 22% of the respondents, respectively. Employees with 7 to 9 years of experience make up 22% of the respondents, while only 4% of employees have less than 1 year of experience with the company.

Figure 2: Respondents work experience with Awash Insurance S.C. in years.



Source: Data 2024

4.3. Results or Findings

4.3.1. Descriptive Statistical Analysis

The data gathered from the questionnaires were analyzed as follows.

4.3.1.1. Analysis of Employee Job Satisfaction

To assess the level of job satisfaction with the internal services provided at Awash Insurance, respondents were asked to rate their overall job satisfaction using a 5-point Likert scale, where 1 represents “highly dissatisfied”, 2 “Dissatisfied”, 3 “Neutral”, 4 “Satisfied”, and 5 represents "highly satisfied." The job satisfaction levels were analyzed using descriptive statistics, specifically frequency distribution. The results of the analysis are presented in Tables 4.6 and 4.7, which detail the overall job satisfaction levels among employees.

A. Relationship between Gender of Respondents and Employee Job Satisfaction

The analysis examined the relationship between respondents' gender and overall employee job satisfaction levels. A cross-tabulation of the descriptive statistics was employed to assess and compare employee job satisfaction across the two genders. This approach provided a clear evaluation of how employee job satisfaction levels varied between male and female respondents.

Table 4. 6: Cross Tabulation between Gender of Respondents and Employee Job Satisfaction

Gender	Employee Job Satisfaction					Total	% Satisfaction
	1	2	3	4	5		
Female	0	4	21	12	1	38	34.2%
Male	1	10	34	24	3	72	37.5%
Total	1	14	55	36	4	110	
	0.9%	12.7%	50%	32.7%	3.6%		

Source: Survey Data (2024)

As demonstrated in Table 4.6, male respondents exhibit higher levels of satisfaction compared to their female counterparts. Specifically, among the 72 male respondents who participated in the study, 27 individuals (37.5%) reported being satisfied, while the remaining 62.5% expressed dissatisfaction. In contrast, among the female respondents, 13 individuals (34.2%) indicated satisfaction, with the remaining 65.8% expressing dissatisfaction. These findings suggest that male respondents are relatively more satisfied with the ISQ at Awash Insurance compared to female respondents.

B. Relationship between Respondents’ Work Experience with Awash Insurance and Job Satisfaction

The relationship between respondents' work experience at Awash Insurance S.C. and their overall job satisfaction level was analyzed using cross-tabulation within the descriptive analysis framework. This approach was employed to assess variations in employee job satisfaction across different levels of work experience. The results of this analysis are detailed in Table 4.7.

Table 4. 7: Cross Tabulation between Respondents’ Work Experience and Job Satisfaction

Experience with AI	Employee Job Satisfaction					Total	% Satisfaction
	1	2	3	4	5		
<1Year	0	0	4	0	0	4	0%
1 - 3 Years	1	5	11	12	2	31	45.2%
4 - 6 Years	0	6	11	6	1	24	29.2%
7 – 9 Years	0	2	12	8	2	24	41.7%
>10 Years	0	1	17	10	0	28	35.7%

Source: Survey Data (2024)

Table 4.7 reveals notable differences in employee satisfaction based on their work experience at Awash Insurance S.C. Among employees with 1 to 3 years of experience, 45.2% reported being satisfied. For those with 7 to 9 years of experience, the satisfaction rate was 41.7%, and for employees with more than 10 years of experience, it was 35.7%. In contrast, employees with less than 1 year of experience reported satisfaction rates of 0%. These findings indicate that shorter tenure with Awash Insurance S.C. is associated with higher levels of employee job satisfaction compared to longer tenure.

4.3.1.2. Internal Service Quality Gap at Awash Insurance S.C.

The overall SERVQUAL score is calculated by subtracting the average expectation score from the average perception score, based on the SERVQUAL instrument. Table 4.8 presents the internal service quality gap for each individual item within the respective dimensions at Awash Insurance. A detailed examination of these items reveals that all individual statements under each dimension exhibit a negative internal service quality gap. This indicates that the overall perception of internal service quality at Awash Insurance does not meet the employees' expectations.

The average unweighted score is -0.78 (refer to Table 4.8). Each of the five dimensions demonstrated a negative service quality gap. This finding suggests that the ISQ at Awash Insurance fails to meet employee expectations across all dimensions.

Table 4. 8: Average Gap Score for Internal Service Quality Dimensions

S/N	ISQ Dimensions	Gap Mean Score
1	Reliability	-0.81
2	Responsiveness	-0.76
3	Assurance	-0.74
4	Empathy	-0.80
5	Tangibility	-0.78
Unweighted Average SERVQUAL Score		-0.78

Source: Survey Data (2024)

Table 4.8 presents the Average Gap Scores for the five dimensions of ISQ. The dimensions with the highest Average Gap Score are Reliability (-0.81), followed by Empathy (-0.80) and Tangibility (-0.78). Conversely, Assurance has the lowest Average Gap Score (-0.74), followed closely by Responsiveness (-0.76).

The data in Table 4.8 reveals that all five dimensions of ISQ have negative Average Gap Scores. This indicates that the internal services provided by Awash Insurance fall short of employee expectations, as their perceptions of service quality are lower than their expectations. Consequently, the quality of services rendered at AI does not meet employee expectations, leading to lower employee satisfaction.

Table 4. 9: Attributes of Internal Service Quality Dimensions, Their Average Point and Gap Scores

S/N	Attributes	Designation	Average Expectation Score (E)	Average Perception Score (P)	Average Gap Score (G = P – E)
1	Provide service that is promised.	Reliability 1	3.94	3.06	-0.88
2	Dependable for handling my problems.	Reliability 2	3.77	3.35	-0.42
3	Perform services right the first time.	Reliability 3	4.06	3.16	-0.90
4	Reliable coworkers	Reliability 4	4.13	3.18	-0.95
5	Provide correct and necessary intimation.	Reliability 5	4.07	3.18	-0.89
Average Score of Dimension			3.99	3.19	-0.81
6	Appropriate, accurate, and clear communication	Responsiveness 1	4.08	3.27	-0.81
7	Respond to request quickly and efficiently.	Responsiveness 2	3.91	3.15	-0.76
8	Willing to help.	Responsiveness 3	3.99	3.35	-0.64
9	Willing to accommodate special requests and needs.	Responsiveness 4	4.06	3.24	-0.82
Average Score of Dimension			4.01	3.25	-0.76
10	Trust co-workers.	Assurance 1	4.01	3.27	-0.74
11	Feel safe in dealing with co-workers.	Assurance 2	4.05	3.28	-0.77
12	Polite and kind coworkers.	Assurance 3	4.02	3.32	-0.70
13	Knowledgeable coworkers.	Assurance 4	3.99	3.25	-0.74
Average Score of Dimension			4.02	3.28	-0.74
14	Individual attention giving coworkers.	Empathy 1	3.77	2.88	-0.89
15	Sensitive coworkers to work-related needs.	Empathy 2	3.84	3.11	-0.73

S/N	Attributes	Designation	Average Expectation Score (E)	Average Perception Score (P)	Average Gap Score (G = P – E)
16	Have coworkers' best interests in mind.	Empathy 3	3.85	3.00	-0.85
17	Sincerely concerned about coworkers problems.	Empathy 4	3.89	3.05	-0.84
18	Convenient working hours.	Empathy 5	4.01	3.33	-0.68
Average Score of Dimension			3.87	3.07	-0.80
19	Up-to-date equipment.	Tangibles 1	3.96	3.03	-0.93
20	Comfortable and attractive working environment.	Tangibles 2	3.85	3.05	-0.80
21	Neat and professionally appearing coworkers.	Tangibles 3	4.00	3.25	-0.75
22	Visually appealing materials.	Tangibles 4	3.78	3.14	-0.64
Average Score of Dimension			3.90	3.12	-0.78
Unbalanced Average SERVQUAL score					-0.78

Source: Survey Data (2024)

According to Table 4.9, the two lowest average perception scores are attributed to the items Empathy 1 and Empathy 3, with scores of 2.88 and 3.00, respectively. Conversely, the highest perception scores among the twenty-two attributes were assigned to Reliability 2 and Responsiveness 3, Empathy 5, and Assurance 3, with scores of 3.35, 3.33, and 3.32, respectively.

Table 4. 10: Average Gap Score of Reliability

S/N	Attributes	Designation	Average Gap Score (G = P – E)
1	Provide service that is promised.	Reliability 1	-0.88
2	Dependable for handling problems.	Reliability 2	-0.42
3	Perform services right the first time.	Reliability 3	-0.90
4	Reliable coworkers	Reliability 4	-0.95
5	Provide correct and necessary intimation.	Reliability 5	-0.89
Average Score of Dimension			-0.81

Source: Survey Data (2024)

As illustrated in Table 4.10, the average gap score for the reliability dimension is -0.81, indicating the most negative disconfirmation gap dimension between employees' expectations and their perceptions regarding various aspects of reliability. This includes the ability to provide the promised service on time, dependability in handling problems, performing services correctly the first time, overall reliability of coworkers, and providing accurate and necessary information.

The highest average gap score was observed for Reliability 4, with a score of -0.95, followed closely by Reliability 3, with a score of -0.90. Reliability 5 had an average gap score of -0.89, while Reliability 1 and Reliability 2 had gap scores of -0.88 and -0.42, respectively, within the reliability dimension.

The average gap score difference between perception and expectation for Reliability 4, an attribute of the reliability dimension, is -0.95. This indicates the most significant negative disconfirmation among the attributes of reliability. It suggests that employees perceive their coworkers' overall reliability as significantly falling short of their expectations. Similarly, the gap score for Reliability 3 indicates a substantial shortfall in performing services correctly the first time. The gap scores for Reliability 1 and Reliability 5 also suggest significant discrepancies between expected and perceived performance in providing promised services on time and delivering accurate and necessary information, respectively.

Table 4. 11: Average Gap Score of Responsiveness

S/N	Attributes	Designation	Average Gap Score (G = P – E)
6	Appropriate, accurate, and clear communication	Responsiveness 1	-0.81
7	Respond to request quickly and efficiently.	Responsiveness 2	-0.76
8	Willing to help.	Responsiveness 3	-0.64
9	Willing to accommodate special requests and needs.	Responsiveness 4	-0.82
Average Score of Dimension			-0.76

Source: Survey Data (2024)

As shown in Table 4.11, the average gap score for the responsiveness dimension is -0.76, indicating a negative disconfirmation gap between employees' expectations and their perceptions regarding various aspects of responsiveness. This includes the appropriateness, accuracy, and clarity of communication, the speed and efficiency in responding to requests, the willingness to help, and the accommodation of special requests and needs.

The highest average gap score was observed for Responsiveness 4, with a score of -0.82, followed closely by Responsiveness 1, with a score of -0.81. Responsiveness 2 had an average gap score of -0.76, while Responsiveness 3 had the lowest gap score of -0.64 within the responsiveness dimension.

The average gap score difference between perception and expectation for Responsiveness 4, an attribute of the responsiveness dimension, is -0.82. This indicates the most significant negative disconfirmation among the attributes of responsiveness. It suggests that employees perceive their coworkers' willingness to accommodate special requests and needs as falling short of their expectations. Similarly, the gap score for Responsiveness 1 indicates a significant shortfall in appropriate, accurate, and clear communication. Overall, these findings suggest that employees are seeking improvements in how quickly and efficiently requests are responded to, the clarity and accuracy of communication, and the general willingness of coworkers to assist and accommodate special needs.

Table 4. 12: Average Gap Score of Assurance

S/N	Attributes	Designation	Average Gap Score (G = P – E)
10	Trust co-workers.	Assurance 1	-0.74
11	Feel safe in dealing with co-workers.	Assurance 2	-0.77
12	Polite and kind coworkers.	Assurance 3	-0.70
13	Knowledgeable coworkers.	Assurance 4	-0.74
Average Score of Dimension			-0.74

As shown in Table 4.12, the average gap score for the assurance dimension is -0.74, indicating a negative disconfirmation gap between employees' expectations and their perceptions regarding various aspects of assurance. This dimension encompasses trust in coworkers, feeling safe when dealing with coworkers, the politeness and kindness of coworkers, and the knowledgeability of coworkers.

The highest average gap score was observed for Assurance 2, with a score of -0.77, indicating a significant shortfall in employees' feelings of safety when dealing with coworkers. This is followed closely by Assurance 1 and Assurance 4, both with a gap score of -0.74, which highlights the employees' perceived deficiencies in trust towards coworkers and their assessment of coworkers' knowledgeability. Assurance 3 had the lowest gap score within the assurance dimension, with a score of -0.70, indicating a slightly lesser but still notable gap in perceptions of coworkers' politeness and kindness.

The average gap score difference between perception and expectation for Assurance 2, an attribute of the assurance dimension, is -0.77. This indicates the most significant negative disconfirmation among the attributes of assurance, suggesting that employees perceive a substantial gap between their expected and actual feelings of safety in dealing with coworkers. Similarly, the gap scores for Assurance 1 and Assurance 4 reflect significant shortfalls in the perceived trustworthiness and knowledgeability of coworkers, respectively.

Overall, these findings indicate that employees are seeking improvements in their interactions with coworkers to enhance feelings of trust, safety, politeness, and

knowledgeability. Addressing these gaps can lead to a more supportive and reliable work environment, ultimately enhancing overall job satisfaction.

Table 4. 13: Average Gap Score of Empathy

S/N	Attributes	Designation	Average Gap Score (G = P – E)
14	Individual attention giving coworkers.	Empathy 1	-0.89
15	Sensitive coworkers to work-related needs.	Empathy 2	-0.73
16	Have coworkers’ best interests in mind.	Empathy 3	-0.85
17	Sincerely concerned coworkers about problems.	Empathy 4	-0.84
18	Convenient working hours.	Empathy 5	-0.68
Average Score of Dimension			-0.80

Source: Survey Data (2024)

As shown in Table 4.13, the average gap score for the empathy dimension is -0.80, indicating a second most negative disconfirmation gap dimension between employees' expectations and their perceptions regarding various aspects of empathy in the workplace. This includes individual attention from coworkers, sensitivity to work-related needs, genuine concern about problems, having coworkers' best interests in mind, and convenient working hours.

The highest average gap score was observed for Empathy 1, with a score of -0.89, followed by Empathy 3 and Empathy 4, with scores of -0.85 and -0.84, respectively. Empathy 2 had an average gap score of -0.73, while Empathy 5 had the lowest gap score of -0.68 within the empathy dimension.

The average gap score difference between perception and expectation for Empathy 1, an attribute of the empathy dimension, is -0.89. This indicates the most significant negative disconfirmation among the attributes of empathy. It suggests that employees perceive their coworkers' individual attention as falling short of their expectations. Similarly, the gap scores for Empathy 3 and Empathy 4 indicate substantial shortfalls in coworkers having the best interests of their colleagues in mind and being sincerely concerned about problems, respectively.

Overall, these findings indicate that employees are seeking significant improvements in the level of empathy demonstrated by their coworkers. Specifically, there is a need for enhanced individual attention, greater sensitivity to work-related needs, and a more genuine concern for the problems faced by coworkers.

Additionally, ensuring convenient working hours remains an area that requires attention to better meet employees' expectations.

Table 4. 14: Average Gap Score of Tangibility

S/N	Attributes	Designation	Average Gap Score (G = P – E)
19	Up-to-date equipment.	Tangibles 1	-0.93
20	Comfortable and attractive working environment.	Tangibles 2	-0.80
21	Neat and professionally appearing coworkers.	Tangibles 3	-0.75
22	Visually appealing materials.	Tangibles 4	-0.64
Average Score of Dimension			-0.78

Source: Survey Data (2024)

Table 4.14 indicated the average gap score for the tangibility dimension is -0.78, indicating the third most negative disconfirmation gap dimension between employees' expectations and their perceptions regarding various aspects of tangibility. This includes the up-to-datedness of equipment, the comfort and attractiveness of the working environment, the neatness and professional appearance of coworkers, and the visual appeal of materials.

The highest average gap score was observed for Tangibles 1, with a score of -0.93, followed by Tangibles 2, with a score of -0.80. Tangibles 3 had an average gap score of -0.75, while Tangibles 4 had the lowest gap score of -0.64 within the tangibility dimension.

The average gap score difference between perception and expectation for Tangibles 1, an attribute of the tangibility dimension, is -0.93. This indicates the most significant negative disconfirmation among the attributes of tangibility, suggesting that employees perceive the up-to-datedness of equipment as falling considerably short of their

expectations. Similarly, the gap score for Tangibles 2 indicates a notable shortfall in the comfort and attractiveness of the working environment.

Overall, these findings suggest that employees are seeking improvements in the modernization of equipment, the overall work environment's comfort and attractiveness, the professional appearance of coworkers, and the visual appeal of materials used within the organization.

4.3.2. Pearson Correlation Analysis

To determine the magnitude of the correlation between internal service quality dimensions and employee job satisfaction, a Pearson correlation test was performed. This statistical method was also utilized to evaluate the alternative hypotheses postulated by the researcher.

To interpret the strength of these correlations, the study utilized the classification of correlation magnitudes as proposed by MacEachron (1982). These classifications provide a framework for understanding the strength and significance of the correlation coefficients as follows:

Table 4. 15: The measures of associations and their Descriptive Adjectives

Measure of Association	Descriptive Adjective
> 0.00 to 0.20; < -0.00 to -0.20	Very weak or very low
> 0.20 to 0.30; < -0.20 to -0.30	Weak or low
> 0.30 to 0.60; < -0.30 to -0.60	Moderate
> 0.60 to 0.80; < -0.60 to -0.80	Strong or high
> 0.80 to 1.0; < -0.80 to -1.0	Very high or very strong

Source: (MacEachron,1982)

4.3.2.1. Correlation Analysis between ISQ Dimensions and Employee Job Satisfaction

Table 4. 16: Correlation between ISQ Dimensions and Employee Job Satisfaction

	Reliability	Responsibility	Assurance	Empathy	Tangibility
EJSS	.444**	.350**	.284**	.391**	.369**

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS correlation output

H1: There is a significant relationship between the reliability dimension and employee job satisfaction.

The correlation coefficient between reliability and employee job satisfaction is 0.444, which is significant at the 0.01 level. This positive correlation indicates a moderate relationship, suggesting that higher reliability in internal service quality is associated with higher employee job satisfaction. Thus, **H1** is supported.

H2: There is a significant relationship between the responsiveness dimension and employee job satisfaction.

The correlation coefficient between responsiveness and employee job satisfaction is 0.350, which is significant at the 0.01 level. This indicates a moderate relationship, showing that better responsiveness in internal service quality correlates with higher employee job satisfaction. Therefore, **H2** is supported.

H3: There is a significant relationship between the assurance dimension and employee job satisfaction.

The correlation coefficient between assurance and employee job satisfaction is 0.284, which is significant at the 0.01 level. This suggests a moderate but weaker relationship compared to reliability and responsiveness. Nevertheless, it indicates that assurance in internal service quality is positively related to employee job satisfaction. Hence, **H3** is supported.

H4: There is a significant relationship between the empathy dimension and employee job satisfaction.

The correlation coefficient between empathy and employee job satisfaction is 0.391, which is significant at the 0.01 level. This moderate positive correlation suggests that greater empathy in internal service quality is associated with higher employee job satisfaction. Thus, **H4** is supported.

H5: There is a significant relationship between the tangibility dimension and employee job satisfaction.

The correlation coefficient between tangibility and employee job satisfaction is 0.369, which is significant at the 0.01 level. This indicates a moderate relationship, implying that better tangibility in internal service quality is related to higher employee job satisfaction. Therefore, **H5** is supported.

In conclusion, the Pearson correlation analysis demonstrates that all internal service quality dimensions: reliability, responsiveness, assurance, empathy, and tangibility have significant positive relationships with employee job satisfaction at Awash Insurance S.C.

Each dimension exhibits a moderate correlation, confirming that improvements in these aspects of ISQ are likely to enhance employee job satisfaction.

4.3.3. Ordinal Logistic Regression Analysis

A researcher used ordinal logistic regression (also known as ordinal regression) since the dependent variable employee job satisfaction is ordinal. An ordinal variable is a categorical variable with a clear ordering or ranking but the intervals between the values are not necessarily equal. In this case the job satisfaction level of employees was rated on an ordinal scale using highly dissatisfied, dissatisfied, neutral, satisfied, highly satisfied.

4.3.3.1. Regression Analysis and Interpretations

Table 4. 17: Regression Output 1

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	604.301			
Final	569.387	34.913	5	0.000
Link function: Logit.				

Source: SPSS Version 27 Regression Output

The independent variables significantly improve the model fit for predicting the ordinal dependent variable (employee job satisfaction) in this ordinal logistic regression analysis. This suggests that the independent variables (dimensions of ISQ) have a statistically significant effect on the dependent variable.

Table 4. 18: Regression Output 2

Goodness-of-Fit			
	Chi-Square	df	Sig.
Pearson	2618.527	1996	0.000
Deviance	545.820	1996	1.000
Link function: Logit.			

Source: SPSS Version 27 Regression Output

Given the conflicting results, the Deviance test is typically considered more reliable in the context of logistic regression. Therefore, based on the Deviance test, the model appears to fit the data well.

Pearson Chi-Square is often sensitive to large sample sizes and can show poor fit even if the model is reasonable.

Table 4. 19: Regression Output 3

Pseudo R-Square	
Cox and Snell	0.272
Nagelkerke	0.273
McFadden	0.056
Link function: Logit.	

Source: SPSS Version 27 Regression Output

Adjusted version of Nagelkerke, indicating that the model explains 27.3% of the variance, which is moderate.

Table 4. 20: Regression Output 4

Parameter Estimates								
		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Location	Reliability	1.272	0.372	11.714	1	0.001	0.544	2.000
	Responsiveness	-0.436	0.380	1.318	1	0.251	-1.182	0.309
	Assurance	-0.250	0.377	0.439	1	0.508	-0.988	0.489
	Empathy	0.807	0.446	3.274	1	0.070	-0.067	1.681
	Tangibility	0.241	0.347	0.484	1	0.487	-0.439	0.921

Link function: Logit.

Source: SPSS Version 27 Regression Output

These parameter estimates suggest the influence of different location variables on the dependent variable EJS, employee job satisfaction.

Reliability

The estimate for Reliability is 1.272, with a standard error of 0.372 indicates that when the location is Reliability (relative to some reference location), the log-odds of the dependent variable EJS increase by approximately 1.272.

The Wald test suggests that this estimate is statistically significant at the 0.05 level ($p = 0.001$).

The 95% confidence interval for the effect of Reliability on EJS ranges from 0.544 to 2.000.

In simpler terms, being in location Reliability is associated with a higher likelihood of EJS compared to the reference location. Thus, H6 is supported.

Responsiveness

The estimate for Responsiveness is -0.436, with a standard error of 0.380 suggests that when the location is Responsiveness (relative to the reference location), the log-odds of EJS decrease by approximately 0.436.

However, the Wald test indicates that this estimate is not statistically significant at the 0.05 level ($p = 0.251$).

The 95% confidence interval for the effect of Responsiveness on EJS ranges from -1.182 to 0.309.

In simpler terms, being in location Responsiveness doesn't seem to have a statistically significant influence on the likelihood of EJS.

Assurance

Similar interpretations can be made for this location variable.

The estimate for Assurance is -0.250, with a standard error of 0.377 suggests that when the location is Assurance (relative to the reference location), the log-odds of EJS decrease by approximately 0.250.

However, the Wald test indicates that this estimate is not statistically significant at the 0.05 level ($p = 0.508$).

The 95% confidence interval for the effect of Assurance on EJS ranges from -0.988 to 0.489.

In simpler terms, being in location Assurance doesn't seem to have a statistically significant influence on the likelihood of EJS.

Empathy

The estimate for Empathy is 0.807, with a standard error of 0.446 suggests that when the location is Empathy (relative to the reference location), the log-odds of EJS decrease by approximately 0.870.

However, the Wald test indicates that this estimate is not statistically significant at the 0.05 level ($p = 0.070$). However, Empathy has a marginal effect on employee job satisfaction, as the p-value is slightly above the conventional threshold for significance (0.05). The confidence interval barely includes zero, indicating a trend towards significance but not definitive.

The 95% confidence interval for the effect of Empathy on EJS ranges from -0.067 to 1.681.

In conclusion, based on the parameter estimates and significance levels:

H6: Internal service quality dimensions significantly affect employee job satisfaction at Awash Insurance S.C. is partially supported.

Specifically, the reliability dimension has a significant positive effect on employee job satisfaction, strongly supporting the hypothesis in this regard.

Other dimensions, such as responsiveness (Res1), assurance (Ass1), empathy (Emp1), and tangibles (Tan1), do not show statistically significant effects, indicating that they may not significantly influence employee job satisfaction within this sample.

Overall, while reliability in internal service quality is a critical factor for employee job satisfaction, other dimensions did not show a significant effect, suggesting that focusing on improving reliability may be a key strategy for enhancing job satisfaction among employees.

4.4. Discussions

4.4.1. Employee Job Satisfaction and Demographic Variables

The analysis of employee job satisfaction at Awash Insurance S.C. reveals important insights regarding the demographic factors influencing satisfaction levels, particularly gender and work experience.

The cross-tabulation between gender and employee job satisfaction indicates a notable disparity between male and female respondents. Specifically, 37.5% of male respondents reported being satisfied compared to 34.2% of female respondents. This gender-based discrepancy suggests underlying issues that may affect female employees differently, potentially including workplace culture, career advancement opportunities, and the inclusivity of organizational policies. Addressing these gender-specific challenges is crucial for fostering an equitable and supportive work environment for all employees.

4.4.2. Work Experience and Job Satisfaction

The relationship between work experience and job satisfaction highlights a trend where employees with shorter tenures (1-3 years) report higher satisfaction levels (45.2%) compared to those with longer tenures (over 10 years, 35.7%). Interestingly, employees with less than one year of experience reported 0% satisfaction. This could indicate initial

dissatisfaction with onboarding processes or unmet expectations upon joining the organization. The decline in satisfaction among more experienced employees suggests potential issues related to career stagnation, lack of professional development opportunities, or evolving job roles and responsibilities. Addressing these issues could involve revisiting career development programs, mentorship opportunities, and recognition systems to ensure long-term employee engagement and satisfaction.

4.4.3. Internal Service Quality Gap

The SERVQUAL analysis reveals significant internal service quality gaps across all five dimensions: Reliability, Responsiveness, Assurance, Empathy, and Tangibility. Each dimension exhibits negative gap scores, indicating that employee expectations are consistently unmet across various aspects of internal service delivery.

Reliability shows the most considerable gap (-0.81), with particular issues noted in the overall reliability of coworkers (-0.95) and performing services correctly the first time (-0.90). These findings suggest a need for enhancing consistency and dependability in service delivery. Improving reliability could involve establishing more robust quality control measures, ensuring clear communication of service standards, and providing training to enhance employees' competence and reliability in their roles.

Responsiveness also shows a substantial gap (-0.76), with significant shortfalls in the willingness to accommodate special requests (-0.82) and clear communication (-0.81). Enhancing responsiveness may require better training in customer service skills, fostering a culture of prompt and efficient service, and implementing systems that facilitate quicker and more effective responses to employee needs and requests.

The assurance dimension, with a gap score of -0.74, highlights deficiencies in trust, safety, and knowledge among coworkers. The most notable issue is the feeling of safety in dealing with coworkers (-0.77). Addressing these gaps could involve fostering a more inclusive and supportive workplace culture, offering training to enhance professional knowledge, and promoting trust-building initiatives to ensure employees feel secure and confident in their interactions.

The empathy dimension reveals significant gaps (-0.80), particularly in individual attention (-0.89) and having coworkers' best interests in mind (-0.85). Enhancing empathy within the organization could involve initiatives aimed at improving interpersonal relationships, such as team-building activities, training in emotional intelligence, and policies that prioritize employees' well-being and work-life balance.

Tangibility, with a gap score of -0.78, underscores issues related to the up-to-datedness of equipment (-0.93) and the comfort and attractiveness of the working environment (-0.80). Addressing these gaps may require investments in modernizing office equipment, enhancing the physical workspace to be more comfortable and appealing, and ensuring that materials and resources used within the organization are visually appealing and professional.

4.4.4. Pearson Correlation Analysis

The Pearson correlation analysis conducted to explore the relationship between internal service quality (ISQ) dimensions and employee job satisfaction at Awash Insurance S.C. yields insightful conclusions.

The correlation coefficient of 0.444 between reliability and employee job satisfaction indicates a moderate positive relationship. This suggests that higher reliability in internal service quality such as consistent and dependable service correlates with greater employee job satisfaction. Reliability in internal services likely fosters a stable and predictable work environment, which can reduce stress and increase employees' trust in the organization. This finding underscores the importance of maintaining reliable processes and systems within the company, as doing so can significantly contribute to employee satisfaction. For Awash Insurance, enhancing the reliability of internal services could be a strategic priority to boost morale and job satisfaction.

The responsiveness dimension, with a correlation coefficient of 0.350, also shows a moderate positive relationship with employee job satisfaction. Responsiveness reflects the organization's ability to provide prompt and effective responses to employee needs and concerns. This moderate correlation highlights that timely and efficient internal

services can enhance job satisfaction by making employees feel valued and supported. Awash Insurance should focus on improving the responsiveness to address employee issues swiftly, thereby fostering a more supportive and engaging work environment.

Assurance, which relates to the employees' confidence in the competence and credibility of the service providers, shows a correlation coefficient of 0.284. Although this is the weakest among the ISQ dimensions studied, it still represents a moderate positive relationship. This finding suggests that when employees have confidence in the internal services' quality, their job satisfaction increases. To enhance this dimension, Awash Insurance should ensure that employees are well-trained and demonstrate high competence and professionalism. Building assurance can help in nurturing a trustworthy organizational climate, which is critical for employee retention and satisfaction.

The correlation coefficient between empathy and employee job satisfaction is 0.391, indicating a moderate positive relationship. Empathy in internal service quality refers to the degree to which the organization understands and addresses employees' individual needs and concerns. This finding underscores that when employees feel understood and cared for by their organization, their job satisfaction improves. Awash Insurance should strive to cultivate empathy among coworkers by adopting a more personalized approach to employee relations, ensuring that employees feel heard and valued. This can lead to a more harmonious and cohesive work environment, resulting in employee job satisfaction.

Tangibility, with a correlation coefficient of 0.369, also shows a moderate positive relationship with employee job satisfaction. Tangibility pertains to the physical evidence of the service, such as the quality of the workplace environment and available resources. This relationship suggests that a well-maintained, aesthetically pleasing, and resource-rich work environment positively impacts employee job satisfaction. For Awash Insurance, investing in the physical aspects of the workplace, such as modern facilities and up-to-date equipment, can enhance employees' day-to-day experience and satisfaction.

4.4.5. Ordinal Logistic Regression

The ordinal logistic regression analysis provides insightful revelations regarding the impact of internal service quality (ISQ) dimensions on employee job satisfaction (EJS) at Awash Insurance S.C. This section delves into the implications of these findings, addressing the significant and non-significant predictors of EJS, and explores their relevance in the context of enhancing employee job satisfaction through internal service quality.

The model fitting information indicates that the final model, which includes the ISQ dimensions as predictors, significantly improves the fit compared to the intercept-only model (Chi-Square = 34.913, $df = 5$, $p < 0.001$). This suggests that the ISQ dimensions collectively contribute to predicting the variations in EJS. The deviance test confirms a good model fit (Deviance Chi-Square = 545.820, $df = 1996$, $p = 1.000$), implying the model adequately captures the relationship between the predictors and the dependent variable. While the Pearson Chi-Square shows a poor fit, it is often sensitive to large sample sizes, making the deviance test a more reliable indicator.

The pseudo R-square values (Cox and Snell = 0.272, Nagelkerke = 0.273, McFadden = 0.056) indicate that the model explains approximately 27.3% of the variance in EJS. Although this is a moderate level of explanatory power, it underscores the complexity of job satisfaction, which is influenced by various factors beyond the ISQ dimensions.

The ordinal logistic regression analysis reveals that the reliability dimension significantly enhances employee job satisfaction (EJS) at Awash Insurance, indicating that consistent and dependable internal services are crucial for boosting morale. While empathy shows a marginal positive effect, suggesting that personalized and caring interactions might improve satisfaction, responsiveness, assurance, and tangibility do not significantly influence EJS. This implies that although these dimensions are valued, their direct impact on job satisfaction is limited, and factors like reliability and empathetic service interactions are more critical for enhancing employee morale and job satisfaction.

CHAPTER 5

SUMMARY, CONCLUSIONS, AND RECOMMENDATION

5.1. Introduction

The focus of this research was to explore the perceptions of employees regarding ISQ and job satisfaction within Awash Insurance S.C. Through the analysis and interpretation presented in chapter four, this section provides summaries, conclusions, and recommendations derived from the findings.

5.2. Summary

The following insights have been extracted from the analysis and interpretations conducted in the preceding chapter:

- The majority of respondents were male (64.5%), with the remaining 35.5% being female. Additionally, 45.3% of respondents were aged between 31 to 40 years. Furthermore, most respondents reported a relationship with Awash Insurance of more than 4 years.
- Analysis of overall job satisfaction with internal service quality at Awash Insurance revealed varying levels of satisfaction. Only 0.9% reported being highly dissatisfied, while 12.7% were dissatisfied, 32.7% were satisfied, and 3.6% were highly satisfied. Notably, 50% rated themselves as neither satisfied nor dissatisfied, indicating a significant portion of employees falling within this category.
- Customers' expectations regarding internal service quality dimensions were high overall, with assurance being particularly emphasized. This suggests that employees expect improvements in coworker reliability, trust, safety, politeness, and knowledge.

- Employees' perception of internal service quality dimensions varied, with empathy being rated lower compared to other dimensions such as tangibility and reliability.
- There exists a positive and moderate relationship between all dimensions of ISQ and employee job satisfaction. Reliability showed the highest correlation, followed by empathy, tangibility, and responsiveness. Assurance exhibited the weakest correlation. The gap scores for reliability and empathy were notably high, indicating areas for improvement in internal service quality.
- Ensuring high internal service quality standards is crucial for maintaining employee job satisfaction. There is a positive relationship between ISQ and employee job satisfaction, highlighting the significance of maintaining high standards.
- The unweighted SERVQUAL gap indicates a negative score of -0.78, with the largest gaps observed for reliability and empathy dimensions. This suggests a significant shortfall in meeting employee expectations across all internal service quality dimensions.
- Attributes such as reliable coworkers, up-to-date equipment, performing services correctly the first time, providing correct and necessary information, and giving individual attention to coworkers exhibited the highest gap scores, indicating areas requiring immediate attention and improvement.
- In addition to the aforementioned insights, the regression analysis findings underscore the significant impact of Perceived Reliability dimension on employee job satisfaction. This implies that employees' perception of the reliability of internal services plays a crucial role in determining their overall satisfaction with their job. Therefore, enhancing perceived reliability within the organizational framework emerges as a key factor in fostering greater employee satisfaction and potentially improving overall organizational performance.

In summary, the findings underscore the importance of addressing deficiencies in internal service quality, particularly in reliability, to enhance employee job satisfaction and ultimately drive organizational success for Awash Insurance. Investing in employee development and fostering a supportive work environment can lead to improved service delivery, higher job satisfaction, and sustained competitive advantage in the insurance industry.

5.3. Conclusions

Based on the comprehensive analysis conducted in the preceding chapter, several key conclusions can be drawn:

- ❖ Awash Insurance has a workforce comprised mostly of young employees with substantial work experience, with a significant portion having been with the company for over four years. The concentration of employees aged between 31-40 years suggests a mature workforce, indicating potential for long-term employee retention.
- ❖ The negative confirmation across all internal service quality dimensions indicates a deficiency in coworkers' provision of internal service quality. This suggests a need for improvement in how employees interact and support each other within Awash Insurance.
- ❖ The correlation analysis reveals moderate and positive relationships between the five service quality dimensions and employee job satisfaction. Additionally, a positive relationship exists between perceived internal service quality and employee job satisfaction. This highlights the importance of enhancing internal service quality to improve job satisfaction, leading to benefits such as increased employee retention and reduced turnover.
- ❖ Improving internal service quality dimensions not only aligns service delivery with employee expectations but also enhances job satisfaction. This improvement is primarily attributed to the high perception scores on all attributes, indicating that frontline employees play a crucial role in delivering quality services.

Enhancing their capacity and skills can lead to sustained competitive advantage for Awash Insurance.

- ❖ The highest negative confirmation score for the reliability dimension as well as its positive significant effect on employee job satisfaction suggests a notable dissatisfaction among employees regarding coworkers' reliability in providing internal services. Addressing issues related to reliability, such as becoming more dependable and ensuring service promises are kept, is crucial for improving internal service quality and, consequently, employee job satisfaction.

5.4. Recommendations

In response to the findings of the analysis, Awash Insurance should prioritize several key recommendations to enhance internal service quality and improve employee job satisfaction.

- First and foremost, investing in employee development programs is crucial. The analysis revealed a discrepancy in internal service quality dimensions, indicating a need for improvement in how coworkers interact and support each other. By offering comprehensive training programs aimed at enhancing the capacity and skills of frontline employees, Awash Insurance can address skill gaps and empower employees to deliver high-quality internal services. Training in areas such as customer service and communication can enhance employees' ability to meet expectations and contribute to overall job satisfaction.
- Furthermore, promoting a supportive work environment is essential. The findings highlighted the importance of fostering collaboration and trust among coworkers to improve internal service quality. Creating a supportive work environment encourages teamwork and open communication, enabling coworkers to effectively collaborate and provide mutual support. A positive workplace culture enhances employee morale and satisfaction, leading to improved service delivery.

- Addressing reliability concerns is another critical recommendation. The analysis identified reliability as a significant concern, with employees expressing dissatisfaction with coworkers' reliability in service delivery. Prioritizing initiatives aimed at improving reliability, such as providing adequate resources and training, can enhance employees' ability to consistently deliver dependable services. Addressing reliability concerns builds trust and confidence among coworkers, contributing to overall job satisfaction.
- Additionally, implementing regular feedback mechanisms is vital. Regular feedback allows Awash Insurance to gather insights into employee perceptions and concerns regarding internal service quality. This feedback serves as a valuable resource for identifying areas for improvement and tailoring interventions to meet employee needs.

Recognizing and rewarding employees who demonstrate excellence in providing internal services is also essential. Recognition and reward programs acknowledge and incentivize desired behaviors, motivating employees to consistently deliver high-quality services.

- Leadership development programs should be implemented to equip managers and supervisors with the skills needed to support and mentor their teams effectively. Strong leadership fosters trust, communication, and employee engagement, ultimately contributing to higher job satisfaction and improved service quality. Embracing a culture of continuous improvement in internal service quality processes is also crucial. Continuous improvement initiatives encourage ongoing review and refinement of internal service quality processes. By regularly evaluating performance and soliciting employee input, Awash Insurance can identify opportunities for enhancement and adapt strategies to meet evolving employee needs and expectations.

- Furthermore, prioritizing employee well-being through wellness programs and flexible work arrangements demonstrates Awash Insurance's commitment to supporting employees' physical and mental health. Lastly, promoting transparent communication channels keeps employees informed about organizational goals, changes, and initiatives, fostering trust and accountability. By implementing these recommendations, Awash Insurance can create a supportive work environment, enhance service delivery, and drive organizational success.

The analysis conducted at Awash Insurance reveals critical insights applicable to the broader Ethiopian insurance industry. Internal service quality significantly influences employee job satisfaction, which in turn impacts organizational performance. The findings underscore the importance of enhancing internal service dimensions, particularly reliability, to foster a supportive and efficient work environment. Ethiopian insurance companies should prioritize investment in employee development programs, promote a culture of teamwork and open communication, and address reliability concerns through targeted initiatives. By doing so, they can improve job satisfaction, which is essential for employee retention, reduced turnover, and sustained competitive advantage.

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Appendices

Appendix A – Questionnaire



PART ONE

I. Personal Information Questions

Please indicate your answer by marking the appropriate box with an "X".

1. Gender:

Male

Female

2. Age:

18-30

31-40

41-50

51-60

3. Educational Qualification:

10 or 12 Complete

High School Diploma

Bachelor's Degree

Master's Degree

4. Employment duration with the Awash Insurance S.C. in years:

<1

1-3

4-6

7-9

10 or more

5. Your current work unit:

Branch Manager

Underwriting Officer

Claim Officer

Surveyor

Customer Relation Officer

PART TWO

II. ISQ Expectations

This section of the survey focuses on measuring your expectations regarding the internal service quality provided by coworkers. Please indicate your level of agreement by marking below the appropriate box of your level of agreement with an "X".

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Reliability						
1	Co-workers should provide service that is promised.					
2	Co-workers should be dependable for handling my problems.					
3	Co-workers should perform services right the first time, to avoid having to make corrections later.					
4	Co-workers should be reliable.					
5	Co-workers should provide correct and necessary intimation.					
Responsiveness						
6	My communication with co-workers should be appropriate, accurate, and clear.					
7	Co-workers should respond quickly and efficiently to my request.					
8	Co-workers should be willing to help me.					
9	Co-workers should be willing to accommodate special requests and needs.					
Assurance						
10	I should trust my co-workers.					
11	I should feel safe in dealing with co-workers.					
12	Co-workers should be polite and kind.					
13	Co-workers should be knowledgeable.					
Empathy						
14	Co-workers should give me individual attention.					
15	Co-workers should be sensitive to my work-related needs.					
16	Co-workers should have each other's best interests in mind.					
17	Co-workers should be sincerely concerned about problems.					
18	We should have convenient working hours.					
Tangibles						
19	We should have up-to-date equipment.					

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
20	Working environment should be comfortable and attractive.					
21	Co-workers should have a neat, professional appearance.					
22	The materials used in the workplace should be visually appealing.					

PART THREE

III. ISQ Perceptions

This section of the survey focuses on measuring your perceptions regarding the internal service quality provided to you by coworkers at Awash Insurance S.C. Please indicate your level of agreement by marking below the appropriate box of your level of agreement with an "X".

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Reliability						
1	Co-workers provide service that is promised.					
2	Co-workers are dependable for handling my problems.					
3	Co-workers perform services right the first time, to avoid having to make corrections later.					
4	Co-workers are reliable.					
5	Co-workers provide correct and necessary intimation.					
Responsiveness						
6	My communication with co-workers is appropriate, accurate, and clear.					
7	Co-workers respond quickly and efficiently to my request.					
8	Co-workers are willing to help me.					
9	Co-workers are willing to accommodate special requests and needs.					
Assurance						
10	I trust my co-workers.					
11	I feel safe in dealing with co-workers.					
12	Co-workers are polite and kind.					
13	Co-workers are knowledgeable.					

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Empathy						
14	Co-workers give me individual attention.					
15	Co-workers are sensitive to my work-related needs.					
16	Co-workers have each other's best interests in mind.					
17	Co-workers are sincerely concerned about problems.					
18	We have convenient working hours.					
Tangibles						
19	We have up-to-date equipment.					
20	Working environment is comfortable and attractive.					
21	Co-workers have a neat, professional appearance.					
22	The materials used in the workplace are visually appealing.					

PART FOUR

IV. EMPLOYEE JOB SATISFACTION

Choose one of the following alternatives to measure your employee job satisfaction.

How would you define your overall satisfaction with your job in this organization?

- A) Highly Dissatisfied
- B) Dissatisfied
- C) Neutral
- D) Satisfied
- E) Highly Satisfied

Appendix B – Reliability Statistics Test Output

Expected Reliability

Reliability Statistics

Cronbach's Alpha	N of Items
.801	5

Perceived Reliability

Reliability Statistics

Cronbach's Alpha	N of Items
.779	5

Expected Responsiveness Perceived Responsiveness

Reliability Statistics

Cronbach's Alpha	N of Items
.845	4

Reliability Statistics

Cronbach's Alpha	N of Items
.841	4

Expected Assurance

Reliability Statistics

Cronbach's Alpha	N of Items
.803	4

Perceived Assurance

Reliability Statistics

Cronbach's Alpha	N of Items
.855	4

Expected Empathy

Reliability Statistics

Cronbach's Alpha	N of Items
.864	5

Perceived Empathy

Reliability Statistics

Cronbach's Alpha	N of Items
.866	5

Expected Tangibility

Perceived Tangibility

Reliability Statistics

Cronbach's Alpha	N of Items
.871	4

Reliability Statistics

Cronbach's Alpha	N of Items
.834	4

Appendix C – Pearson Correlation Statistics Output

Correlations

		Perceived Reliability	Perceived Responsibility	Perceived Assurance	Perceived Empathy	Perceived Tangibility	EJSS
Perceived Reliability	Pearson Correlation	1	.698**	.675**	.694**	.685**	.444**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001	<.001
	N	110	110	110	110	110	110
Perceived Responsibility	Pearson Correlation	.698**	1	.754**	.828**	.732**	.350**
	Sig. (2-tailed)	<.001		<.001	<.001	<.001	<.001
	N	110	110	110	110	110	110
Perceived Assurance	Pearson Correlation	.675**	.754**	1	.780**	.697**	.284**
	Sig. (2-tailed)	<.001	<.001		<.001	<.001	.003
	N	110	110	110	110	110	110
Perceived Empathy	Pearson Correlation	.694**	.828**	.780**	1	.747**	.391**
	Sig. (2-tailed)	<.001	<.001	<.001		<.001	<.001
	N	110	110	110	110	110	110
Perceived Tangibility	Pearson Correlation	.685**	.732**	.697**	.747**	1	.369**
	Sig. (2-tailed)	<.001	<.001	<.001	<.001		<.001
	N	110	110	110	110	110	110
EJSS	Pearson Correlation	.444**	.350**	.284**	.391**	.369**	1
	Sig. (2-tailed)	<.001	<.001	.003	<.001	<.001	
	N	110	110	110	110	110	110

** . Correlation is significant at the 0.01 level (2-tailed).

Correlations

Factors	Reliability	Responsibility	Assurance	Empathy	Tangibility	EJSS
Reliability	1					
Responsibility	.698**	1				
Assurance	.675**	.754**	1			
Empathy	.694**	.828**	.780**	1		
Tangibility	.685**	.732**	.697**	.747**	1	
EJS	.444**	.350**	.284**	.391**	.369**	1

** . Correlation is significant at the 0.01 level (2-tailed).

Appendix D – Ordinal Logistic Regression Output

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	604.301			
Final	569.387	34.913	5	<.001

Link function: Logit.

Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	2618.527	1996	<.001
Deviance	545.820	1996	1.000

Link function: Logit.

Pseudo R-Square

Cox and Snell	.272
Nagelkerke	.273
McFadden	.056

Link function: Logit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[EJS = 1]	-.276	1.259	.048	1	.826	-2.745	2.192
	[EJS = 2]	.420	1.053	.159	1	.690	-1.644	2.484
	[EJS = 2]	1.755	.884	3.939	1	.047	.022	3.488
	[EJS = 2]	2.191	.867	6.389	1	.011	.492	3.890
	[EJS = 2]	2.432	.862	7.961	1	.005	.743	4.122
	[EJS = 2]	2.750	.860	10.224	1	.001	1.064	4.436
	[EJS = 3]	3.235	.864	14.003	1	<.001	1.540	4.929
	[EJS = 3]	3.606	.872	17.091	1	<.001	1.896	5.316
	[EJS = 3]	3.722	.875	18.078	1	<.001	2.006	5.438
	[EJS = 3]	3.995	.884	20.439	1	<.001	2.263	5.726
	[EJS = 3]	4.999	.924	29.275	1	<.001	3.188	6.810
	[EJS = 3]	5.319	.938	32.167	1	<.001	3.481	7.157
	[EJS = 3]	5.502	.946	33.835	1	<.001	3.648	7.356
	[EJS = 3]	5.685	.954	35.500	1	<.001	3.815	7.555
	[EJS = 4]	5.930	.965	37.748	1	<.001	4.038	7.822
	[EJS = 4]	6.319	.983	41.308	1	<.001	4.392	8.246
	[EJS = 4]	6.507	.992	43.034	1	<.001	4.563	8.451
	[EJS = 4]	6.852	1.008	46.178	1	<.001	4.876	8.828
	[EJS = 4]	8.044	1.077	55.788	1	<.001	5.933	10.155
	[EJS = 4]	8.205	1.088	56.823	1	<.001	6.072	10.338
[EJS = 4]	8.880	1.150	59.642	1	<.001	6.627	11.134	
[EJS = 5]	9.226	1.194	59.752	1	<.001	6.887	11.565	
[EJS = 5]	9.684	1.272	57.990	1	<.001	7.192	12.177	
Location	Reliability	1.272	.372	11.714	1	<.001	.544	2.000
	Responsiveness	-.436	.380	1.318	1	.251	-1.182	.309
	Assurance	-.250	.377	.439	1	.508	-.988	.489
	Empathy	.807	.446	3.274	1	.070	-.067	1.681
	Tangibility	.241	.347	.484	1	.487	-.439	.921

Link function: Logit.