



**THE INFLUENCE OF INTERNAL MARKETING ON
EXTERNAL SERVICE QUALITY
A CASE OF NYALA INSURANCE S.C**

**BY
FEKADU TIRUNEH**

**JUNE 2020
ADDIS ABABA, ETHIOPIA**

Addis Ababa
University
(Since 1950)



**THE INFLUENCE OF INTERNAL MARKETING ON EXTERNAL SERVICE
QUALITY**

A CASE OF NYALA INSURANCE S.C

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERISTY, COLLEGE OF
BUSINESS AND ECONOMICS, SCHOOL OF COMMERCE
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD
OF MA IN MARKETING MANAGEMENT**

**BY
FEKADU TIRUNEH**

**ADVISOR:
BELAYNESH TEFERA (Ph.D.)**

**JUNE 2020
ADDIS ABABA, ETHIOPIA**

ADDIS ABABA UNIVERISTY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE

MARKETING MANAGEMENT GRADUATE PROGRAM UNIT

THE INFLUENCE OF INTERNAL MARKETING ON EXTERNAL
SERVICE QUALITY

A CASE OF NYALA INSURANCE S.C

BY
FEKADU TIRUNEH

APPROVED BY BOARD OF EXAMINERS

Thesis Advisor

Signature

Date

Belaynesh Tefora



July 6, 2020

Internal Examiner

Signature

Date

Dr. Andenet Worku



28/06/2020

External Examiner

Signature

Date

Declaration

I, Fekadu Tiruneh, declare that the thesis entitled “**The Influence of Internal Marketing on External Service Quality, the case of Nyala Insurance S.C.**” is my original work. I have carried out the present study independently with the guidance and support of my advisor, Belaynesh Tefera (Ph.D.). Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not submitted for the award of any degree or diploma program in this or any other institution.

Name and Signature

Date

 pdfelement

Acknowledgements

First and foremost, I would like to express my deepest gratitude to the almighty God for his blessing and for making me to accomplish this great achievement. Second, my appreciation goes to my advisor Belaynesh Tefera (Ph.D.), for her professional assistance, patience and understanding for the successful completion of this thesis. Thank you so much for your helpful reviews, comments and suggestions.

Thirdly, I am very grateful for my family who has been supporting me in every aspect of my life. To my dearest mother, Woyneshet Tefera and all my friends, especially Habtamu Eritro, Yodit Lemma, and Melat Tadesse. You have played a great role for this thesis work come to end, I have no words to express my heartfelt thanks. May God bless you all.

Finally and most importantly, I would like to acknowledge all the participants of this study who gave their time and valuable information as well as the executive management of Nyala Insurance S.C for allowing me to continue my further study.

Acronyms

NISCO– Nyala Insurance S.C

IM- Internal Marketing

IMP- Internal Marketing Practices

HRM– Human Resource Managment

SQ– Service Quality

SERVPERF– Service Performance

SERVQUAL – Service Quality



Table of Contents

	Page No
Chapter One	
1. Introduction.....	1
1.1. Background of the Study	1
1.2. Statement of the Problem.....	3
1.3. Research Question	6
1.3.1. General Research Question	6
1.3.2. Specific Research Question	6
1.4. Objective of the Study.....	7
1.4.1. General Objective.....	7
1.4.2. Specific Objective	7
1.5. Significance of the study.....	7
1.6. Scope and Delimitation of the study.....	7
1.7. Limitation of the study.....	8
1.8. Organization of the Study	8
Chapter Two: Review of Related Literature	
2.1. Theoretical Literature Review	9
2.1.1. Historical Background of Internal Marketing	9
2.1.2. Internal Marketing	10
2.1.3. The Essence for Internal Marketing	11
2.1.4. Constitutes of Internal Marketing	12
2.1.4.1. Internal Communication	12
2.1.4.2. Employee Empowerment	12
2.1.4.3. Employee Training	13
2.1.4.4. Employee Reward	13
2.1.5. Service Quality	14
2.1.5.1. Service Quality Dimensions	14
2.1.6. The Link between Internal Marketing and External Marketing	15
2.1.7. Influence of Firms' Internal Marketing on External Service Quality	15
2.2. Empirical Literature Review	16
2.3. Conceptual Framework	18
2.4. Research Hypothesis	19
Chapter Three: Research Methodology	
3.1. Research Approach	20
3.2. Research Design	20
3.3. Population Sampling	21
3.4. Data Collection Procedure.....	21
3.5. Data Analysis	22

3.6 Validity Analysis	23
3.7 Reliability Analysis.....	24
3.8 Structure of Research Questionier	25
3.9 Ethical Consideration	25
ChapterFour:DataAnalysisandPresentation	
4.1 Sample and Response Rate.....	26
4.2. Validity and Reliability of the Study	26
4.2.1 Validity of the Study	26
4.1.2 Reliability of the Study	27
4.3 Descriptive Analysis.....	27
4.3.1 Gender of Respondents	27
4.3.2 Age of Respondents	28
4.3.3 Educational Qualification of Respondents	28
4.3.4 Job Title of Respondents	29
4.3.5 Respondents Year of Experience	29
4.3.6 Description of Internal Marketing	30
4.3.7 Description of External Service Quality	31
4.3.8 Regression Analysis	32
4.3.9 Hypothesis Testing and Interpretation of Results	36
4.3.10 Discussion	37
ChapterFive:Conclusion,Recommendation,andImplication	
5.1 Introduction.....	39
5.2 Conclusion.....	39
5.3 Recommendation.....	41
5.4 Implication.....	42
Bibliography.....	44
Appendix	48

List of tables

Table 3.1: Total number of professional staff in NISCO and sample size determination	21
Table 4.1: Response Rate of Questionnaires Administered	26
Table 4.2: Reliability test result for the questionnaire	27
Table 4.3: Gender of respondents	27
Table 4.4: Age of respondents	28
Table 4.5: Educational level of respondents	28
Table 4.6: Job Title of the respondents	29
Table 4.7: Respondents' years of experience in the company	30
Table 4.8: Indicators Mean Std. Deviation	30
Table 4.9: Indicators Mean Std. Deviation	31
Table 4.10: Reliability Statistics	31
Table 4.11: Regression Model Summary	32
Table 4.12: Regression Coefficients	33
Table 4.13: Regression Coefficients	34
Table 4.14: Summary of Overall Outcome of the Research Hypothesis	36

Listoffigures

Figure 2.1: The conceptual model 18



Abstract

The objective of this study is to investigate the influence of internal marketing on external service quality in Nyala Insurance Company (NISCO).

Eventhough the growing importance of people in service sectors are supported in main literatures there are still problems where traditional approaches of managing business that dully focus on external customers' satisfaction is still a believes of many firms.

The population of interest in this study was professional frontline staffs of NISCO. One hundred sixteen questionnaires were distributed and 108 questionnaires were returned, yielding a response rate of 93.1%. The regression analysis shows that Internal communication, Employees' training, and Empowerment are significant to explain the variation in external service quality.

The findings reveal that there is significant influecne of internal marketing dimation: Internal communication, Training, and empowerment; on external service quality except for one dimation only i.e. reward/performance incentive which has insignificant influence. It is recommended that there is need for NISCO to sensitized of their role in spearheading internal marketing initiatives, for a more proactive approach and for effective implementation of internal marketing strategies. The study will be of value to future scholars by stimulating further research to develop a better understanding of internal marketing best practices applied in Ethiopian insurance industry.

CHAPTER ONE

INTRODUCTION

In this section the background information about general service marketing and its development are discussed. Moreover, changes in the mind set related with IM (Internal Marketing) in service sectors which undergone a rapid internal restructuring and ever changing external business environment will be entertained. In addition, this part portrays research problems, questions and objectives of the study, significance, scope & delimitation, and limitations are put in place briefly.

1.1 Background of the Study

Marketing of services is the art of managing the customers' expectations and aspirations, created through the creative communication strategies. It is all about managing the promises-promises made to the customers and promises kept (Zeithaml and Bitner, 2005). People (employees), also known as internal customers in the context of services marketing, play a major role in fulfilling these promises to the external customers. The classical framework of services triangle, describes three types of marketing that must be carried out seamlessly for a service to succeed i.e. external marketing, interactive marketing and internal marketing (Kotler, 1990; Bitner, 1995 and Gronroos, 1999).

On the other hand, however, companies focus only on external relationships, partially or totally neglecting internal relationships (Gummesson, 2003). Building an organization that cares for each individual client always starts with building strong internal relationships. All companies that are able to do so will obtain higher performances. Originating in services marketing, the concept of internal marketing approaches the problem of building internal relationships by treating the employees as the company's first customers (Bruhn, 2001)

The concept of Internal Marketing (IM) is a relatively new approach that has been investigated by researchers and adopted by companies in order to enhance the quality of their products and services and to achieve a better performance. Today, businesses have found it indispensable to look inward and assess their operations internally. A change in mindset has emerged through research that is conducted in this area where companies are regarding their employees as customers. The vitality of Internal Marketing more highlighted in selling of Service product

when customers pay for service products; they evaluate Service Quality (SQ) according to their predetermined expectations with respect to how service employees should behave. Thus, the willingness of service employees to deliver quality service plays a significant role in an organization's attempts to satisfy customer expectations (Humborstad et WhitfieldR (2008).

In a Service organization, the services quality is one of the most important factors to retain and gain new customers. One of the most important factors which can employ the employees' skills, attitudes and behavior in better providing the services quality is internal marketing (Bairstow & Skinner, 2007).

Ahmed (2002) explained Internal marketing as a tool to create motivated customer oriented employees by using marketing tools to satisfy employees' needs by treating both organization and jobs it offers as products.

Firms must put more care on and satisfy employees' demand, commitment and inspiration in work and then push the employees to provide better service attitude and quality to customers. Lings (2004) pointed out that many researchers neglect one important focus, the demand of internal employees, especially those who directly get touch with customers. Satisfied customers can be achieved if the employees are satisfied (Kotler,1990).

The vitality of internal marketing more bring to light in selling of service like insurance product when customers evaluate service quality according to their predetermined expectations with respect to how service employees should behave. Thus, the willingness of service employees to deliver quality service plays a significant role in an organization's attempts to satisfy customer expectations (Yafang & Wang, 2011).

By fulfilling internal customers' needs, workers become more motivated and devoted to offer a high quality of service, ensuing in external customers' expectations being well satisfied (Kotler, 1991). As a result IM is a means for altering employees' attitude and behaviors toward organizational goals, and meeting customers' expectation (Gronroos, 1990; Zeithaml & Bitner, 2002). Therefore, internal marketing is useful in attaining service superiority.

In due course, Nyala Insurance S. C. (NISCO) was established in 1995 pursuant to the enactment of the Insurance Business Licensing and Supervision Proclamation 85/1994 to engage in general insurance business with a subscribed capital of Birr 25 million and paid-up capital of Birr 7 million. Over the course of time NISCO continued to expand its service offerings, distribution channel, and financial capacity. Accordingly, NISCO resumed Life insurance business in August

2005 and Micro-insurance service in 2007. Currently, NISCO raised its paid up capital to 340 million Birr and guarantees protection with care to its customers through three pronged services:- General, Long-Term and Micro-insurance solutions with a network of 45 service outlets (30 Service Centers and 15 Contact Offices) distributed all over the country. NISCO have a total of 378 permanent employees. Undeniably, NISCO becomes one of the leading private insurance companies in Ethiopia. (Company Profile, 2019).

Nyala Insurance S.C, like any other insurers in the country, is selling promise to its clients. The Insurance products are standardized in nature and difficult to differentiate easily with other competing brands and hard to achieve customer satisfaction in the traditional way.

This research, therefore aim to assess the influence of Internal Marketing (IM) on external service quality at Nyala Insurance S.C with a particular emphasis on frontline Staffs i.e. Underwriters, Claims Officers, Cashiers and Managers found in Addis Ababa.

1.2 Statement of the Problem

Many literatures on IM frequently mention that businesses that wants to deliver better quality to satisfy its external customers should first solve any problems related to internal customer unfulfilled need because, fulfilling employee needs enhances employee motivation and retention, and as a consequence the higher the degree of employee satisfaction, the higher the possibility of generating external satisfaction and loyalty. Zampetakis and Moustakis (2007).

According to Greene et al., (1994) methods for efficiently improving Service Quality (SQ) are pertinent to Internal Marketing (IM) because in offering a service, employees not only represent the organization but also provide a crucial so-called 'service encounter' (Carr 1990, Tansuhaj et al. 1991). Kotler (1991) defines IM as a method that organizations use to hire and maintain employees and to motivate them to provide better services to customers.

There are two important dimensions of service that makes quality internal marketing invariably significant for service sectors; first because of the intangibility element of the service products, where customers most often rely on such tangible cues to judge the service performance. Second simultaneous production and consumption of service that makes each service encounters significant in determining customers' satisfaction. As Ferguson and Brown (1991) argued that the function of marketing is not only to provide products for sale, but also to take care of the staff where direct human contact between customer-contact employees and the customer is demanded, because of the simultaneous characteristic of service. Consequently, employee relations and their

interaction with customers become critical in providing a quality service.

IM is based on the notion that organizations providing employment security are committed to their workforce and that when internal customer needs are fulfilled through IM, their satisfaction will increase. The promotion of staff satisfaction should also increase, with good SQ resulting in promotional marketing activities (Bansal et al., 2001).

To put more, personnel of the firm are considered as one of the additional service marketing mix who are all human factors involved in service delivery where the way they appear, behave, handle transactions and complaints become the basis for evaluating service.

Further Harvir S. Bansal.,(2001) differently stated that it has been intimated that organizations should put employees first since customer loyalty can only occur if and only if the employees of a service organization subscribe to this relationship building orientation. Thus IM is the only factor for effectively implementing this relationship.

Since service delivery occurs through individual dealings among service providers and customers (Goran 2006), the service encounter throughout service delivery process mostly determines the degree of service quality delivered to clients (Malhotra & Mukherjee 2004).

In the service organization, employees are vital part as the service 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 as service encounters are labeled as moments of truth where contact employees have undoubtedly one of the most difficult yet rewarding jobs in the service organizations (Rajnarag, Ghaziabad, 2010).

Besides this one side perspective of business firms, employees also want their managers or employers to understand their emotions and intellect; want to be treated as individual; require open and direct communication channel with top executives where unless this requirements are fully met, employees will be less committed towards their job which could ultimately influence their satisfaction and productivity in the long term.

Aragon- Sanchez, Barba-Aragon and Sanz-Valle (2003), and Katou and Budhwar (2007) found that training has a positive effect on quality, whereas Ely (2004) reported that training has a significant and positive effect on customer satisfaction. Similarly, Johnson (1996) gives proof of a relation among service training and customer satisfaction. They found that service training programmes were helpful in facilitating customer satisfaction.

On the other hand, Organizations may simply propose service promises, though promises cannot easily be seized by companies unless otherwise employees are suitably rewarded (Zeithaml & Bitner, 2002). Rewards like salary increments, bonuses, strategic rewards, and advancement are mostly to encourage employees to comply with companies' vision and missions. (Y. Tsai and T.-W. Tang, 2008)

Organizations can use internal marketing practices by presenting and communicating companies' visions to employees with enthusiasm, to rapidly set up organizational service culture (Morgan, 1991). While service culture is created, service providers will be aware of that superior customer service is expected, and they will more likely to offer superior service (Liao & Chuang, 2004).

Most external customers spots on the course of action of service occurrence and as a result, it is vital to know behind the scene processes for the appropriate execution at the moment of truth, while the transactions occur. Undoubtedly in the marketing of services this interactive process is a crucial aspect as it enables the development of long-term relationships thereby assuring customer retention and long-term success (Albert and peter, 1998).

Insurers are performing and sell identical services; they can only distinguish base on the manner at which they delivery their services. Service delivery is basically depends on how employees go by the laid down process of the company. There is therefore the need to practice internal marketing in the insurance company with the intention that satisfied employee can easily satisfy clients who patronize their services.

However, little or no attention has been given to the impact of internal marketing on SERVQUAL in the insurance industry particularly in developing countries like Ethiopia.

In addition, most research in the field concentrated on conventional marketing method which only target external customers (Zeithaml & Bitner, 2005). Hence, there is great need to establish the internal marketing strategies which leads to satisfied employees and satisfied customers (Pervaiz et al., 2002).

Besides, indication of perceived service quality gaps are becoming evident in the insurance sector where one could observe some of this problems like; elongated claim handling, incompetent service delivery, dishonored and offensive staffs. All this negative perception and response of customers might be the outcome of unsuccessful internal marketing programmes that fails to

achieve its target and surfeit the company with an enormous cost and it will ultimately result in low customer satisfaction, and loyalty.

Hence, this research attempts to investigate the impact of IM programs on service performance perception empirically by evaluating the proposed IM frameworks in NISCO from the view point of employees.

Furthermore, to the knowledge of the researcher, little is known about the relationship among Internal Marketing and Service Quality in the context of Insurance Industry. The previous researches in the field showed the relationship between Internal Marketing and Service Quality (Shahri and Andervazh 2015). However, the influence of Internal Marketing on Service Quality has not been yet covered and this study tried to assess the combined effects the aforementioned variables in the context of Insurance Company. The present study will add some knowledge in this gap.

1.3 Research Questions

1.3.1 General Research Questions

This research intends to answer the following research question: How internal marketing influence the external service quality in the case of Nyala Insurance S.C?

1.3.2 Specific Research Questions

This research has tried to answer the following questions:

1. How much effectual Internal Communication impact external Service Quality?
2. Is Empowering of employees has greater impact on external Service Quality?
3. Is employee Trainings has greater influence on external Service Quality?
4. Do strategic rewards have greater impact on external Service Quality?

1.4 Objectives of the study

1.4.1 General Objectives

To examine the influence Internal Marketing Practices on External Service Quality in the case of Nyala Insurance SC.

1.4.2 Specific Objectives

- To examine how Internal Communication impact External Service Quality.
- To determine the effect of empowering employees has on External Service Quality.
- To investigate the effect of trainings on External Service Quality.
- To find out whether strategic rewards have greater impact on External Service Quality.
- To pin point the dominant dimensions of IMP which influence SQ.
- To understand the weak point in the company's practice of IMP which influence SQ.

1.5 Significance of the Study

Any kind of research has something to add to the accumulated body of knowledge of mankind but it is also used to solve particular problem at hand such as in our case. This study have a good deal of lesson because it is conducted in a financial institution with many years of experience in service provision and the chronic problem customers complain these days.

The study is also being useful to various stakeholders such as the Staff and Management of NISCO, researchers, student researcher, etc. Moreover, the management of NISCO will be informed of how IM strategies of the Company influence the overall Service Quality.

The study will value to the future scholars by stimulating future research to develop better understanding IM and SERVQUAL and it will also contributes to the wider body of knowledge in marketing, and corporate world.

1.6 Scope and Delimitation of the study

This study focused on the influence of internal marketing on external service quality. The study is limited to only service organizations and to only one Company, Nyala Insurance S.C. In addition, this study focused on the elements of internal marketing i.e. Effective communication,

Effective employee empowerment, Employee service training, and Reward System that influence Service Quality. Other elements that are involved in internal marketing are excluded since factors taken individually may have very small effect plus it is unmanageable to include all elements within this study. It is worth noting that the term employee in this study refers to front-line employees.

1.7 Limitation of the Study

The study focused in Nyala Insurance S.C, which might limit the inference of the study's results to the entire companies in the industry.

The study depends on the information it gets exclusively from professional front line employees i.e. mainly Underwriters, Claims Officers, Cashiers and Managers found in different branches of NISCO to assess the IM practices.

Since the study employs simple random sampling technique to target its employee participant there might be some demographic characteristics, such as gender, position, and department that could have an impact on both groups of respondents' behavior.

On the other hand, because of the inherent set back of the sampling techniques, few important employees were skipped who have different experience.

1.8 Organization of the study

This research contains five chapters. The first Chapter consist an introduction or background of the study, statement of the problem, research question [general and specific questions], and objective of the study [general and specific objectives], Significance of the study, Scope and delimitation of the study, limitation of the study and organization of the study also included. Chapter two encompasses a detailed critical review of literature, the chapter comprises two strings i.e Theoretical and Empherical litrature. This chapter also scrutinize conceptual framework. Chapters three report the research methodology details as a whole. Chapter four includes data analysis and presentation. Chapter 5 covers conclusion, recommendation and implications.

CHAPTER-TWO

REVIEW OF RELATED LITERATURE

Organizations can advance frontline employees' satisfaction by means of internal marketing (Groenroos, 1990). Moreover, internal marketing may also direct front line employees to be more willing and able to deliver a high quality of service to external customers. Accordingly, internal marketing will be determinant factor on service quality.

2.1. Theoretical literature Review

2.1.1 Historical Background of Internal Marketing

Some scholars argue that the development of the service economy in the seventies forces service firms to recognize that its most critical productive resource is its workforce. John and Zahid (2003) say the concept of IM is a relatively recent departure from more traditional notions of marketing. In particular, service marketing literature could be credited as a major contributor to IM that advances academic debate in IM field and increasing its relevance across a wide range of academic research activities. As (Jos Bartels 2006) declared "Several authors have emphasized the importance of internal marketing as being part of the conceptual framework of service marketing. At the individual level Berry (1981) is credited for coining the term IM". He suggests that IM can be considered as "viewing employees as internal customers, viewing their jobs as internal products." In the same gesture, (Uchenna Paschal, 2008) stated that the emergency of IM traced back to 1970s which result from changing scenario in the nature of internal business environment which increased their focus on employee performance as a key to organizational performance.

However, there is still confusion and area of blur about the exact domain of IM where authors are still in conflict on whether it is the domain of service marketing practice or HR program. In the marketing dimension as noted by Nordic School of Service Marketing recognizes that internal marketing, as well as being a set of marketing tools, is a philosophy that actively promotes motivation, rather than using the passive approach used traditionally.

Emphasizing its multidimensional aspect Joseph (1996) defines IM as the function of marketing, HRM, and allied theories, techniques, and principles to motivate, mobilize, co-opt, and manage employees at all levels of the organization as to continuously develop the way they serve external customers and each other.

There are studies which treat IM as both by creating a model of internal marketing which integrate aspect of HR management and services marketing literature.

As Harvir (2001) noted employees should be viewed as assets and investing on their development should not be considered as a cost that must be controlled instead they should continue investing in with extensive training and career development. This HR management style is used with the implicit purpose of increasing organizational performance by ensuring that employees are committed to the organization and its goals.

Sasser and Arbeit were among the first to use the term “internal marketing” to refer to their assertion that employees are the first market of the firm. Employees are essential and central to delivering the services that are provided, thus they must be knowledgeable and motivated.

2.1.2 Internal Marketing

Berry (1981) pinpointed that employees are just like customers. It is necessary to understand the employees' requirements to make them satisfied with a working environment (physical and psychological environment), get along with colleagues, and obey a leaders' supervision from work in order to provide a high quality service to customers. Grönroos (1984) proposed the Service Triangle and claimed that the service business should not only market to external customers but also need to market to internal employees, so they can provide good service through interactive marketing. The marketing target of internal marketing is called internal product, and its marketing object is internal customers (Hsaio, 1997). Kotler (1991) considered that internal marketing is successfully in applying employment, training and motivation methods to make employees concerned customers.

An organization should emphasize internal marketing before external marketing. If an organization does not provide employees internal marketing, external marketing cannot perform smoothly.

The purpose of internal marketing is to facilitate an organization to build an efficient internal management environment and make employees work hard to accomplish its organizational goals (Wu & Huang, 2000; Chang, 2007). Considerable number of scholars believes the importance for an organization to identify its employees. An organization should treat employees as internal customers to give them organizational visions by applying marketing concepts and manage different types of exchange relationship through internal communication methods such as training, motivation, and evaluation to build an efficient internal management environment, so they will accept organizational missions and goals and increase satisfaction and loyalty to achieve the expected organizational goals (Berry, 1981; Rafiq & Ahmed, 2000; Johnson et al., 1986; George, 1990; Joseph, 1996; Cetin, 2006; Shen, Yang, & Kuo, 2006; Chang & Chang, 2007).

Berry and Parasuraman (1991) asserted that there are several advantages for an organization to promote internal marketing: (1) to obtain and retain excellent people, (2) to provide common visions so that employees will feel their work have purposes and meanings, (3) to equip employees with good ability and knowledge for their job, (4) to make employees enjoy the results of teamwork, and (5) to engage in design work in accord with marketing research.

2.1.3 The Essences for Internal Marketing

Kotler (1991) defines IM marketing as a way that organisations apply successfully to employ, retain and inspire employees to deliver quality service to external customers. Likewise, Gro'nroos (1990) and Varey (1995) argued that IM can be applied to change employees' attitudes and behaviours. For instance, Tansuhaj et al. (1991) describe that IM can provoke employees' organisational commitment, duty involvement, motivation and job satisfaction. IM stresses that organisations can maintain employees by motivating, mobilising, co-opting and managing, while continuing to advance quality services to serve external customers (Joseph, 1996).

Internal marketing regards employees as internal customers, and views the organisation as a market that is composed of both suppliers and demanders of service, who jointly form an internal supply chain system (Berry & Parasuraman, 1991; Foreman & Money, 1995). Through interactions among service employees and customers, organisations convey service promises and beliefs to external customers, in which influences customers' perception about the quality service provided by the organisations. Therefore, frontline employees play a crucial role in satisfying

customers' service expectations, which in turn influence their perceptions about service quality (Barnes & Morris, 2000).

By satisfying internal customers' needs, employees become more motivated and committed to offer a high quality service, resulting in external customers' expectations being well satisfied (Kotler, 1991). In order to encourage employees to provide service excellence to the external customer, organisations need to treat employees as internal customers, and satisfy their needs with providing a service.

2.1.4 Constituents of Internal Marketing

Internal marketing can assist in creating a working atmosphere and environment in which employees are valued and able to improve service delivery and business performance and foster long term competitive advantage through the creation of strong organizational cultures Ahmed & Rafiq, (2003). This is achieved through breaking down bureaucratic processes and barriers and facilitating efficient and flexible interaction between management departments and groups within organizations, internal marketing may also enhance employee creativity, innovation and performance.

Hence, internal marketing appears a proficient method of changing the attitudes and behaviors of employees so as to recognize the importance of meeting external consumer expectations and satisfying customer needs.

A comprehensive internal marketing activity is concerned with employee training, motivation, communication, Empowerment, and reward efforts. Randall and McCullough, (1988).

2.1.4.1 Internal Communication

Marketing managers applying internal marketing concepts seek to improve interpersonal, interactive communication channels by establishing an open information climate. In service firm, internal communication with employee may be more important than external communication with customers (Heskett, 1981).

2.1.4.2 Employees' Empowerment

In order for employees to fully appreciate their job (i.e. the internal product), they must be allowed more latitude in dispensing their duties (Gronroos, 1981). Berry & Parasuraman (1991)

believe that empowerment should be an essential aspect of internal marketing. Empowerment is the process of enabling or authorizing an individual to feel, behaves, act, manage work, and decision making in independent ways (Rafiq & Ahmed, 1998). By allowing empowerment, employees can make faster decisions which in turn increase productivity and enhance the service experience and improve performance. Empowerment means giving the employees the desire, skills, tools and authority to serve the customer (Zeithaml and Bitner, 1996).

Many organizations have discovered that to be truly responsive to customer needs, frontline providers need to be empowered to accommodate customer requests and to recover on the spot when things go wrong. Zeithal and Bitner (1996), argue that while the key to empowerment is giving employees authority to make decisions on customer's behalf, it is insufficient when exercised solely. Employees need the knowledge and tools to be able to make these decisions and they need incentives to encourage them to make the right decisions. Flexibility, quick decisions and authority given to frontline staff characterize an empowered organization.

2.1.4.3 Employee Training

Employees are a key organizational resource. Qualified applicants are attracted to the firm through the use of specific job description and effective recruitment procedure. Careful selection of contact personnel in service organizations is an essential accompaniment to the recruitment process (Davidson, 1978). Once employed, employees must participate in training program which supplies them with a view of total organization, so that they can locate themselves within, and see their importance to the organization.

In previous study, over seventy percent of 323 firm surveyed reported that they carefully select personnel and emphasize training in customer interaction skill (Zeithaml, Parasuraman, & Leonard (1985). Avis requires that all personnel participate in training activity before they have any communication with customers. In addition to a more competent staff, a specific benefit realized from the mandatory training is significantly decreased turnover in service personnel (Davidson, 1978)

2.1.4.4 Employees Reward

As per Sandilyan, Mukherjee & Miltra (2012), using reward can contribute and get more attention from individuals that can satisfy an employee's esteem and recognition needs. Basically, all organizations use to pay, bonuses, promotion or other types of rewards for their

employees to encourage a high level of performance. Furthermore, according to Sandilyan, Mukherjee, & Miltra, (2012), if the employer can maintain the motivation of employees using reward as a motivator, it will influence people's actions and related bring higher productivity.

2.1.5 Service Quality

There are a number of different "definitions" as to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers' needs or expectations (Lewis and Mitchell, 1990; Dotchin and Oakland, 1994a; Asubonteng *et al.*, 1996; Wisniewski and Donnelly, 1996).

Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman *et al.*, 1985; Lewis and Mitchell, 1990). Another definition forwarded by Howcrof (1991), It is about meeting customer needs satisfactorily by matching to his expectations. Perceived quality reflects the opinion of the consumer regarding the superiority or global excellence of a product or service (Zeithaml, 1988). Thus in the financial sector, perceived services quality result from the difference between customers' perception for the services offered by (received services) and their expectations vis a vis that offer such services (expected services).

Similarly, the definition produced by Howcroft (1991) that service quality implies consistently anticipating and satisfying the needs and expectations of customers. In particular, it is customer centered, but in requiring the definition of needs it does not presume upon the customers' prior knowledge or technical competence, while in allowing for expectations it implies that the service should take account of this prior knowledge and experience. It also implies an awareness of the dynamic nature of customer expectations in requiring that these be anticipated (R.F. Blanchard *et al.*, 1994)

2.1.5.1 Service Quality Dimensions

Researchers do not agreed upon essence of services quality dimensions because it is difficult for service organizations to put forward observation procedures to define standards of service quality provided to customers.

Nevertheless, (Parasuraman, Zeithaml and Berry, 1985) refer to the existence of service quality ten dimensions which are: Credibility, Reliability, Security, Understanding, Tangibles,

Accessibility, Courtesy, Competence, and Communication. Though, service quality dimensions were decreased to become four which are: reliability, responsiveness, credibility, and empathy.

2.1.6 The Link Between Internal and External Marketing

A research by Lings (2004) stressed the significance of harmonizing the attempt applied to internal and external marketing in order to attain highest efficiency. One means is to improve the relations among internal suppliers and employees due to the capability of these groups to identify areas for enhancement but warns of the difference between needs of internal and external customers. Prasad and Steffes (2002) continued a step further and stated IM must lead external marketing, if not the organization may render a service it is unable to provide.

The external customer focus on the method of the service experience and therefore, it is vital to recognize the behind the scenes process for appropriate implementation at the moment of truth when the transaction occurs. The reason is due to increase in service industries where customer contact employees constitute the majority of the contact with consumers, specially in companies where the customer is not a passive receiver (Lings, 2004).

The best way to narrate internal customers with external customers is to conduct similar market research. In order to know the internal customers it is important to segment the employees, extend a marketing mix, and manage for market activity Rafiq and Ahmed (2000). This information may be compared and contrasted with facts established from external customers to find out differences and similarities and let for proper product and service development.

2.1.7 Influence of Firms' Internal Marketing on External Service Quality

Because service delivery occurs through human interaction among service providers and customers, the service providers throughout the service delivery process mostly determine the degree of service quality delivered to customers (Malhotra & Mukherjee, 2003). Further, service quality improves when staffs are able and willing to render the high-quality service their customers need. The greater the ability and motivation employees have, the better service quality they provide. Therefore, IM may play an vital role in helping employees provide high-quality service to customers.

IM leads to greater service quality by providing effective internal communication, effective employee empowerment, effective reward system, and service training to employees. External customers of companies usually judge the service quality delivered based on their experience of their interaction with service providers during service processes. Employees will be more able to satisfy customers' needs if employees have the sufficient skills, knowledge and abilities needed to more effectively interact with customers.

Service training programmes improve employees' service knowledge and skills, which in turn improve quality service received by customers. For instance, Batt (1999) found that the more service training programmes were offered to employees, the better service quality was provided by employees. Similarly, Johnson (1996) provided evidence of a link between service training and customer satisfaction. They found that service training programmes were useful in facilitating customer satisfaction. Therefore, companies that offer various service training to employees or ask employees to take part in company training programmes will develop employee service efficiency which can lead to superior service quality to customers (Anton, 2000; Malhotra & Mukherjee, 2003).

2.2 Empirical Literature Review

Despite extended search of previous studies, it is possible to obtain a set of important studies that define the influence of internal marketing on external service quality:

Researchers and practitioners in the field of human resource management are more likely to emphasize the centrality of employees as a way to procure a sustainable competitive advantage. Harvir (2001).

Abzari et al. (2011) obtained results of the questionnaire's data analysis; it has been determined that internal marketing affects organizational commitment directly and indirectly through market orientation. It means that factors of internal marketing influence market orientation directly and then market orientation affects organizational commitment. Effects of these factors are significant on organizational commitment directly.

Farzad et al. (2008) A questionnaire survey of managers established that inter-functional coordination and training have positive effects on organizational commitment of employees.

Further (Bell *et al.* 2004) noted the overarching IM function in this direction includes initiating, maintaining, and developing networks of quality internal relationships between employees, their management, and the organization for the purpose of creating superior value for customer.

Traditional organizations are characterized by bureaucratic principles that are dominated by hierarchy, impersonality, rules and other constraint on employees lead to low employee job satisfaction lack of trust and organizational loyalty, which in turn affects the level of customer service provided to external customers (Bowen & Lawler, 1992).

Vazifehdooost *et al.* (2012) confirmed that internal marketing, organizational commitment and market orientation have positive direct and indirect effects on bank's both market performance (customer satisfaction and customer loyalty) and financial performance. The study introduced a new perspective of the interactions that take place between marketing, organizational behavior concepts which affect market and financial performance.

Markweib (2014) showed that retention policy, training, motivation, empowerment and communication have positive significant relationship with internal marketing. The study suggested that service providing firms must develop internal marketing as a distinct field of marketing because satisfied customer can be achieved if employees are satisfied.

The study of Ghorbani and Mostafavi (2013) indicated that IM has a positive effect on organizational citizenship behavior, which has a positive effect on service quality and Internal Marketing has a positive and direct effect on service quality.

The study made by Ghoniem and El-Tabie (2014) developed a list of eleven internal marketing practices can be helpful for organizations when developing a comprehensive internal marketing program. Data analysis showed significant relationships between the research variables. Findings indicated that internal marketing has a significant effect on the bank performance via customer loyalty. It is recommended that more attention be directed towards enhancing employees' performance through the adoption of the internal marketing strategy to attract and retain external customer patronage.

Service companies may simply propose service promises, but promises may not easily be seized by companies if employees aren't suitably rewarded (Zeithaml & Bitner, 2002). Rewards like: Salary, bonuses, strategic rewards, and advancement are likely to provoke employees to comply with organisational goals. To encourage service-contact employees to provide high-

quality service, internal marketing uses reward systems that link the rewards service providers receive with the high-quality service they provide to customers. By providing rewards, service providers will be more willing to deliver high-quality service, resulting in service excellence being received by customers.

In contrary, Ajila and Abiola (2004) indicated that, the financial rewards or monetary incentives are alone not sufficient to motivate employees.

2.3 Conceptual framework

Internal marketing is based on the notion that organizations providing employment security are committed to their workforce and that when internal customer needs are fulfilled through internal marketing, their satisfaction will increase (Bansal et al., 2001).

Based on the literature review so far, the following relationship is exist between internal marketing and external service quality.

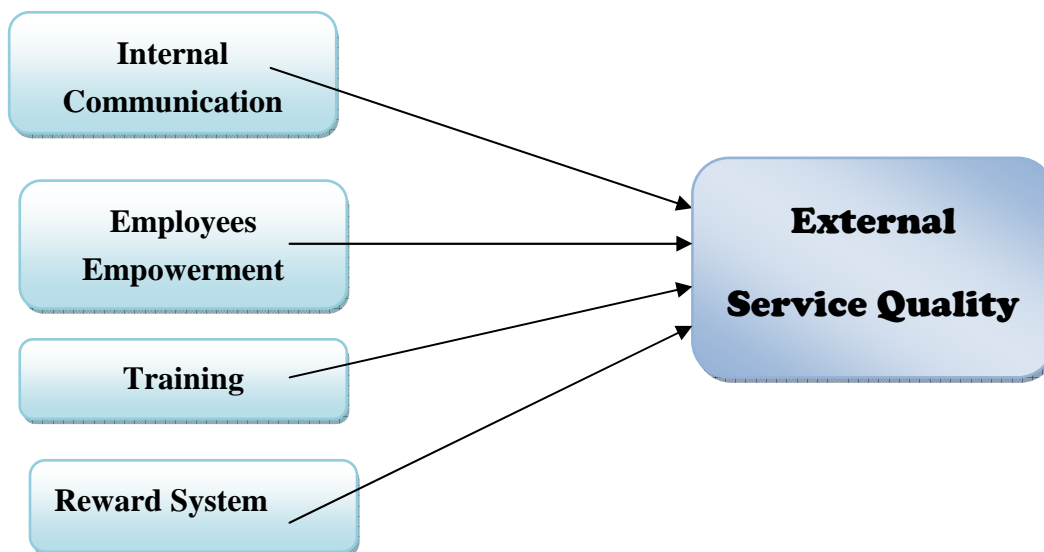


Figure 2.1 Conceptual Model (Y.Tsai and T.-W.Tang, 2008)

2.4 Research Hypothesis

IM is based on the notion that organizations providing employment security are committed to their workforce and that when internal customer needs are fulfilled through IM, their satisfaction will increase. The promotion of staff satisfaction should also increase, with good SQ resulting in promotional marketing activities (Bansalet al. 2001).

Thus, the researcher proposes the following hypothesis:

H1: The greater the intensity of internal communication within the organization, the higher the external service quality.

H2: There is a significant influence of reward system of the organization on external service quality.

H3: The more trained front-line staffs are, the greater the external service quality.

H4: The more employees are empowered, the higher external service Quality.

CHAPTER - THREE

RESEARCH METHODOLOGY

The purpose of this chapter is to explain the procedures used to answer the research questions proposed in Chapter 1. Sections regarding research purpose, design, sampling, data collection and data analysis procedures are included. It begins by an introduction of research approach in Section 3.1 followed by research design in Section 3.2 on which the study follow. Section 3.3 covers the population and choices about sampling. Sections 3.4 discuss Data collection instrument. Section 3.5 present about the methods of data analysis such as, regression. Section 3.6 & 3.7 introduces the concept of validity and reliability respectively. Section 3.8 introduce with the structure of questionnaire or study instruments that are followed to secure data from study participants. Finally, Section 3.9 discusses about the ethical consideration taken into account in the study.

3.1 Research Approach

There are two types of research approach, i.e., deductive and inductive. Abiy, Alemayehu, Daniel, Melese and Yilma (2009) defined the deductive approach as one or more theory studied and analyzed in a specific field, and then can be examined and compared with reality to measure if the assumptions and hypotheses confirm or reject the theory while the inductive means that the theories and hypotheses are the outcome of the research.

The deductive approach has employed as a base of this study because it gives the ability to analyze the concepts discussed in the conceptual framework on the influence of internal marketing on external service quality.

3.2 Research Design

Data were collected from the various authentic sources subject to various statistical tools for verification and interpretations, such as, Descriptive statistics in order to have an understanding on the basis of respondents group. Moreover, Quantitative research design applied in this study. Accordingly, Internal Marketing Service dimensions (Effective communication, Reward System, Service Training, and Effective Empowerment) are independent variables and External Service

Quality Dimensions (Reliability, Responsiveness, Empathy and Assurance) are dependent variables. (Y. Tsai and T.-W. Tang, 2008)

3.3 Population and Sampling

In this study, probability sampling used to enable the researcher access to list of the entire population to be studied. Moreover, respondents were selected based on stratified sampling techniques and the criterion was job position.

The target samples for the study are professional frontline employees i.e. Claims Officers, Underwriters, Cashiers and Managers of Nyala Insurance S.C at different branches. The branches and respective respondents were selected based on stratified sampling techniques.

Ruane (2005) suggested that for the population size from 201 to 500, taking 50% sample size is conventionally accepted. Accordingly, total number of employees of NISCO is 378 out of which 302 are professional staffs and 209 are frontline staffs. (Nyala Insurance S.C (2019), Company Profile & HR manual).

Therefore, 116 (55%) of frontline employees were taken as a sample based on stratified proportionate sampling techniques and individual employee were selected based on simple lottery system from 27 branches and claim department. The Branches were selected based on their production capacity and man power size where as employees were selected based on their years of experience and job title.

Table 3.1: Total number of professional staff in NISCO and sample size determination

Job Category	Population(T)	Sample size	Sample(t)
Branch Managers	27	55%	15
Senior Officers	34	55%	19
Middle level Officers	85	55%	47
Junior Officers	63	55%	35
Total	209		116

3.4 Data Collection Procedures

Primary data employed for the study which has been gathered through set of questionnaire. The questionnaire contained a range of closed statements. Respondents rate their level of agreement on a 5-point Likert Scale (1 = 'strongly disagree' and 5 = 'strongly agree'). Besides, theoretical supports; it is common to see a structured questionnaire in many empirical studies of internal marketing and service quality (Ramos, 2015; Nsour, 2013; Tsai and Wu, 2011).

Accordingly, items for Internal marketing dimensions adopted from the 11 items scale designed by Money and Foreman (1996), a commonly used assessment tool for the concept of IM (Ewing & Caruana 1999). And, a 17 items self-report instrument called SERVQUAL used to measure SQ. This scale measures four dimensions of internal marketing: Effective internal communication (three items), incentives/reward system (three questions), Service training programs (three items), and Employee empowerment (two items).

Many researches reveal that customers asked to evaluate service quality, since they benefit out of service quality directly. Nevertheless, Sergeant and Frenkel (2000) argued that internal customers are well placed to effectively evaluate service quality that they deliver. Likewise, Boshoff and Mels (1995) indicates that service providers are quite aware of the confrontation faced by customer interaction, and that their perceptions of service delivery should receive more attention (Malhotra & Mukherjee, 2003). Thus, on this research, employees were requested to judge their own service quality, consistent with existing research.

Moreover, secondary data was collected by reviewing books, previous research works, articles and journals.

3.5 Data Analysis

After collecting the data through questionnaires, the process of analysis begins. Analysis of data is done by using statistical tools. Regression analysis conducted to measures the impact of internal marketing on external quality service. And also descriptive analysis employed for the demographic factors such as gender, age, educational level, Job category, and years of experience in NISCO. Moreover, data analysis performed by using SPSS software version 23.

In order to lessen the likelihood of receiving wrong answers, a variety of actions taken to make sure the reliability of this study.

1. Data collected from reliable sources, from respondents who are frontline staff of NISCO.
2. The items of questionnaire with standardized and adopted from literature review to ensure the soundness of the results with contextual modifications.
3. Due attention given during data coding.

3.6 Validity Analysis

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure Kothari (2004). In relation to the study three types of validity measures are discussed below. This includes as Geoffrey (2005) stated Content validity which refers to the relevance of the instrument or measurement strategy to the construct being measured. In this regard the study use items that are identified from the existing literature and the study uses this research instruments as a means of data collection. Moreover, all items reviewed by professionals & academicians.

Construct validity is the degree to which scores on a test can be accounted for by the explanatory constructs of a sound theory or whether the measures used in a study actually measure what they purport to measure Patrick (2008). The study largely depend on contemporary researches output to measure IM construct. Regarding external service quality a standardized questionnaires were adopted to measure perceived service quality construct whereby the study can assures construct validity in such a way.

Internal validity refers to the strength of the causal linkages among independent and dependent variable Patrick (2008). This indicates that we should design or plan the experiment in such a way that the variations caused by extraneous factors can all be combined under the general heading of chance (ibid). Besides, the study used simple random sampling to select the sampling units from which samples are drawn it let any biases to probability. Thus it is safe to say that the study fulfills this condition as well.

Moreover, pilot tests conducted with staffs who share similar character with that of target population for the study. The purpose of the pre-testing was to refine the questionnaire and to assess the validity of measures in line with Ethiopian context.

3.7 Reliability Analysis

It is another important test of sound measurement. A measuring instrument is reliable if it provides consistent results Kothari (2004). The two variants of reliability will be assured through standardizing the condition under which the instrument administered and employing the same design of measurement for the whole sample. For this purpose Cronbachs' Alpha-values was applied to determine the reliability of the construct as a measurement instrument. Alpha reliability is regarded as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another.

Besides this test for reliability the researcher take some precaution in advance by conniving research design and data collection procedures in a way that could bear itself for further investigation where later investigator could come up with the same result through following the same procedures.

The researcher uses his great effort to make the study more reliable by conniving research design and data collection procedures. Moreover, to ensure the reliability of the study, valid strategies and techniques employed in appropriate with the research objectives.

3.8 Structure of Research Questionnaire

IM assessed using eleven item scale developed by Foreman and Money (1995). These scales measures four dimensions of IM: internal communication (three items), service training programmes (three items), performance incentives (three items) and Empowerment of employees (two items).

Service quality is measured with a customized version of Parasuraman et al.'s (1988) Seventeen item service quality scale. Scale items were customized to reveal service quality in insurance setting. The scale measures 4 dimensions of service quality: Reliability (four items), Responsiveness (four items), Assurance (four items), and Empathy (five items),

The questionnaires in this study have three sections:

Section A: Demographic Information

It consists of several questions to find out the demographic features of the respondents such as age, gender, career, academic qualification and the like.

Section B: Internal Marketing Practices

This section used to assess the influence and relationship between Internal Marketing Practices and SERVQUAL.

Section C: Service Quality

In the last section of the questionnaire, employees asked the overall judgment of service quality based on the view of service providers or frontline employees.

3.9 Ethical Considerations

The survey conducted based upon the agreement of volunteer employees. The student researcher invited the respondents to participate in the research upon distributing the questionnaires. All potential respondents were also informed that all information provided on a voluntary basis and would be used for research purposes only.

Since names were not required on the data collection forms, privacy and anonymity was ensured.

CHAPTER-FOUR

DATA ANALYSIS AND INTERPRETATIONS

This chapter examines the data collected for the study. It is divided into several sections: (1) sample and response rate, (2) further reliability & validity tests to examine the scales used in the study, (3) examination of respondents including demographic information, and (4) data analysis for research questions.

4.1. Sample and Response Rate

The cross sectional research took place during the month of March, 2020 where the researcher personally administered 116 questionnaires to customer contact employees of NISCO.

Table 4.1: Response Rate of Questionnaires Administered

S/N	Questionnaire	Number	Percent
1	Returned	108	93.10
2	Unreturned	8	6.9
Total		116	100.00

Source: Researchers' survey 2020

During the survey a total of 116 questionnaires were distributed to customer contact employees of NISCO of which 108 questionnaires were returned, yielding a response rate of 93.1%.

4.2. Validity and reliability of the study

4.2.1. Validity of the study

All items are identified from the existing literature and reviewed by professionals and academicians.

Pilot test was conducted with staff who shared similar character with that of the target population for the study. The purpose of the pre-testing was to refine the questionnaire and to assess the validity of measures in line with Ethiopian context.

4.2.2 Reliability of the Study

As shown in Table 4.2, two constructs (or subscales) were extracted as internal marketing constructs. Additionally, two constructs were identified i.e service quality and internal marketing. All Cronbach's coefficients exceeded .70; this is regarded as acceptable (DeVellis, 2003). Therefore, based on the test, the results for the items are reliable and acceptable.

Table4.2: Reliability test result for the questionnaire

s/n	Items	Reliability Statistics		
		Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
1	Internal Marketing & SQ	.939	.937	28

Source: Researchers' survey 2020

4.3. Descriptive analysis

The demographics factors used in this research were gender, age, education level, job category, and years of experience in NISCO.

4.3.1. Gender of respondents

The gender of the respondents, as shown in table 4.3, was male dominated. Most of the respondents were male (55.6%) while 44.4% were female.

Table4.3: Gender of respondents

s/n	Gender	Frequency	Valid Percent
1	Male	60	55.6
2	Female	48	44.4
	Total	108	100.0

Source: Researchers' survey 2020

Respondents were roughly proportionate between male and female customers even though the numbers of male respondents are a bit higher by 5.6%.

4.3.2. Age of respondents

The respondents' age is shown in the following table. The table shows that 49.1% of the respondents were between the age of 31 – 40 years old, followed by respondents who were between the age of 21- 30 years old with 43.5. The rest 7.4% were above 41 years old.

Table 4.4: Age of respondents

S/N	Age	Frequency	Valid Percent
1	From 21- 30	47	43.5
2	From 31- 40	53	49.1
3	Above 41	8	7.4
Total		108	100.0

Source: Researchers' Survey 2020

As per the age description, the company abundant age group lies on the young and adult which are economically active age groups.

4.3.3. Education qualification of the respondents

The education qualifications of respondents are shown in table 4.5. As it is indicated in the table, 79.6% hold a first degree. 20.4 % of them were postgraduate, while non of the respondents attain diploma.

Table 4.5: Educational level of respondents

Source: Researcher's Survey, 2020

S/N	Level	Frequency	Valid Percent
1	College Diploma	0	0
2	First Degree [BSC/BA]	86	79.6
3	Above first Degree [MA/MSC]	22	20.4
Total		108	100.0

The statistics demonstrated that NISCO is outfitted with overwhelmed qualified staffs which also helpful to capture constructive response in this study.

4.3.4. Jobtitleoftherespondents

The results of respondents' job title are indicated in table 4.6. The table demonstrates that 49.5% of the respondents were Middle level Officers, 23.8 % were Junior Officers, 14.9 % were Branch Managers and 11.9 % were Senior Officers. Therefore it indicated that the samples are proportionate to the population.

Table 4.6: Job title of the respondents

S/N	Jobtitle	Frequency	ValidPercent
1	Junior Officer	32	29.6
2	Middle level Officer	43	39.8
3	Senior Officer	18	16.7
4	Manager	15	13.9
	Total	108	100.0

Source: Researchers Survey, 2020

4.3.5. Respondents' years of Experience in the company

The results of respondents' years of work experience in the company are indicated in table 4.7. As it is shown in the table, 52.8% of the respondents have served for 2-5 years, 21.7% have served less than two years and 14.2% have served the company for 5-10 years. On the other hand 11.3% of the respondents have served above 10 years.

Table 4.7: Respondents' years of experience in the company

S/N	Experience in the Company	Frequency	Valid Percent
1	Below two years	21	19.4
2	2-5 years	35	32.4
3	6-10 years	45	41.7
4	Above 10 years	7	6.5
Total		108	100.0

Source: Researchers' Survey 2020

4.3.6 Description of Internal Marketing (IM)

The researcher took four indicators that can reflect the success of internal marketing activities at Nyala Insurance S.C (NISCO). Internal Marketing (IM) has a quite good average success rate (3.54) with the standard deviation of 0.68.

These four indicators can be detailed as follows: The internal communication pattern implemented in NISCO in average is as much as (3.6), the reward or performance incentive that has been done in NISCO in average has been low (3.30), the training of staffs held at NISCO in the average is highest position than other indicators (3.80), the Empowerment of employees in NISO in average is good enough (3.39). More details can be seen in the following table 4.8.

Table 4.8 Indicators Mean Std. Deviation

	N	Mean	Std. Deviation
Communication	108	3.60	.78
Reward	108	3.30	.83
Training	108	3.80	.70
Empowerment	108	3.39	.83
Internal Marketing	108	3.54	.68
Valid N (list wise)	108		

Source: Researchers' Survey 2020

4.3.7 Description of External Service Quality

Four indicators that can reflect the success of external service quality at NISCO has a good average success rate (3.70) with standard deviation 0.54. The four indicators can be specified as follows: Reliability that has been implemented in NISCO with average of (3.61) that has been good, Responsiveness that has been done in running the activities in NISCO with a good average (3.79), Assurance owned by frontline employees in NISCO was good (3.51), the empathy held at NISCO has a quite good average as much as (3.84) and has become the highest position of other indicators. More details can be seen in the following table:

Table: 4.9 Indicators Mean Std. Deviation

	N	Mean	Std. Deviation
Service Quality	108	3.70	.54
Reliability	108	3.61	.83
Responsiveness	108	3.79	.75
Assurance	108	3.51	.80
Empathy	108	3.84	.60
Valid N (list wise)	108		

Source: Researchers' Survey 2020

The items' descriptive statistics are presented in Table 4.10. Composite reliability of all items shows at 0.94, above the 0.70 recommended cut-off value suggested by Churchill (1979), providing enough evidence of the reliability of the scales used.

Table: 4.10 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.940	.938	28

Source: Researchers' Survey 2020

4.3.8 Regression analysis

In addition to the description analysis, the study used a linear regression analysis to examine the variation explained by each construct of IM on external service quality.

The summary of the regression results are shown in table 4.11.

Table:4.11 Regression model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.905 ^a	.818	.811	.23384	2.066
a. Predictors: (Constant), Empowerment, Training, Reward, Communication					
b. Dependent Variable: Service Quality					

Source: Researcher's survey, 2020

The result shows that about 90.5% of variation in the overall external service quality is explained by four internal marketing variables ($R^2 = .818$) which is significant at the 0.05 level.

Similarly, the regression table shows the overall significance/ acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value of (.000), which is less than $p < 0.05$. Thus, the model is significant which indicates that the variation explained by the model is not due to chance.

As stated earlier, one among the many aim of this study is to identify the most contributing independent variable in the prediction of the dependent variable. Thus, the strength of each predictor (independent variable) influencing the criterion (dependent variable) can be investigated via standardized Beta coefficient.

Table:4.12 Regression Coefficients

Model	Un-standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.124	.127		8.834	.000
Communication	.263	.052	.382	5.076	.000
Reward	.008	.038	.013	0.225	.822
Training	.283	.054	.368	5.232	.000
Empowerment	.153	.045	.235	3.373	.001

a. Dependent Variable: Service Quality

Source: Researcher's survey, 2020

The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable. The larger value of Beta coefficient an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable.

Internal Communication, Training, and Employee Empowerment were found to be influential factors of internal marketing in their descending order referring to Internal communication as the most important underlying factor of Quality Service in NISCO. Where as Reward becomes the least influential factor of external service quality.

As one can see the Model Summary from the table 4.1 the adjusted R Square statistic tells us the proportion of variance in the dependent variable that is accounted for by the independent variables. In this case the co-efficient of determination adjusted (R^2) was 0.905. This implies that about 90.5% of the dependent variable (i.e. Service Quality) can be explained by the independent variables (i.e. Internal Communication, Training, Rewards/performance incentives, and Employee Empowerment), leaving about 9.5% to be explained by other exogenous factors.

Adjusted R^2 values also indicate the overall effect size of all the independent variables on the dependent variable.

According to Table 4.12, the standardized coefficients for the three independent variables Internal Communication, Training, and Empowerment 0.382, 0.368, 0.235 and their significance levels are: .000, .000, .001 respectively which are all less than 0.05. This indicates a significant influence of independent variables on the dependent one. Since, coefficients of the predictor variables are statistically significant at less than five percent; alternative hypotheses related to the

three dimensions of internal marketing were accepted. Meanwhile, Reward/performance incentive standardized coefficients is 0.013 with significance level of .822 which indicates that there is insignificant influence of reward on dependent variables.

From the above table we can have the following general formula for the model under the study.

The regression equation was

$$OBE = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \Sigma \dots\dots\dots (1)$$

$$OBE = \alpha + \beta_1COM + \beta_2REW + \beta_3TRA + \beta_4EMP \dots\dots\dots (2)$$

$$OBE = 1.124 + 0.382 COM + 0.013 REW + 0.368 TRA + 0.235EMP + \Sigma \dots\dots (3)$$

The regression model from table 4.12 above result shows that keeping other variables constant 0.382 unit increase Internal Communication will bring a unit increase in the External Service Quality of NISCO.

0.368 unit increase of Training will have a unit increase impact on external service quality of NISCO.

0.235 unit increase of Employee Empowerment will have a unit increase of service quality NISCO.

Table:4.13 Regression Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.250	.133		9.362	.000
	Internal Marketing	.694	.037	.876	18.656	.000

Source: Researcher's survey, 2020

Based on the result of regression statistics analysis obtained the model as follows: $Y = 1.250 + 0.694X_1$. The calculation result, Regression Coefficients X_1 is 0.694 with the meaning that if internal marketing increased by one unit, it will cause External Service Quality increased by 69.4% in NISCO, and otherwise, any decrease in internal marketing by one unit will cause decrease in External Service Quality equal to 69.4%. Internal marketing variable has t test (18.66), at a level of significant level 99%, means that there is influence of internal marketing variable to external service quality variable in NISCO.

Regression results obtained by Correlations Coefficients ($R = 0.905$), means that the relationship between internal marketing and perceived service quality is strong because the value of r is close

to 1. The estimation of the regression equation tested partially by using t test is known that internal marketing variables positively and significantly influence to external service quality. The estimation of regression analysis shows that internal marketing variables have positive and significant effect on external service quality ($B=0.876$) with significance $p = .000$, indicating that the higher internal marketing facility, the higher the level of external service quality.

The results of the above mentioned analysis show that internal marketing variables perceived through three indicators have a positive and significant influence. In due course, opinions of some other researchers related to internal marketing, Hersh (2010) stated that the quality of external customer satisfaction can be achieved through internal customer satisfaction. Hersh (2011) explained in his research that internal marketing has a positive influence on company performance. Moreover, Eldeen and El-said (2011) concluded that the organization has implemented internal marketing well and impacted the company. Elsamem and Alshurideh (2012) research using internal marketing dimension and internal quality service dimension concluded that there is a correlation between internal marketing dimensions with internal quality service dimension. This is also supported by research result from Wang et al. (2012) stating that internal marketing involving the effectiveness of training activities on employees affects customer satisfaction.

From the four independent variables, only three variables (internal communication, Training, and empowerment) are found significant in explaining external service quality.

Moreover, the relationship between the sample percentiles and theoretical percentiles is linear. Again, the condition that the error terms are normally distributed is met. Furthermore, recall that the third condition (the "N" condition) of the linear regression model is that the error terms are normally distributed (Appendix 5, 6, & 7).

4.3.9 Hypothesis Testing and Interpretation of Results

Table 4.14 Summary of the overall outcome of the Research Hypotheses

Hypotheses	Result	Reason
<p>Ho: The greater the intensity of internal communication within the organization, the lower the external service quality.</p> <p>H1: The greater the intensity of internal communication within the organization, the higher the external service quality.</p>	<p>Ho: Rejected</p> <p>H1: Accepted</p>	<p>$\beta = 0.382, p < 0.05$</p>
<p>Ho: There is insignificant influence of reward system of the organization on external service quality.</p> <p>H1: There is a significant influence of reward system of the organization and external service quality.</p>	<p>Ho: Accepted</p> <p>H1: Rejected</p>	<p>$\beta = 0.013, p > 0.05$</p>
<p>Ho: The more trained front-line staffs are, the lesser the customers external service quality.</p> <p>H1: The more trained front-line staffs are, the greater the external service quality.</p>	<p>Ho: Rejected</p> <p>H1: Accepted</p>	<p>$\beta = 0.368, p < 0.05$</p>
<p>Ho: The more employees are empowered, the lower external service Quality</p> <p>H1: The more employees are empowered, the higher external service Quality</p>	<p>Ho: Rejected</p> <p>H1: Accepted</p>	<p>$\beta = 0.235, p < 0.05$</p>

4.3.10 Discussion

H1: The greater the intensity of internal communication within the organization, the higher the external service quality.

Thus, the existence of strong influence of internal communication on perceived service quality is significant enough to infer that external service quality is highly associated and explained by changes in internal communication.

This assertion is consistent with what theory and other empirical researches support. Many insurance companies today are comprised of an internal audience that includes employees of all ages, job, sophistication, thus selecting the most proper and the right communicating channels to convey the promises internally thus employees could deliver on that promise.

H2: There is insignificant influence of reward system of the organization on external service quality.

As shown in table 4.12 above there is weak influence on the dependent variables. The regression analysis was used to see the t-value ($t=0.225$) which is insignificant at .822 level of significance.

Hence, we accept this hypothesis.

Normally, incentives are used as a tool to motivate employees to exhibit desirable behavior towards customers. This study indicates that NISCO offers financial rewards in form of salary, bonus, and commission. The employees are somewhat satisfied with the levels of these rewards. However, the employees are more satisfied with non-financial rewards like: praise from their supervisors, formal and informal recognition, and of yearly family day. Because these rewards are not frequently used in NISCO, it does not influence employees' performance on quality service.

H3: The more trained front-line staff are, the greater the external service quality

As indicated above, hypothesis for the training mix of IM is accepted. The analysis shows that this aspect of IM has a significant effect on external service quality as shown in the above table 4.12 ($b=.368$).

In addition to equipping employees with the requisite skills they need in order to undertake their assigned tasks effectively training from a practice/experiential point of view, training could be a mechanism used to meet both employees' expectations as well as their emotional needs.

H4: The more employees are empowered, the higher external service quality.

As a whole IM is ongoing process whereby an organization aligns, motivates and empowers employees at all functions and levels to consistently deliver a positive customer experience that helps achieve organizational objectives. Employee empowerment means involving employees in running the business that will advance the company's performance. A company achieves this by having supportive management that gives autonomy of thought to employees. In relation to frontline employees, empowerment allowed them to exercise a degree of discretion during service delivery particularly for the product that needs to be tailored. As shown above the study attempted to link employees' empowerment with customers' perception of service quality. As a result, the study succeed to support this proposition.

The whole assumption of the study basis on this assertion if internal marketing process are successful implemented it will produce highly motivated and well-trained customer-contact employees, who always do the right thing first in the right way, and exhibit the proper behavior when they approaching their customers. Internal customer satisfaction is an important aspect for service organizations and is highly related with service quality (Spreng and MacKoy, 1996).

Furthermore, the aim of this research was to know of the influence of internal marketing practices on service quality in Nyala Insurance S.C (NISCO). In the research model, the researcher examine the influence of four internal marketing practices (Internal communication, Reward/performance incentives, training programmes, and Employee Empowerment) on the service quality delivered by front line employees. Most of the results support the hypotheses and further demonstrate that there are unlike influences of internal marketing practices on improving service quality. As a result, the study will contribute to the theoretical development of the service quality literature by furthering existing knowledge of the influence of internal marketing practices on service quality.

CHAPTER FIVE

CONCLUSIONS, RECOMMENDATION, AND IMPLICATIONS

5.1 Introduction

In this chapter the study put forward the main findings, conclusion, recommendation and academic and practice implications of the study based on the data. It has several sections:

- 1) Conclusions of the overall survey is presented,
- 2) Recommendations are forwarded based on the study finding which will be used by the insurance company to achieve its goal,
- 3) the implication of the study in terms of practical as well as theoretical are putted.

The objectives of the study was to see: 1) the most important IM components that influence external service quality, 2) the weak point in the company practice of IM, 3) for any possible IM alteration that can be used to satisfy the customers' needs, 4) the influence of internal communication on external service quality, 5) whether employees training have an influence on external service quality, 6) whether the existing reward system of the organization has something to do with external service quality, 7) if employee empowerment has an impact on external service quality, 8) the overall service performance of the company from the frontline employees' point of view.

As a result, the researcher makes relevant conclusions related to the above mentioned key issues based on the empirical data analysis.

5.2 Conclusion

Different researches give extensive details about the importance of human resource in any organization above all in service industry. Besides this one can see that some organizations give more attention to their employees as they think them as the most valuable resource which needs a continuous nurture. Moreover, keeping talented individuals within the organization becomes imperative.

It is clear, therefore, that internal marketing is concerned with more than treating employee as a customer; it signifies that the organization should constantly endeavor to develop programmes and strategies for enhancing employee satisfaction in much the same way as external marketing plans which are continuously updated and improved to meet external customer demands. Moreover, according to Zairi (2000), internal customer satisfaction is the source of excellent quality because if the organization satisfies the needs of its internal customers, it is also enabling

internal customers to perform their tasks and the networks of organization units are more likely to work effectively together to achieve customer satisfaction. Thus any kind of research that raise a related issue has a plus point for the case company or any other firms since all businesses race in the same field.

The current research examined how internal marketing helps front line employees in delivering quality service that increase external service quality in the case of NISCO.

The paper discussed and empirically tested the influence of each variables of IM on external service quality. The study also discovered the possible causes that are accountable to low perception and dissatisfaction of employees in their organization.

Companys' internal communication, training, and empowerment level management was found to be the major variable that resulted in a higher influence of external service quality. Yet, the results from regression analysis demonstrate that Reward/performance incentive failed to explain influence of service quality significantly.

Thus we can conclude that firms' practices internal communication, training, and employee empowerment could ultimately influence external service quality. When we look at the customers perception rating of the overall performance of service quality they receive it is above average which shows that most of the customers receives superior service as the mean index points (Table 4.9).

Thus customers' perception of superior service quality is highly associated with all internal marketing dimensions but they give more weight to the empathy aspect of the service which is related to the extent to which employees give caring and personalized attention to the individual needs.

The main ground of this research is to see the impact that NISCOs' IM program has on internal customers and its ultimate effect on external service quality.

Based on the empirical output of the study we notice that there is actual association between employees IM perception and evaluation of service quality. Among the four components IM, the study found that customers' perception of inferior service quality, reward becomes one factor that accounts for low influence on external service quality.

However, Internal communication considered as the most important key factor. As identified in literatures, extensive internal communication could be used to share market intelligence as well

as to communicate and disseminate the output across relevant departments and individuals within the organization.

The remaining two i.e. Training and employee empowerment are found to have a direct influence on external service quality through other significant variables.

The study also tests the proposed hypotheses which are related to the influence of IM variables on external service separately. The regression analysis result shows that the hypotheses which illustrate the importance of internal communication, training, and empowerment are supported as they found statistically significant.

Many organizations accept that in order to be responsive to customer needs, front-line staff need to be rewarded through various incentives like salary, bonus, and commission to accommodate excellence service, to work together, and to contribute to companys' vision. Although the theory thought this; the regression analysis shows that the influence in external service quality that is explained by employees' reward or performance incentive was insignificant. This in fact revealed in this research that the presence of intrinsic rewards such as praise and employee recognition motivates employees and subsequently improves their work performance by which the current system at NISCO is not sufficient enough to adhere.

5.3 Recommendation

Prior studies show that proper implementation of IM program will ensures employees motivation at the forefront. However, this task of managements should not solely be the responsibility of HRM department but must be adopted by all managers throughout the organization which forms the chance to improve quality all over the company (Prasad & Steffes, 2002).

The current study also presents some important remarks that could be used by the management of NISCO to build a good working atmosphere internally that could help employees to deliver the needed service as per the standard and could to create a good customers attitude.

The analysis of employees response shows that there is one problem from IM side which insist due consideration from management. In this regard, the company must first solve internal customers' problem by enhancing employees' motivation. Then adjusting the reward system in order to make better the quality of service encounter rather than using currently implemented practices of rewarding employees that solely based on the extrinsic rewards.

Furthermore, employee recognition has more effect on their motivation and performance as compared financial incentives. Plus, informal recognition through use of words like “thank you!”, “well-done!” and “you are superb in the company!” showed to be a powerful motivation tool when correctly and frequently used on individuals or as a team as majority of the employees indicated that they would be motivated by them and also improve external service quality.

Thus, these seemingly little things have a much greater impact on motivating employees for higher performance than extrinsic rewards.

NISCO should consider employees training, empowerment, and internal communication since these variables are found to be directly responsible for the superior perception of service quality. Specially, continuous information exchanges across the company departments are also mentioned by employees as the main reason for their satisfaction. In this regard, the management of NISCO should use more alternatives such as individual discussion sessions, internal newsletters, as well as formal and informal information sessions to maintain a stand for improved communication.

In addition the management should distinguish up to-date methods of communication tools that is consistent with employees’ needs and new levels of sophistication to disseminate useful and up-to-date information that will help them to better serve customers.

The company should encourage more and insist on employees to show caring and individualized attention in every service encounter and provide unique solution for individuals’ request to change external of service quality.

Employee responsiveness is found as an extra dimension to explain best external service quality. Thus employees’ willingness and readiness should be promoted so as to provide prompt service. NISCO should set certain standards within which a given transaction is executed based on internal customers view.

5.4 Implications

The findings also have several managerial and theoretical implications. The results of this research enable management of NISCO at each level to better understand the gradation of managing front line employees to get a higher level of service quality.

The study result shows the different dimensions of internal marketing that managers could use to achieve internal as well as external customers satisfaction. In particular the need for appropriately rewarded employees, is identified as the main tasks that the managers accomplish in order to avoid low external service quality.

Even if many research finds a positive relationship between internal marketing and service quality, we still know few about the means by which how IM influence on service quality. However, a more theoretical explanation of fundamental mechanisms is required concerning the influence of IM on SQ. The service climate determines how individuals behave, by influencing how they think and feel about certain aspects of their environment (Pfeffer & Salancik, 1978).

Hence, the service climate embedded in the company might influence and regulates employees' attitudes and behaviours toward customers. Moreover, a lot of determinants of IM such as internal communication, service training and empowerment are likely to influence quality service.

In due course, future research should explore the mediating influence of IM on the service quality. Future research also should explore other variables, which may influence the service quality, such as inter-fuctional coordination, transformational leadership, marketing research, and service leadership behaviour.

The findings of this study also provide practical recommendations for NISCO to improve service quality. First, those results demonstrate that internal communication, training programmes, and empowerment have the strongest influence on perceived service quality which suggests that IM programmes are especially important in influencing service quality.

References

1. Abiy Z, Alemayehu W, Daniel T, Melese G and Yilma S. 2009. *Introduction to research Methods*. Graduate studies and research office of Addis Ababa University.
2. Ahmed Ibrahim Ghoniem and Nahla Hassan El-Tabie. 2014. „Effect of Internal Marketing Adoption on the Performance of the Commercial Banks in Egypt, “*World Journal of Social Sciences*, 4(3), October Issue: 97–116
3. Ajila, Cand, Abiola, A. (2004). Influence of Rewards on Workers Performance in an Organization, *Journal of Social Science*, 8(1), pp.7-12
4. Albert Caruana and Peter Calleya. 1998. „The effect of internal marketing on organizational commitment,“ *International Journal of Bank Marketing*, 16(3):108-116
5. Bansal, Harvir S., Mendelson, Morris B., and Sharma, Basu. (2001), “The Impact of Internal Marketing Activities on External Marketing Outcomes,“ *Journal of Quality Management*, Vol.6, pp. 61-76.
6. Barnes, B.R., & Morris, D.S. (2000). „Revising quality awareness through internal marketing: An exploratory study among French and English medium-sized enterprises. *Total Quality Management*, 11(4), 473–483.
7. Batt, R. (1999). „Work organization, technology, and performance in customer service and sales. *Industrial and Labor Relations Review*, 52(4), 539–564.
8. Berry, L. L. (1981), The employee as a customer. *Retail Banking*, 3, 25-28.
9. Berry, L. L. & Parasuraman, A. (1991), *Marketing services: Competing through quality*. New York: The Free Press.
10. Bruhn, M. (2001), *Orienting toward clients– the base for a successful business*. Bucharest: Economic Publishing.
11. Bitner M J (1995), “Building Service Relationships: It’s about Promises”, *Journal of the Academy of Marketing Science*, Vol. 23, No. 4, pp. 246-251.
12. Boshoff C. & Tait M. (1996), Quality perceptions in the financial service sector: the potential impact of internal marketing. *International Journal of Service Industry Management* 17(5), 5–31.
13. Carr, C. (1990), *Front-line customer service: 15 keys to customer satisfaction*. New York: Wiley.
14. Chang, C. S., & Chang, H.H. (2007), Effects of internal marketing on nurse job satisfaction and organizational commitment: Example of medical centers in southern Taiwan. *The Journal of Nursing Research*, 15(4), 265-274
15. Churchill, G.A., Jr. (1979). A paradigm for developing better measures of marketing constructs. *Journal of Marketing Research*, 16(1), 64–73.
16. Davison, David S., (1978). How to Succeed in a Service Industry.. Turn the Organization Chart Upside Down, *Management Review*, 13-16.

17. Edward Markwei Martey.2014. „The Impact of Internal Marketing 744 on Employee Performance in the Insurance Industry of Ghana“*International Journal of Research*(1)7:1175-1189.
18. Eldeen, A. T., dan A. T. El-Said. 2011, Implementation of internal marketing on a sample of Egyptian five-star hotels. *Anatolia—An International Journal of Tourism and Hospitality Research*. Vol.22 No.2(August): 153-167
19. ElSamen, A. A., dan M. Alshurideh. 2012, The impact of internal marketing on internal service quality: A case study in a Jordanian pharmaceutical company. *International Journal of Business and Management*. Vol.7 No. 19. Canadian Center of Science and Education
20. Foreman, S.K., & Money, A.H. (1995). Internal marketing: Concepts, measurement and application. *Journal of Marketing Management*, 11(3), 755–768.
21. George, W. R. (1990)., Internal marketing and organizational behavior: A partnership in developing customer-conscious employees at every level. *Journal of Business Research*, 20, 63-70.
22. Geoffrey M., David D, & David, F. 2005. Essentials of research design and methodology. *New Jersey: John Wiley & Sons Inc*.
23. Goran S. (2006), New aspects of research into service encounters and service quality. *International Journal of Service Industry Management* 17(3), 245–257.
24. Gronroos C (1999), Service Management and Marketing, *Lexington Books*.
25. Grönroos, C. (1984), A service quality model and its marketing implications. *European Journal of Marketing*, 18(4), 36–44.
26. Gummesson, E. (2003), “Internal marketing in the lights of relationship marketing and network organizations, New York”, in: Varey R.J., Lewis B.R., Internal marketing: directions for management. *New York, Routledge*, pp.27-42.
27. Harvir S. Bansal,, Morris B. Mendelson, & Basu Sharma.2001. ‘The impact of internal marketing activities on external marketing outcomes,’ *Journal of Quality Management*, ’6: 61–76.
28. Harvir S. Bansal,, Morris B. Mendelson, & Basu Sharma. 2001, ‘The impact internal marketing activities on external marketing outcomes,’ *Journal of Quality Management*, 6: 61–76.
29. Hersh, M. A. 2010, Evaluate the impact of tourism services quality on customers’ satisfaction. *Institute of Interdisciplinary Business Research IJCRB*.
30. Hersh, A. A. S. 2011, Relationship between internal marketing and service quality with customers’ satisfaction. *International Journal of Marketing Studies*. Vol. 3 No. 2
31. Heskett, J. L., (1981) *Managing in a Service Economy*, Boston, MA: *Harvard Business School Press*.
32. Hsaio, F.F. (1997). Internal marketing. *Taipei: Yuan-Liou Publishing*.
33. Howcroft, B. (1991), “Increased marketing orientation: UK bank branch networks”, *International Journal of Bank Marketing*, Vol.9 No.4, pp. 3-9.
34. Humborstad S.I.W., Humborstad B. & Whitfield R (2008). Burnout and service employees’ willingness to deliver quality service. *Journal of Human Resources in Hospitality & Tourism* 7(1), 45–64.

35. Johnson, S., Cooper, C., Cartwright, S., Donald, I., Taylor, P., & Millet, C. (2005). The experience of work related stress across occupations. *Journal of Managerial Psychology*, 20, 178
36. Joseph, W. B. (1996). Internal marketing builds service quality. *Journal of Health Care Marketing*, 16(1), 54-59.
37. Kothari, C.R. 2004. Research methodology methods and techniques. 2nd ed. New Delhi: *New age international*.
38. Kotler P (1990), Principles of Marketing, *Prentice-Hall, Englewood Cliffs, NJ*.
39. Kotler, P. (1991), Marketing management: Analysis, planning, implementation and control (7th ed.). *Englewood Cliffs, NJ: Prentice-Hall*.
40. Lings, I. (2004). Internal market orientation construct and consequences. *Journal of Business Research*, 57, 405-413
41. Malhotra N. & Mukherjee A. (2004), The relative influence of organizational commitment and job satisfaction on service quality of customer-contact employees in banking call centers. *Journal of Services Marketing* 18(3), 162–174.
42. Mitchell, C. 2002. „Selling the brand inside“ *Harvard Business Review*, Jan.:99-105.
43. Morgan, N.A. (1991). Professional services marketing. *London: Butterworth Heinemann/ CIM*.
44. Nyala Insurance S.C (2019), *Company Profile*.
45. Parasuraman, A., Zeithaml, V.A., & Berry, L.L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12–40.
46. Patrick Dattalo (2008), Determining Sample Size: Balancing Power, Precision, and Practicality, *Oxford University Press*.
47. Pfeffer, J. 1995. „Producing Sustainable Competitive Advantage through the Effective Management of People“, *Academy of Management Executive* 9:55-72.
48. Prasad, A., & Steffes, E. 2002. “Internal marketing at Continental Airlines: Convincing employees that management knows best” *Marketing Letters*, 13(2):75-8
49. Rafiq, M., & Ahmed, K. (2000). Advances in the internal marketing concept: definition, synthesis and extension, *Journal of Services Marketing*, 14 (6), 449-462.
50. Robert L. Miller and John D. Brewer (Ed.) (2003), *The A to Z of Social Research: A Dictionary of Key Social Science Research Concepts*, SAGE Publications
51. Ruane, J.M. (2005). *Essentials of Research Methods: A Guide to Social Science Research*
52. Sargeant, A. & Asif, S. (1998). The strategic application of internal marketing - an investigation of UK banking. *International Journal of Bank Management*, 16(2), 66-79.
53. Sargeant, A., & Frenkel, S. (2000). When do customer contact employees satisfy customers? *Journal of Service Research*, 3(1), 18–34.
54. Spreng, R. A. and Mackoy, R. D. (1996) An empirical examination of a model of perceived service quality and satisfaction. *Journal of Retailing* 72 (2): 201 – 214

55. Tansuhaj, P., Randall, D., & McCullough, J. (1991). Applying the internal marketing concept within large organizations: As applied to a credit union. *Journal of Professional Services Marketing*, 6(2), 193–202.
56. Wang, M. C. (2012). The mediating effect of quality of service on the effectiveness of employee training and customers satisfaction. *International Research Journal of Finance and Economics Issue*, 90
57. Wilmark J. Ramos.2015. „Internal Marketing (IM) Dimensions and Organizational Commitment (OC) of Universal Banks Employees.“*Proceedings of the Second Asia-Pacific Conference on Global Business, Economics, Finance and Social Sciences (AP15 Vietnam Conference) ISBN: 978-1-63415-833-6 Danang, Vietnam, 10-12*
58. Wu, S. J., & Huang, J. Y. (2000). Internal marketing concepts and human resource management comparison. *Taiwan Business Bank Journal*, 23 (3), 125-133.
59. Yafang Tsai and Ta Wei Tang.2008. How to improve service quality: Internal marketing as a Determining factor“ *Total Quality Management*, 19(11):1117–1126.
60. Yafang Tsai & Shih-Wang Wu.2011, “Using internal marketing to improve organizational commitment and service quality”, *Journal of Advanced Nursing*, 67(12): 2593–2604.
61. Yalew Engidawork.2011. Fundamentals of Research Principles and Implementation, *Commercial Printing Press*.
62. Zeithamal V A and Bitner M J (2005), “Services Marketing: Integrating Customer Focus Across The Firm”, *Tata McGraw-Hill, New Delhi*.

Appendices

**Addis Ababa University
School of Commerce
Questionnaire to Be Filled By Nyala Insurance S.C /NISCO/ Employees**

Dear Respondent

I would like to share your wonderful insights on this questionnaire with regards to your insurance experience you have had in the past within NISCO. The questionnaire is designed to measure internal marketing views employees as customers that satisfy their needs and wants fulfilled while addressing the objectives of the Insurance i.e. Service Quality.

Please consider each question carefully to determine how you feel about the subject matter personally as a customer of your organization the consumption is purely for academic research purpose for partial fulfilment of a post graduate program in marketing management at Addis Ababa University School of Commerce. Thank you for sharing your valuable time in filling this questionnaire.

The questionnaire has 2 parts each referring to your actual experience and ideal thought of an excellent insurance service provider.

Fekadu Tiruneh

E-mail- fekadutiru@gmail.com

Tel.: +251-911477884

Part 1 personal information

This first part inquires your personal information so please mark **X** in the space provided exactly fits with your back ground

1. Sex Female Male

2. Age Below 20 years From 21-30 years From 31-40 years
Above 41 years

3. Educational Level Diploma First Degree Above First Degree

4. Job Category Junior Officer Middle Level Officer

Senior Officer Manager **5. For how many years you are an Employee of Nyala Insurance S.C [NISCO]**Below 2 years From 2-5 years From 6-10 years Above 10 years

PART 2. Internal marketing views employees as customers that satisfy their needs and wants fulfilled while addressing the objectives of the firm. Please consider each question carefully to determine how you feel about the subject matter personally as a customer of your organization. Please mark 'X' below any of the numbers in the middle that show how strong your feelings are.

S.N	Statements	Strongly Disagree i(1)	Disagree i(2)	Neutral i(3)	Agree i(4)	Strongly Agree i(5)
Internal Marketing Dimensions						
Effective Communication						
1	Our company places considerable emphasis on communicating with us.					
2	Managers communicate our company's vision well to us.					
3	Our company uses the data which it gathers from employees to improve our jobs, and to develop the strategy of the company.					
Reward System						
4	Our company measure and reward employee performance that contributes to the company's vision.					
5	In our company, employees who provide excellence service are rewarded for their efforts.					
6	Our performance measurement and reward systems encourage employees to work together.					
Employee Service Training						
7	In this company, we are properly trained to perform our service roles.					
8	The company goes beyond training and educates employees as well.					
9	Our company views the development of knowledge and skills in employees as an investment rather than a cost.					
Employee Empowerment						
10	Our Company's working environment supports us to take decision by our own.					
11	There are ways for employees to exercise your discretions and judgments that are essentially needed for accomplishing the task.					
Perceived Quality Service Dimensions						

Reliability						
12	I will finish the assignment in the requested time.					
13	When clients have problems, I am sympathetic and reassuring.					
14	I provide my services at the time I promise to do so.					
15	I always do everything right, first time.					
Responsiveness						
16	I tell clients exactly when services will be performed.					
17	I provide prompt service to my clients.					
18	I am always willing to help clients.					
19	I respond to clients' requests promptly.					
Assurance						
20	Clients feel happy in their interactions with me.					
21	I get adequate support from the company to do my jobs well.					
22	Clients can trust me.					
23	I serve my clients in a good manner.					
Empathy						
24	I give clients personal attention.					
25	I know what the needs of my clients are.					
26	I have clients' interests at heart.					
27	I am sensitive to individual differences among clients.					
28	I offer services at times convenient to all my clients.					

Appendix 2

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.905 ^a	.818	.811	.23384	2.066

a. Predictors: (Constant), Empowerment, Training, Reward, Communication

b. Dependent Variable: Service Quality

Appendix 3

Descriptive Statistics

	N	Mean	Std. Deviation
Reliability	108	3.5255	.98939
Responsiveness	108	3.7199	.88848
Assurance	108	3.4051	.96958
Empathy	108	3.7704	.68676
Valid N (listwise)	108		

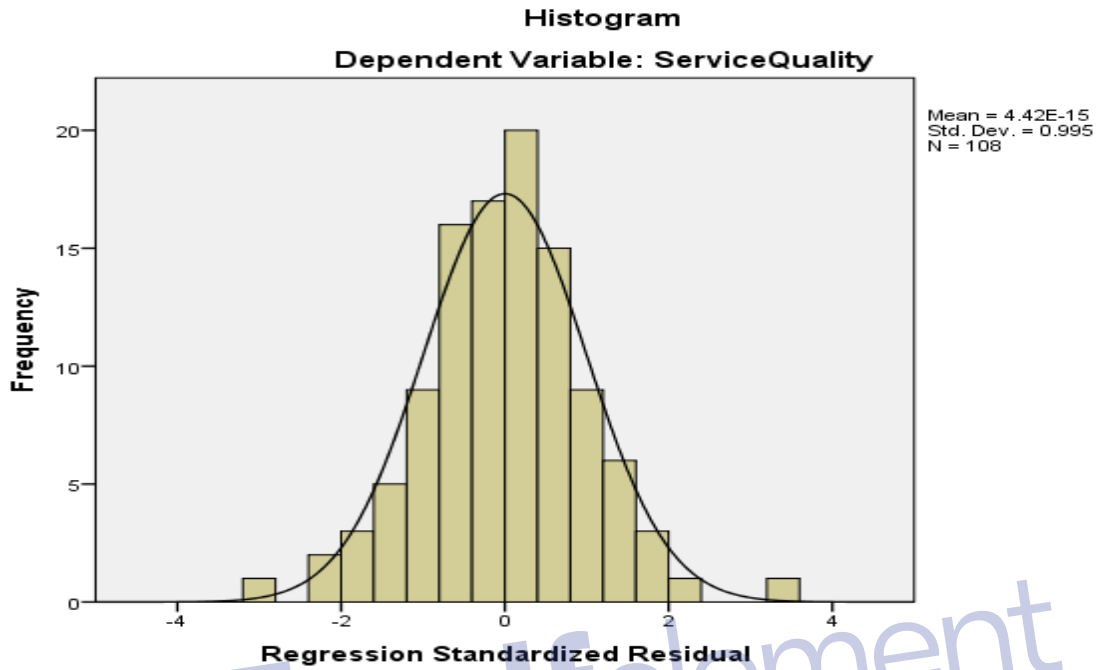
Appendix 4

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.6947	4.4288	3.6950	.47129	108
Residual	-.80415	.84189	.00000	.26009	108
Std. Predicted Value	-2.123	1.557	.000	1.000	108
Std. Residual	-3.077	3.222	.000	.995	108

a. Dependent Variable: Service Quality

Appendix 5



Appendix 6



Appendix 7

