

UNDERSTANDING THE IMPACT OF INTERNAL SERVICE QUALITY (SERVQUAL) ON INTERNAL CUSTOMER SATISFACTION: A STUDY AT ONE OF THE PRIVATE COMPANIES IN MALAYSIA

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Abstract: *Employees are the most important asset in organization. The good services they provided might lead to the customers' loyalty because of their satisfaction with the service experiences. Other than external customers, employees as internal customers also important to be concerned since they are the part of the successful business operations. Anyone in an organization who consumes services or products provided by other employees in the same organization known as internal customers. Therefore, the purpose of this study is to investigate the relationship between internal service quality and internal customer satisfaction at one of the private companies in Malaysia. Quantitative research was conducted through survey of 111 employees and the data analysed by using Statistical Package for Social Skills (SPSS) software based on a set of questionnaires. The results showed that there are significant and positive relationships between SERVQUAL dimensions which are reliability, responsiveness, assurance, empathy, and tangible and internal customer satisfaction. The findings from the analysis also shows that tangible, reliability, and empathy factor have high correlation to internal customer satisfaction while responsiveness and assurance factors have a moderate correlation to internal customer satisfaction. Therefore, it is recommended for the organization to promote the internal customer satisfaction by developing a strategic approach on tangible, reliability, and empathy dimensions of the SERVQUAL for the internal customer who are the organization's employees. As for future research, the research should be extended to include broader population from private and public companies throughout Malaysia to be able for the results to be generalized into other population.*

Keywords: *Internal Service Quality, Internal Customer Satisfaction, Private Company*

Introduction

Undisputedly, providing good services to customers are important strategies for businesses to stay competitive in the marketplace. Panda (2003) coined that successful service providers depend on the high-quality relationship with customers. Many of organizations are competing to offer excellent services and products to enhance their organizational performance (Porsoltani & Iraj 2012). Research shown repeatedly that service quality influences organizational outcome such as superior performance, increase sales profit and market share, improving customer relations, enhance corporate image and promote customer loyalty. Long-term success of the organization is depending on its consistency in providing the good services (Ghorbani, 2014). One of the important aspects in service quality is to observe how the organizations provide services to their employees as the service quality also has important roles in employee satisfaction as internal customer. Since employees are the most important asset in the organization, employees' satisfaction should be counted and considered based on the service quality provided by the organization to them. For examples, the facilities, the equipment, the compensation, the rewards, the work environment, and the treatment that the employees received.

Other than fulfilling the requirement by external customers, the organization should also focus on internal marketing for employees as internal customers to increase their satisfaction on the services provided (Barnes & Morris, 2000). Giving attention to employees' satisfaction will guarantee the success of the organization because when the employees are highly satisfied with their job and the organizations, they will become committed and willing to go extra miles to give excellent service quality to external customers. According to Yue Xia (2009) the service quality in the organization and employee satisfaction was significantly contributed to customer satisfaction which led to organizational growth and profit. Chelladuraie (2003) argued that the service quality offered to employee will influence the services provided to customers and able to enhance organizational performance.

Despite the important of internal customers satisfaction to organization's survival and competitive advantage, there are relatively little attention has been paid on *internal service quality* and *the internal customers satisfactions* (Jun & Cai, 2010; Stanley & Wisner, 2001) especially in Malaysia. Therefore, the objective of this study is to investigate the impact of internal service quality dimensions on internal customer satisfaction. Focus of the study was at one of the private companies in Malaysia.

To achieve the main purpose of study, the specific research objectives are:

- R₁: To investigate the relationship between reliability dimension and internal customer satisfaction.
- R₂: To investigate the relationship between responsiveness dimension and internal customer satisfaction.
- R₃: To investigate the relationship between assurance dimension and internal customer satisfaction.
- R₄: To investigate the relationship between empathy dimension and internal customer satisfaction.
- R₅: To investigate the relationship between tangible dimension and internal customer satisfaction.

Literature Review

This study is focusing on the impact of internal service quality on internal customers' satisfactions. Thus, this section will define and discuss about the relationship between internal service quality and internal customer satisfactions based on past research.

Internal Customer Satisfaction

Since internal customers refers to person within an organization, in 1990, Nagel and Cilliers discussed that any employee of a company who receives goods or services from another employee of the same company is considered an internal customer. Individuals within the organization, whether they are from another department or external clients, should assist one another (Farner et al., 2001). According to Gremler, Bitner and Evans (1994), internal customers are persons that supply products or services to others in the organization. Lawfer (2004) stated that, internal customers are all the people with whom you deal in the organizations. Therefore, in the huge company, the internal customer might be consisting of the manager, supervisor, subordinates, and employees. Kang, James and Alexandris (2002) claimed that there is equivalent role between internal and external customer when they utilise variety of services to satisfy the requirement for their job responsibilities. Additionally, internal customer satisfaction can be viewed through productivity, employee retention, profitability, and external customer satisfaction (Lai Wan, 2007). Since this situation is within an organization, it should be easy to deal with especially about the benefits to employees. But it must be something that the employee's need and highly desire from the employer. It must meet or exceed their expectation and add value for them to satisfy with service solution (Agentir, 2001).

According to Poku, Zakari, and Soali (2003), service is an economic operation that generates value and offers advantages to customers at particular point and locations by bringing about the desired outcome in or on behalf of the service recipient. In order to achieve internal customer satisfaction and competitive advantage, providing the quality of service is one of important factors. The quality of service offered to internal staff through exceptional customer support of other service units within a business is crucial for the business survival and sustainability in the competitive market (Gilbert, 2000). To achieve internal customer satisfaction, service organizations should place a high priority on internal service quality. This is due to the fact that contented workers are more dedicated to quality and continual improvement (Matzler, 2004) indirectly they are committed to providing a great service. In research from Vieira, G. (2011), internal customers realised that an efficient management system boosted service agility and reliability while reducing cost, which might contribute to internal customers' overall satisfaction.

Internal Service Quality and Internal Customer Satisfaction

Service quality is referred to "the ability of service provider to satisfy customer in an efficient manner through which he/she can better the performance of business" (Ramya, Kowsalya & Dharanipriya, 2019, p.38). There are several measurements can be used to measure service quality. In this study, SERVQUAL instrument is applicable and suitable to investigate the relationship between internal service quality and internal customer satisfaction. Five dimensions of SERVQUAL is used to measure the employee satisfaction as internal customer at one of the private companies in Malaysia; they are reliability, responsiveness, assurance, empathy, and tangible. SERVQUAL was developed by Parasuraman, Berry and Zeithaml (1985) to measure the quality of service offered by the organizations. It has been used extensively to measure the external customers satisfaction on the service provided by the

organizations. However, it can also be used to determine internal service practices in the organization among the employees.

According to Lee and Lee (2022), The virtuous cycle recognised that high levels of internal customer satisfaction led to high-quality service for clients outside the company, which in turn enhances business performance. Latif (2016) stated that, there are two categories of service quality that a business would provide: internal service quality (ISQ) and external service quality (ESQ). Due to the perception of the service obtained by another employee of the organisation as an internal service provider of the organisation, ISQ is refer to the satisfaction that is experienced by an employee as an internal customer of the company. The ability of workers to serve internal customers is connected to ISQ (Miknevičius et al., 2022).

To produce excellent employee, excellent human resource strategy should be used to manage, attract and control the employees in the organization and ensuring they are satisfied with their job and working environment to archive organizational goal (Faridahwati et.al.,2006). Previous study by Miknevičius et al. (2022) recommended that the problem occurs between internal service quality should be solved and need to develop a strategy which could promoting the loyalty in the organization. Meanwhile, research conducted by Andalas (2022) showed that there are significant influences between internal service quality and internal customers satisfaction of service users. However, different field of the job scope could lead to different quality of internal service received by employee (Miknevičius et al., 2022). In Malaysia, many studies focus on the influence on SERVQUAL on the satisfaction of external customers but there is a gap on the study of the impact of internal service quality on internal customers satisfaction especially in private company. Thus, the purpose of this study is to investigate the relationship between internal service quality and internal customer satisfaction at one of the private companies in Malaysia.

Therefore, Figure 1 shows the conceptual framework of this study that indicates five dimensions of internal SERVQUAL as independent variables and internal customer satisfaction as dependent variable that adapted from Chen (2008).

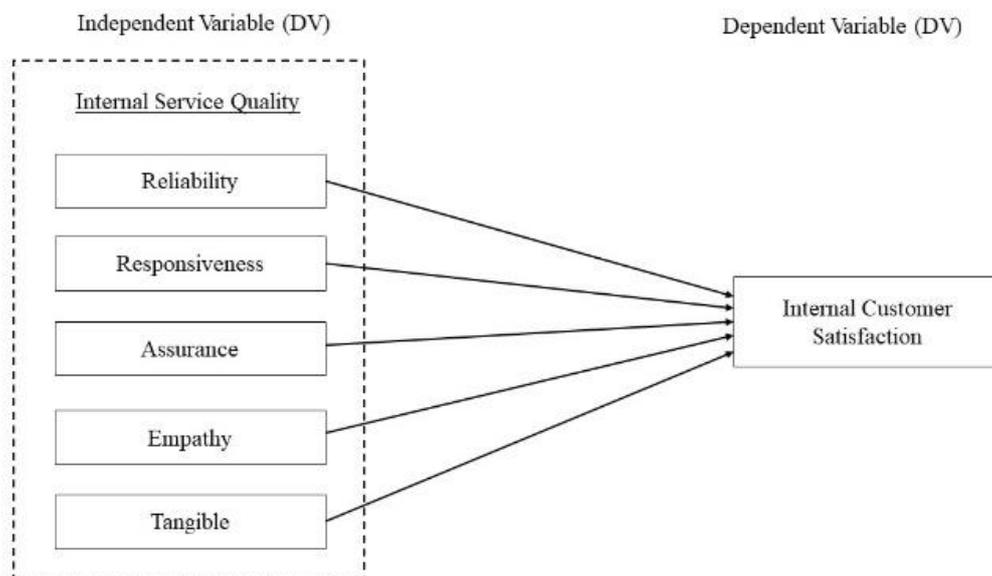


Figure 1: Conceptual Framework

Based on the above discussion, the hypotheses are as follows:

- H₁: There is significant relationship between the reliability dimension and internal customer satisfaction.
- H₂: There is significant relationship between the responsiveness dimension and internal customer satisfaction.
- H₃: There is significant relationship between the assurance dimension and internal customer satisfaction.
- H₄: There is significant relationship between the empathy dimension and internal customer satisfaction.
- H₅: There is significant relationship between the tangible dimension and internal customer satisfaction.

Methodology

This study was using a quantitative method and survey questionnaire for collecting the data. Correlation research design was applied for this research to measure the relationship between factors of internal service quality and internal customer satisfaction (Sekaran & Bougie, 2013). This research was carried out at one of private companies in Malaysia with 120 population. The questionnaire was distributed to all employees, however, only 111 responses were returned. Section A (demography) and B (the SERVQUAL factors) of the questionnaire was adopted from Murnhurrun, Naidoo and Bhiwajee (2010), while Section C (internal customer satisfaction) was from Wildes (2000). The questionnaires were written in English and Malay languages, Section B and C includes the five-point Linkert-scale ranging from 1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree. The reliability test has been done to measure the consistency of the items in the instrument used for this study (Kumar, 2019).

Finding and Discussion

This study was conducted to identify the relationship between factors of internal service quality and internal customer satisfaction at one of the private companies in Malaysia. This section explaining about the results from the statistical analysis to answer the research objectives, research questions, and research hypothesis.

Demographic Analysis

Table 1 shows the analysis result for demographic background of respondents. In this study, 111 respondents are employees from one of the private companies situated in Malaysia. The questions asked in demographic sections are gender, age, educational level, working experience, section (department) and job position in the company.

Table 1: Demographic Aanalysis

Respondent	Frequency	Percent (%)
Gender		
Male	64	57.7
Female	47	42.3
Age		
21-30 years old	27	24.3
31-40 years old	50	45.0
41-50 years old	33	29.7
51 years old and above	1	0.9

Education		
Certificate	26	24.3
Diploma	9	8.1
Bachelor Degree	31	27.9
Master	34	30.6
PhD	11	9.9
Working Experience		
1-5 years	24	21.6
6-10 years	76	68.5
10-15 years	11	9.9
Section		
General Manager Office	18	16.2
Engineering Material	21	18.9
Biomedical	26	23.4
Energy Material	33	29.7
Technical Service & Consultancy	13	11.7
Job Position		
Manager	6	5.4
Executive	22	19.8
Researcher	76	68.5
Technician	7	6.3

Reliability Test

Cronbach's alpha value from SPSS data to test the reliability was used to measure the internal consistency of all constructs. As shown in Table 2, all the items were reliable with the Cronbach's Alpha values of more than 0.7 which indicate that are acceptable. All the respondents considered as understand the question well due to the mean score for all items.

Table 2: Result of Reliability Analysis

Variables	Item in scale	Mean	Cronbach alpha
Reliability	4	3.488	0.826
Responsiveness	2	3.369	0.929
Assurance	3	3.432	0.698
Empathy	2	3.729	0.766
Tangible	3	3.909	0.701
Internal Customer Satisfaction	12	3.687	0.866

Correlation Analysis

Correlation analyses are tested to view the associations between the variables. Table 3 shows that the highest and very strong correlation of independent variable (reliability, responsiveness, assurance, empathy, and tangible) towards dependent variable (internal customer satisfaction) is tangible factor (0.811). Indirectly for research objective (RO6) in this study is accomplished. It is followed by other factors such as reliability (0.785) and empathy (0.769). While for assurance (0.533) and responsiveness (0.463) indicates that moderate correlation and has substantial relationship. Regarding to the research objective of this study (RO1, RO2, RO3, RO4 and RO5) all the five independent variable in this study are positively correlated and have very strong, strong, and moderate towards dependent variable.

Table 3: Correlation Analysis

		Reliability	Responsiveness	Assurance	Empathy	Tangible
Internal Customer Satisfaction	Pearson Colleration (r)	0.785**	0.463**	0.533**	0.769**	0.811**
	Significant, <i>p</i>	0.000	0.000	0.000	0.000	0.000

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

The result from Pearson correlation interprets that all independent variables have a significant relationship with dependent variable. Two variables, responsiveness ($r=0.463$, $p<0.01$) and assurance ($r=0.533$, $p<0.01$) are moderately correlated with internal customer satisfaction. While reliability ($r=0.785$, $p<0.01$) and empathy ($r=0.769$, $p<0.01$) are highly correlated with internal customer satisfaction. Whereas tangible factor ($r=0.811$, $p<0.01$) shows very high correlation with internal customer satisfaction.

Multiple regression analysis was carried out to investigate the relationship between the variables for the hypothesis testing. As shown in Table 4, all the hypotheses were supported and accepted. The results indicates that 91.1% of internal customer satisfaction was interpreted by internal service quality that consists of reliability, responsiveness, assurance, empathy, and tangible. The table further presenting that tangible was having the greatest influence on internal customers satisfaction compared to other factors of internal service quality at this private company ($\beta=.438$, $p=.000$). Other factors with significance influence on customers satisfactions is empathy ($\beta=.333$, $p=.000$), reliability ($\beta=.0263$, $p=.000$), responsiveness ($\beta=.100$, $p=.018$) and lastly assurance ($\beta=.094$, $p=.033$).

Table 4: Summary of Hypothesis

Hypothesis	Relationship	B	Sig.	Result
H ₁	Reliability and Internal Customer Satisfaction	0.263	0.000	Supported
H ₂	Responsiveness and Internal Customer Satisfaction	0.100	0.018	Supported
H ₃	Assurance and Internal Customer Satisfaction	0.094	0.033	Supported
H ₄	Empathy and Internal Customer Satisfaction	0.333	0.000	Supported
H ₅	Tangible and Internal Customer Satisfaction	0.438	0.000	Supported

Conclusion and Recommendations

The main purpose of this study is to investigate the impact of internal service quality dimensions on internal customer satisfaction in one of the private companies in Malaysia. Based on the findings, 91.1% of internal customer satisfaction was interpreted by internal service quality dimensions that consist of reliability, responsiveness, assurance, empathy, and tangible. It can be concluded that all the hypotheses of this study were accepted by referring to the results from regression analysis. It shows that all the independent variables were positively influenced the internal customers satisfaction. However, the most significant relationship on dependent

variable in this study was tangible ($r=0.811$) dimension. It is indicated that, employees of this private company are giving priority on having the physical facilities, appearance of the personnel equipment, and the communication material (Isa, 2005). Different service industries employ different types of tangibles. Tangibles are the visible aspects of the service that are employed by business to improve internal customer satisfaction (Zygiaris, Hameed, Ayidh Alsubaie & Ur Rehman, 2022). In other words, tangibles in service consists of physical evidence of the service and can be divided to broad components. Reliability ($r=0.785$) dimension is to show that the service given by the company is dependable and in a correct way. Meanwhile for the empathy ($r=0.769$) dimension, they believe that every employee needs to be considered and tolerated in a certain situation. The responsiveness ($r=0.463$) and assurance ($r=0.533$) dimensions although showed moderate correlation, both are still had a positive and significant relationship with internal customer satisfaction. These findings were supported by the findings by Andalas (2022) on the impact of internal service quality dimensions on internal customers' satisfactions.

This study significantly contributes to our understanding of the relative importance of various internal service quality dimensions and their effects on the internal customers satisfaction. Therefore, it is recommended for the organization to promote the internal customers satisfaction which refers to employees by developing a strategic approach on tangible, reliability, and empathy dimensions of the SERVQUAL. As for future research, the research should be extended to include broader population from private and public companies throughout Malaysia to be able for the results to be generalized into other population.

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