



**Addis Ababa University  
College of Business and Economics  
School of Commerce  
Department of Marketing Management**

**Impact of Internal Market Orientation on Hotel Employees  
Satisfaction**

**By:**

**Mulugeta Demissie**

**June, 2016  
Addis Ababa**

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# **Impact of Internal Market Orientation on Hotel Employees Satisfaction**

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**Advisor:**

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**A Thesis submitted to the School of Graduate Studies of School of  
Commerce Addis Ababa University in partial fulfillment of the  
requirements for the Degree of Masters of Marketing Management  
(MA)**

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**By:  
Mulugeta Demissie Bekele**

**Approved By Board of Examiners**

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## **Declaration**

I, Mulugeta Demissie Bekele, declare that this study entitled “Impact of Internal Market Orientation on Hotel Employees Satisfaction” is my own work. I have carried out the research work independently with the guidance and support of the research advisor. This study had not been submitted to this or any other institution before. It is done in partial fulfillment for the award of Masters Degree in Marketing Management.

Name of Student: \_\_\_\_\_ Signature: \_\_\_\_\_

Place: \_\_\_\_\_ Date: \_\_\_\_\_

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## **Certification**

This is to certify that Mulugeta Demissie Bekele has done this study under the topic **“The Impact of Internal Market Orientation on Hotel Employees Satisfaction”**. The study is of his original work and all the sources of materials used for the research had been duly acknowledged.

Advisor's Name: \_\_\_\_\_

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Date: \_\_\_\_\_

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## **Abbreviations and Acronyms**

IJMS	International Journal of Management and Strategy
UNWTO	United Nations World Tourism Organization
MoCT	Ministry of Culture and Tourism
IMO	Internal market orientation
VIF	Variance inflation factor

## **Abstract**

*Internal market orientation of companies is vital nowadays for success. Internal market orientation is all about the coordinated activity of companies towards addressing the needs of their employees and satisfying those needs. Employee satisfaction brings success for service provider organizations such as hotels. The purpose of this study is to examine the impact of internal market orientation of four star hotels on the satisfaction of their employees using quantitative approach. In this study: training provision, staff facility provision and internal market orientation are the independent variables and employee satisfaction is the dependent variable. These variables are originated using a 29-items questionnaire. Out of the 350 distributed questionnaires, a total of 201 usable responses were collected from employees of 10 four star hotels in Addis Ababa. Data collection has taken a period of one month using self administered questionnaires. Correlation and multiple regression analyses were used to examine the correlation between independent variables and the dependent variable. The result indicated that there is relationship between the variables. The finding also showed that internal market orientation of hotels impacts employee satisfaction significantly. The research achieved its goal by showing those relationships. As a result, the finding is believed to benefit hotels by helping them understand how their activities are perceived by their employees. As hotels are passing through, continuous assessment and evaluation process by the ministry of culture and tourism of Ethiopia from time to time, the result of this study gives them hints on the areas to focus when performing internal marketing activity. Last but not least, the result of this study revealed that training provision and staff facilities provision are given due attention by four star hotels as opposed to the generalization report of the assessing body from the ministry of culture and tourism made for all hotels. As this study is focused only on four star hotels, the researcher does not believe that the result of this research can fully contradict with the conclusive report of the ministry. Thus, the researcher recommends that further elaborate empirical researches need to be performed using this research as a base to contribute to the industry.*

*Key words: Internal Market Orientation, Hotel Employees, Training and Staff facilities*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

The hotel industry is currently a multi-billion dollar industry in the world employing millions of people. The services that are given in the industry are vital for the development of the industry by creating adequate hospitality to tourists or business people that may visit a certain country. For a country to exploit this resource, it needs to have highly qualified and up-to the standard hotel facilities and impeccable service. Impeccable service can be obtained from satisfied employees in the industry. The hotel industry in Ethiopia has been developing very fast, but there is still a big room for improvement when it comes to the quality of service. (Capital Newspaper June 25, 2012)

Employee satisfaction is described as the employees' happiness, contented, fulfilling their desires and needs at work. Factors contributing to employee satisfaction include treating employees with respect, providing regular employee recognition, empowering employees, offering above industry-average benefits and compensation, employee facilities and etc (Anantha Raj & Arokiasamaya, 2013).

Given that individuals are social beings, their needs and expectations change in course of time and when these expectations are not met, negative attitudes can also be reflected in their job performance. Therefore organizations need some internal and external means of interference in order to change the attitudes of the employees according to their targets. Determining the right means requires analyzing employees well and identifying the primary needs correctly. This can be addressed through internal marketing (IJMS, 2013).

The notion of internal market was first introduced by Sasser and Arbeit in 1976. According to them, the personnel of a firm are the first market of a service company.

Many definitions prevail for internal marketing, as the idea was conceptualized in different manners by different authors. For instance, it has been defined as “the process of initiating, maintaining, and developing the relationships between employees, their management, and the organization, for the purposes of creating superior value for customers” (Bell, 2004). Another definition observes internal marketing as attracting, developing, motivating, and retaining qualified employees through job products that satisfy their needs. Internal marketing is the philosophy of enticing employees. It is also the strategy of shaping job products to fit human needs (Parasuram, 1991).

Generally from its initiation, internal market was developed as a means of creating customer-focused frontline employees, as a means to ensuring high service quality for customers of service businesses. Over the years, internal marketing has achieved a very high level of importance in marketing thought due to its proposed place as a prerequisite to effective external marketing (Kotler, 2002)

It is clear that the service is achieved from the hotel employees. As noted from the definitions of internal market orientation given by different authors, the pillar of internal market orientation is based on employee satisfaction. Employee satisfaction is a function of different factors. Among those factors, satisfaction of employees with the provision of staff facilities and trainings provided by the hotels will be studied in this research.

## **1.2 Statement of the Problem**

In 2011, Ethiopian Ministry of Culture and Tourism made the first attempt to grade hotels; nevertheless, the exercise was not concluded as the necessary expertise was not then, available. Very recently, however, a successful grading scheme was carried out in collaboration with the United Nations World Tourism Organization (UNWTO). Six experts from the UNWTO team joined 200 Ethiopian experts in the process of preparing the criteria and actual assessment for the rating. The association of hotel owners also had an active role in preparing the criteria, which has 12 indicators. (Fortune News paper, Aug 17, 2015)

Indicators in the criteria template are: exterior view, bedroom, bathroom, public area, bar and dining facilities, kitchen, housekeeping & maintenance, general services, additional facilities like swimming pool, gymnasium, and spa, sustainability, safety & security, staff facility and training including staff recreation area. Once the assessment was completed, the Ministry announced the rating at a press conference on Saturday August 8, 2015.

According to the recent grading and assessment, the ministry pointed-out that amongst some reasons for low grade of hotels, inadequate or extremely poor quality staff facilities and training were identified as major problems. In line with this, the staff facility indicators put in the assessment template document are: staff dining area, gender identified staff wash area, lockable staff locker rooms; gender isolated changing area. The assessing experts said that the above listed facilities and training were not given due attention by the hotels. This study examined the impact of internal market orientation with regards to the staff facilities and training on the employees' satisfaction. Other factors of internal market orientation such as reward, job security, benefits and etc... are out of the scope of this study in order to focus on the statement of the problem. Thus, by focusing only on these factors in scope, the research contributes important inputs to the industry.

### **1.3 Basic Research Questions**

The research answers the following questions:

1. Do hotels supply adequate facilities to their staff?
2. How do staff facilities affect employee satisfaction?
3. How does training affect employee satisfaction?

### **1.4 Objective of the Study**

#### **1.4.1 General Objective**

The general objective of this study is to examine the impact of internal market orientation on employee satisfaction in four star hotels in Addis Ababa.

### **1.4.2 Specific objectives**

The specific objectives of this study are:

- 1.1 To describe the adequacy of facilities provision to the staff
- 1.2 To find out how employees perceive the facilities offered by the hotels.
- 1.3 To find out the outcome of the training on employee satisfaction.

### **1.5 Significance of the Study**

The study provides significant outcomes to hotel owners, entrant hotel developers, policy makers and fellow researchers. Hotel owners' benefit from the result of the research as it gives them specific feedback on the areas of improvement. New entrants benefit by making use of the result of the research from the very beginning of their investment in the area. Policy makers benefit from identification of the challenges both the hotels and staff face so that all the necessary policy adjustments can be in place to assist the growth of the hotel industry. Last but not least, fellow researchers can use the research input for further works they may want to conduct.

### **1.6 Scope of the Study**

This study is delimited in terms of the topic and geographic area it covers. Addis Ababa is the geographic territory and four star hotels are the subjects of the study. This research focuses only on two elements of internal marketing activities namely provision of staff facilities and training by the hotels. Internal market orientation comprises of several elements such as training, staff facilities, job security, job satisfaction; benefits, trust on management, communication and etc. This research, however, focused only on two factors of internal market orientation for the very reason that these two elements were claimed to be given less attention by most hotels in Ethiopia (including the four star hotels) during the recent hotel grading activity performed by the ministry of culture and tourism, as per the report drawn from the ministry. Thus, it is very reasonable to conduct research on these two elements so that the result of the research contributes to the dynamic environment of hotel industry in Ethiopia.

## **1.7 Organization of the Study**

The research paper is divided into five main chapters. The first chapter is the thesis general introduction part, providing readers with background, problem statement, research questions, objectives of the study, significance of the study, scope of the study, and structure of study. In the second chapter, literature review on internal market orientation, employee facility, training and relation between these topics are discussed. In the third chapter, the research methodology, population and sampling along with data collection methods are discussed in detail. The empirical part is exhibited in chapter four, which consists of the presentation of the results and analysis of the same. The fifth chapter is a about the summary of findings, conclusion and recommendations.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Introduction**

This chapter presents related literatures under the topic of internal market orientations in order to understand the necessity of the topic to the subject under study. First theoretical review will be presented followed by the empirical review. Finally, the researcher tried to develop a conceptual model on the basis of literature reviewed. The model tries to show the implication of internal market orientation of firms in regards to employee satisfaction by using provision of staff facilities and training as elements of the internal market orientation.

#### **2.2 Theoretical review of internal marketing**

A conceptualization of internal market orientation construct was developed and tested empirically later using five dimensions of formal face to face information generation, formal written information generation, informal information generation, information dissemination and responsiveness to information (Lings and Greenly, 2005). This measure was tested and proved psychometrically, to be a valid measure. This model was later simplified in a study of Gounaris, who reduced the dimensions from five to three through factor analysis (Gounaris, 2006).

Internal market orientation has three main pillars: collecting relevant internal-market intelligence, disseminating this intelligence between employees and supervisors, and responding to this intelligence with appropriate internal marketing strategies. Lings normatively describes these three pillars in detail. Internal-market intelligence collection relates with activities pertaining to collecting intelligence regarding the employee market, i.e. the identification of exchanges of value for the employees, the comprehension of the labor market conditions, the recognition of specific internal segments of employees with different characteristics and needs, and the designing of strategies for internal customers.

Dissemination of this intelligence relates to the communication between, on one hand, managers and employees and, on the other, between managers from different departments and hierarchical levels. The purpose of this communication is two-fold: The first objective is to communicate new marketing strategies and company strategic objectives to employees. This type of communication flows through internal mass media (e.g. newsletters or memos). The second objective is to build an understanding of the employees' needs between the company's managers. Finally, responsiveness to this intelligence pertains to designing jobs that meet the needs of the employees, adjusting the remuneration schemes accordingly, making the company's management more considering with regard to the employees' needs and offering them the necessary training in order to develop the skills and capabilities that their job description requires ( Lings, 2004).

Furthermore, listening to the opinions of firms' employees in taking decisions gives them a feeling of being involved in decision making in the organization and therefore this stimulates their willingness to carry out decisions that they consider partly theirs. In addition to that, employees reap a psychological value of knowing that they are part of a team and not just being a tool in the hands of management. This is expected to give the employee more satisfaction with the job and the organization and translate into good service delivery to the customer (Gounaris, 2006)

According to Kotler internal marketing is more important than the traditional external marketing. That is because employees are also consumers, where the organization has to take care of its employees and build organization value for every member to follow (Kotler, 2004).

In addition to the above, Greene suggests that internal marketing orientation is the key to excellent service and success of external marketing. Both views justify the exploration of the concept of marketing, i.e. internal marketing orientation, within a business organization in the service sector (Greene, 1994)

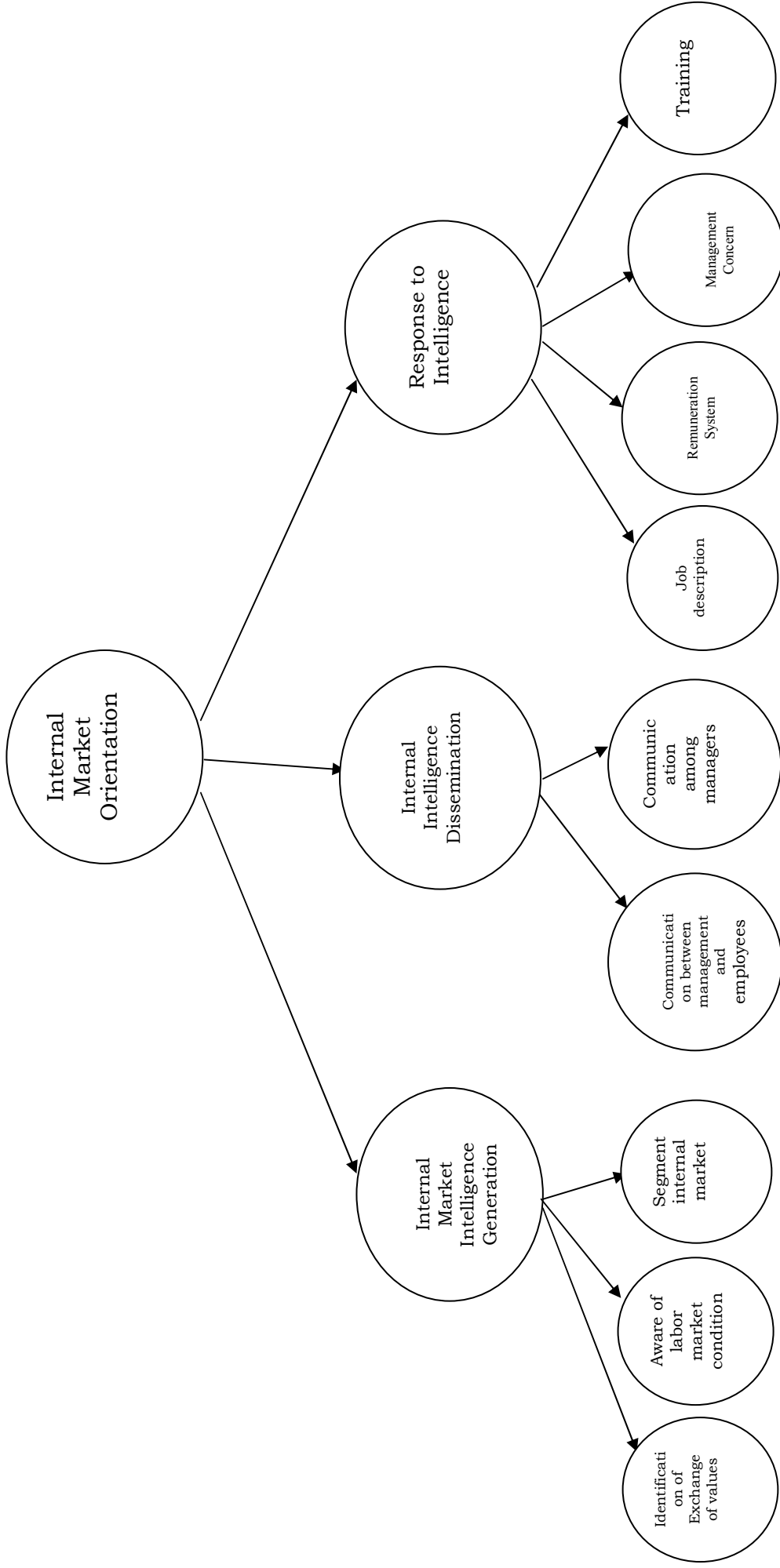
Organizations should respect their employees and treat them as internal customers. Hence, in order to attract, motivate, and maintain employees, the organization should meet their requirements and treat them as customers in order to build up the employee loyalty. In order to achieve organizational expectation, the employees will be searching for improvement and motivational methods such as motivation system, training and job design, etc. to increase their organizational and individual performance. In short, the creation of a market-oriented culture results in internal customer satisfaction and improved service quality, which leads to customer satisfaction and success in the external market (Chi, 2008).

As indicated by different scholars employees should be considered with their respective organizations. Most of the authors showed that employees are pillars of the organization especially in the service organization. They should be treated as internal customers and their needs need to be addressed properly. As shown in the objective of this study also, the issue of employee facilities provision and training provisions were not given attention by the hotels with the general assessment by MoCT of Ethiopia. Thus, the researcher believes that the matter should be studied in a deeper manner so that the prevailing problems are pointed out for the hotels to work on.

### **2.3 Concept of Internal Market Orientation**

The concept of internal market orientation has been discussed since the 1970s when it was introduced as a key strategy for enabling organizations to offer superior customer service. There is a consensus that employees (internal customers) are the focus of measurement in internal market orientation (George, 1990; Lings 2004; Gounaris, 2006)

A conceptualization model of internal-market orientation—a hierarchical approach



Source: ( S.P. Gounaris / Journal of Business Research 59 (2006) 432–448

In the above given conceptual frame work the author discusses the model by using two dimensions namely primary dimensions and sub-dimensions. The primary dimensions are: Internal-market Intelligence Generation, Internal-Intelligence Dissemination and Response to Internal-Intelligence. The other 10 dimensions listed in the third layer of the model are referred as sub-dimensions. This study discusses the method of development and the results of an empirical validation procedure for an instrument to assess a company's degree of internal market orientation adoption using those dimensions. The assessment of the instrument's internal consistency, its discriminant and convergent validity were particularly satisfactory for both the construct's major and sub dimensions.

These tests indicate that, internal marketing orientation represents the company's philosophy to create and offer value for its internal market within a broader, relationship-marketing paradigm and in fact regardless of employee's degree of direct customer contact. (Groenroos, 1983, 1997; Gummenson, 1999)

Thus, on the basis of the results from this study, internal marketing orientation appears to be a hierarchical construct, comprised of three major and ten sub-dimensions. The major dimensions reflect the company's commitment to collect internal-market intelligence, disseminate this intelligence to various levels and departments of the company and design employee-related policies in response to this intelligence. This conception of internal marketing orientation draws heavily on the "market orientation" paradigm (Kohli and Jaworski, 1990).

As such, internal marketing orientation seems quite relevant, particularly for companies in services where employees, front-line and back-office alike, influence the company's output to its customers. Because of this, service companies, in comparison to good manufacturers, have a greater need to develop a symmetric orientation (Piercy, 1995).

Equally importantly, the instrument, and consequently the internal marketing orientation notion, was tested for criterion validity, despite the lack of previous empirical studies on internal marketing orientation. To overcome this difficulty, the instrument's criterion validity was tested against two elements of the company's internal market strategy

empowerment and participative decision making, as well as against one important performance index of the company's internal marketing strategy effectiveness (job satisfaction).

These findings suggest that internal market orientation is a company philosophy that underlies its internal marketing efforts, while also bearing a direct influence on the effectiveness of these efforts. Two consequences arise from this finding. First, adopting internal market orientation influences the degree to which companies implement internal marketing strategies, as well as the effectiveness of such efforts. Consequently, internal market orientation adoption appears to be a prerequisite for the symmetry between (external) market objectives and internal-market conditions that service companies require (Piercy, 1995), where employees have the "power" to void the management's attempt to focus on their customers (Conduit and Mavondo, 2001; Harris and Ogbonna, 2000). Within this framework, given the significance of service employees regarding customers' experience with the service they are offered, internal market orientation is an important prerequisite that justifies the involvement of the marketing function. Consequently, the adoption of internal market orientation complements the company's market orientation.

As clearly observed, training is identified as a sub-dimension in the above discussed conceptual model. This sub-dimension is one of the topics of this research. On the other hand, even though the conceptual model does not specifically mention staff facilities as a sub-dimension to be in line with this research as the other sub-dimension, sub-dimensions such as management concern, identification of exchange of values and remuneration system can be considered to relate to staff facility provision. Thus, this study draws a conceptual model adopted from this big model at the end of this chapter.

## **2.4 Training**

Training and development are integral to a Hotel's growth and success. Hotels can however under-train their employees by being unwilling to take the time to explain new staff tasks that need to be performed. When this unwillingness occurs, three scenarios

may take place – the employee will not be able to help a client the way they should, the client will be left unsatisfied by the hotel’s service level, and lastly the employee will become frustrated by the company and his or her service level will drop to a minimum (Ryan, 2008).

Training has been shown to improve knowledge and in turn knowledge improves the delivery of hospitality business related activities. Daniels mentions in her article that in the current economic situation; companies may be tempted to cut their training budgets, but they should not, however, abandon training. Hotels should instead use this situation as an opportunity because training boosts morale and commitment by showing employees they are a valued and important resource. The training itself provides skills and enthusiasm to help participants provide amazing customer service (Daniels, 2008).

Great customer experiences leads to brand loyalty. Skills’ training equips employees with the tools to increase customer loyalty. Training is important as it is part of the service quality that drives the performance of hotels. Chow, Haddad and Singh found in their study of 46 hotels in San Diego that by providing training and development, the hotels’ employee morale, productivity and job satisfaction improved, which in turn can improve managers’ morale ( Chow, Haddad and Singh, 2007)

## **2.5 Staff Facilities**

Staff facilities are those facilities provided by the hotels in order to have the staff make use of them. These facilities include dining area, cleaning and toilet areas, parking area, gender isolated locker rooms, and gender isolated bathrooms, laundry service, parking and etc. In the conceptual frame work discussed at the beginning this chapter, staff facilities are not detailed, as done in this particular research. However, since they are the needs of employees, it is believed that they are covered in one of the 10 sub-dimensions developed in the conceptual model of Gounaris.

Management needs to pay as much attention to the internal audience as is paid to the external audience. One of the goals of internal communications is to create the sense that employees are an important asset to the organization. Motivating employees to customer consciousness can be done not only with money and material benefits, but by giving them more control and responsibility over the decisions affecting them. This can only be done when employee opinions are taken into consideration when decisions that affect them are being made (A. Amangala, 2013)

Managements' responsiveness to the internal market was also hypothesized as having a significant and positive relationship with customer orientation which shows that as the firm's management gathers intelligence on the internal market, and uses it to make changes in employees' jobs, working conditions, training etc., this would lead to more satisfied employees and better motivated employees who would be willing to put in more effort for the customer's satisfaction (Lings and Greenley, 2005).

The above two reviews clearly indicate that the management tries to gather employees' needs information through the internal market intelligence and responds to meet the needs of these internal customers through the internal request through the response intelligence dimension.

## **2.6 Employee Satisfaction**

As a general definition, the employee satisfaction may be described as how pleased an employee is with his or her position of employment (Moyes, Shao, & Newsome, 2008). To investigate what the employees are satisfied by; and measuring the employee satisfaction in the workplace, is critical to the success and increases the profitability of the organization for having competitive advantage (Kelley, 2005).

Employee satisfaction is defined as the combination of affective reactions to the differential perceptions of what he/she wants to receive compared with what he/she actually receives (Cranny, Smith, & Stone, 1992). Employees are more loyal and

productive when they are satisfied, and these satisfied employees affect the customer satisfaction and organizational productivity (Potterfield, 1999). There is no limit for the employees to reach the full satisfaction and it may vary from employee to employee. Sometimes they need to change their behaviors in order to execute their duties more effectively to gain greater job satisfaction. Having good relationships with the colleagues, high salary, good working conditions, training and education opportunities, career developments or any other benefits may be related with the increasing of employee satisfaction (Miller, 2006).

Organizations should try to supply the employee expectations in order to approach the employee satisfaction. In addition, emotional state of the employees may also affect their satisfaction. This forces the managers to create and sustain the desired working environments in the organizations. As stated by Organ and Ryan, the employee satisfaction is one of the basics of organizational citizenship behavior. That is, the well-satisfied employees will work more willingly and this contributes to the effectiveness of their organizations (Organ and Ryan, 1995)

When investigating the employee satisfaction, it should be known that; -an employee may be more satisfied by a satisfying item, whereas the other employee may be less satisfied with the same item. Because of this, analyzing the employee satisfaction from a large perspective will be better. That means the sum of all satisfying factors composes that employee's satisfaction level.

Therefore, researching the employee satisfaction in terms of different factors and, on various areas of the service industry will enrich the explanation we can come up for general employee satisfaction with in a firm's internal market orientation. In the case of this research, however, we will look into employee satisfaction levels from staff facility provision and training provision due to the scope of the research.

## **2.7 Relationship between Staff facility and Employee Satisfaction**

According to Farzad, the fundamental tool for achieving employee satisfaction is the treatment of employees as customers (Farzad, 2007) The concept of internal marketing

has evolved from the original conceptualization of employee satisfaction/motivation by treating employees as customers and jobs as products for improving service quality to customer orientation/market orientation and the use of marketing-like approach and marketing-like tools internally to motivate employees (Sasser and Arbeit, 1976; Berry, 1981)

Human beings strive to seek satisfaction in every aspect of their life. From satisfying their basic primal needs - hunger, thirst, rest and social interaction - the complex society today has its benchmark of goals and fulfillment that should be achieved by individuals.

The extent to which employees believe that their organization values their contribution and care about their wellbeing also affect the intention to quit (Perryer, 2010).

Human beings are known for their nature of being hard to please. It is human nature to be inquisitive and curious. There are many ways to seek satisfaction and different people opted for different ways to search for job satisfaction. There is a general rule of thumb - change mindset and be realistic in expectations. A popular definition of job satisfaction is an individual's attitude toward his or her job. As per Lawler, job satisfaction is a person's affective reaction to his total work role (Lawler, 1973). Kallerberg gave another definition: job satisfaction refers to an overall affective orientation on the part of individuals toward work roles and treatment which they are presently occupying (Kallerberg, 1977)

According to Herzberg's opinion the leading dissatisfactions are company policy, supervision, relationship with boss, work conditions, salary, and relationship with peers. The Leading to Satisfaction of a job are achievement, recognition, work itself, responsibility, advancement, and Growth and so on (Herzberg, 1966).

According to several schools of thought, satisfaction depends variously on the individual's expectations, needs physical and psychological, and values. As shown in the above literature, the physical needs, staff facilities can be considered as work environment or physical environment needs.

## **2.8 Training and Employee Satisfaction**

The centrality of customer orientation reflects its importance in the marketing literature and its central role in achieving customer satisfaction and hence organizational goals. Rafiq and Ahmed highlighted the key role of training in customer orientation and customer satisfaction. They explained that employees also need the right type and level of training to perform their jobs. This can help to reduce ambiguity surrounding their role and help employees to meet the needs of customers more effectively (Rafiq and Ahmed, 2000).

One can identify several categories of variables from the different schools of thought to satisfy employees. These variable categories are the work itself, job characteristics, rewards that can be consider intrinsic or extrinsic, supervisory style, personal characteristics, internal states, working conditions, interpersonal relationships, work values, role factors, job fit and organizational factors and so on (Srivasta, 1977).

As stated in the literature reviewed, training is vital to point out roles of employees. Furthermore, training is one of the sub-dimensions to measure in the internal market orientation. By assessing the training practices of organization, one can look into the satisfaction attached to the provided training.

## **2.9 Internal Marketing Orientation and Employee satisfaction**

According to Stershic, in today's knowledge economy, the value of the human capital has become greater than the value of fixed assets (Stershic, 2001). Internal information generation by firms is a recognition of the need to guide organizational action through enhanced understanding of things of value that are exchanged in the internal market and also for organizations to have an understanding of employee capabilities as well as their needs and wants (Lings, 2004; Ewing and Caruana, 1999).

According to Lings & Greenley, there are three modes of information generation. Formal information generation employs written media (e.g questionnaires and job satisfaction

surveys), formal face to face interactions e.g interviews performance appraisals and meetings (Lings and Greenley, 2005; Cobb, Samuel and Sexton 1998).

The formal face to face interactions complement the formal written approach. Informal information generation which occurs mostly on face to face basis enables managers to extract on a day to day basis, information not only on the needs and wants of employees, but additional information which may not be obtained through the formal mode.

Generally, information generation sends the right signals to the employee that the organization is interested in what affects them, their jobs, deliberately engages in generation of information on employee needs and wants, and are able to make it known to employees that they can be open and sincere about how they feel about their jobs, working conditions, even their subordinates, this would be a means of making employee realize their importance to the firm, and would be a great boost to their work.

Ultimately, this sense of importance would be transferred to their interactions with customers, as they would be willing to offer customers good services as an acknowledgement of the customer's importance to the firm. Therefore, it is expected that internal information generation would lead to better appreciation for the external customer and eventually better services to the customer.

Thus, according to Lings and Greenley, employee satisfaction is directly related to internal marketing. By implication then the success of internal marketing brings the success on external marketing of an organization.

Therefore, this research asked the internal market orientation of the hotels under study in regards satisfaction of the employees by addressing the topics in the literature discussed above in the formation of the questionnaires.

## **2.10 Empirical Review**

### **2.10.1 Training and Internal Marketing**

Empirical studies of Lings & Gordon, ELSamen & Alshurideh, and Eris & Ozmen, have shown that the effectiveness and outcomes of external marketing and interactive marketing depend on internal marketing. Invariably, the effectiveness and outcomes of external and interactive marketing depend on how well the internal market environment is structured, especially at the levels of employee motivation and competency.

If employees are regularly trained on the basis of their job roles and given satisfactory compensation, then internal marketing would be expected to positively affect external and interactive marketing, service quality, customer satisfaction and the firm's growth. (Lings & Gordon, 2009; ELSamen & Alshurideh, 2012; Eris & Ozmen, 2012; etc.)

Papasolomou and Vrontis argued that internal marketing through its emphasis on "internal customers" creates a people oriented culture that sets the foundation for building a strong corporate service brand (Papasolomou and Vrontis, 2006). The researchers have also identified some issues related to internal marketing include: the link between employee satisfaction and organizational performance; the need for research on how inter-functional co-ordination can be achieved for the effective implementation of marketing strategies; the need for relationship marketing perspective in internal marketing; the need for research in internal communication strategies; and the role of internal marketing for developing organizational competences.

Budhwar, Varma, Malhotra and Mukherjee suggested that well-structured and rationalized internal marketing approach can significantly improve employee relations with management and overall organizational competitiveness and performance. (Budhwar, Varma, Malhotra & Mukherjee, 2009)

Internal marketing is also positively related with organization commitment in which effective training, reward systems, a positive interaction between employees and sharing

vision among them emotionally attach employee to their organization (Awad & Agti, 2011).

Chang & Chang pointed out that employee can be retained through satisfying their needs and expectations so internal marketing strategies can be used effectively enhance and develop organizational commitment. Hence internal marketing has positive effects on organizational commitment (Chang & Chang (2009)

Employee attrition represents significant costs to service industry companies. High attrition rates drive up training costs, and increase human resources, recruiting, and productivity costs. They also increase the prospect of customer service complaints or quality problems. The hospitality industry suffers from a high-attrition rate at almost all levels. Whether hiring people at entry level or in senior management roles, there are many challenges (Jauhari and Manaktola, 2009).

High attrition rate increases the costs of hiring and training employees. Therefore, being a people intensive sector, service industry companies need to pay special attention to the internal marketing activities. They must attract, retain and keep employees motivated and committed at all times which, in turn, ensures delivery of high quality service to customers (Deery and Kinnie, 2004).

Employees are the strength of any business success since their value to the organization is essentially intangible and not easily replicated (Meaghan (2002). Therefore; managers in various organizations must ensure that there is employee continuity in their organizations to enhance organizational competitiveness. Dunmore advocated that internal marketing is increasingly important to organizations due to growth in significance of the service sector and the knowledge-based economy (Dunmore, 2002)

As indicted in the above several empirical researches reviewed retaining, trained and satisfied employees, is not optional for service organizations rather it is compulsory. The researcher fully agrees with arguments and results referred. Therefore, in this researcher

hypothesis is developed by the researcher to test the relation between training and employee satisfaction.

**H 1:** There is a relationship between training provision and employee satisfaction.

### **2.10.2 Facilities and Internal Market Orientation**

Globally, there has been increasing attention to the personal interaction between the customer and the employee on the frontline of service businesses (Mattson, 1994).

Employees who are happy in their place of work are more motivated to contribute and can do so more effectively. This also translates into better consumer experiences and in turn, leads to stronger financial performance by the firm and overall economic growth.

In service organizations employees are vital part of the services offered to customers and hence, there is a need to ensure that they can proficiently deliver the promises made to customers in all service delivery encounters. In literature, service encounters are also labeled as moments of truth. Contact employees have undoubtedly one of the most difficult yet rewarding jobs in the service organizations. Since the service employee works on the boundary of the organization and performs boundary spanning roles the organization has high stakes on how the service employee behaves in service encounters (Friedman and Podolny, 1992). These service employees are faced with multiple challenges on a daily basis ranging from technical faults to badly behaved customers. It is the manner in which these challenges are dealt with and the degree to which one can cope with the strain of boundary spanning roles, which distinguishes excellent service providers. The boundary spanning role has been defined as activity which links an organization with the environment within which it operates (Bateson and Hoffman, 1999)

While interacting with the service, the customer comes not only into contact with the contact personnel but also with the physical facilities, the other customers and other visible elements. In these cases, customer perceptions of service quality are affected by the physical environment as well as by the behavior of the relevant service personnel (Zeithaml et al, 2006). Regardless of whether contact points are visible or not, they

constitute moments of truth – points in time during which customers are afforded the opportunity to gauge service quality. If multiple touch points are involved in performing a job function, it may very well be feasible to remove some contact points while still performing the function. Each touch point provides the customer an occasion to gauge the performance of an organization; leaving in unnecessary touch points increases the probability of an unpleasant evaluation (Spence & Kale, 2008).

The successful application of the concept is transformed into positive employee attitudes towards their work including organizational commitment, job involvement, work motivation and job satisfaction. One of the important outcomes of internal marketing is to increase the organizational commitment of employees. This in turn should result in increased job satisfaction; increased job performance and lower turnover of staff. This helps the interactive process also and examines internal processes associated with delivering customer satisfaction focusing particularly on the relationship between the nature and extent of internal marketing and its outcome in terms of the level of organizational commitment on the part of employees (Tansuhaj et al., 1991).

The relationship of internal marketing is most significant with the affective dimension of organizational commitment. There is some empirical support for a significant relationship between internal marketing and service quality and between internal marketing and business performance (Panigyrakis, 2009).

The objective of internal marketing is to create an internal environment in which customer consciousness propagates among personnel. The satisfaction of internal customers is important to the success of a service firm. The ability of organizations to develop and gain a competitive advantage through an emphasis on service quality is substantively influenced by the organizational culture (Gremier et al., 1994).

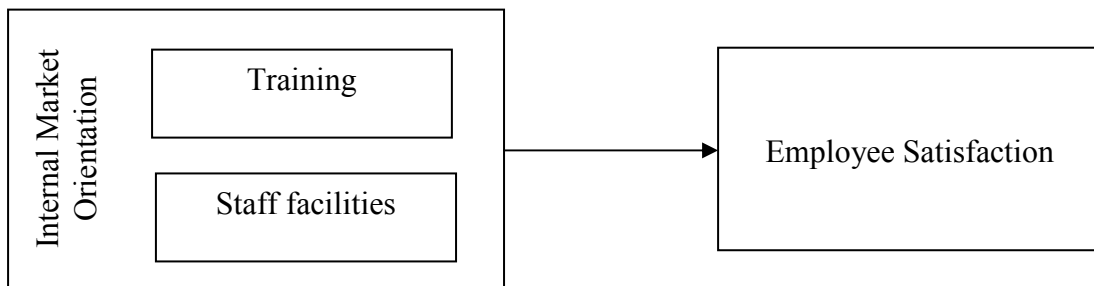
A number of researchers also relate enhanced organizational performance with a strong organizational culture and improved employee productivity (Barney 1986; Saffold 1988). Internal marketing is believed to contribute towards achieving organizational goals (Gilmore, 2003).

As stated in the above literature unless employees (internal customers) are satisfied they will affect the final customer at every touch point. One of the things that affect the satisfaction of employees is the staff facilities they may be offered and how this is communicated to them.

The researcher believes that individual expectations, physical and emotional needs mentioned of employees in the reviewed empirical researches revealed that they do affect the organizational overall internal market performance. Thus, the researcher developed a hypothesis to show the relationship between staff facility provision and employees' satisfaction.

**H2:** There is a relationship between staff the facilities provision and employees' satisfaction

Finally based on the conceptual model discussed in section 2.3 of this chapter, the researcher has developed the following conceptual model to show the relationship between the dependent variable and the independent variable.



**Source:** Adopted model from conceptual model of S.P. Gounaris (Gounaris, 2006)

## **CHAPTER THREE METHODOLOGY**

### **3.1 Introduction**

This chapter presents the research design and methods followed by the researcher in order to realize the objective of the study. In the previous chapter, the literature review was presented to show the necessity of the topic under study and how the reviewed literature supports the objective of the research. In line to the objective of the research, a quantitative research approach is preferred by the researcher to show the impact of internal market orientation on employee satisfaction using questionnaires. Quantitative data can be transposed into numbers, in a formal, objective, systematic process to obtain information and describe variables and their relationships (Brink & Wood 1998:5; Burns & Grove 1993:26).

### **3.2 Research Design and Approach**

The research is explanatory and descriptive type in its design. The research examined the relationship between independent and dependent variables. The independent variables are Internal Market Orientation, Training Provision and Staff facility provision. Employee satisfaction is considered as dependent variable in this research. Even though training and staff facilities provisions are factors of internal market orientation, they are considered as separate independent variables on their own to meet the objective of the research. On the other hand, internal market orientation (IMO) is considered as another independent variable for analysis purpose, by representing it in the three main pillars (collecting relevant internal-market intelligence, disseminating this intelligence between employees and supervisors, and responding to this intelligence with appropriate internal marketing strategies) (Lings, 2004).

The researcher used quantitative approach. This approach helps to collect more reliable and objective data. The researcher decided to collect numeric data that can be analyzed and interpreted using descriptive, correlation and regression analysis to show the relationship between the independent and dependent variables.

Furthermore, the hypotheses developed by the researcher can be tested by using this approach. Quantitative approach also can be used to reduce and restructure complex problem to a limited number of variables. In line to this, the researcher used this approach,

### **3.3 Data Sources and Data Types**

The data sources of this study are employees of four star hotels in Addis Ababa. Employees from back of the house and front of the house were given chance to respond to the questionnaires. The data collected using questionnaire. According to Leary (2004), the major advantages of questionnaires are that they can be administered to groups of people simultaneously, and they are less costly and less time-consuming than other measuring instruments. The data was primary quantitative type of data. Employees were asked to provide answers to questions related to training provision, staff facility provision, and internal marketing data and their satisfactions.

### **3.4 Population**

The population of this study comprises of four star hotels in Addis Ababa and employees of the same hotels. Up until this research was collecting data, there are 13 four star hotels in Addis Ababa with a total employee number of 1,381.

### **3.5 Sample Size**

The researcher considered 13 four star rated hotels and about 1,381 employees as the study population. The sample size considered in this research is 10 hotels and 291 employees of the same hotels in consideration. This sample size is obtained from a pre-calculated sample size table. The sample size was taken from a calculated sample table (see Appendix- 1). The table was obtained from a formula used by Krejcie & Morgan (Krejcie & Morgan, 1970). Apart from this evident calculated sample size, this sample size is considered to be a good representation of the population because; in terms of the hotels out of 13 hotels (total population) 10 of them are considered as subject of the study. This figure represents 76.92% of the total population at 95% confidence interval.

In terms of number of respondent employees, the sample size is 291. This represents 21.07% of the total population.

### **3.6 Sampling Techniques and Methods**

The researcher used simple random sampling technique to select the 10 hotels from the 13 hotels. Once the 10 hotels were identified, the researcher approached the managements of the hotels to get both the permissions and list of their employees to collect that data. The lists of the employee were obtained. Once the lists were secured they were sorted into two groups. The first group is list of employees working at the back of the house of the hotels and the second group is the list of front line employees. Once this process was completed, simple random sampling technique is used in order to fairly and properly includes all assumed members in sampling. Probability sampling is used in order to give equal chance to all members of the group in the population. Another reason to select the reason of using probability sampling is that it offers unbiased selection of respondents.

Finally, the researcher hired data collectors to collect the data. Hotel employees normally do conduct daily briefing meetings at the beginning of each shift in order to exchange information of the daily activities. These prime briefing meeting times were identified to be convenient for distribution of questionnaire to employees. Thus, the data collectors used these times to distribute the questionnaires. Collection of the questionnaire after response was also done in the same manner.

### **3.7 Data Collection Instruments**

The preferred data collection instrument is self administered questionnaires. The questionnaire is developed by the researcher based on the internal market orientation dimensions built in the conceptual model of Gounaris (Gounaris, 2006). The questionnaire for most of its part is presented in table form so that it looks appealing for respondents. When it is appealing in its look, it is believed to increase the response rate. The questionnaire is segmented in sections.

The first section is used to collect demographic and background data on the respondents. The second, third and fourth sections are designed to collect data on the provision of training, internal marketing and staff facility provision respectively. Later, when the researcher performed the data analysis, questions in these sections are grouped and transformed to form three independent variables represented by provision of training, internal marketing and staff facility provision respectively and one dependent variable represented as employee satisfaction. The questionnaire is also prepared in Amharic language for easy of communication. Later, however, it is translated to English language.

Once the questionnaire was developed a test was run among few scholars and selected hotel staff members to provide feedback on the clarity of the questionnaire. Most of them confirmed that the questions are very clear. One of the reasons, for such clarity, was attributed to the fact that it is prepared in Amharic language. The researcher used nominal, ordinal and scales in the questionnaire to measure the variables. For the purpose of testing the study hypotheses, scales in the questionnaire were measured using five point Likert scales, which were designated from Strongly Agree (1) to Strongly Disagree (5).

### **3.8 Reliability and Validity of the Data collection Instrument**

#### **3.8.1 Reliability**

The main objective of this study is to examine the impact of internal market orientation on employee satisfaction. The questionnaire is prepared in a way that it is simple and understandable for all respondents in consideration. The variables of this research are internal market orientation, staff facility provision and training provision. The other variable is employee satisfaction. With regards to consistency of the measures or reliability of the instrument, the clarity of the questions in the questionnaire is believed to grant its intent for both reliability and validity. Reliability is the extent to which a variable or set of variables is consistent in what it is intended to measure. Similar questions are placed to similar groups of respondents to ensure reliability of the responses. A test analysis was run among the pilot respondents and Cronbach's alpha value of .949 was obtained.

### **3.8.2 Validity**

A study was conducted by Dr. Ian Lings and Professor Gordon Greenley under the title “Measuring Internal Market Orientation” in 2005. According to this paper, the researchers developed a valid and reliable measure of IMO in a retail services context. Five dimensions of IMO are identified and confirmed. These are 1) formal written information generation, 2) formal face-to-face information generation, 3) informal information generation, 4) communication and dissemination of information, and 5) responding to this internal market information. Thus, this research developed the questionnaires based on these dimensions. (Lings I. and Greenley G., 2005)

The researcher incorporated the above five dimensions while developing the questionnaires of this research. Therefore, it is believed that the research instrument is validated.

### **3.9 Data Analysis and Presentation**

The quantitative data is based on meanings derived from numbers, collection results in numerical and standardized forms. Linear regression analysis and correlation analysis are used to analyze the relationship between the dependent variable and the independent variables.

Once the analysis is conducted through the use of diagrams and statistics, it is presented in the forms of descriptive statistical indexes like frequency distribution tables, graphs and percentages charts and etc. The collected data will be analyzed using SPSS version 17.0

## **CHAPTER FOUR**

### **ANALYSIS AND DISCUSSION OF RESULTS**

#### **4.1 Introduction**

This chapter deals with presentation, analysis and interpretation of data gathered from the respondents for the purpose of this research work. It started with a reliability analysis which reveals the extent to which the scales used to measure the variables in the study are suitable and consistent. Then, a descriptive analysis is conducted for the demographic variables in order to identify the profile of the chosen sample. This is followed by a correlation analysis in order to test the hypotheses. Finally, correlation analysis and linear regression analyses are carried out and also discussed in order to determine the relative importance of the variables and contribution to the model.

#### **4.2 Reliability of the data**

Reliability refers to the extent to which the items measure accurately and consistently what they intend to measure. The instrument for this study contains 29 items that are in a Likert scale (See Appendix 2).

**Table 4.1 Reliability of Data**

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.949	29

**Source: Survey Result, 2016**

The overall reliability of the instruments is measured. A cronbach's alpha of 0.949 is obtained which is well above what is considered acceptable by scholars which is 70 % (Waldt, 2009). The cronbach's alpha for all the items are also above 70 %. Table-1 illustrates the reliability of the independent and dependent variables (also see Appendix 1 for some outputs of the SPSS). Based on the results presented in this table, it can be concluded that all the scales used in the study were reliable. Thus, they can be used to measure the variables under study.

### **4.3 Descriptive Analysis of Demographic Variables**

It is important to provide demographic analysis of the respondents so that an understanding of a general characteristic of the respondents for the overall study since the industry is labor intensive.

The questionnaire had a total of 257 respondents out of 350 questionnaires distributed. The sample size being 291, the distribution of 350 questionnaires was aimed to secure maximum response. The response rate was very good 257 or 73.23% even though only 201 were usable for the data analysis. The usable response represented 69.07% of the sample size.

#### **4.3.1 Age composition of the respondents**

The age composition of the respondents is given in the table 4.3. As expected by the researcher, the respondents are mostly young group. This matches the young age of the industries development.

**Table 4.2 - Age of respondents**

<b>Age of Respondent</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Less than or equal to 25 years	55	27.4	27.4	27.4
26 to 35 years old	106	52.7	52.7	80.1
Above 36 years old	40	19.9	19.9	100.0
Total	201	100.0	100.0	

**Source: Survey Result, 2016**

#### **4.3.2 Education level of Employees**

As shown in the tables 4.3 below 87.6% of the total respondents are well educated from the certification up-to degree level. This shows that when they are also hired they are already holders of field related certificates, diplomas or degrees.

This can facilitate the hotels to design and conduct related trainings easily. See the table below for detailed descriptive data analysis.

**Table 4.3 - Educational level of respondents**

Education level of respondents	Frequency	Percent	Valid Percent	Cumulative Percent
High School completed	25	12.4	12.4	12.4
Certificate	67	33.3	33.3	45.8
Diploma	70	34.8	34.8	80.6
Degree	39	19.4	19.4	100.0
Total	201	100.0	100.0	

**Source: Survey Result, 2016**

#### **4.4 Respondents' Level of agreement on the Determinant Variables**

According to literatures reviewed in chapter two employees' satisfaction depends on provision of training, provision of staff facilities in the form of benefits and general internal market orientation of the company. The table below presents the analysis of these determinant variables to show the level of agreement of employees to the three determinant variables.

**Table 4.4 - Descriptive Statistics of the overall variables in the questionnaire**

Variable	Mean	Std. Deviation	N
Employee satisfaction	2.1870	.79156	201
Training	2.2265	.83863	201
IMO	2.3253	.85064	201
Staff Facility	2.3657	1.13330	201

**Source: Survey Result, 2016**

From the table above, we can see that training provision, internal market orientation and staff facility have mean scores below the neutral score 3. As shown in the table almost all employees are satisfied. Provision of training, internal market orientation of the hotel and provision of staff facilities are also contributing to the employees' satisfaction. This result will be later tested for its statistical significance in the correlation and regression analysis to follow in this chapter.

#### **4.5 Descriptive Analysis of Selected factors within the independent variables**

A descriptive statistics analysis of selected factors embedded within the independent variables was conducted to test if the result on each factor meets the objective of the research. These selected factors are related to the three dimensions of internal market orientation described in literature as the company's commitment to collect internal-market intelligence, disseminate this intelligence to various levels and departments of the company and design employee-related policies in response to this intelligence. According to Kohli and Jaworski, this conception of internal marketing orientation draws heavily on the "market orientation" paradigm (Kohli and Jaworski, 1990). As such, internal marketing orientation seems quite relevant, particularly for companies in services where employees, front-line and back-office alike, influence the company's output to its customers. Because of this, service companies, in comparison to good manufacturers, have a greater need to develop a symmetric orientation (Piercy, 1995).

In line to the descriptive statistics analysis was conducted and the result of the mean showed that the factors are impacting the satisfaction of the employees. The result also showed that the employees have some reservations to remain neutral by looking at the mean values only. However, to verify that if the means are closer to the neutral value, a one sample t-test was conducted. The one sample t-test showed that the means calculated in the descriptive statistics are very far from the neutral value and the satisfaction of employees is high. Please table 4.5 and Table 4.6 for the above discussed analyses.

**Table 4.5 - Descriptive Statistics of Selected factors of independent variables**

Descriptive Statistics			
	N	Mean	Std. Deviation
The training I attended meets my job needs	200	2.1700	.95691
Employees are selected for training in fair manner in our company	201	2.2488	1.19072
In our hotel, we practice what we attend in trianing	201	2.2836	1.18075
Our company emphasizes on understanding employee needs	200	2.5650	1.29389
Every important decision about our company is shared among employees by the management	199	2.7035	1.32480
Our Management uses formal means of communication to seek information on our needs and express company goals	201	2.5572	1.40284
My supervisor tells me the overall goal of the company	200	2.1600	1.18805
Staff facilities other than bathrooms and toilets provided by the hotel are satisfactory	200	2.4000	1.21548
Valid N (listwise)	195		

**Source: Survey Result, 2016**

**Table 4.6 - One sample T-test**

One-Sample Test						
	Test Value = 3					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
The training I attended meets my job needs	-12.267	199	.000	-.83000	-.9634	-.6966
Employees are selected for training in fair manner in our company	-8.945	200	.000	-.75124	-.9169	-.5856
In our hotel, we practice what we attend in trianing	-8.602	200	.000	-.71642	-.8806	-.5522
Our company emphasizes on understanding employee needs	-4.755	199	.000	-.43500	-.6154	-.2546
Our Management uses formal means of communication to seek information on our needs and express company goals	-4.475	200	.000	-.44279	-.6379	-.2477
My supervisor tells me the overall goal of the company	-9.999	199	.000	-.84000	-1.0057	-.6743
Staff facilities other than bathrooms and toilets provided by the hotel are satisfactory	-6.981	199	.000	-.60000	-.7695	-.4305

**Source: Survey Result, 2016**

## 4.6 Correlation Analysis

The study examines the two hypotheses formulated regarding the relationship between the independent variables and the dependent variable. Correlation analysis was used to determine whether there is association between the dependent and the independent variables.

As per this analysis, Training and Employee Satisfaction are correlated with a correlation coefficient of 0.630 with a significance level of 0.000. This proves that H1 is supported. Training and Internal Market Orientation are correlated a correlation coefficient of 0.657 with a significance level of 0.000. Training and Staff facility are correlated a correlation coefficient of 0.361 with a significance level of 0.000.

Staff facility provision and Employee Satisfaction are correlated a correlation coefficient of 0.763 with a significance level of 0.000. This proves that H2 is supported. Staff facility provision and Internal Market Orientation are correlated a correlation coefficient of 0.619 with a significance level of 0.000

Internal Market Orientation is correlated with Employee Satisfaction with a correlation coefficient of 0.775 and a significance level of 0.000 Refer the below table drawn from for details of the analysis.

**Table 4.7 - Correlation analysis**

		Employee satisfaction	Training	IMO	Staff Facility
Pearson Correlation	Employee satisfaction	1.000	.630	.775	.763
	Training	.630	1.000	.657	.361
	IMO	.775	.657	1.000	.619
	Staff Facility	.763	.361	.619	1.000

**Source: Survey Result, 2016**

## 4.7 Regression Analysis

As correlation between two variables does not entail the causal relationship of variables other than quantifying the degree to which two variables are related. (Daniel, ,1991). Thus, the researcher decided to know how the determinant variables determine independent variable by conducting multiple regression analysis. However, before conducting the regression analysis, the assumptions of normality of the distribution, independency of residuals, and multi collinearity of variables is analyzed.

Normal distribution is detected based on skewness and kurtosis statistics. Skewness is a measure on the asymmetry of a distribution. Whereas, kurtosis measures the extent to which observations cluster around a central point. The acceptable range for normality for both statistics is between - 1.0 and +1.0. As depicted in table 4.7, all variables are within the acceptable range for normality (-1.0 to + 1.0). The kurtosis statistics for all variables are within the suggested range of normality (-1.0 to + 1.0). (Pallant J., 2011)

**Table 4.8 - Normality of the Distribution**

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Training	201	2.2265	.556	.172	-.103	.341
IMO	201	2.3253	.499	.172	-.184	.341
Staff Facility	201	2.3657	.762	.172	-.118	.341
Employee satisfaction	201	2.1870	.611	.172	-.223	.341
Valid N (listwise)	201					

**Source: Survey Result, 2016**

Once the normality of the distribution is verified, multicollinearity was checked. Multicollinearity is a situation when a high correlation is detected between two or more predictor variables. Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the

possibility of multicollinearity. The other value given is the VIF (Variance inflation factor), which is just the inverse of the Tolerance value (1 divided by Tolerance). VIF values above 10 would be a concern. (Pallant J., 2011). As shown Appendix 2, the collinearity among all independent variables is below the recommended value. Another assumption for a multiple regression analysis is to see if residuals are independent. Residuals are the prediction errors or difference between the actual score for a case and the score estimated by the regression equation.

The Durbin-Watson statistic is used to test for independent of residuals. It measures how residuals are related each other across cases. No serial correlation implies that the size of the residual for one case has no impact on the size of the residual for the next case. The value of the Durbin-Watson statistic ranges for 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin- Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50. In this case (shown in the model summary Table 4.8), Durbin-Watson is 1.876, which is within the acceptable range.

**Table 4.9 - Durbin-Watson Statistic**

<b>Model Summary<sup>d</sup></b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.775 <sup>a</sup>	.601	.599	.50117	
2	.855 <sup>b</sup>	.731	.728	.41252	
3	.876 <sup>c</sup>	.767	.763	.38510	<b>1.876</b>
a. Predictors: (Constant), IMO					
b. Predictors: (Constant), IMO, Staff Facility					
c. Predictors: (Constant), IMO, Staff Facility, Training					
d. Dependent Variable: Employee satisfaction					

**Source: Survey Result, 2016**

After checking normality of distribution, independency of residuals and multicollinearity, multiple regressions was carried out. A stepwise multiple linear regression method was

followed to get the smallest possible set of predictors in the model. The independent variables estimated to predict Employee Satisfaction are Internal Market Orientation, Staff facility and Training. Using all these predictors, the stepwise multiple regression analysis resulted three models. Step by step all variables were included. Accordingly the result the following three models were observed. In model 1, if all training and staff facility provision remain constant and only internal marketing orientation is used as predictor, it will have a power of 60.1% to determine the dependent variable. In Model 2, if training remains constant and staff facility provision and internal marketing orientation are used as predictors, they will have a power of 73.1% to determine the dependent variable. In Model 3, if all three predictors, training, staff facility provision and internal marketing orientation are used as predictors, they will have a power of 76.7% to determine the dependent variable.

**Table 4.10 - Regression Analysis**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.509	.103		4.940	.000		
	IMO	.721	.042	.775	17.318	.000	1.000	1.000
2	(Constant)	.366	.086		4.250	.000		
	IMO	.457	.044	.491	10.459	.000	.616	1.622
	Staff Facility	.321	.033	.459	9.784	.000	.616	1.622
3	(Constant)	.189	.087		2.183	.030		
	IMO	.292	.051	.314	5.781	.000	.401	2.496
	Staff Facility	.334	.031	.478	10.875	.000	.613	1.632
	Training	.237	.043	.251	5.495	.000	.565	1.769

**Source: Survey Result, 2016**

**ES** = Employee Satisfaction, **IMO** = Internal market Orientation, **SF** = Staff facility, and **TR**= Training

**The Regression equation is: ES= 0.189 + 0.292 IMO + 0.334 SF + 0.237 TR**

As shown in the above regression analysis, we can compare the contribution of each predictor variable on a unit increase of the dependent variable. For this purpose the researcher will use the data shown in model 3 in the table, whereby all the predictors are included. In this case, if a researcher is interested in only comparing the contribution of each independent variable; the beta values in standardized coefficients column will be in use. While doing this, the value in the sig must be checked first. If the **Sig.** value is less than .05, then the variable is making a significant unique contribution to the prediction of the dependent variable, in this case **Sig. value is .000**, which is within the acceptable range. (Pallant J., 2011).

Thus, these data in the regression table depict that to create a unit increase in the employee satisfaction level, internal market orientation increase 0.314; Staff facility provision internal market orientation increase 0.478; training provision increase 0.251. From this analysis, we can see that staff facility provision has the highest impact on the staff satisfaction.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS**

In this chapter the findings and the result of the research will be presented in line with the analyzed data in the previous chapter. In the previous chapter, reliability of the data was tested followed by different analysis. Descriptive Statistics analysis, correlation and multiple regression analysis were conducted to arrive at the results to be discussed here under.

#### **5.1 Findings and results from the Correlation and Regression analysis**

The correlation analysis result shows that training provision and employee satisfaction are correlated with a correlation coefficient of 0.630 with a significance level of 0.000. This proves that H1 is supported. Staff facility provision and Employee Satisfaction are correlated with correlation coefficient of 0.763 with a significance level of 0.000. This proves that H2 is supported. This finding is in conformity with prior works found in literature. To mention one, According to Rafiq and Ahmed employees need the right type and level of training to perform their jobs. This can help to reduce ambiguity surrounding their role and help employees to meet the needs of customers more effectively and get satisfaction themselves (Rafiq and Ahmed, 2000).

The regression analysis result shows the contribution of the independent variables on a unit change in the dependent variable. Thus, to create a unit increase in the employee satisfaction level, internal market orientation contributes by 0.314; Staff facility provision contributes by 0.478 and training provision contributes by 0.251. From this analysis, we can see that staff facility provision is the highest contributor to employee satisfaction in this research.

## **5.2 Findings and results from the Descriptive Statistics Analysis**

After running descriptive statistics analysis (See Table 4.6) on the important selected factors of the three independent variables, the researcher compared the result of the analysis with the mid value (3), which stands at neutral level in terms of level of agreement by the employees for the factor under discussion. The result shows the following:

- The mean value of response on trainings to the job needs of employees is observed to be 2.1700.
- The mean value of response on fairness of employee selection for trainings is observed to be 2.2488.
- The mean value response of actual application of the trainings employees took to what they practice in real time workings is observed to be 2.2836.
- The mean value of response of employees on emphasis companies exert to understand employee needs is observed to be 2.5650.
- The mean value of response on companies' willingness to making employees be part of important decisions of the companies as partners is observed to be 2.7035.
- The mean value of response on the companies practice in using formal means of communication with their employees is observed to be 2.5572.
- The mean value of response of overall company goal sharing by the supervisors is observed to be 2.1600. This means the employees mostly agree.
- The mean value of response on provision of staff facilities other than bathrooms and toilets is observed to be 2.400.

From the one sample t-test run on the above listed factors, it is noted that employees are in agreement level. One-sample t test showed that there is significant difference of the mean values from the hypothesized value to confirm this.

### **5.3 Conclusion**

The general objective of this study was to examine the impact of internal market orientation of hotels on employee satisfaction in four star hotels in Addis Ababa. As shown in the above findings, all the analyses conducted confirmed that internal market orientation of the hotels has direct impact on the satisfaction of the employees of the hotels. Staff facility provision was depicted to be the major contributor to the impact. This conclusion confirms that the objective of the study is obtained.

Hotel industry is a highly labor intensive and sensitive industry to conduct; as it involves a lot of touch points between customers and employees. Unlike other service industries, it is also characterized by selling highly perishable product (rooms). Rooms, unless sold for the day in consumption, perish for good and the hotel cannot get revenue for the past day. Selling a room involves a lot of touch points. Furthermore, the expectation of the consumers is also very high. Thus, the satisfaction of the consumers is highly related to the satisfaction of the internal customers (employees). As literature says, this in other words means the external market orientation of hotel industry can be achieved by symmetrically achieving the internal market orientation. That is why the research wanted to examine to impact of internal market orientation on employee satisfaction and proved that the impact is significant in general.

Four specific objectives were set at the beginning of the study. These are: describing the adequacy of facilities to the staff; finding out how employees perceive the facilities offered by the hotels; finding out if the hotels conduct systematically designed employee training programs; finding out the outcome of the training on employee satisfaction; the result showed that the hotels under study. Most of the employees agree that the staff facilities are adequate and are satisfied with them provisions. The employees are getting trainings with which they are also satisfied with.

Finally, the research has shown that the impact is found to be significant.

## **5.4 Recommendations**

Now that the impact of internal market orientation on employee satisfaction is well noted, the following are recommended:

- ✓ The hotels need to keep track of the current level of satisfaction of their employees by consistently providing trainings that are timely and relevant to each employee.
- ✓ Hotels need to conduct trainings and evaluate the result of all trainings on performance of their employees. They need to keep track records of the same.
- ✓ Hotels need to conform their services to be in line with what they trained their staff
- ✓ The hotels need to involve their employees to take part in important decision making process of the organization so that they can keep them for strategic alliance. This can be done using formal means of communication of employee input collection methods such as using questionnaires and job satisfaction surveys, interviews performance appraisals and meetings. According to Lings & Greenley (2005) these are important modes of information generation (one of the dimensions of internal market orientation).
- ✓ This research revealed that employees' satisfaction with regards to staff facility is good. This level of satisfaction needs to be maintained and improved from time to time.

Finally, all the above recommendations can be implemented if only hotels decide to listen to the employees and develop a more responsive behavior by the hotels. In today's knowledge economy, the value of the human capital has become greater than the value of fixed assets (Stershic, 2001). Internal information generation by firms is a recognition of the need to guide organizational action through enhanced understanding of things of value that are exchanged in the internal market and also for organizations to have an understanding of employee capabilities as well as their needs and wants (Lings, 2004; Ewing and Caruana, 1999).

## **5.5 Limitations of the Study and Further works needed**

This study considered only employees of four star hotels by excluding managers and owners of the hotels under study. It is also limited to study only a portion of the hotel industry in Addis Ababa. Furthermore, it did not include all the factors of internal market orientation of the hotels under study. Thus, it lacks the inputs of those excluded stakeholders and factors of internal market orientation. However, this research can be used as base for future more elaborate empirical works. Future researches can be done on individual internal market orientation factors such as type of training, frequency of training, and relevancy of trainings, modes of trainings, benefits, rewards, and kinds of staff facilities hotels provide to their employees and etc... Thus, the researcher recommends fellow researchers to do a more elaborate empirical work to help the development of industry in Ethiopia.

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## Appendix 1- Calculated Table for Sample Size Required Sample Size<sup>†</sup>

Population Size	Confidence = 95%				Confidence = 99%			
	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583
100,000	383	778	1513	8762	659	1336	2585	14227
250,000	384	782	1527	9248	662	1347	2626	15555
500,000	384	783	1532	9423	663	1350	2640	16055
1,000,000	384	783	1534	9512	663	1352	2647	16317
2,500,000	384	784	1536	9567	663	1353	2651	16478
10,000,000	384	784	1536	9594	663	1354	2653	16560
100,000,000	384	784	1537	9603	663	1354	2654	16584
300,000,000	384	784	1537	9603	663	1354	2654	16586

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## Appendix 2- Reliability Test

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The training I took was relevant to my job	63.0104	446.869	.479	.948
Overall I am satisfied with the training I attended	62.8021	442.610	.549	.948
The training I attended meets my job needs	62.7552	444.688	.512	.948
The training I took helped me to improve my performance	62.7604	443.126	.549	.948
I feel free to communicate my supervisor to organize training for me	62.5938	436.661	.600	.947
Employees are selected for training in fair manner in our company	62.6719	432.536	.663	.947
My supervisor regularly assesses my needs for training	62.4688	429.067	.713	.946
In our hotel, we practice what we attend in trianing	62.6406	434.012	.633	.947
I am empowered to make decision in relation to my job	62.6927	438.706	.515	.948
My supervisor tells me the overall goal of the company	62.7500	433.864	.637	.947
Our company emphasizes on understanding employee needs	62.4010	425.885	.752	.946
My supervisor regularly gives me chance to express myself	62.6510	431.537	.701	.946
Our management seeks to find out what competitors do for their employees	62.2292	429.308	.674	.946
Every important decision about our company is shared among employees by the management	62.2083	427.202	.680	.946
I feel free to communicate with other employees for work related matters	62.8333	435.019	.642	.947
I feel that I belong to the company	62.9896	433.110	.739	.946
I am proud working for this company	62.9531	434.746	.676	.946
I clearly know what my role is in the company	63.1510	443.574	.559	.948
I clearly know what the role of every employee in the company	62.8906	442.339	.567	.947
My supervisor gives me feedback most of the time	62.7604	435.817	.618	.947
Our Management uses formal means of communication to seek information on our needs and express compaqny goals	62.3490	438.239	.452	.949

*Impact of Internal Market Orientation on Hotel Employees Satisfaction*

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	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Employees are treated equally in my company	62.3438	427.525	.646	.947
I can proudly recommend our company for guests to use	63.0729	440.675	.573	.947
The staff bathrooms meet employees' needs fully	62.8229	436.995	.581	.947
The provision of staff toilet is satisfactory in our hotel	62.6510	435.904	.569	.947
Staff facilities other than bathrooms and toilets provided by the hotel are satisfactory	62.5469	435.506	.601	.947
I am satisfied with the overall provision of staff meals	62.1979	436.034	.527	.948
Our management strives to improve employee facilities from time to time	62.2865	429.577	.643	.947
In general, our hotel's physical working environment is conducive	62.8906	433.627	.642	.947

**Source: Survey Result ( 2016)**

### Appendix 3- Regression Analysis

Model Summary<sup>d</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.775 <sup>a</sup>	.601	.599	.50117	
2	.855 <sup>b</sup>	.731	.728	.41252	
3	.876 <sup>c</sup>	.767	.763	.38510	1.876

a. Predictors: (Constant), IMO

b. Predictors: (Constant), IMO, Staff Facility

c. Predictors: (Constant), IMO, Staff Facility, Training

d. Dependent Variable: Employee satisfaction

**Source: Survey Result ( 2016)**

### Appendix 4- Regression Analysis

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Std. Error	Standardized Coefficients		t	Sig.	Correlations			Collinearity Statistics		
	B	Std. Error		Beta				Zero-order	Partial	Part	Tolerance	VIF	
1													
(Constant)	.509	.103			4.940	.000							
IMO	.721	.042	.775		17.318	.000	.775	.775		.775		1.000	1.000
2													
(Constant)	.366	.086			4.250	.000							
IMO	.457	.044	.491		10.459	.000	.775	.597	.385	.597	.385	.616	1.622
Staff Facility	.321	.033	.459		9.784	.000	.763	.571	.361	.571	.361	.616	1.622
3													
(Constant)	.189	.087			2.183	.030							
IMO	.292	.051	.314		5.781	.000	.775	.381	.199	.381	.199	.401	2.496
Staff Facility	.334	.031	.478		10.875	.000	.763	.612	.374	.612	.374	.613	1.632
Training	.237	.043	.251		5.495	.000	.630	.365	.189	.365	.189	.565	1.769

a. Dependent Variable: Employee satisfaction

Source: Survey Result (2016)

## Appendix 5- Regression Analysis

**Excluded Variables<sup>c</sup>**

Model	Beta In	t	Sig.	Partial Correlation	Collinearity Statistics			
					Tolerance	VIF	Minimum Tolerance	
1	Training	.213 <sup>a</sup>	3.697	.000	.254	.569	1.758	.569
	Staff Facility	.459 <sup>a</sup>	9.784	.000	.571	.616	1.622	.616
2	Training	.251 <sup>b</sup>	5.495	.000	.365	.565	1.769	.401

a. Predictors in the Model: (Constant), IMO

b. Predictors in the Model: (Constant), IMO, Staff Facility

c. Dependent Variable: Employee satisfaction

**Source: Survey Result ( 2016)**

**Collinearity Diagnostics<sup>a</sup>**

Model	Dimensi on	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	IMO	Staff Facility	Training
1	1	1.939	1.000	.03	.03		
	2	.061	5.658	.97	.97		
2	1	2.854	1.000	.01	.01	.01	
	2	.098	5.404	.58	.00	.59	
	3	.048	7.689	.41	.99	.40	
3	1	3.788	1.000	.01	.00	.01	.00
	2	.111	5.843	.13	.00	.68	.12
	3	.069	7.425	.86	.07	.01	.30
	4	.033	10.776	.00	.93	.30	.58

a. Dependent Variable: Employee satisfaction

**Source: Survey Result (2016)**

## Appendix 6- Regression Analysis

**Residuals Statistics<sup>a</sup>**

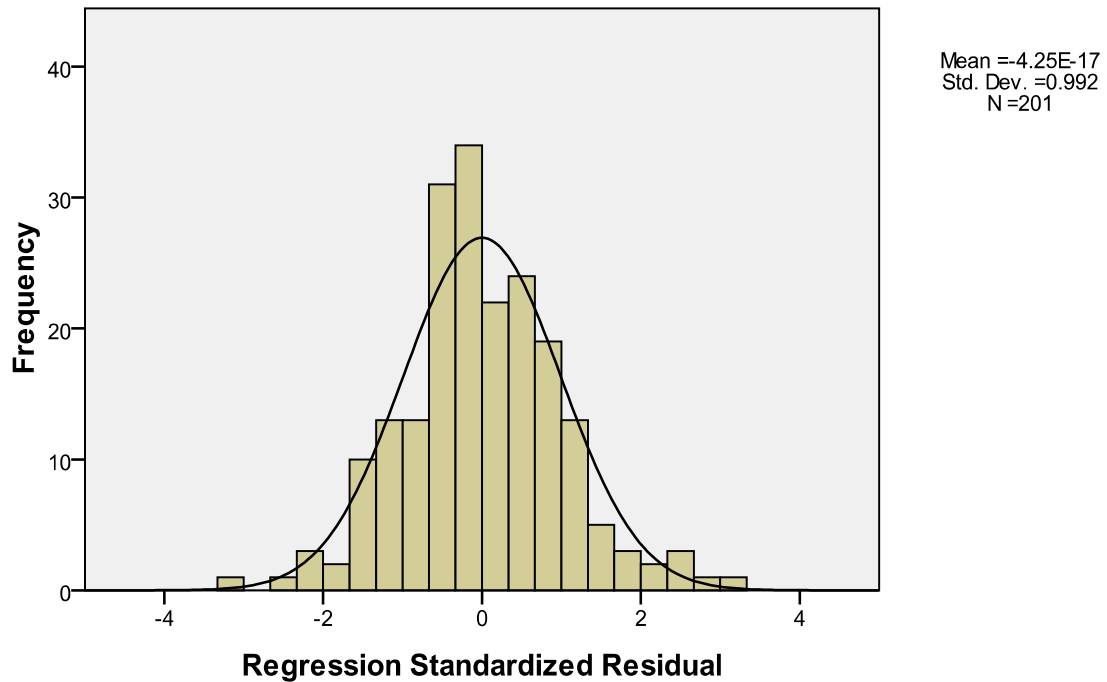
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.0526	4.3472	2.1870	.69318	201
Residual	-1.18760	1.24139	.00000	.38221	201
Std. Predicted Value	-1.637	3.116	.000	1.000	201
Std. Residual	-3.084	3.224	.000	.992	201

a. Dependent Variable: Employee satisfaction

**Source: Survey Result (2016)**

### Histogram

**Dependent Variable: Employee satisfaction**

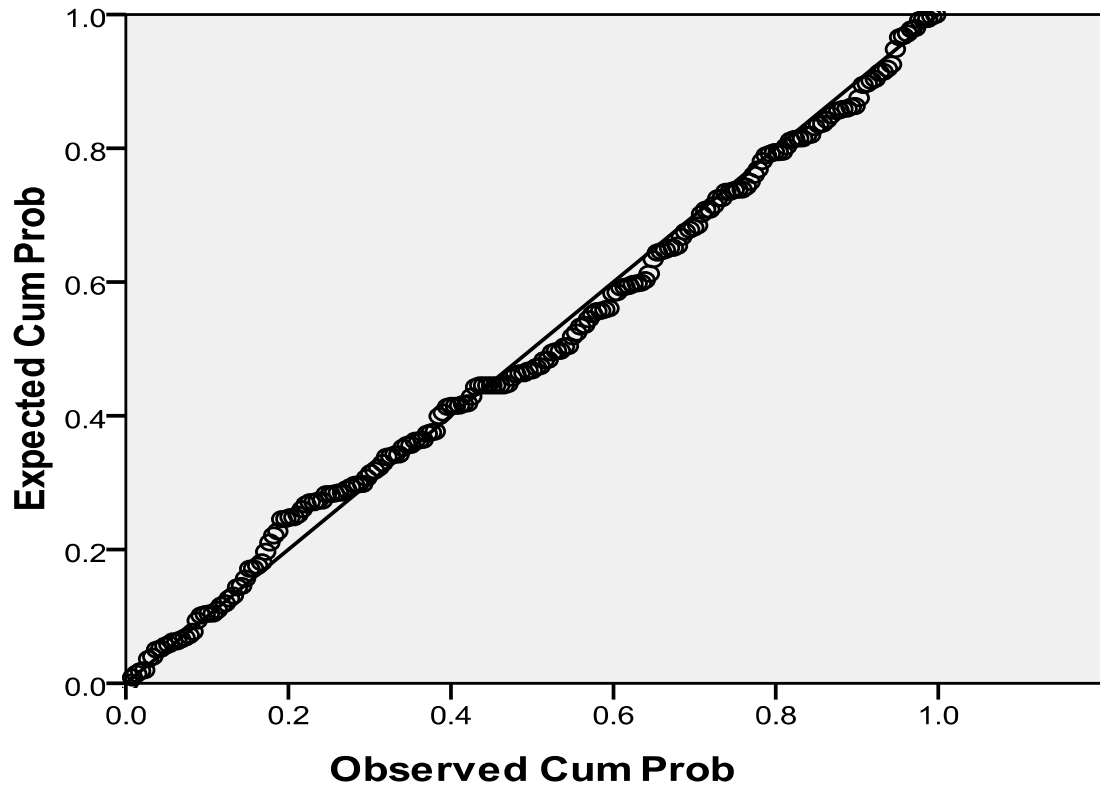


**Source: Survey Result (2016)**

## Appendix 7- Regression Analysis

### Normal P-P Plot of Regression Standardized Residual

**Dependent Variable: Employee satisfaction**

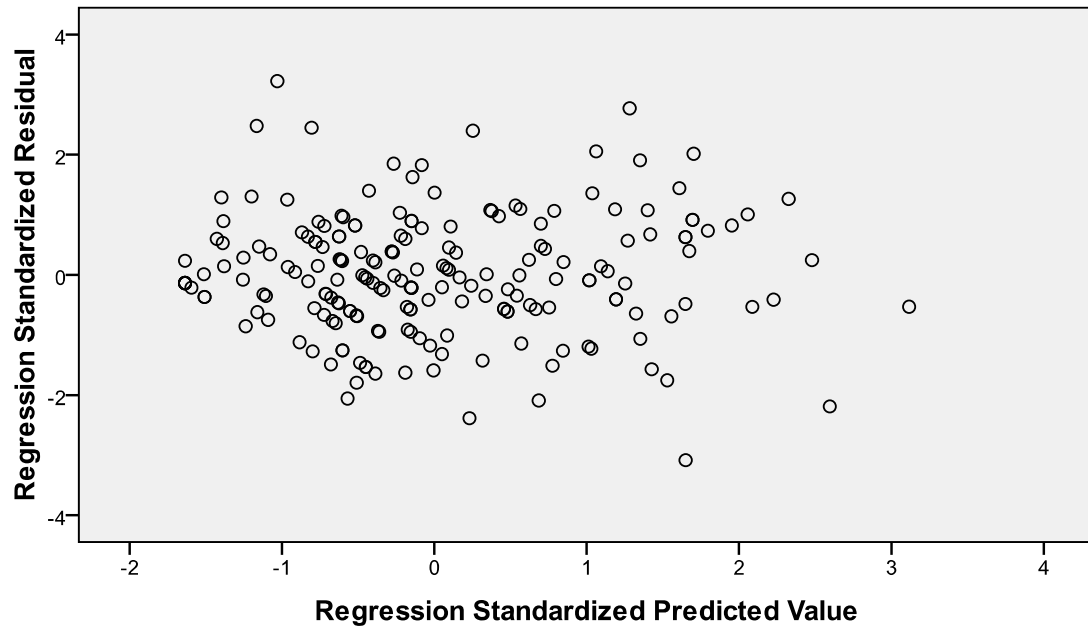


Source: Survey Result (2016)

## Appendix 8- Regression Analysis

### Scatterplot

Dependent Variable: Employee satisfaction



Source: The researcher, based on data analysis.