

**INTERNAL MARKETING AND THE DELIVERY OF SERVICE  
QUALITY AND CUSTOMER SATISFACTION IN THE  
OMANI BANKING INDUSTRY**

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## **DECLARATION**

I certify that the thesis submitted by me for the degree PHD in Marketing Management at the University of Johannesburg is my independent work and has not been submitted by me for a degree at another university.

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LEIGH DE BRUIN

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## **DEDICATION**

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“The journey with the people we love is all that really matters. Such a simple truth, so easily forgotten” – Unknown.

## **ABSTRACT**

Due to the growth of the service sector globally, there is constant demand for superior service quality and customer satisfaction, specifically within banking. Competitive pressures in the banking sector due to more intense competition, changes in government regulation and advancements in technology, are forcing banks to find new ways to remain competitive. One way banks can achieve this is through the power of people and the use of internal marketing practices in order to enable employees to deliver superior service quality and customer satisfaction. Internal marketing is a relatively new concept in the Middle East. Most internal marketing models and theories have been applied and tested in mature Western markets and very limited research has been conducted in Middle Eastern markets and no research has been conducted in Oman.

The banking sector in Oman is currently the second largest contributor to the economy after oil and gas, contributing 37% to the country's GDP. Islamic banking was first introduced into the country in 2012, and since its inception, the Islamic banking has been growing significantly faster than conventional banking, currently owning 11.5% of total banking assets. Considering that Oman is a frontier market, the banking sector is not without its challenges, in particular from a service quality and customer satisfaction perspective. Given its employees who create the service experience, the employee as the internal customer becomes the organisation's most valuable asset. Hence, banks worldwide are placing a greater focus on the enablement of employees to deliver service quality and customer satisfaction through an internal marketing strategy. A formal internal marketing programme aims to enhance employee satisfaction with the intention of motivating employees to go the extra mile to provide superior service to internal and external customers. This results in higher levels of customer satisfaction. This kind of strategy could work well within the Omani market, but very little evidence could be found to support or refute the notion.

In order to investigate the influence of the internal marketing mix as enabler of employees' ability to deliver service quality and customer satisfaction and in order to assess the validity of the conceptual model across Islamic and conventional banking, an empirical investigation was conducted. The primary objective was to determine the interrelationships between internal marketing and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers overall, as well as for Islamic and conventional banking. A census approach was applied to the study using a combination of an electronic and a person-administered survey. A total of 627 respondents agreed to participate in the

study. SEM was used to test the relationships in the study. Internal marketing mix elements considered to be enablers of service quality included internal promotion, internal performance management and internal purpose. When regressed onto service quality, internal product and internal price revealed a significantly negative relationship with service quality. The remainder of the internal marketing elements (internal people, internal process, internal physical evidence, internal political power and internal procurement) are not considered to be enablers of service quality. Internal marketing mix elements considered to be enablers of customer satisfaction included internal promotion and internal performance management, the remainder of the elements (internal product, internal price, internal people, internal process, internal physical evidence, internal political power and internal procurement) are not considered to be enablers of customer satisfaction. Service quality is regarded as a strong influencer of customer satisfaction. Furthermore, the empirical findings revealed that differences exist between Islamic and conventional banking, specifically with regard to the relationships when service quality is regressed onto internal promotion, internal process, internal political power and internal purpose. Differences also exist with regard to the relationships when customer satisfaction is regressed onto internal people and internal physical evidence. Based on these outcomes, recommendations were made to retail banks in Oman for the implementation of a formal internal marketing strategy, in which the 10 internal marketing mix elements can be implemented in order to enhance employee ability to deliver superior service quality and customer satisfaction.

## TABLE OF CONTENTS

<b>ACKNOWLEDGEMENTS .....</b>	<b>II</b>
<b>DEDICATION .....</b>	<b>V</b>
<b>ABSTRACT .....</b>	<b>VI</b>
<b>TABLE OF CONTENTS .....</b>	<b>VIII</b>
<b>LIST OF FIGURES .....</b>	<b>XX</b>
<b>LIST OF TABLES.....</b>	<b>XXII</b>
<b>CHAPTER 1 INTRODUCTION AND BACKGROUND .....</b>	<b>1</b>
<b>1.1 INTRODUCTION .....</b>	<b>1</b>
<b>1.2 BACKGROUND TO THE STUDY .....</b>	<b>3</b>
<b>1.3 PROBLEM STATEMENT.....</b>	<b>5</b>
<b>1.4 RESEARCH OBJECTIVES.....</b>	<b>8</b>
1.4.1 Primary objective of the study .....	8
1.4.2 The secondary objectives .....	8
<b>1.5 LITERATURE REVIEW.....</b>	<b>9</b>
1.5.1 Meta-theoretical approach .....	10
1.5.2 World view .....	11
1.5.3 Theories.....	11
1.5.3.1 Relationship Marketing Theory.....	11
1.5.3.2 Social Exchange Theory .....	12
1.5.4 The fields of study and concepts.....	12
1.5.4.1 The concept of internal marketing .....	13
1.5.4.2 The concept of service quality.....	24
1.5.4.3 The concept of customer satisfaction .....	24
1.5.5 The interrelated nature of internal marketing, service quality and customer satisfaction .....	25
<b>1.6 CONTRIBUTION OF THE STUDY .....</b>	<b>28</b>
1.6.1 Academic significance .....	28
1.6.2 Industry significance .....	30



<b>1.7</b>	<b>RESEARCH METHODOLOGY .....</b>	<b>30</b>
1.7.1	Research philosophy and design .....	30
1.7.2	Population and sample .....	32
1.7.2.1	Phase 1: Judgement sampling to select participating banks .....	32
1.7.2.2	Phase 2: Quota sampling.....	33
1.7.2.3	Phase 3: Census approach.....	34
1.7.3	Data collection, sources, instruments and procedures .....	34
<b>1.8</b>	<b>DATA ANALYSIS PROCEDURE.....</b>	<b>35</b>
<b>1.9</b>	<b>DIVISION OF THE STUDY.....</b>	<b>35</b>
<b>1.10</b>	<b>CONCLUSION .....</b>	<b>37</b>
<b>CHAPTER 2</b>	<b>THE BANKING INDUSTRY IN OMAN .....</b>	<b>38</b>
<b>2.1</b>	<b>INTRODUCTION .....</b>	<b>38</b>
<b>2.2</b>	<b>THE GLOBAL BANKING ENVIRONMENT .....</b>	<b>39</b>
2.2.1	The role of technology and information in banking .....	41
2.2.1.1	Big data analytics.....	42
2.2.1.2	Mobile banking.....	42
2.2.1.3	The impact of information and technology in the Omani banking sector.....	43
2.2.2	The importance of the employee-customer relationship .....	45
2.2.2.1	The role of trust.....	46
2.2.2.2	Emotional engagement .....	47
2.2.2.3	The impact of the employee-customer relationship on service quality and customer satisfaction within the Omani retail banking market .....	48
2.2.3	The rise of Islamic banking in the world .....	51
<b>2.3</b>	<b>THE BANKING INDUSTRY IN OMAN .....</b>	<b>54</b>
2.3.1	A historical perspective on the banking industry in Oman .....	54
2.3.2	The impact of Islamic banking finance in Oman .....	57
2.3.2.1	Challenges to growth .....	57
2.3.3	A background perspective on the different Omani banks participating in the study .....	59
2.3.3.1	Bank Muscat .....	59
2.3.3.2	The National Bank of Oman (NBO).....	59
2.3.3.3	Meethaq.....	60
2.3.3.4	Muzn.....	60
2.3.3.5	Bank Nizwa.....	60

<b>2.4</b>	<b>A PERSPECTIVE ON CONVENTIONAL BANKING AND ISLAMIC BANKING AND THE NEED FOR AN INTERNAL MARKETING APPROACH .....</b>	<b>61</b>
2.4.1	Conventional banking practices .....	61
2.4.1.1	Principles of conventional banking .....	62
2.4.1.2	Conventional banking products .....	62
2.4.2	Islamic banking practices .....	63
2.4.2.1	Principles of Islamic banking .....	64
2.4.2.2	Islamic banking instruments .....	66
2.4.3	Differences between conventional banking products and Islamic finance instruments .....	68
2.4.3.1	Deposits .....	69
2.4.3.2	Investment deposits .....	69
2.4.3.3	Financing and lending .....	69
2.4.3.4	Overdrafts and credit cards .....	70
2.4.3.5	Short-term loans .....	70
2.4.3.6	Medium/long-term loans .....	70
2.4.3.7	Securities and bonds .....	71
2.4.3.8	Leasing .....	72
2.4.3.9	Housing loan .....	72
2.4.4	Service quality as the distinguishing similarity between conventional and Islamic banking .....	74
<b>2.5</b>	<b>INTERNAL MARKETING AS DIFFERENTIATING STRATEGY IN THE ACHIEVEMENT OF SERVICE QUALITY AND CUSTOMER SATISFACTION FOR CONVENTIONAL AND ISLAMIC BANKS IN OMAN .....</b>	<b>75</b>
<b>2.6</b>	<b>CONCLUSION .....</b>	<b>78</b>

## **CHAPTER 3 THE INTERNAL MARKETING WITHIN A SERVICES**

	<b>MARKETING ENVIRONMENT .....</b>	<b>79</b>
<b>3.1</b>	<b>INTRODUCTION .....</b>	<b>79</b>
<b>3.2</b>	<b>MANAGING ORGANISATIONS IN A SERVICE ENVIRONMENT .....</b>	<b>80</b>
3.2.1	The services concept.....	80
3.2.2	Characteristics of service .....	81
3.2.2.1	Intangibility.....	82
3.2.2.2	Inseparability.....	82
3.2.2.3	Perishability .....	83
3.2.2.4	Heterogeneity .....	83
3.2.2.5	Ownership.....	83
3.2.2.6	Service culture .....	84
<b>3.3</b>	<b>A PERSPECTIVE ON INTERNAL MARKETING.....</b>	<b>85</b>
<b>3.4</b>	<b>THEORIES GROUNDING AN INTERNAL MARKETING APPROACH TOWARDS SERVICE QUALITY AND CUSTOMER SATISFACTION .....</b>	<b>87</b>
3.4.1	Relationship Marketing and Social Exchange as the grounding theories of internal marketing .....	92
3.4.1.1	Internal Marketing and the Relationship Marketing Theory.....	95
3.4.1.2	Internal marketing and the Social Exchange Theory .....	100
<b>3.5</b>	<b>INTERNAL MARKETING MIX.....</b>	<b>103</b>
3.5.1	The history of internal marketing models and the internal marketing mix .....	103
3.5.1.1	The traditional internal marketing mix perspective of the internal marketing model .....	104
3.5.1.2	Strategically orientated perspective of the internal marketing model .....	105
3.5.1.3	Processional perspective of the internal marketing model.....	105
3.5.1.4	Relational perspective model of internal marketing .....	107
3.5.2	The internal marketing mix elements and their relationship to service quality and customer satisfaction .....	109
3.5.2.1	The traditional marketing mix elements.....	110
3.5.2.2	The internal service marketing mix.....	119
3.5.2.3	The contemporary mix .....	124
<b>3.6</b>	<b>THE IMPORTANCE OF INTERNAL MARKETING AS A DIFFERENTIATING STRATEGY TO SECURE SERVICE QUALITY AND CUSTOMER SATISFACTION.....</b>	<b>135</b>
<b>3.7</b>	<b>CONCLUSION.....</b>	<b>137</b>

## **CHAPTER 4 SERVICE QUALITY AND CUSTOMER**

	<b>SATISFACTION .....</b>	<b>138</b>
<b>4.1</b>	<b>INTRODUCTION .....</b>	<b>138</b>
<b>4.2</b>	<b>THE IMPORTANCE OF INTERNAL AND EXTERNAL MARKET ALIGNMENT AND THE INTERACTION BETWEEN THE TWO IN THE ACHIEVEMENT OF SERVICE QUALITY AND CUSTOMER SATISFACTION OBJECTIVES .....</b>	<b>139</b>
4.2.1	External marketing .....	140
4.2.2	Interactive marketing.....	140
4.2.3	Internal marketing .....	141
<b>4.3</b>	<b>UNDERSTANDING SERVICE QUALITY AND THE RELEVANCE OF SERVICE QUALITY TO BANKS IN OMAN .....</b>	<b>142</b>
4.3.1	Banking-specific service quality models and scales .....	145
4.3.1.1	The evolution of the SERVPERF model.....	149
4.3.2	Internal service quality .....	160
4.4	understanding CUSTOMER SATISFACTION .....	162
4.4.1	Definition of customer satisfaction.....	162
4.4.2	The importance of employee satisfaction in the achievement of customer satisfaction .....	165
4.4.2.1	Drivers of employee satisfaction to deliver external customer satisfaction ..	166
<b>4.5</b>	<b>THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION WITHIN OMANI BANKS .....</b>	<b>178</b>
4.5.1	The service profit chain .....	178
4.5.1.1	The link between internal service quality and employee satisfaction .....	179
4.5.1.2	The link between employee satisfaction and employee productivity .....	180
4.5.1.3	The link between employee satisfaction and employee retention .....	180
4.5.1.4	The link between employee productivity and employee retention and external service quality.....	181
4.5.1.5	The link between external service quality and customer satisfaction .....	181
4.5.1.6	The link between customer satisfaction and customer loyalty .....	181
4.5.1.7	The link between customer loyalty and increased organisational revenue and profitability .....	182
4.5.1.8	Increased profitability and growth improves employee satisfaction .....	182
<b>4.6</b>	<b>THE PROPOSED THEORETICAL MODEL.....</b>	<b>182</b>
<b>4.7</b>	<b>CONCLUSION.....</b>	<b>183</b>

## **CHAPTER 5 CONCEPTUAL MODEL AND HYPOTHESES**

	<b>DEVELOPMENT .....</b>	<b>184</b>
<b>5.1</b>	<b>INTRODUCTION .....</b>	<b>184</b>
<b>5.2</b>	<b>THE IMPORTANCE OF THE RELATIONSHIP MARKETING THEORY AND THE SOCIAL EXCHANGE THEORY IN INTERNAL MARKETING INITIATIVES .....</b>	<b>185</b>
<b>5.3</b>	<b>THEORETICAL MODEL AND RESEARCH HYPOTHESES .....</b>	<b>187</b>
5.3.1	The internal marketing mix as independent variables.....	188
5.3.2	Service quality as the intervening variable .....	189
5.3.3	Customer satisfaction as the dependent variable .....	190
5.3.4	The relationship between the internal marketing mix elements and service quality .....	190
5.3.4.1	The relationship between internal product and service quality.....	191
5.3.4.2	The relationship between internal price and service quality.....	192
5.3.4.3	The relationship between internal promotion and service quality.....	193
5.3.4.4	The relationship between internal people and service quality.....	193
5.3.4.5	The relationship between internal process and service quality .....	194
5.3.4.6	The relationship between internal physical evidence and service quality ....	195
5.3.4.7	The relationship between internal performance management and service quality .....	195
5.3.4.8	The relationship between internal purpose and service quality.....	196
5.3.4.9	The relationship between internal political power and service quality .....	197
5.3.4.10	The relationship between internal procurement and service quality .....	197
5.3.5	The relationship between the internal marketing mix elements and customer satisfaction .....	198
5.3.5.1	The relationship between internal product and customer satisfaction.....	199
5.3.5.2	The relationship between internal price and customer satisfaction.....	200
5.3.5.3	The relationship between internal promotion and customer satisfaction.....	200
5.3.5.4	The relationship between internal people and customer satisfaction.....	201
5.3.5.5	The relationship between internal process and customer satisfaction .....	201
5.3.5.6	The relationship between internal physical evidence and customer satisfaction.....	202
5.3.5.7	The relationship between performance management and customer satisfaction.....	203
5.3.5.8	The relationship between internal purpose and customer satisfaction.....	203

5.3.5.9	The relationship between internal political power and customer satisfaction.....	204
5.3.5.10	The relationship between internal procurement and customer satisfaction..	204
5.3.6	The relationship between service quality and customer satisfaction.....	205
5.3.7	Testing the equivalence between the conventional banking model and the Islamic banking model.....	207
<b>5.4</b>	<b>CONCLUSION.....</b>	<b>207</b>

## **CHAPTER 6 RESEARCH METHODOLOGY ..... 209**

<b>6.1</b>	<b>INTRODUCTION .....</b>	<b>209</b>
<b>6.2</b>	<b>RESEARCH PHILOSOPHY .....</b>	<b>209</b>
6.2.1	Positivist philosophy.....	210
6.2.2	Interpretivist philosophy .....	211
<b>6.3</b>	<b>THE RESEARCH PROCESS .....</b>	<b>213</b>
6.3.1	Define the research problem.....	214
6.3.2	Literature review .....	215
6.3.3	Formulation of hypotheses.....	216
6.3.4	Research design.....	218
6.3.4.1	The purpose of the study .....	219
6.3.4.2	Research strategy or method.....	219
6.3.4.3	Measurement and objectives .....	221
6.3.4.4	Questionnaire design .....	222
6.3.4.5	Pretesting and the Arabic translation correction problems.....	233
6.3.4.6	Questionnaire validity and reliability (also refer to section 6.3.6) .....	235
6.3.4.7	The sampling plan and design .....	236
6.3.5	Data collection .....	241
6.3.5.1	Electronic survey.....	241
6.3.5.2	Person-administered survey .....	242
6.3.5.3	Non-sampling errors and non-response errors.....	242
6.3.5.4	The cover letter.....	243
6.3.5.5	Ethical considerations .....	243
6.3.5.6	Data coding.....	244

6.3.6	Data analysis .....	245
6.3.6.1	Testing for normality and kurtosis .....	245
6.3.6.2	Descriptive statistics .....	245
6.3.6.3	Reliability .....	246
6.3.6.4	Validity .....	246
6.3.6.5	Structural Equation Modelling (SEM) .....	247
6.3.6.6	Measurement model analysis (employing the CFA technique) .....	248
6.3.6.7	Structural model analysis and hypothesis testing .....	251
6.3.6.8	Multiple group analysis.....	251
<b>6.4</b>	<b>CONCLUSION.....</b>	<b>252</b>

## **CHAPTER 7 EMPIRICAL FINDINGS ..... 253**

<b>7.1</b>	<b>INTRODUCTION .....</b>	<b>253</b>
<b>7.2</b>	<b>DISCUSSION OF THE PRIMARY RESEARCH OBJECTIVES AND HYPOTHESES .....</b>	<b>254</b>
7.2.1	The secondary objectives .....	254
7.2.2	Hypotheses.....	254
<b>7.3</b>	<b>DESCRIPTIVE STATISTICAL RESULTS.....</b>	<b>257</b>
7.3.1	Realisation rate.....	257
7.3.2	Demographic profile.....	258
<b>7.4</b>	<b>THE EXTENT TO WHICH EMPLOYEES BELIEVE THE INTERNAL MARKETING MIX IS IMPLEMENTED IN THEIR BANK AND THEIR PERCEIVED ABILITY TO DELIVER SERVICE QUALITY AND CUSTOMER SATISFACTION .....</b>	<b>259</b>
7.4.1	The extent to which employees perceive the internal marketing mix to be implemented in their bank .....	259
7.4.1.1	The perception of the extent to which the internal product (PRD) is implemented in Omani retail banks.....	264
7.4.1.2	The perception of the extent to which the internal price (PRI) is implemented in Omani retail banks.....	265
7.4.1.3	The perception of the extent to which the internal promotion (PRO) is implemented in Omani retail banks.....	265

7.4.1.4	The perception of the extent to which the internal people (PEO) is implemented in Omani retail banks.....	266
7.4.1.5	The perception of the extent to which the internal process (PRC) is implemented in Omani retail banks.....	267
7.4.1.6	The perception of the extent to which the internal physical evidence (PHY) is implemented in Omani retail banks.....	268
7.4.1.7	The perception of the extent to which the internal performance management (PRM) is implemented in Omani retail banks.....	269
7.4.1.8	The perception of the extent to which the internal purpose (PUR) is implemented in Omani retail banks.....	270
7.4.1.9	The perception of the extent to which the internal political power (POW) is implemented in Omani retail banks.....	271
7.4.1.10	The perception of the extent to which the Internal procurement (PCR) is implemented in Omani retail banks.....	272
7.4.1.11	Overall Scores for the internal marketing mix.....	273
7.4.2	The extent to which employees perceive they are enabled to deliver service quality (SQU) .....	274
7.4.3	The extent to which employees perceive they are enabled to provide customer satisfaction (SAT) .....	276
<b>7.5</b>	<b>CONFIRMATORY FACTOR ANALYSIS (CFA)</b> .....	278
7.5.1	Model fit indices .....	278
7.5.2	Univariate normality – testing for skewness and kurtosis .....	281
7.5.3	Reliability and validity of the constructs.....	283
<b>7.6</b>	<b>THE STRUCTURAL MODEL</b> .....	288
7.6.1	Hypotheses Testing .....	289
7.6.1.1	Employees’ perceived ability to deliver service quality and customer satisfaction through the traditional internal marketing mix elements.....	290
7.6.1.2	Employees’ perceived ability to deliver service quality and customer satisfaction through the services internal marketing mix elements .....	293
7.6.1.3	Employees’ perceived ability to deliver service quality and customer satisfaction through the contemporary internal marketing mix elements.....	295
7.6.1.4	Relationship between employees’ perceived ability to deliver service quality and employees’ perceived ability to deliver customer satisfaction .....	299



<b>7.7</b>	<b>MULTIGROUP ANALYSIS .....</b>	<b>303</b>
7.7.1	Islamic banking model .....	304
7.7.1.1	Employees' perceived ability to deliver service quality and customer satisfaction through the traditional marketing mix elements within Islamic banking .....	305
7.7.1.2	Employees' perceived ability to deliver service quality and customer satisfaction through the services marketing mix elements within Islamic banking .....	306
7.7.1.3	Employees' perceived ability to deliver service quality and customer satisfaction through the contemporary marketing mix elements within Islamic banking .....	308
7.7.1.4	The relationship between employees' perceived ability to deliver service quality and employees perceived ability to deliver customer satisfaction in Islamic banking.....	310
7.7.2	The conventional banking models.....	312
7.7.2.1	Employees' perceived ability to deliver service quality and customer satisfaction through the traditional marketing mix elements within conventional banking .....	313
7.7.2.2	Employees' perceived ability to deliver service quality and customer satisfaction through the services marketing mix elements within conventional banking .....	315
7.7.2.3	Employees' perceived ability to deliver service quality and customer satisfaction through the contemporary marketing mix elements within conventional banking .....	316
7.7.2.4	The relationship between service quality and customer satisfaction in conventional banking.....	319
7.7.3	Comparison between the conventional banking and Islamic banking models.....	321
7.7.3.1	Statistical differences between the internal marketing mix and employees' perceived ability to deliver service quality.....	322
7.7.3.2	Statistical differences between the internal marketing mix, employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction .....	323
7.7.3.3	Comparison of relationship strength between Islamic and conventional banking .....	324

<b>7.8</b>	<b>FINAL SUMMARY OF RESEARCH OBJECTIVES, HYPOTHESES AND RESULTS .....</b>	<b>328</b>
<b>7.9</b>	<b>CONCLUSION.....</b>	<b>330</b>
<b>CHAPTER 8</b>	<b>FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>332</b>
<b>8.1</b>	<b>INTRODUCTION .....</b>	<b>332</b>
<b>8.2</b>	<b>OVERVIEW OF THE STUDY.....</b>	<b>332</b>
<b>8.3</b>	<b>CONCLUSIONS AND RECOMMENDATIONS FOR SECONDARY OBJECTIVES .....</b>	<b>333</b>
8.3.1	Secondary Objective 1 .....	334
8.3.2	Secondary Objectives 2 and 3 .....	335
8.3.3	Secondary Objective 4.....	338
8.3.3.1	The significant relationships between the internal marketing mix elements and employees' ability to deliver service quality .....	339
8.3.3.2	The significant relationships between the internal marketing mix elements and employees' ability to deliver customer satisfaction .....	355
8.3.3.3	The non-significant relationships between the internal marketing mix elements and employees' ability to deliver service quality and customer satisfaction .....	357
8.3.4	Secondary Objective 5.....	361
8.3.5	Secondary Objective 6.....	362
8.3.5.1	Statistical differences between internal marketing and employees' perceived ability to deliver service quality across Islamic and conventional banking .....	363
8.3.5.2	Statistical differences between internal marketing and employees' perceived ability to deliver customer satisfaction across Islamic and conventional banking .....	365
8.3.5.3	Recommendation for Islamic banks .....	366
8.3.5.4	Recommendation for conventional banks .....	367
<b>8.4</b>	<b>CONTRIBUTION TO THEORY AND INDUSTRY RESEARCH .....</b>	<b>369</b>
8.4.1	Academic and theoretical contribution.....	369
8.4.2	Industry contribution.....	370
<b>8.5</b>	<b>OVERALL SUMMARY OF THE STUDY .....</b>	<b>371</b>
<b>8.6</b>	<b>LIMITATIONS OF THE STUDY .....</b>	<b>384</b>
<b>8.7</b>	<b>FUTURE RESEARCH .....</b>	<b>384</b>
<b>8.8</b>	<b>CONCLUDING REMARKS.....</b>	<b>384</b>

<b>REFERENCES.....</b>	<b>387</b>
<b>APPENDICES.....</b>	<b>473</b>
<b>APPENDIX 1: DISCUSSION OF THE TERMINOLOGY.....</b>	<b>473</b>
<b>APPENDIX 2: COVER LETTER AND QUESTIONNAIRES.....</b>	<b>474</b>
<b>Appendix 2a: Cover letter .....</b>	<b>474</b>
<b>Appendix 2b: Employee questionnaire .....</b>	<b>476</b>
<b>Appendix 2c: Customer questionnaire.....</b>	<b>482</b>
<b>APPENDIX 3: CUSTOMER DATA ANALYSIS .....</b>	<b>483</b>
<b>Appendix 3.1: Customer perception of employees' ability to deliver service quality.....</b>	<b>483</b>
<b>Appendix 3.2: Customer perception of employees' ability to deliver customer satisfaction.....</b>	<b>483</b>
<b>APPENDIX 4: ADDITIONAL FINDINGS AND RECOMMENDATIONS FOR THE NON-SIGNIFICANT RELATIONSHIPS BETWEEN THE INTERNAL MARKETING MIX, SERVICE QUALITY AND CUSTOMER SATISFACTION .....</b>	<b>484</b>

## LIST OF FIGURES

Figure 1.1:	The interrelationships between internal marketing, service quality and customer satisfaction .....	27
Figure 2.1:	Islamic banking assets as a percentage of total banking assets in the MENA region.....	52
Figure 2.2:	Global estimated Muslim Population .....	53
Figure 2.3:	Conventional versus Islamic banking assets.....	56
Figure 2.4:	Growth in Islamic banking assets.....	57
Figure 2.5:	Conventional banking products.....	62
Figure 2.6:	Islamic financial instruments .....	66
Figure 3.1:	Unique characteristics of services.....	81
Figure 3.2:	Relationship Marketing and Social Exchange Theories grounding an internal marketing approach towards service quality and customer satisfaction.....	92
Figure 3.3:	Internal marketing as a strategy for internal relationship management .....	97
Figure 3.4:	The social exchange process .....	101
Figure 3.5:	Inter-relationships between internal marketing, service quality and customer satisfaction .....	109
Figure 3.6:	The relationship between the traditional marketing mix elements, service quality and customer satisfaction.....	111
Figure 3.7:	The relationship between the service marketing mix elements, service quality and customer satisfaction.....	119
Figure 3.8:	The relationship between the contemporary marketing mix elements, service quality and customer satisfaction.....	125
Figure 4.1:	The Services Marketing Triangle .....	140
Figure 4.2:	GAP model .....	150
Figure 4.3:	The SERVQUAL model .....	153
Figure 4.4:	SERVPERF- The Performance only model.....	157
Figure 4.5:	The service profit chain.....	179

Figure 5.1:	Conceptual Research Model.....	188
Figure 5.2:	The relationship between the internal marketing mix elements and service quality.....	191
Figure 5.3:	The relationship between the internal marketing mix elements and customer satisfaction .....	199
Figure 5.4:	The relationship between service quality and customer satisfaction .....	205
Figure 6.1:	The research process .....	214
Figure 6.2:	The research design process.....	219
Figure 6.3:	The sampling plan or research frame .....	236
Figure 6.4:	The research frame/plan for the study .....	241
Figure 7.1:	Final measurement model .....	287
Figure 7.2:	The structural model.....	288
Figure 7.3:	Significant relationships between internal marketing, service quality and customer satisfaction .....	302
Figure 7.4:	The Islamic banking model .....	304
Figure 7.5:	Significant relationships between internal marketing, service quality and customer satisfaction in the Islamic banking model.....	311
Figure 7.6:	The conventional banking model .....	313
Figure 7.7:	Significant relationships between internal marketing, service quality and customer satisfaction in the conventional banking model.....	319
Figure 8.1:	Summary of the study structure .....	368

## LIST OF TABLES

Table 1.1:	Market share in terms of total assets under management for the conventional banks in Oman.....	4
Table 1.2:	Systems approach to understanding the interrelationships between internal marketing, service quality and customer satisfaction .....	9
Table 2.1:	Principles of Islamic banking.....	64
Table 2.2:	A summary of the differences between conventional banking products and Islamic instruments from an Islamic financing perspective .....	73
Table 3.1:	Definitions of internal marketing.....	86
Table 3.2:	Studies confirming the link between internal marketing, the Relationship Marketing Theory and the Social Exchange Theory.....	94
Table 3.3:	Overview of additional service Ps .....	108
Table 4.1:	Service quality definitions .....	143
Table 4.2:	Dominant service quality models in banking .....	145
Table 4.3:	Determinants of service quality .....	152
Table 4.4:	Relationship between service quality dimensions and customer satisfaction in both conventional and Islamic banking studies .....	158
Table 4.5:	Definitions of customer satisfaction.....	163
Table 4.6:	The link between internal marketing mix elements, drivers of employee satisfaction and internal service quality .....	166
Table 6.1:	Differences between positivist and interpretivist research philosophy .....	212
Table 6.2:	Hypotheses formulated for the study.....	216
Table 6.3:	Link between secondary objectives and sections in the questionnaire .....	222
Table 6.4:	Types of scales and their characteristics .....	224
Table 6.5:	Summary of scales used in each section .....	225
Table 6.6:	An overview of how the internal product subscale was operationalised, the measurement items for this construct, and the sources .....	226
Table 6.7:	An overview of how the internal price subscale was operationalised, the measurement items for this construct and the sources .....	227
Table 6.8:	An overview of how the internal promotion subscale was operationalised, the measurement items for this construct and the sources .....	227

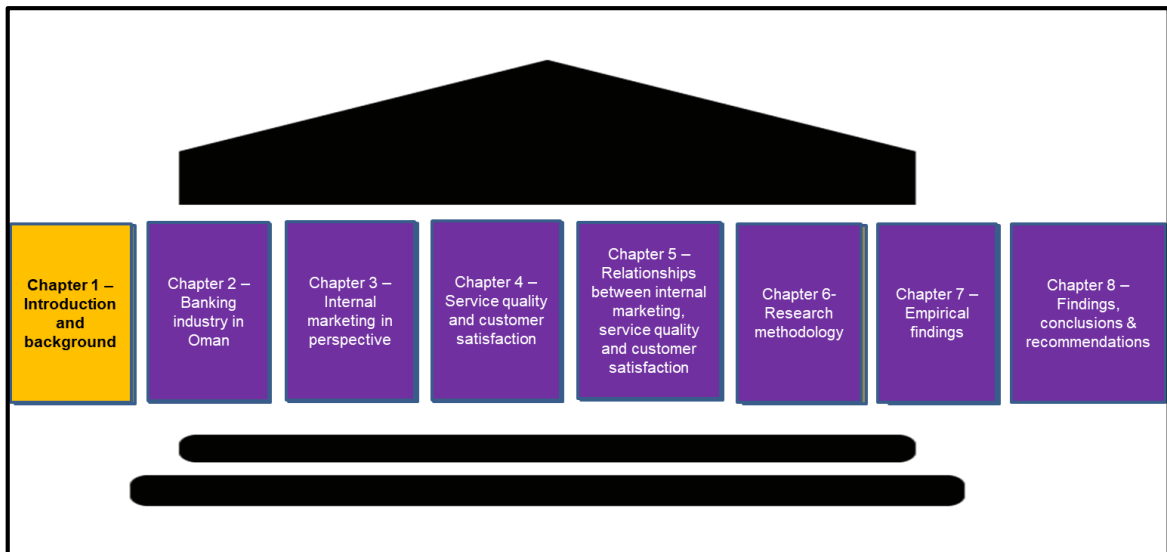
Table 6.9:	An overview of how the internal people subscale was operationalised, the measurement items for this construct, and the sources .....	228
Table 6.10:	An overview of how the internal process subscale was operationalised, the measurement items for this construct and the sources .....	228
Table 6.11:	An overview of how the internal physical evidence subscale was operationalised, the measurement items for this construct, and the sources .....	229
Table 6.12:	An overview of how the internal performance management subscale was operationalised, the measurement items for this construct, and the sources .....	230
Table 6.13:	An overview of how the internal purpose scale was operationalised, the measurement items for this construct, and the sources .....	230
Table 6.14:	An overview of how the internal political power subscale was operationalised, the measurement items for this construct, and the sources .....	231
Table 6.15:	An overview of how the internal procurement subscale was operationalised, the measurement items for this construct, and the sources .....	231
Table 6.16:	An overview of how service quality scale was operationalised, the measurement items for this construct, and the sources .....	232
Table 6.17:	An overview of how the customer satisfaction scale was operationalised, the measurement items for this construct, and sources .....	232
Table 6.18:	Reliability scores for the pilot study .....	234
Table 6.19:	Breakdown sample for the study: Customer-facing retail banking employees per bank .....	240
Table 6.20:	An overview of goodness-of-fit indices suggested for the study .....	250
Table 7.1:	Hypotheses formulated for the study.....	255
Table 7.2:	Realisation rate of participants.....	257
Table 7.3:	Demographic information for Omani retail bank employees .....	258
Table 7.4:	Construct abbreviations .....	260
Table 7.5:	Descriptive statistics for the internal marketing mix.....	260
Table 7.6:	Overall mean and standard deviation scores for the internal marketing mix .....	273
Table 7.7:	Descriptive statistics for service quality.....	275
Table 7.8:	Descriptive statistics for customer satisfaction .....	276
Table 7.9:	Model fit indices of the initial model .....	279

Table 7.10:	Model fit indices of the refined model.....	280
Table 7.11:	Skewness and Kurtosis values for all items .....	281
Table 7.12:	Summary of reliability and validity measures .....	283
Table 7.13:	Correlation and square root of AVEs Matrix .....	286
Table 7.14:	Regression weights and hypothesised conclusions .....	289
Table 7.15:	Mediation analysis .....	299
Table 7.16:	Chi-square difference tests between Islamic and conventional banking .....	322
Table 7.17:	Comparison of relationships between conventional and Islamic banking ..	324
Table 7.18:	Summary of objectives, hypotheses and results .....	329
Table 8.1:	Overall summary of the study .....	372



# CHAPTER 1

## INTRODUCTION AND BACKGROUND



### 1.1 INTRODUCTION

The growth of the service sector worldwide has led to services being considered as one of the most important sectors in the world (Loungani et al., 2017:1). There is a constant demand from customers for better service quality through value-added services such as the speed of application processing, improved personalised services, and more specialised training to enable employees to competently address customer issues and needs. This has resulted in bringing internal marketing to the fore as a mechanism of enabling employees to deliver higher levels of service quality and customer satisfaction (Hamzah, Othman & Hassan, 2016:110-111; Akroush et al., 2013:305). This has prompted organisations, in particular banks, to re-examine their current business processes in terms of efficiency and effectiveness. Pressures looming from more intense competition, changes in government and legislative regulations, as well as the advancement of technology are forcing banks to find new ways to remain competitive (Ernst & Young, 2014). One way that banks can do this is through people and the use of internal marketing to achieve higher levels of service quality factors, which result in higher levels of customer satisfaction (Gera, 2018). This, however, may not be the case in Oman where internal marketing is still in the embryonic phase of awareness and development (Maki, 2018; Loots, 2017). Hence, there is a need to assess whether internal marketing is in fact implemented within Omani banks and if the internal marketing mix elements do serve as enablers of service quality and customer satisfaction in both conventional and Islamic banking. This poses a need for further

exploration into the perceived implementation of internal marketing and any possible interrelationships which could exist between internal marketing, service quality and customer satisfaction. This research was deemed necessary for retail banking success in Oman, since there has been a much greater global awareness of internal marketing over the past decade, specifically as a strategy for organisations to regard their employees as internal customers and treat them as such (Hernandez-Diaz et al., 2017:125-126; El Samen & Alshurideh, 2012:85).

Internal marketing makes use of a marketing-like approach to understand internal customer or employee needs, as well as how to respond to and satisfy these needs in a way similar to how the organisation deals with its external customers (Nyongesa, 2014:15). By using such an internal marketing approach, employees feel cared for and valued by the organisation, which translates into positive employee attitudes towards their work (especially employee satisfaction, organisational commitment and employee engagement) (Kaura, 2013:170). It is these attitudes and behaviours of customer-contact employees that influence the customer perception of service quality during the service encounter and ultimately the level of customer satisfaction experienced (Haghighikhah, Khadang & Arabi, 2016:150; Kaura, 2013:170).

Since internal marketing is such a powerful strategy for the attraction, satisfaction and retention of quality employees who then deliver a quality service for customers, it would be worth exploring if the same thinking holds true for both conventional and Islamic retail banks operating in Oman (Kanyurhi & Akonkwa, 2016:774). Conventional banks perform two vital functions, namely enabling the safe storage of money and offering funds or loans. As a consequence, the banks either pay interest on deposits or charge interest on loans. Islamic banks on the other hand, are governed by Sharia law and operate on a partnership basis. These banks are subjected to a number of restrictions, the payment and charging of interest being one of them (refer to Chapter 2, section 2.4.2.1 for the complete list of restrictions and principles governing Islamic banking).

In particular, it would be worthwhile exploring if internal marketing is effective in enhancing service quality and customer satisfaction in Islamic banking, and whether any worthwhile differences exist between conventional and Islamic banking with regard to the impact of internal marketing on service quality and customer satisfaction. Zebal (2018:134) proposes that Islamic banks are more geared towards internal marketing practices which could serve as a powerful strategy for this banking group in particular. In this way, Omani banks would be able to develop powerful employee value propositions (EVPs), which results in greater

employee satisfaction that would in turn, produce more satisfied customers (Rahmati, Falahati & Jamshedynavid, 2013:2019). The study therefore aims to determine the interrelationships between internal marketing and the employees' perceived ability to deliver service quality and customer satisfaction to customers in Islamic and conventional banks in Oman. In this way a model can be developed to enhance the use of internal marketing practices to bring about greater levels of customer satisfaction.

## **1.2 BACKGROUND TO THE STUDY**

Until 1970 Oman was essentially isolated from the rest of the world, but a combination of factors changed this: His Majesty, Sultan Qaboos bin Al-Said came to power and commercially viable quantities of oil were discovered. Oman was then able to expand into the modern world by cultivating the oil industry and its supporting infrastructures (Romano & Seeger, 2014:11). Owing to its oil wealth, Oman has been sheltered from international economic pressure, but economic diversification is now becoming paramount for Oman as oil reserves are expected to diminish over the next few decades (Becker, 2018). As part of its diversification, Oman is attempting to privatise much of its economy which has produced both challenges and opportunities for leadership (Hvidt, 2013:2). The most prominent aspect of Oman's development is in the services sector, which represents 37% of the country's GDP and is the second largest contributor to wealth following the oil and gas sectors (Trading Economics, 2016). The financial service sector continues to grow and consolidate its position and registered a 13.5% growth in 2014, compared to a 1.1% growth in 2009 (Central Bank of Oman, 2014). The banking sector, in particular, is performing well and has experienced a strong asset growth of 34% since 2007 (Bayliss Associates, 2017).

The banking sector in Oman is made up of seventeen conventional banks, seven national banks, ten branches of foreign banks, two specialised banks and two fully-fledged Islamic banks. The banks selected to participate in the study are made up of two of the largest national conventional banks, namely Bank Muscat and the National Bank of Oman, two fully-fledged Islamic banks, namely Bank Nizwa and Alizz Bank, and two of the Islamic banking windows, namely Meethaq (linked to Bank Muscat) and Muzn (linked to the National Bank of Oman). Bank Muscat holds 39.7% of market share from a total banking asset perspective and the National Bank of Oman owns 12% of this market share, and together these banks therefore own the bulk of the conventional banking market (52%) (refer to Table 1.1). From a total banking assets perspective, the market share of Islamic banks is as follows: Bank Nizwa owns 0.9%, Alizz owns 0.4%, Meethaq 2.5% and Muzn holds 0.4%. Altogether, Islamic banking holds 4.2% of the total banking market (Muscat

Securities Market, 2016; The Business Year, 2015). The small market share of Islamic banking is not unexpected at this point, since Oman only moved to a dual banking system in 2012. Nonetheless, the Islamic banking market is growing significantly in comparison to the overall banking market in Oman and by 2020 it could have a projected 20% share of the overall banking market in the country (De Bruin, 2018).

**Table 1.1: Market share in terms of total assets under management for the conventional banks in Oman**

Bank	Bank Type	Market share
Bank Muscat	Conventional bank	39.70%
NBO	Conventional bank	12.00%
HSBC	Conventional bank	9.80%
Dhofar	Conventional bank	15.00%
Bank Sohar	Conventional bank	7.10%
Oman Arab Bank (OAB)	Conventional bank	6.20%
Ahli Bank	Conventional bank	6.00%
Alizz Bank	Fully fledged Islamic bank	0.40%
Bank Nizwa	Fully fledged Islamic bank	0.90%
Muzn	Islamic window for NBO	0.40%
Meethaq	Islamic window for Bank Muscat	2.50%
<b>Total</b>		<b>100,00%</b>

Source: Bank Muscat (2018:9); The Business Year (2015)

It should be noted that Islamic banking differs from conventional banking in that it is concerned with different aims and different methods of operation. The biggest difference between these two banking groups is that Islamic banking cannot include the payment of interest or violate any of the rules prescribed to Islamic banking under Sharia law (Sakti & Mohamad, 2018:378 379). In the past, Islamic banks paid little attention to the issues of service quality due to positions of monopolistic control based on religious legitimacy. Currently, those positions of monopolistic control are deteriorating as a result of the multiplicity of Islamic banks in many Western countries and the entry of conventional banks into the Islamic financial market (Mod-Sharif, 2013:3). Islamic banks have now come to realise that service quality and ultimately customer satisfaction have become the main strategic value drivers in retail banking and may provide the competitive edge required for business growth and development (Janahi & Al Mubarak, 2017:596).

For this reason, a market-driven strategy that enables both conventional and Islamic banks to provide superior levels of service quality, is viewed as the only real differentiator and a basis on which to build a competitive advantage (Abu Saleh et al., 2017:879-880). Since service quality and customer satisfaction perceptions arise from the customers' contact with banking employees, personal contact between employees and customers will, to a large extent, determine the success of banks in Oman (Guo, 2017:2). To ensure consistency and improved levels of service delivery, many service organisations have developed an internal marketing strategy by making use of an internal marketing mix to attract and satisfy customer-orientated banking employees. The study makes use of 10 internal marketing mix elements, namely: internal product, internal price, internal promotion, internal people, internal process, internal physical evidence, internal political power, internal performance management, internal procurement and internal purpose (Section 1.5.4.1), which will explain why these internal marketing elements were selected for the purpose of the study). Since it is the employees who create customer perceptions of service quality and satisfaction, it is important that employees have exposure to the internal marketing mix and it is important that service organisations understand the connection between internal marketing and service quality and customer satisfaction, to the extent that these relationships can be leveraged in a positive way (Bailey, Albassami & Soad Al-Meshal, 2016:823). There has been very limited research exploring internal marketing in the Middle East and no research could be found exploring the concept of internal marketing in Oman, hence the need for further exploration. This will be dealt with in the following problem statement discussion.

### **1.3 PROBLEM STATEMENT**

Internal marketing is a relatively new concept to the Middle Eastern market in general. Most of the internal marketing models developed have been applied and tested within mature Western markets with very little research conducted within the Middle Eastern market and no research conducted in Oman (Ismail & Sheriff, 2016:199-200; Hasen, 2014:37). Since no research on internal marketing has been conducted in Oman, little is understood about: a) the extent to which internal marketing is implemented within retail Banks, b) if banks have a sound understanding about how to structure an internal marketing programme, c) if banks are aware of the required elements of the internal marketing mix and effectiveness of each, and d) whether relationships exist between the internal marketing mix elements, service quality and customer satisfaction. Most of the elements of internal marketing exist informally within Omani banks, but it is not clear as to whether a deeper understanding of these elements exists, specifically in terms of how they can be used to bring about increased

levels of employee satisfaction and engagement. Since employees are often regarded as the brand or the service in the eyes of the customer, their beliefs, attitudes and behaviour could have a positive or negative influence on the organisation's brand and competitive positioning (Du Preez, Bendixon & Abratt, 2017:252). For this reason, when employees are treated as internal customers and the internal environment is structured to enable employees to do what is required of them, they feel more motivated to provide superior levels of service and deliver on the brand promises made to customers (Grace & Iacona, 2015:561; Matanda & Ndubisi, 2013:1032-1034). When customers are satisfied, they repatronise the organisation and spread positive word-of-mouth messages that result in increased profits and market share (Abu Bakar, Clemes & Bicknell, 2017:663; Fraering & Minor, 2013:335). Therefore, if the internal marketing elements were to be arranged into a formal structure of interdependent variables and attention given to those with the most power to influence employee and customer satisfaction, banks would be in a stronger position to create higher levels of internal service quality, thereby enhancing external levels of service quality and satisfaction.

Since Oman has embraced a dual banking system, it is imperative for banks in Oman to understand that structural policy can no longer be the only source of competitive advantage. Continual service improvement which allows banks to stay ahead of their competitors in the attraction and retention of customers is of paramount importance. For this reason, it is important that both banking groups understand their customer needs and develop strategies to satisfy these needs (Abu Bakar et al., 2017:663; Taap et al., 2011:824-825). Since employees act as proxies for customer satisfaction, an understanding of employees' perceived ability to deliver service quality and customer satisfaction would provide a more holistic view on service quality and customer satisfaction (Alexiadou et al., 2017:1432). Although a large amount of literature exists on service quality and customer satisfaction, there is limited empirical evidence on employees' perceptions of their ability to provide them, as these constructs are usually assessed from the customer point of view (Al-Ababneh, 2016:192.). This presents a major gap in service quality and customer satisfaction literature, since customer-facing employees are not only a delivery mechanism, but also a strategic diagnostic resource for the organisation (Alexiadou et al., 2017:1433). The employees' perceived ability generally represents service delivery from a customer perspective (Specht, Fichtel & Meyer, 2018). Dedeoglu and Demirer (2015:134) state that employees' perceptions are often an accurate assessment of customer perceptions. Although some studies have found that employees fail to assess their ability to deliver accurately, some studies have found that employees may degrade their ability to deliver service quality to customers

(Grandey, 2000) and in some other studies, employees perceive their ability to deliver to be higher than the customers' perceptions of the service performance (Al-Ababneh, 2016:192; Dedeoglu & Demirer, 2015:134, Kusluvan et al., 2010; Ekinci & Dawes, 2009). Further research is therefore required to assess employees' perceived ability to deliver service quality and customer satisfaction within Omani retail banks. Further to this, an understanding is required of how employees can be better equipped through the internal marketing mix elements. In this way, managing the customers' experience of service quality and satisfaction is achieved through the management of the employees' experience within their organisation (Alexiadou et al., 2017:1432). This may or may not differ for each of the banking groups discussed in the study.

Bakar, Wilkinson and Lee (2011:13) state that since Islamic principles differ from conventional banking principles, marketing practices differ between these banking groups. The philosophy of Islamic marketing is closely aligned to the concept of societal marketing, which is focused on impacting society in a positive way. In the same way internal marketing from an Islamic perspective is focused on impacting the internal environment and internal service quality in a positive way and may have better results than conventional banking (Zabal, 2018:136; Al-Khasawneh, 2016:33-35; Abu Bakar et al., 2011:24). Previous studies conducted in conventional and Islamic banking have found that Islamic banks have a stronger internal focus than conventional banks, believing that external customers can be better served through the initiation of internal marketing activities. In this way, the development of a stronger "internal society" results in the development of a stronger "external society" (Zabal, 2018:145; Zabal & Saber, 2014:498-502; Wilson, 2012:6-7). There is however limited research comparing the internal marketing activity between conventional and Islamic banking, and no research could be found comparing the influence of internal marketing mix elements on service quality and customer satisfaction. This makes it difficult to assess whether the internal marketing mix elements have the same impact within each type of banking group. Hence there is a need for further research.

In summary, the problem statement has been defined as follows: owing to the lack of research in both conventional and Islamic banking in Oman, the purpose of this research is to determine the interrelationships between internal marketing and employees' perceived ability to deliver service quality and customer satisfaction in Omani banks.

## **1.4 RESEARCH OBJECTIVES**

The primary and secondary research objectives will be as follows.

### **1.4.1 Primary objective of the study**

The primary objective of the study is as follows:

**To determine the interrelationships between internal marketing and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers overall and for Islamic and conventional banking respectively.**

### **1.4.2 Secondary objectives**

The following secondary objectives have been put forward:

1. To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.
2. To measure the perceived ability of employees of retail banks in Oman to deliver service quality to retail customers.
3. To measure the perceived ability of employees of retail banks in Oman to deliver customer satisfaction to retail customers.
4. To determine the interrelationships between perceived internal marketing implementation and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers in Oman.
5. To determine the influence of service quality on customer satisfaction.
6. To ascertain the validity of the conceptual model across conventional and Islamic banking.

The hypotheses for the study will form part of the literature review and will be developed from the contextualised theory and presented in the discussion in section 1.5. of this chapter, in Chapter 5, section 5.3, Chapter 6, section 6.3.3 and in Chapter 7, section 7.2.2. Oman is considered to be a frontier market with a limited understanding of internal marketing. No studies have been conducted in Oman or in the GCC region. All research and theory on internal marketing have been developed in more Western, mature markets based on market efficiency and effectiveness. Although the theories could work well in the



Omani market, there must be an understanding that the theories are being applied to a somewhat inefficient localised market. Since Oman is a late mover in internal marketing strategy, the internal marketing mix elements are in a different stage of their life cycle compared to developed markets. This could impact their ability to influence service quality and customer satisfaction. With this in mind, the theory development and the formation of the hypotheses have been based on existing theory developed predominately in Western, mature markets.

## 1.5 LITERATURE REVIEW

Modern organisations in today's world serve two types of markets, the internal market made up of the organisation's employees, and the external market made up of the organisation's customers. Success in today's world is a function of the organisation's ability to effectively manage the interrelationships that exist between these two markets, and effectively align internal market objectives with external market objectives (Ozuem, Limb & Lancaster, 2018:357). From a retail banking perspective, employees (both front-line and back-office staff) form part of the internal customer/supplier value chain and need to work together in a coordinated manner to deliver value for external customers (Kaurav, Prakesh & Baber, 2018:25). For this reason, an internal marketing strategy consisting of a number of elements is key to influencing employee satisfaction and motivation, thereby influencing the delivery of service and customer satisfaction. Table 1.2 provides a summary of the theories, fields and concepts that have been incorporated in this study.

**Table 1.2: Systems approach to understanding the interrelationships between internal marketing, service quality and customer satisfaction**

<b>Meta-theoretical approaches</b>	Systems approach and theory	Chapter 1
<b>World view</b>	Service quality and customer satisfaction management within an internal marketing management approach	Chapter 3 & 4
<b>Theories</b>	Relationship marketing and the Social Exchange Theory	Chapter 3
<b>Fields</b>	Internal marketing, service quality and customer satisfaction	Chapter 3 & 4

<b>Major concept</b>	The interrelationships between internal marketing and employees' perceived ability to deliver service quality and customer satisfaction to customers	Chapter 5
<b>Concept 1</b>	Internal marketing management	Chapter 3
<b>Constructs</b>	<b>Internal marketing-mix elements:</b> internal product, internal price, internal promotion, internal people, internal process, internal physical evidence, internal performance management, internal purpose, internal political power, and internal procurement	Chapter 3
<b>Concept 2</b>	Service quality management	Chapter 4
<b>Concept 3</b>	Customer satisfaction management	Chapter 4

Source: Adapted from Conradie (2012:16)

### 1.5.1 Meta-theoretical approach

The meta-theoretical approach for the study at hand comprises systems thinking within a system approach. A systems-thinking approach shifts thinking from the part to the whole, whereby the relationship between the parts themselves and the events they produce through their interactions become more important. In this way, the elements of the system are not viewed in isolation, but become rationally connected (Pinheiro & Young, 2017:120-121). Systems thinking is a perceptual framework which could serve as a worthy aid in the understanding and practice of internal marketing within the service domain. The framework covers the principles common to all systems, namely, wholeness, hierarchy, self-regulation and adaptability (Conradie, 2012:17). Systems thinking can be applied eloquently to retail banking in which the customers' perception of satisfaction is directly related to the quality of their interaction with the bank's employees (Gronroos & Voima, 2012:2-3). An internal marketing programme in this regard is seen as a process of interrelated elements, all of which have a relationship with, and an influence on, service delivery and customer satisfaction levels impacting the service system (Kaurav et al., 2018:33; 2012:30). In this way, all the internal marketing elements become rationally connected to customer service and satisfaction, making up a group of interlinked subcomponents with the objective of achieving a common goal. Thus, the meta-theoretical approach is focused on the affect that the internal marketing elements have on service quality and customer satisfaction. The

theories on which the systems thinking is applied in this study are summarised as Relationship Marketing and the Social Exchange Theory which will be discussed and contextualised in Chapter 3, section 3.4.1.1 and 3.4.1.2 of the thesis.

### **1.5.2 World view**

Nsour (2013:27-29), purports that since service quality and customer satisfaction are determined by interaction with employees, the internal marketing mix is used by organisations to infuse the need for interdisciplinary cooperation in both internal and external customers as a method towards holism (Sousa, Krot & Rodrigues, 2018:56-57). This motivates these customer groups to develop and use their capacity to meet this need. In this way, employees function as a team of internal customers and internal suppliers and add value through every step of the value chain, thereby creating satisfied and loyal customers who will, in turn, drive the profitability of the organisation (Sousa et al., 2018:56-57; Brown, 2017:54-56; Panigyrakis & Theodoridis, 2009:605-606).

### **1.5.3 Theories**

The main theories specifically relevant to the study in which internal marketing, service quality and customer satisfaction are grounded are researched in Chapters 3 of the thesis (refer to section 3.4.1). These theories include the Relationship Marketing Theory and the Social Exchange Theory.

#### **1.5.3.1 Relationship Marketing Theory**

The overall purpose of relationship marketing is to improve productivity and enhance mutual value in the customer-employee exchange (Schultz, Martin & Meyers, 2017:1296). The Relationship Marketing Theory relates to the distinction between a discrete transaction and relational exchange (Madhavaram, Granot & Badrinarayanan, 2014:275). Discrete transactions are by nature shorter-term transactions with a distinct beginning and end. In contrast, relational exchanges are longer in duration, reflecting on an ongoing process in which social aspects of the relationship become important (Beltagui et al., 2017:595; Concha, 2013:14). Evolving 'dominant logic' in the Relationship Marketing Theory is moving away from tangibles (such as skills and knowledge) towards intangibles (such as interactivity, connectivity and ongoing relationships between employees and customers) (Madhavaram et al., 2014:277). Internal marketing within the context of relationship

marketing can provide the logic, legitimacy and motivation for internal collaboration and the sharing of intellectual tools and capabilities in order to enhance the external relational exchange (Wulf & Butel, 2017:1409; Ballantyne, 2003:1246). Internal marketing is based on the understanding that the satisfaction of employees and customers is interlinked, and strong internal relationships result in strong external relationships; implying that internal marketing must pave the way for external marketing. Organisations must become more aware that the achievement of objectives and the creation of change can only be attained through motivated and empowered employees (Maki, 2018; Mbengo & Chinakidzwa, 2014:193).

#### **1.5.3.2 Social Exchange Theory**

Closely linked to the Relationship Marketing Theory is the Social Exchange Theory (Liokas & Reuer, 2015:1830). The Social Exchange Theory serves as a model for explaining the exchange between parties as a succession of interactions that are based on estimates of rewards and punishments, resulting in either positive or negative emotions (Yin, 2018:875). Flexible relationships between internal customers and internal suppliers are essential for creating positive interactions and emotions. Only when strong internal relational exchanges have been established, can the external relationship requirements be met (Dodd, 2018). Internal marketing as a concept which emphasises the importance of internal relationships between internal suppliers and internal customers as a strategy for success (Choi, Lotz & Kim, 2014:12-13). The exchange that takes place between internal customers and suppliers allows for the transfer of knowledge and the generation of new ideas so that the organisational culture can be improved. In this way, employees feel they are part of a successful team and believe they are making a valuable contribution which translates into positive emotions such as employee satisfaction, which in turn results in service excellence (Yin, 2018:875; Biswas & Kapil, 2017:698). The concepts of service quality and customer satisfaction are therefore grounded in the Social Exchange Theory.

#### **1.5.4 The fields of study and concepts**

The following section discusses the major concepts relevant to the study at hand, namely internal marketing, service quality and customer satisfaction.

#### **1.5.4.1 The concept of internal marketing**

Internal marketing can be viewed as a philosophy for the management of large service organisations where the employees (in this case retail banking employees) are regarded as the organisation's internal customer (Sousa et al., 2018:56-57; Qayum & Sahaf, 2013:51). Internal marketing comprises marketing methods geared towards the attraction, development, retention and interfunctional coordination of employees, with the overall objective of enhancing employee satisfaction, whilst creating service quality and satisfaction for the customer (Schultz et al., 2017:1296-1297; Guven & Sadaklioglu, 2012:109). In order to create value for both internal and external customers, a strong focus on the internal marketing mix is required, as each of the elements has the potential to influence employee behaviour and satisfaction (Asiedu & Acheampong, 2014:4; Mieres, Sanchez & Vijande, 2012:408-409). Marcarno (2015:21) states that internal marketing activities have traditionally centred on 'the four Ps of:

- internal product,
- internal price,
- internal place (distribution), and
- internal promotion.

In the service sector, however, the traditional internal marketing mix is considered insufficient, given the intangible nature of the 'product' being marketed in the internal marketing context, and the simultaneous production and consumption of internal services (Pomering, 2017:160-162; Afridi, 2011:139; Constantinides, 2006:409). While the unique characteristics of service encourage customers to search for evidence of service in each of their interactions with the organisation, the 'traditional Ps are not capable of providing the evidence required. For this reason, three additional Ps need to be added to the mix to overcome the shortcomings of the traditional internal marketing mix (Salman et al., 2017:50; Ali, 2012:244; Afridi, 2011:139). These additional three Ps are referred as the 'services mix' and consist of:

- people,
- process, and
- physical evidence.

Such additional elements of the services mix not only provide customers with the evidence of the service they are seeking, but also allow them to formulate their own judgement and overcome the limitations of the traditional marketing mix (Hashim & Hamzah, 2014:157;

Mudie & Pirrie, 2006:6). Service organisations such as banks use these services mix factors appropriately to ensure that service delivery is increasingly based on customer needs, rather than product needs.

Given the rapid rate of change so peculiar to the current global environment, further Ps have emerged over the years to enhance the internal marketing mix offering, and four of these have also been taken into consideration in this study (Conradie, 2012:5). According to academic and industry experts, over the past 30 years, due to the unique challenges faced in the Omani banking market as a result of economic isolation, a number of factors that hinder service quality success have been identified as an additional four factors (or Ps) to add to the first seven (Maki, 2018; Salman et al., 2017:54; Ali, 2012:244). These are:

- performance management,
- the use of 'wasta' or internal political power,
- internal procurement, and
- internal purpose (Schneider, 2018; Loots, 2017; Kotler, 2003; Grove, Fisk & John, 2000; Kotler, 1984).

In terms of the first additional factor, it has been determined that insufficient performance management results in the compromise of service delivery as, in many instances, employees are neither provided with ongoing performance feedback, nor measured on their service deliverables (Yang, 2017:5; Giannakis, Harker & Baum, 2015:535,537). The next factor, *wasta* (or internal political power) refers to a form of favouritism and results in feelings of unfairness and could severely impact service quality and customer satisfaction if inexperienced employees are placed at key customer interface positions (Loots, 2017; Barnett, Yandle & Naufal, 2011:4-5). Thirdly, internal procurement refers to the recruitment and selection of customer orientated employees. If the right employees are not recruited in a timely manner, and do not reflect the required behaviours, they will not share information and collaborate cross-functionally, thereby impacting the organisation's ability to serve customers well (Argue, 2015:19; Ekwoaba, Ikeije & Ufoma, 2015:23; Njambi, 2013:23). Lastly, when employees are united behind a common purpose, they are able to find meaning in their work. This in turn translates into more motivated and satisfied employees (NHS Leadership Academy, 2014:3).

Since each of these contemporary Ps has an impact on employee satisfaction and the employee's ability to deliver on service quality and customer satisfaction, they have been added to the extended services mix to make a total of ten. Each of these Ps proposed is

examined to determine which of these should be included in a formal, structured internal marketing strategy within Omani banks. It is important, therefore, to understand which of these elements holds the most power in influencing employee and customer satisfaction, so that focus may be given to them during the structuring of an internal marketing programme and which elements require further development. Each of these internal marketing mix elements is briefly discussed and a more in-depth discussion is provided in Chapter 3.

#### **i) Internal product**

Yang (2017) defines internal product as the employees' job. The following elements, namely; training and development, role fit and career advancement, are identified as the components of internal product for the purpose of the study (Yang, 2017; Reynolds-De Bruin, 2014:73). Due to Oman's position as a frontier market, there are many weaknesses within learning and development programmes across the country, specifically where training is not aligned to organisational strategy, jobs or other HR processes. Learning programmes are considered to be ineffective and the transfer of knowledge is not taking place (Budhwar & Mellahi, 2016:105). Since Omani HR practices are trailing those of a more mature westernised market, most banks do not seem to provide career advancement plans or progression plans for employees (Al Mughairi, 2018; Al Zadjali, 2018; Chang, 2018; Loots, 2017; Fisk, 2016). The extent of the impact is still unknown due to very limited research within the Omani market, and lies beyond the scope of this study. Current literature on internal marketing however, suggests that the underlying view of internal marketing is based on the concept that in order for a service organisation to have satisfied customers, it must first have satisfied employees. If employees relate positively to their jobs through the internal product element and are provided with the capability to perform their jobs well, they are: a) likely to experience higher levels of satisfaction, b) enabled to produce service quality, and c) better equipped to satisfy the needs and wants of external customers (Salehzadeh et al., 2017:274; Guven & Sadaklioglu, 2012:109). Based on current internal marketing literature, the following hypotheses are put forward:

H<sub>1</sub> (a): There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H<sub>2</sub> (a): There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

## **ii) Internal price**

Internal price, in the context of this study, refers to the value employees gain from working for the organisation in terms of the total compensation paid to employees, less the costs incurred of working for the organisation. Total compensation relates to the monetary benefits paid to employees in return for their time and knowledge (Yu et al., 2017:4). These monetary benefits include compensation (salary), bonuses (financial incentives) and benefits such as medical aid and pension fund contributions. Costs incurred, include the opportunity and psychological costs employees take on to work for organisations (Reynolds-De Bruin, 2014:94). Since Oman is a collectivist society with a strong emphasis on community and family, Omanis still need to perform their social obligations towards their family and extended family, and may struggle with work-life balance issues and psychological costs (Budhwar & Mellahi, 2016:100). There is very limited research conducted in Oman to provide an understanding of how impactful these issues are on service quality and customer satisfaction, hence the need for further research. Current literature on internal marketing and the internal price element suggests that when employees feel that the costs or sacrifices they make to work for the organisation are too high, they may experience high levels of stress and withdraw either physically or psychologically. This results in adverse effects during service encounters such as rudeness, unresponsiveness to customer requests, and in some cases, aggressive behaviour towards customers (Schiopu, 2018; Medlar-Liraz & Guttman, 2015:212). Budhwar and Mellahi (2016:110) purport that since Oman is still considered to be a developing country, reward frameworks are not as advanced as those in the Western world, which brings about a number of challenges for example, rewards are not linked to service quality objectives, and in some instances because KPIs are not clear and specific metrics are not in place, reward is not clearly aligned to performance and in some instances may be perceived to be unfair. No further research could be found in the Omani banking sector to support or refute these claims, hence further investigation is necessary. Current internal marketing theory suggests that if employees are not provided with effective rewards and elements to reduce their stress and psychological costs, they become incapable of performing their jobs and serving customers well, which results in the delivery of poor service quality and high levels of customer dissatisfaction (Espinosa-Parrilla, Baunez & Apicella, 2018; Nthabiseng, Mosala-Bryant & Hoskins, 2017). Based on current internal marketing literature, the following hypotheses have been presented:



H<sub>1</sub> (b): There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H<sub>2</sub> (b): There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

### **iii) Internal promotion**

This element in the internal marketing mix refers to how organisations communicate with employees to create a greater understanding of the vision in order to persuade them to achieve the organisational objectives (Bruhn & Schnebelen, 2017:466-467; Akroush et al., 2013:312). Branches in Oman often feel disconnected from the head office and from other branches in the network, where messages do not appear to cascade well. Employees in some instances are not aligned with the vision and objectives, which creates deeper feelings of dysconnectivity. Furthermore, there is a sense that branches are bombarded with communications which are seemingly disconnected and erratic (Al Mughairi, 2018; Fisk, 2016). No further research could be found to support or refute these assumptions, hence the requirement for further investigation. Current internal marketing literature around the internal promotion element states that internal advertising, personal selling (face-to-face communication), promotions and social media are considered to be vital components of an internal communication or promotional strategy (Bruhn & Schnebelen, 2017:466-467). Well-informed employees who understand the organisation's vision, external marketing strategy and brand, as well as how this relates to their jobs, are more satisfied and become the organisation's best brand ambassadors. This, in turn, allows employees to deliver on the brand promise, and to enhance service quality and customer satisfaction, thereby enhancing the organisation's reputation and brand image (Cooper et al., 2017:242; King & Lee, 2016:2677; Ventola, 2014:491-492). Based on current internal marketing literature, the following hypotheses have been proposed:

H<sub>1</sub> (c): There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H<sub>2</sub> (c): There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **iv) Internal place (distribution)**

This refers to the place and channels that are used to get internal products (jobs) to the internal customers (employees) (Conradie, 2011:124). A number of previous studies conducted in internal marketing describe internal place as the work environment (Lubbe, 2013:86; Javadein et al., 2011:369; Grayson & Sanchez-Hernandez, 2010:17, Ahmed, Rafiq & Saad, 2003:1223). These authors propose that the physical environment and the design thereof influence personal satisfaction and the ability to perform well. However, when the services marketing mix is added to the three additional elements of people, process and physical evidence, the element of internal physical evidence also refers to the work environment (Burin, Roberts-Lombard & Klopper, 2016:46; Conradie, Roberts-Lombard & Klopper, 2014:103). This provides an overlap with internal place from an internal perspective. From an external marketing perspective, each of these elements holds value independently, as internal place relates to the availability of channels used to get products and services to the customer at the right time and place such as branches, ATMs and websites, whereas internal physical evidence relates to the look and feel of the branches and office space (Sharma, Kong & Kingshott, 2016:110). However, from an internal marketing perspective, when referring to the internal environment, internal place could overlap with internal promotion (communication channels) as well as with internal physical evidence. In order to prevent any overlap and ambiguity, internal place has been merged with internal physical evidence and is measured as part of this construct (refer to section vii of this section and to Chapter 3, section 3.5.2.2).

#### **v) Internal people**

This refers to the people involved in delivering the internal product (job) and those receiving the internal product (job) who may influence the internal customer's (employee's) perception and ultimately the external customer perception (Agrawal & Rahman, 2015:146; Conradie, 2011:137). From an internal marketing mix perspective, the 'internal people' concept includes the relationship with supervisors/direct managers and with co-workers (Gjurašić & Marković, 2017:185,188; Guzman, Rodriguez & Manautou, 2017). Currently within Omani banks there is a perception that managers/supervisors do not include employees in decision making. It is perceived that empowerment is concentrated at the upper echelons of the organisation and leaders do not appear to be visible, specifically at the front line (Loots, 2017; Fisk, 2016). Since very little research has been conducted in Oman, it is not clear as to the extent of these issues and hence the need for further research. Current internal marketing literature, specifically in relation to internal people, suggests that the quality of the supervisor/management-employee relationship as well as support and encouragement

from colleagues promotes a harmonious working environment in which employee satisfaction can be fostered (Pasamehmetoglu et al., 2017:6; Sharma et al., 2016; Heish, 2012:251). In addition to this, when employees are guided and supported by management and colleagues, they are enabled to serve customers well, which results in enhanced service quality and employees who feel motivated to go above and beyond the norm to satisfy customers (Kanyurhi & Akonkwa, 2016: 785; Ghoneim & El-Tabie, 2014:3; Lumley et al., 2011:104). Based on current internal marketing literature, the following hypotheses have been put forward:

H1 (d): There is a significant positive relationship between the internal people element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H2 (d): There is a significant positive relationship between the internal people element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **vi) Internal process**

The process aspect of the internal marketing mix refers to how the internal customer receives the internal product which includes work processes. If the employee knows what to do and how to do it, this promotes competency and improved employee satisfaction and motivation (Sharma et al., 2016a:775; Ahmed & Rafiq, 2002:34). Due to Oman's position as a frontier market, current processes in Omani retail banks are perceived to be outdated, they are not mapped, and no checklists are in place. Most of the processes in conventional banks are still manual, which will threaten service quality and the customer experience in general. Due to limited research in Oman, it not clear what the extent of these issues is, and whether the internal process is an effective enabler of service quality and customer satisfaction (Katsuri, 2017; Loots, 2017). Current internal marketing literature states that process and operating procedures increase the levels of employee comfort, which allows employees to serve customers better (Chan & Tay, 2018:50). Further to this, internal processes that are streamlined and effective lead to better service delivery, and organisations that succeed in the delivery of service quality and faster turnaround times, will have more satisfied customers (Chan & Tay, 2018:48,50; Brajer-Marczak, 2014:89-90). Thus, the following hypotheses have been presented based on the current internal marketing theory:

H<sub>1</sub> (e): There is a significant positive relationship between the internal process element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H<sub>2</sub> (e): There is a significant positive relationship between the internal process element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **vii) Internal physical evidence**

Internal physical evidence (which incorporates internal place) refers to the work environment and the channels within the environment such as meeting rooms and offices in which the internal product (job) is delivered (Johnson, 2016:83; Pantouvakis, 2011:15). Due to the emergent nature of the Omani market, many improvements need to be made in this area. In some instances, branches have not been refurbished for many years, creating an inconsistent branding experience and employees are left feeling uncared for. The layout of some branches is not efficient which results in long customer queues, leading to customer frustration and dissatisfaction. Equipment may not be working and bandwidth limitations cause further frustrations (Al Mughairi, 2018; Loots, 2017; Fisk, 2016). No further research could be found on the internal physical element within Oman, and thus the need for further research arose. Current internal marketing literature on the internal physical element supports that the layout of office space and the appearance of the internal environment have an impact on employee satisfaction, motivation and employee performance, factors which enable employees to provide a better service to customers (Johnson, 2016:83). In addition to this, organisations rely heavily on physical evidence to create perceptions of service quality and satisfaction for customers (Taherdoost, Sahibuddin & Salman, 2014:206). Based on the current internal marketing theory, the following hypotheses have been presented:

H<sub>1</sub> (f): There is a significant positive relationship between the internal physical evidence of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H<sub>2</sub> (f): There is a significant positive relationship between the internal physical evidence of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **viii) Internal performance management**

A Performance Measurement System is an important tool used in the management of organisations to ensure that strategies such as customer satisfaction are implemented for organisational success and performance (Laisasikorn & Rompho, 2014:83). Al Mughairi (2018) and Loots (2017) suggest that currently, in retail banks in Omani there are many instances where there is a misalignment between employees' roles and key performance indicators (KPIs). The broader organisational objectives and departmental objectives are not clearly communicated to employees, and employees do not have clarity regarding how their roles relate to these. Furthermore, due to a lack of performance feedback throughout the year, employees are often surprised with yearend appraisal scores, which creates trust issues and higher levels of uncertainty, resulting in dissatisfaction (Budhwar & Mellahi, 2016:107). Due to very little research around this element in Oman, it is not clear if internal performance management is an enabler of service quality and customer satisfaction. Current internal marketing literature around the internal performance element suggests that if performance management processes were to be improved so that employees have clearly defined KPIs and receive regular performance feedback, this could have a greater bearing on internal satisfaction levels. This could then improve both internal and external service quality resulting in external customer satisfaction (Boak et al., 2017:425; Stelson et al., 2017:47; Tricomi & De Pasque, 2017:175,183). Based on the current internal marketing theory, the hypotheses put forward include:

H<sub>1</sub> (g): There is a significant positive relationship between the internal performance element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H<sub>2</sub> (g): There is a significant positive relationship between the internal performance element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **ix) Internal purpose**

When employees share a common purpose and find meaning in the work they do, they are, in turn, motivated to create value for customers (NHS Leadership Academy, 2014:3). Deloitte's Global Human Capital Trends Survey (2014) shows that "any workplace that lags in inspiring passion and purpose will suffer by losing key employees, and at an increasing rate as the global economy picks up momentum". Currently, there is a perception that leadership teams within the banks do not provide a clear purpose and understanding of the reason as to why the bank exists beyond profit. Branch employees often feel disconnected

from the rest of the bank and may feel that their roles are insignificant when compared to head office roles. Furthermore, employees are currently not involved in CSR (Loots, 2017). The internal marketing theory concerning the internal purpose elements suggests that clarity of purpose for employees becomes an important driver of employee satisfaction which, in turn, drives service quality and customer satisfaction. Thus, many organisations are focusing on driving purpose, rather than profits (Deloitte, 2015). Based on the current internal marketing theory, the hypotheses posited include:

H<sub>1</sub> (h): There is a significant positive relationship between the internal purpose element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H<sub>2</sub> (h): There is a significant positive relationship between the internal purpose element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **x) Internal political power**

In Omani banks, a major political force underlying business success is the concept of *wasta*. This is an Arabic word meaning intercession, or clout. The term refers to a form of favouritism in which certain employees benefit from preferential treatment, instead of going through the official channels (Al-Enzi, 2017:25-26). Since Oman is regarded as frontier market, pockets of *wasta* across the banks are expected in some cases. If leveraged in a positive way, it can be beneficial as a networking practice. However, it is important that political influences are managed. In some instances, *wasta* is used in the selection and promotion of employees, which creates feelings of unfairness and dissatisfaction (Loots, 2017). Due to very limited research on the influences of *wasta* in the banking sector, it is not clear as to whether political power is an enabler of service quality or customer satisfaction, thus calling for further research. It can certainly be argued that if *wasta* can be managed in a more successful manner by being better controlled and reduced, this would have a more positive impact on the internal environment and result in greater employee satisfaction and engagement. Through the control of *wasta*, the right people would be promoted into the right positions based on merit and skill, which enables employees to serve customers better, and results in improved service quality and higher levels of customer satisfaction (Brandstaetter, 2016). Based on current theory, the following hypotheses have been put forward:

H<sub>1</sub> (i): There is a significant positive relationship between the internal political power element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H<sub>2</sub> (i): There is a significant positive relationship between the internal political power element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **xi) Internal procurement**

Internal procurement is closely related to internal service quality in the notion that the organisation must serve those who serve. For the purpose of the study, internal procurement will focus on the procurement of people, referring to the recruitment and selection process, followed by organisation's endeavours to ensure that customer orientated people with the right attitudes and skills, are recruited into the right jobs in order to serve their internal customers well (Argue, 2015:19). From a recruitment perspective, some of the biggest challenges Omani retail banks face are the requirement to meet their Omanisation targets and a lack of qualified locals for professional jobs. Further to this, the selection process is not effective within Omani organisations (Fisk, 2016). Budhwar and Mellahi (2016:102) state that two concerns arise with current employee selection processes in Oman. The first is that there is lack of well-trained interviewers and selection experts, and secondly, there is a strong influence of negative stereotypes towards Omani employees based on different preferences and perceptions. No further research could be found to support the findings, and thus the need originated for further exploration into the internal procurement element in Omani retail banks. Current internal marketing literature around the internal procurement element states that recruitment and selection tactics are key competencies required for internal marketing success, as these enable organisational performance through the procurement of customer-minded employees (Ahmed et al., 2003:1224). Recruitment is recognised as an essential internal marketing mix element. If the wrong employees are placed in the wrong roles, they will neither be able to establish strong relationships, nor serve their internal or external customers adequately. This would have negative consequences for service quality and customer satisfaction objectives (Hennessey, 2018). Hence, the quality of services provided internally influences an employee's ability at the customer interface to serve customers well. This, in turn, affects the quality of service provided externally, thus influencing the customer's feelings of satisfaction (Anil & Satish, 2017; Sheikholeslam & Emamian, 2016:39). Based on the current internal marketing theory, the following hypotheses have been suggested:

H<sub>1</sub> (j): There is a significant positive relationship between the internal procurement element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

H<sub>2</sub> (j): There is a significant positive relationship between the internal procurement element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **1.5.4.2 The concept of service quality**

Service quality is defined as “whatever the customer perceives it to be”, thereby transitioning the service perspective on quality progressively towards understanding customer needs and responding to customers, both internal and external to the organisation (Dauda & Lee, 2016:842; Longbottom & Hilton, 2011:43). Service quality is considered to be a critical measure of organisational performance, but unlike products, the measurement of service quality remains abstract and elusive due to the unique service characteristics of inseparability, consumption, intangibility and heterogeneity (Dauda & Lee, 2017:842; Malik, Naeem & Nasir, 2011:631). The most widely used and most effective instrument to measure service quality in banking is the SERVPERF model (derived from SERVQUAL), which makes use of five dimensions, namely: assurance, reliability, tangibles, empathy and responsiveness (Kant & Jaiswal, 2017:414-415; Gera, 2018). Service quality is discussed in more detail in Chapter 4, section 4.3 of the thesis. Organisations must consider an inward perspective towards the improvement of external service quality. This implies that organisations must reflect on the internal environment and assess how this needs to be restructured or modified to develop and sustain ongoing relationships with customers, which result in greater levels of service quality and customer satisfaction (Braun & Hadwich, 2017:124; Kimpakorn & Tocquer, 2010:381).

#### **1.5.4.3 The concept of customer satisfaction**

Customer satisfaction is defined as the extent to which organisations are able to fulfil their customer's needs, desires and expectations (Al Kharim & Chowdhury, 2014:3). In today's highly consolidated global environment, offering personalised and highly differentiated services is imperative to a retail bank's success (Kaura, 2013:169). Customer satisfaction literature has indicated that organisations with positive levels of customer satisfaction report a 72% increase in profit per employee, compared with similar organisations that have



reported lower levels of satisfaction. Studies also indicate that it costs five times more to attract new customers than to retain existing customers (Abu Baker et al., 2017:666; Elmayer, 2011:4). With a constantly changing economy, customer satisfaction has been accepted as the backbone of business sustainability and remains one of the most studied constructs in marketing (Abu Baker et al., 2017:666). Despite its importance, researchers have demonstrated that current studies of customer satisfaction reveal a major flaw; they fail to observe multiple dimensions of the service encounter. For this reason, it is essential to take into consideration the employees' view and understanding of their ability to deliver customer satisfaction (Alexiadou et al., 2017:1432-1433). Customer satisfaction is discussed in more detail in Chapter 4, section 4.4.

Since studies show that service quality is considered to be the primary driver of customer satisfaction (Thusyanthy & Tharanikaran, 2017:146; Singh, 2016:29; Al-Azzam, 2015:48; Yeun & Thai, 2015:173; Adeola & Adebisi, 2014:78-69; Kuara, 2013:170), service quality has been identified as the intervening variable in the study (discussed in more depth in Chapter 4, section 4.3) and the following hypothesis has been put forward:

H<sub>3</sub>: There is a significant positive relationship between service quality and customer satisfaction.

### **1.5.5 The interrelated nature of internal marketing, service quality and customer satisfaction**

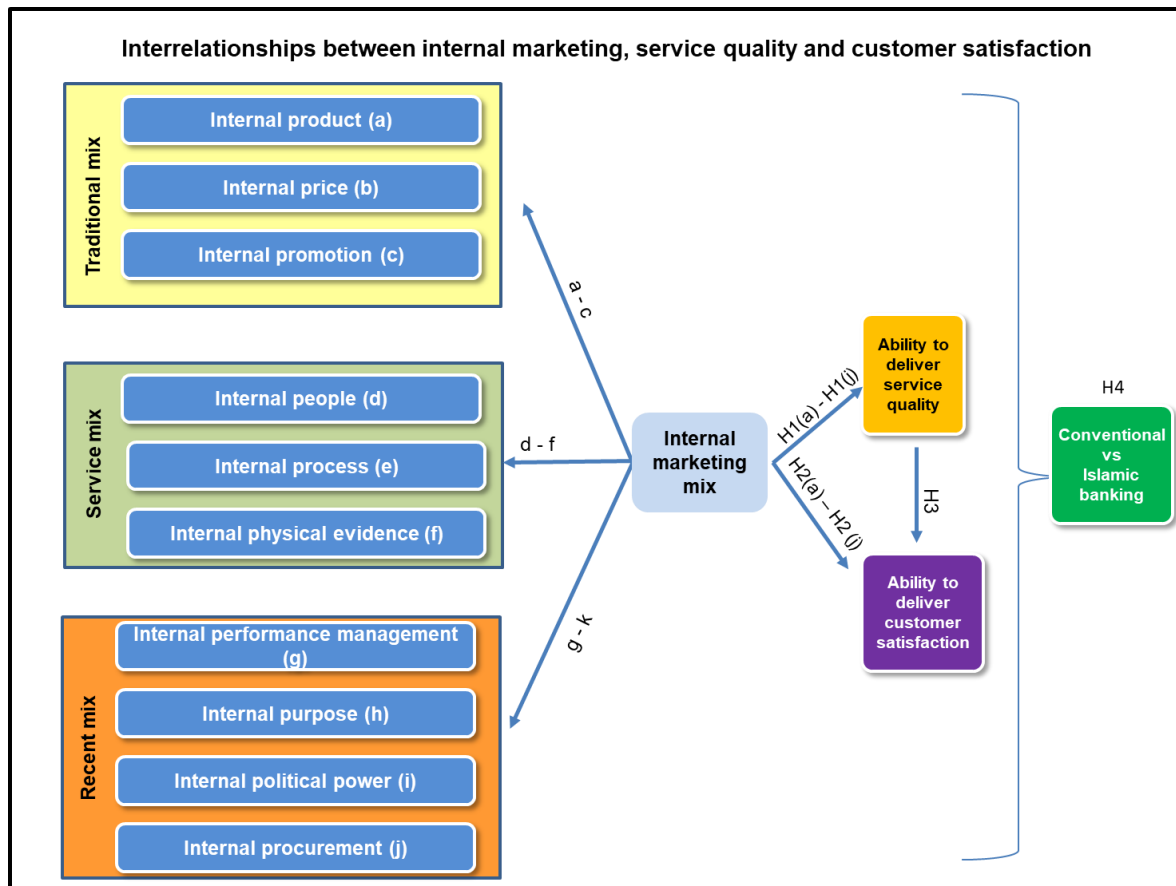
The primary objective of the study will cover three main fields of study, namely: internal marketing management, service quality and customer satisfaction management. The overall goal of internal marketing is to create a committed workforce with higher levels of employee motivation and satisfaction, who will excel in the provision of service to customers. This then achieves higher levels of customer satisfaction, better performance, and increased profits for the organisation (Musella et al., 2017:349; Thusyanthy & Tharanikaran, 2017:147; Zaman et al., 2012:79). The quality of the service received also results in a perception of satisfaction when customers evaluate their expectations with what was actually received (Ebrahim, 2013:13-14). In addition, this creates an image of the organisation and a connection to the organisation's brand, which is retained in the memory of customers (Schepers & Nijssen, 2018:232). In short, such positive employee experiences as a result of an internal marketing strategy, leads to satisfied employees who give and leave a positive image of the organisation in the hearts and minds of customers, which then

results in satisfied and loyal customers (Schepers & Nijssen, 2018:232-233; Malik et al., 2011:632).

The influence of the internal marketing mix on service quality and customer satisfaction could differ as a result of the bank type. Zabal (2018:136) proposes that Islamic banks focus strongly on Islamic principles and the development of strong values within the organisation. As a result, Islamic banks place a stronger emphasis on the internal environment with the intention of bringing about higher levels of service quality and customer satisfaction. This suggests that certain internal marketing elements could be more strongly implemented within Islamic banks, and these could have a stronger impact on service quality and customer satisfaction than in conventional banking. However, no studies have been conducted comparing the influence of the internal marketing mix elements on service quality and customer satisfaction between these two groups. Thus, a further hypothesis has been put forward:

H4: The relationships proposed in the conceptual model indicate different regression weights for conventional and Islamic retail banks in Oman.

In this study, empirical research was used to measure the concepts relating to internal marketing, service quality, and the customer satisfaction theory. Each of these concepts is linked to the main concept, and the constructs derived from these concepts contribute to the empirical exploration of the research objectives. As per Table 1.2, three constructs have been identified, namely: internal marketing management, service quality, and customer satisfaction management. Ten subconstructs have been identified for internal marketing management as discussed in section 1.6.2.1, namely: internal product, internal price, internal promotion, internal people, internal process, internal physical evidence, internal performance management, internal purpose, internal political power and internal procurement. One construct has been identified for service quality and one construct for customer satisfaction. Figure 1.1 provides the model for the study to explore the linkages between internal marketing, service quality and customer satisfaction.



**Figure 1.1: The interrelationships between internal marketing, service quality and customer satisfaction**

Source: Author's own construct

Figure 1.1 illustrates the controllable elements inside the organisation that are identified as the internal marketing mix. The 10 internal marketing mix elements are rolled up into three categories, namely: the traditional internal marketing mix, the service internal marketing mix, and the contemporary internal marketing mix as per the discussion in section 1.5.4.1. The traditional marketing mix comprises internal product, internal price, internal promotion. The services marketing mix encompasses internal people, internal process and internal physical evidence, and the contemporary internal marketing mix is made up of internal performance management, internal purpose, internal political power and internal procurement. The term 'internal marketing mix' implies that it consists of elements that are controllable, which need to be used appropriately for the desired results (Harrington, Ottenbacher & Frauser, 2017:554; Mudie & Pirrie, 2006:5). The desired results in this framework are service quality and customer satisfaction. From a systems-thinking perspective, customer satisfaction cannot be accomplished by focusing on one area of the organisation. Success also depends on how well various elements (namely, the internal marketing mix elements) are performed individually, and how well these elements are

managed together. The careful management of these linkages can be a distinctive source of competitive advantage, provided that these linkages are managed as a system rather than a collection of separate parts (Güven & Sadaklıoğlu, 2012:109). In this way, the internal marketing mix, as a process of interrelated elements, has an influence on service delivery and customer satisfaction levels that impact on the service system as a whole (Liem, 2012:30).

## **1.6 CONTRIBUTION OF THE STUDY**

The impact of customer satisfaction on business profitability cannot be overstated. Since organisations are constantly seeking ways to enhance customer satisfaction, the study provides a strategic approach to the enhancement of service quality and customer satisfaction through the application of an internal marketing programme, and aims to contribute to existing academic and financial industry literature as follows.

### **1.6.1 Academic significance**

Firstly, the study provides an alternative approach to the capture of service quality and customer satisfaction data through the use of employee opinion. Although service quality and customer satisfaction have been studied extensively in academic literature, there is very little empirical evidence regarding the employees' perceived ability to deliver service quality and customer satisfaction (Al-Ababneh, 2016:192). Specifically, from a Middle Eastern perspective, no studies could be found pertaining to Oman. The accumulation of customer information through employee perceptions and the ability of employees to understand customers' reactions to service encounters, provide organisations with an effective assessment tool for measuring and improving customer service encounters (Alexiadou et al., 2017:1432; Hammond, 2016). Anaza (2010:7) found that the employees' perception of service quality and customer satisfaction is strongly related to actual service quality and customer satisfaction, however, many other studies have found that employees fail to assess their ability to deliver service quality accurately, which may lead to employees either understating or overstating their ability. This results in a mismatch between employee and customer perceptions (Al-Ababneh, 2016:192; Dedeoğlu & Demirel, 2015:134; Kusluvan et al., 2010; Ekinci & Dawes, 2009; Grandey, 2000). Since no studies have been undertaken from an employee perspective in Oman, the study at hand therefore investigates the employees' perspective of their ability to deliver service quality and customer satisfaction within Omani retail banks. It would be worthwhile exploring how

accurately employees are able to assess their ability to deliver service quality and customer satisfaction. Furthermore, since no studies have been conducted in the area of internal marketing in Oman, the study aims to provide a better understanding of how employees can be enabled to deliver service quality and customer satisfaction through an internal marketing strategy. Thus, the customers' experience of service quality and satisfaction is achieved through the management of the employees' ability and their experience within their organisation (Alexiadou et al., 2017:1432).

The internal marketing mix model is predominately a Western model, which has been tested primarily in mature Western markets. The ten elements of the internal marketing mix are a new concept in the Middle Eastern market, as this is the first time the '10 Ps' and in particular the contemporary 'internal marketing Ps', have been tested for the enablement of service quality and customer satisfaction specifically within the Omani banking industry. No previous studies could be found exploring the influence of internal marketing in any capacity in Oman, making this unfamiliar territory. This study will test the influence of each of the selected internal marketing mix elements on service quality and customer satisfaction from an employee perspective. In this way, the research will determine if relationships do in fact exist between the internal marketing mix elements, employees' perceived ability to deliver service quality, and employees' perceived ability to deliver customer satisfaction. If relationships are found, the research will assess which of the internal marketing elements are deemed to be the strongest influencers of service quality and customer satisfaction within the Omani banking market. This will provide a better understanding of how these elements might be incorporated into a model to improve service quality and customer satisfaction.

Thirdly, the research will further validate the equivalence of this proposed model within conventional and Islamic banking in Oman. Islamic banking is built on the fundamental principles of religion, and is strongly governed by Sharia law. As a result, strong values are created internally, resulting in a strong internal focus and the creation of a positive internal society in order to create a positive external society. There is very limited research globally comparing internal marketing activity between conventional and Islamic banking, and no research could be found exploring the influence of the internal marketing mix elements on service quality and customer satisfaction between these banking groups in Oman or in the Middle East (Zebal, 2018:145; Zebal & Saber, 2014: 498-502; Wilson, 2012:6-7). This means that a different model may need to be applied and developed for each of the two banking groups.

### **1.6.2 Industry significance**

Firstly, Islamic banking is becoming an important player in the Omani financial sector, and although the market share of Islamic finance is still small in comparison with conventional banking, this is expected to change in the future. With more consumer education, information and awareness about Islamic banking, this sector could become an attractive alternative for customers, regardless of religion (Den Hartigh, 2015). An internal marketing model developed specifically for the Islamic banks could enhance their ability to improve service quality and customer satisfaction, thus increasing their market share. The study will assist in assessing whether relationships exist between the internal marketing mix, employees' ability to deliver service quality and employees' ability to deliver customer satisfaction. If relationships exist, strong internal marketing influences can be identified and focused on. If relationships do not exist between the internal marketing mix elements, service quality and customer satisfaction, recommendations can be made as to how these relationships can be developed and strengthened through a customised internal marketing programme.

Secondly, since Oman is a frontier economy, the study could also hold value for other frontier and emerging economies such as South Africa, which has the potential to position itself as a leading hub of Islamic finance on the African continent (Gelbard et al., 2014:3,5,10). The study will help to determine whether the traditional internal marketing strategies generally applied to Western mature markets will work within a frontier market, and how these can be better adapted and strengthened to increase service quality and customer satisfaction. This is specifically for conventional and Islamic banks operating in both frontier and emerging markets.

## **1.7 RESEARCH METHODOLOGY**

The research methodology for the study takes into account the research design, the study population and sample, the data collection process and analysis. A more comprehensive discussion of the methodology will be provided in Chapter 6 of the study.

### **1.7.1 Research philosophy and design**

Research philosophy relates to interrelated assumptions about the social world, which provides a philosophical and conceptual framework for an organised study of the world

(Issok, 2016:12). Research philosophy is characterised by research paradigms, which provide a framework for the understanding and shaping of what we see and how we understand things (Babbie, 2010:72). The two dominant paradigms that exist within social marketing research include the positivist and interpretivist paradigms (discussed in Chapter 6, sections 6.2.1 and Table 6.1 in section 6.2.2). The study makes use of the positivist philosophy, which was adopted for the following reasons. Within a positivist paradigm, the research objectives are generally framed in measurable and quantifiable terms (Steinert, 2014:383). Since the research objectives for the study are measurable, a positivist paradigm makes for the best fit. The positivist philosophy aims to validate theories (Swanson & Chermack, 2013:40). An in-depth literature review was conducted for the study in which a number of theories were identified (refer to Chapters 3 and 4). Based on these theories, different hypotheses were proposed and as result, a conceptual model was developed (refer to Figure 1.1). The study is quantitative in nature, and makes use of a questionnaire as the data collection instrument. The positivist approach suggests that studies are dependent on the supposition that there are causal relationships between variables, which can be used to explain phenomena (Swanson & Chermack, 2013:41). The study proposes that 21 relationships exist between the independent variables, the intervening variable and the dependent variable (refer to section 5.3 in Chapter 5).

In line with the positivist research paradigm, a quantitative design using a questionnaire as the data collection method was used to collect data from participants. Quantitative research is defined as the objective measurement or numerical analysis of data collected through questionnaires or surveys (Iacobucci & Churchill, 2015:84). A descriptive research design is generally related to quantitative studies, as it allows for larger sample sizes to be accommodated and makes use of formal survey and questionnaire techniques in order to gather data pertaining to the study (Babin & Zikmund, 2015:45). A survey was used to test respondents' levels of agreement with statements pertaining to the internal marketing, service quality and customer satisfaction constructs. For this, employees at the customer interface were firstly required to rate the extent to which they agree that they are provided with tools offered in the internal marketing mix to perform their jobs. Secondly, they were asked to rate the extent to which they believe that they are equipped and enabled to provide external service quality and customer satisfaction based on the internal marketing mix elements identified.

## **1.7.2 Population and sample**

The target population for the study is retail banking employees from both Islamic and conventional national retail banks operating in Oman. A sampling methodology was applied in that a smaller number of participants from the larger target population were selected to gather information from this group so that judgements can be made about the larger population (Hair et al., 2017:308). Non-probability sampling was used. Non-probability sampling refers to the method of drawing a sample whereby the probability of each sampling unit is unknown (Hair et al., 2017:351). The sampling process was conducted over three phases: Phase one entailed the use of judgement sampling to select the participating banks, phase two made use of quota sampling to identify the type of employees for survey purposes and thus the sampling frame, and phase three made use of a census approach to survey employees in the sampling frame.

### **1.7.2.1 Phase 1: Judgement sampling to select participating banks**

Non-probability sampling in the form of judgement sampling was applied to the study in terms of selecting the Islamic and conventional banks participating, and therefore comprised the sampling frame. Judgement sampling occurs when participants, in this case the Islamic and conventional banks of Oman, are selected according to the researcher's belief that they will meet the requirements of the study (Hair et al., 2017:351). The sampling frame initially consisted of Bank Muscat, the National Bank of Oman (NBO) and the Bank Dhofar representing the conventional banks. These three banks had been selected as they hold 65,7% of the total banking assets combined, thereby owing the bulk of the conventional banking market as presented in Table 1.1 in section 1.2. Bank Dhofar needed to pull out of the study due to a potential merger with another bank and they were not in a position to be surveyed. Bank Muscat and NBO were still considered to be sufficient as the conventional banking sampling frame since collectively, these two banks own 52% of the market.

Bank Nizwa, Alizz Bank, Muzn and Meethaq were selected as the Islamic banks for participation in the study. Bank Nizwa and Alizz Bank are the only two fully-fledged Islamic banks in Oman, and Muzn and Meethaq were selected as they are the Islamic windows for NBO and Bank Muscat, respectively. The Islamic banking windows for NBO (Muzn) and Bank Muscat (Meethaq) have been incorporated into the study, since the Islamic banking market is small (collectively Bank Nizwa and Alizz Bank own 1.3% of the total banking assets market share, see Table 1.1, section 1.2). Muzn and Meethaq are considered to be



affiliates of NBO and Bank Muscat respectively, and each has its own commercial registrations and operate as fully-fledged Islamic banks under the regulations of the Central Bank of Oman (CBO) (subsidiaries are prohibited in Oman by the CBO). In addition to this, Muzn and Meethaq each has its own independent Sharia board, own management, separate products and services and independent operating models and processes which segregate them from their conventional banking affiliates. Furthermore, Muzn and Meethaq have their own capital, are governed by the Islamic accounting principles (IOFI), and are regulated by the Central Bank of Oman as fully-fledged Islamic banks, which separates them completely from their conventional affiliates. The only common factor between the Islamic banking windows and their conventional banking affiliates is the investors (shareholders). For this reason, Muzn and Meethaq are regarded as Islamic banks, and have been incorporated into the Islamic banking sample (De Bruin, 2018). Collectively, these Islamic banks (Nizwa, Meethaq and Muzn) own 4.2% of the total banking assets market share in Oman as represented in Table 1.1. Alizz Bank had to pull out of the study due to undisclosed reasons, so the sample only consisted of Bank Nizwa, Muzn and Meethaq. Since Alizz owns 0,40% of the market, it did not pose a massive threat to the study. A sample of 300 respondents per banking group was suggested for the purpose of multigroup analysis and for comparisons to be made between the two banking models (Issok, 2018). A total of 355 respondents was achieved for conventional banking, and 272 respondents for Islamic banking, which was considered acceptable for multigroup analysis.

#### **1.7.2.2 Phase 2: Quota sampling**

The next phase focused on the identification of the samples to be surveyed from the participating banks (Hair et al., 2017:308). The sampling frame consisted of retail banking branch employees at the customer front line from the conventional banks and Islamic banks. Quota sampling was applied to identify employees for survey purposes. Quota sampling designs are well-known and widely applied methods, particularly in fields such as market research. In quota sampling, the aim is to identify respondents who match the population, typically in terms of readily available characteristics (Silver et al., 2016:157). In this instance, employees needed to meet the specified quota in terms of being customer frontline retail banking branch employees. Through this approach, the researcher was able to ensure that appropriate subgroups of the banking population were included for survey purposes (Hair et al., 2017:362). The number of customers facing employees per bank is presented in Table 6.19 in section 6.3.4.7 of Chapter 6. The HR directors of each bank arranged for lists of their branch's customer-facing employees to be drawn and a census approach was

applied for survey purposes, given the smaller population of employees at the customer interface.

### **1.7.2.3 Phase 3: Census approach**

A census approach was used to survey the sample frame, given that the customer-facing branch employee population in the selected banks is relatively small, and each of these employees could be contacted with ease at a low cost. A census is defined as a research method that includes the collection of data from each and every member of the defined population (Hair et al., 2017:351). Retail banks in Oman often experience low response rates when it comes to surveys, and a census approach enabled the researcher to obtain a larger sample size. An online survey was conducted with the conventional banks and both an online survey and person-administered surveys were conducted with the Islamic banks discussed next.

### **1.7.3 Data collection, sources, instruments and procedures**

A combination of an electronic self-administered survey and a person-administered survey was used to obtain information from respondents. The main advantages of conducting a survey are its versatility, speed, inexpensiveness, efficiency, and its accurate means of assessing information about a population (Bryman, 2016:271). The questionnaire was provided in both English and Arabic to cater for the language preference of participants. The questionnaire was translated into Arabic from English and then back into English again for analysis purposes by a professional translator in order to ensure that the meaning of questions was retained. An electronic survey was used for the conventional banks, but a combination of an electronic survey and person-administered surveys was required for the Islamic banks since some employees had limited access to email. A structured questionnaire was designed relevant to the problem statement and research objectives. The employee questionnaire opened with a demographic section to classify the type of employee responding. The first section of the questionnaire measured the extent to which the internal marketing mix elements are present in the bank. The second section measured the perceived ability of employees to deliver service quality, and the third section measured the perceived ability of employees to deliver customer satisfaction. Chapter 6, section 6.3.4.4 provides a detailed overview of the scales, items and sources for scales adopted or adapted. For sections other than the demographic section, data was collected using a five-point ordinal Likert scale, ranging from 'strongly disagree' to 'strongly agree'. Likert scales

are generally used to measure attitudes and perceptions and since this study aims to measure the attitudes and perceptions of banking employees within Islamic and conventional banks in Oman, the main part of the questionnaire consisted of Likert scales (Babin & Zikmund, 2015:356). Before the questionnaire was used in the field, it was pre-tested through a pilot study within the sample group. The HR directors of each bank were sent the online survey link via email together with a cover letter, which they then distributed to all customer-facing branch employees as per their lists. For employees with limited email access, the HR directors of the Islamic banks arranged times for the researcher to go through to the branches in which a paper-based copy of the questionnaire was provided to employees. A designated HR person was assigned as the contact person for each bank and they followed up with employees to ensure stronger response rates. A realisation rate of 627 respondents was achieved for the study (refer to Chapter 7, section 7.3.1).

## **1.8 DATA ANALYSIS PROCEDURE**

Data analysis techniques made use of statistical procedures to test the research hypotheses and achieve the primary and secondary objectives. SEM was used as the main statistical technique to test the hypotheses. Using AMOS 25, the following measures were taken: a) a Confirmatory Factor Analysis (CFA) for measurement of the overall model (refer to Chapter 7, section 7.5). b) an assessment of structural models (overall, conventional banking and Islamic banking) (refer to Chapter 7, sections 7.6, section 7.7.1 and section 7.7.2, and c) multigroup analysis (refer to Chapter 7, section 7.7). Structural equation modelling (SEM) was used to test the relationships between the internal marketing mix elements, service quality and customer satisfaction. Structural equation modelling is defined as a multivariate statistical method for developing and testing statistical models (often called causal models). It was used for the purpose of the study as it is considered to be the most important method in evaluating a series of simultaneous hypotheses to understand the impact of latent and manifest variables on other variables, whilst also taking measurement errors into account (Hair et al., 2014:634).

## **1.9 DIVISION OF THE STUDY**

The proposed study will include eight chapters. The following provides a description of the contents of each chapter.

- Chapter 1. This chapter will provide the introduction and background to the study. The formulation of the research problem, the objectives and the hypotheses of the study will also be outlined in this chapter. Similarly, the purpose and significance of the study, a review of the literature, the scope and limitations of the study are presented.
- Chapter 2. This chapter will focus on the service sector and the banking industry in Oman and will consider both conventional and Islamic banking practices and their approach to customer satisfaction management.
- Chapter 3. This chapter will focus on the internal marketing within the context of the Relationship Marketing Theory and the Social Exchange Theory. Special attention is given to the internal marketing mix elements of internal product, internal price, internal promotion, internal people, internal process, internal physical evidence, internal performance management, internal purpose, internal political power, and internal procurement and their links to service quality and customer satisfaction.
- Chapter 4. This chapter will focus on service quality and customer satisfaction. The relationships between the individual marketing mix elements and service quality will be explored as well as the relationship between the internal marketing mix elements and customer satisfaction.
- Chapter 5. This chapter will provide the conceptualisation of the proposed framework and its different constructs.
- Chapter 6. This chapter is centred on the research methodology and design followed to achieve the research objectives. In other words, emphasis is placed on the research method, research format, research technique, population and sampling methodology, which includes sample size, sampling type, sampling technique and data analysis.
- Chapter 7. This chapter focuses on the analysis and interpretation of data. The research findings and the interpretation of the data are presented in this chapter.

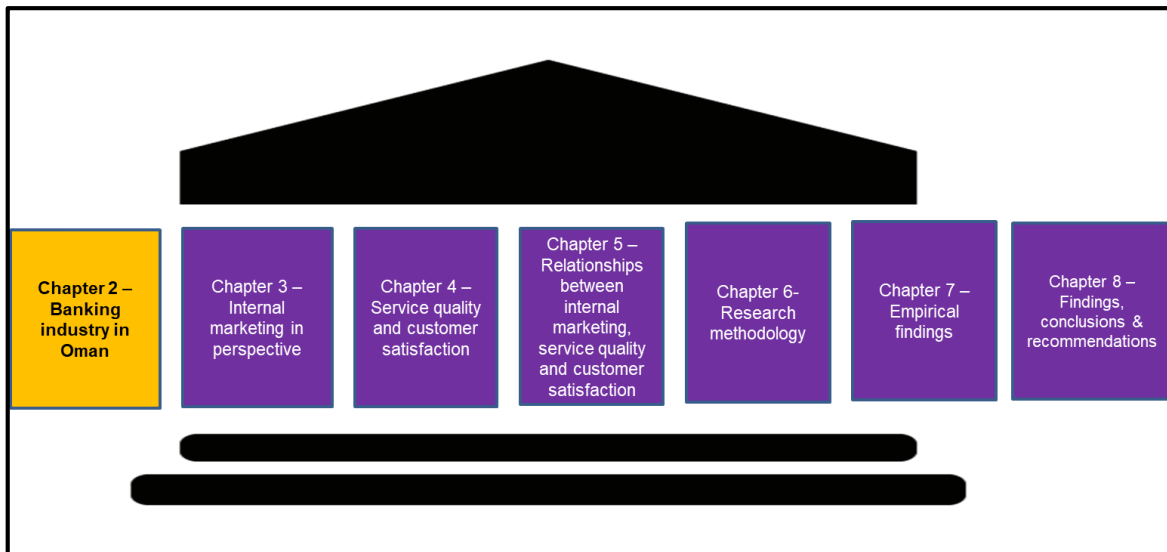
Chapter 8. The conclusions and recommendations drawn from the results will be described in this chapter. Further to this, the chapter discusses how the primary and secondary research objectives, as stated in the first chapter, were achieved.

## **1.10 CONCLUSION**

The concept of internal marketing is recognised by many organisations as an effective way to improve service quality and ultimately customer satisfaction. Many organisations have started to turn their focus inward by viewing employees as internal customers and treating them as such (El Samen & Alshurideh, 2012:84). Chapter 1 serves as an introduction to the study. The chapter provided an overview of what the study entails, and delineates the scope of the study. The chapter touched on important elements such as the theories grounding the study (Relationship Marketing/Management Theory and Social Exchange Theory) and major concepts (internal marketing, service quality and customer satisfaction) addressed in the study. Additionally, the research background, objectives and methodology were briefly discussed. The chapter concluded with an overview of the theoretical contributions of the study and outlined the structure of the remaining chapters that constitute this thesis. Chapter 2 provides a background into the Omani banking industry and discusses the differences between conventional and Islamic banking in greater depth.

## CHAPTER 2

### THE BANKING INDUSTRY IN OMAN



### 2.1 INTRODUCTION

The deregulation of the banking industry, increased competition among both banks and non-financial service providers, the adoption of advanced technology, and evolving customer needs have all had an impact on the competitive landscape (Gupta & Xia, 2018:217-218). Distrust of mainstream banking has inspired ambitious organisations in other sectors to become major providers of banking services. Telecommunication brands, such as Virgin Mobile and strong retail brands such as Marks and Spencers use their grasp of information technology and customer service to win over customers from traditional banking organisations, thereby overhauling the financial services sector. These non-traditional competitors place strain on retail banks by reducing their market share (Danyali, 2018:1228; Mbama & Ezepue, 2018:232; Worthington & Welch, 2011:191). Banks are becoming more aware of how customers experience their services, with service experiences and customer emotions gaining increased attention across academic literature. In service marketing literature, an emphasis is placed on the stimulation of positive emotions through service quality and enriching service experiences, which increase customer satisfaction and an emotional affinity for the banking brand (Mbama & Ezepue, 2018:233; Wang & Beise-Zee, 2013:43).

The Oman banking industry is a complex and challenging industry, which incorporates a blend of commercial banks made up of conventional banks, Islamic banks, and conventional

banks offering Islamic banking windows (Central Bank of Oman, 2015:61). The banking sector in Oman is the second largest sector in the Oman economy after oil and gas, contributing 37% to the country's GDP (Trading Economics, 2016). Banks in Oman have come a long way over the last 48 years, but despite all the progress and marketing efforts made, banks still face major challenges such as the satisfaction and engagement of employees resulting in weaker levels of service quality and customer satisfaction. Lower levels of employee satisfaction further result in lower retention rates, specifically of talented employees with the youth segment in particular who tend to be more mobile from an employability perspective (Fisk, 2016; Salim & Al Ani, 2015:33). High attrition rates result in significant costs for banks, more specifically recruitment and training costs, which result in a loss of cost efficiencies. High attrition rates also impact on service quality as productive employee-customer relationships may be severed and the potential for customer complaints could increase (Al-Abdullat & Dababneh, 2018:521). Employees are therefore key to ensuring that customers are satisfied, which results in increased profits and a strong brand image within the market (Kaurav et al., 2018:30-31; Schepers & Nijssen, 2018:230). One of the most effective methods discovered for improving employee satisfaction, is through the implementation of an internal marketing programme focused on the development of an internal environment in which strong internal relationships are fostered, leading to strong external relationships and higher levels of service quality and satisfaction (Mbama & Ezepeue, 2018:233; Selvarasu, 2017:1257). Considering this, the chapter starts with a focus on the global banking environment and trends currently dominating the retail banking landscape. Next, attention is drawn to the retail banking market within Oman with a specific emphasis on conventional and Islamic banking practices and the similarities and differences between the two. Finally, the chapter regards the internal marketing as a differentiating strategy in the achievement of service quality and customer satisfaction in retail banks in Oman.

## **2.2 THE GLOBAL BANKING ENVIRONMENT**

In the face of decreased industry growth and tough competition worldwide from both brick-and-mortar organisations as well as emerging internet-based banks, a large number of global banks are having trouble meeting their performance expectations. This is mainly due to an inability to reach customers, to effectively differentiate themselves, to respond to sales opportunities and to make the most of their valuable employees (Genesys, 2018:5; Yi Xuan, 2018). It is essential, however, that global banking executives understand how global trends are impacting retail banks so that robust strategies can be formulated (Stevens et al., 2014:4-5, 8). In addition to the current global banking landscape, customer expectations

are being sculptured by their interactions outside of the banking industry. As customers become more aware of the service quality they receive from other service industries, they place more emphasis on the customer experience and are increasingly demanding this type of quality and service from their banks (Sullivan et al., 2014:15). As a result, successful banks today have shifted to a segment-led approach and a stronger focus on the customer experience. In the past, the structure of banks did not lend itself to the creation of a customer experience (De la Castro et al., 2017). For instance, the head of call centres, head of products, and head of marketing all had their own agenda, with the axis of power generally sitting within branch distribution. Banks are starting to realise, however, the need to arrange themselves around their customers instead of around products or channels to increase customer satisfaction levels (Sullivan et al., 2014:15). Banks concentrating on enhancing customer satisfaction through customer centricity understand that a greater focus on customer segmentation is required. Success is dependent on a solid understanding of unique customer requirements and how these can be met through meaningful value propositions as opposed to pushing products onto customers. Although leading banks have shifted to a segment-led approach, many banks still lack the tools and techniques to build great customer experiences (Bagley et al., 2015). In addition to this, banks must develop powerful channels to acquire new customers and provide a superior customer experience leading to increased customer satisfaction (Du Toit & Burns, 2017). McKinsey's suggests that the bank of the future must create a new distribution model that meets the evolving needs of customers, whilst increasing marketing effectiveness (both internal and external) (Bruno et al., 2014:2). For this reason, successful banks have adopted cross-channel journeys that allow the bank to follow their customers across multiple channels and multiple interactions. Over the past twenty years, banking customer behaviour has changed significantly with currently over 65% of global customers interacting with banks through multiple channels, making service quality and the delivery of a consistent service experience challenging (Bagely et al., 2015; Bruno et al., 2014:1). Inconsistencies across channels create a weaker customer experience, resulting in poor perceptions of service quality and increasing operational costs and risks. To overcome these challenges, banks are creating cross-functional, frontline led approaches that allow for a unified customer experience across channels to improve customer satisfaction (Du Toit & Burns, 2017).

Banks worldwide are of the opinion that digital channels have not replaced physical channels (Du Toit et al., 2018). McKinsey's found that customers using mobile and online banking products more than once a week are over 60% more likely to be active retail branch users, implying that the branch and interaction with banking employees is still relevant in retail banking. Banks should maintain a healthy balance between personal and digital



platforms, and appreciate that when customers do come into a branch, they are seeking personal contact with the banking employees. However, in these instances the service stakes are much higher, meaning customers are expecting higher levels of service quality from the employee. In addition, McKinsey's found that customers are wanting to develop emotional connections with their bank, implying that money matters are 'emotional' and customers want to feel that they are valued by their bank and the bank's employees (Bruno et al., 2014:1-2). Although a number of trends present themselves, current research into the future of banking and service quality within the banking arena is showing the emergence of two dominant themes, namely the use of technology and information and the power of people in building trust and an emotional connection with employees in order to strengthen employee-customer relationships (Gupta & Xia, 2018: 216; De la Casto et al., 2017; Zhao, Yan & Keh, 2018:1208; Bagely et al., 2015; Bruno et al., 2014:1-2; Stevens et al., 2014:4-5, 8; Sullivan et al., 2014:15). According to Genesys (2018:8), Stevens et al. (2014:4-5) and Sullivan et al. (2014:15), whatever the chosen strategy banks may follow, success will come from maintaining the right balance between people in terms of managing employee-customer relationships and technology.

Further to this, another major trend impacting retail banking is the emergence of Islamic banking. The International Monetary Fund recognises Islamic banking as one of the fastest developing trends in the financial industry, with a 10-15 per cent market growth over the last decade (Cham, 2018:22; Khamis & Abrashid, 2018:885; Abduh & Omar, 2012:38). Each of these major global banking trends, namely the use of technology and information, the power of people, and Islamic banking, is discussed in more detail next.

### **2.2.1 The role of technology and information in banking**

The use of technology, and specifically the migration of retail banks to digital platforms, have evolved rapidly over the last few years, with cloud computing, big data, high bandwidth, and smartphones becoming regular features needed for business today. The rise of the digital age is creating major shifts in industry values, reducing revenues, enabling new attaches and redefining service (Danyali, 2018:1227-1228; Mbama & Ezepue, 2018:233; Kanchan, 2012:4-6). Two major global banking trends emerging on the technology side comprise the use of 'big data' and mobile banking solutions, each of which will be discussed in this section (Danyali, 2018:1227; Singh & Srivastava, 2018:358; Stevens et al., 2014:4-5,8; Sullivan et al., 2014:15; Ernst & Young, 2012:15).

### **2.2.1.1 Big data analytics**

More and more service institutions have started to implement enterprise-wide solutions to technology in order to remove siloed systems and benefit from the effective collection, management, and mining of data (Capgemini, 2013:4). Due to increased competition from existing banks, as well as new entrants to the market in some business areas, successful banks are placing greater importance on leveraging and exploiting the data banks to better understand their customers and their own business practices (Jeble et al., 2018:514; Wamba, Akter & Bourmont, 2018). Through improved data and information, banks are able to determine which channels lead to positive outcomes, such as service excellence and cross-selling. In this manner, banks are able to determine which customer experience efforts are providing the most value so that these efforts may be prioritised (Jeble et al., 2018:514; Kanchan et al., 2012:3,7). In addition to this, since technological developments are making banking relationships less robust, it is important that banks develop sophisticated profiles on each of their customer segments. Improved data analysis in this regard enables banks to create customer-centric information that can be used to develop targeted customer offerings and provide superior service quality for customers (Mbama & Ezepeue, 2018:233; Auerbach et al., 2012:4,7,9). This information assists banks in predicting how and where their desired customer segments will grow so that the most appropriate model can be developed for the selected customer segment. Further to this, enhanced data analysis provides banks with a better understanding of their customer segment behaviour, which enables banks to forecast optimal density and coverage levels for branches. If optimal points are not achieved or exceeded, branches may become less efficient for certain segments (Sullivan et al., 2014:25-26; Auerbach et al., 2012:4,7,9).

### **2.2.1.2 Mobile banking**

Multiple channels demand improved access to information and better functionality from online platforms. Technologies such as mobile banking platforms enable banks to provide faster and more streamlined payment systems, which, although useful, open the market up to threats (Singh & Srivastava, 2018:357; Fyr, 2013:3). Non-traditional players such as internet banks and peer-to-peer lenders have gained in popularity due to their lower and simpler cost and fee structures, and through the offering of deposit products at competitive rates (Genesys, 2018). In rapid growth markets such as India and Kenya, mobile technology has overtaken the need for a vast branch infrastructure (Singh & Srivastava, 2018:358; Ernst & Young, 2012:16). In many banks today, such as Citi Bank in Asia, branch-based

employees make extensive use of their tablets and smart phones when assisting customers in branches, whilst most financial advisors and corporate bankers conduct 95% of their work with clients outside branches. In addition to this, the Bank of America has developed applications for commercial customers that allow for the management of global transactions across countries and time zones, expanding their reach and providing access to a larger number of customers (Du Toit et al., 2015). Although the use of technology is increasing (specifically mobile technology), the risks involved are also increasing. The risks arising from mobile technologies can be labelled as either traditional, or emerging risks (Katsuri, 2017; Zacharopoulos et al., 2011:11). Traditional risks relate to the theft of services, theft of content, digital piracy and loss of revenue and customer base due to the entrance of non-traditional players. This results in disputes between banks and mobile network operators as to who should own the customer account and therefore the largest portion of fees. Emerging risk involves risks related to fraudulent activities such as identity theft, information disclosure, denial of service (DoS), and money laundering, which may deter customers from making use of mobile banking channels (Katiyar & Badola, 2018:553; Zacharopoulos et al., 2011:11). It is these risks that develop into trust issues specifically in the Arab world. Despite the proliferation of alternative customer service channels, 'voice' still remains dominant in banking and the role of service-minded employees is ever more critical, specifically in Oman (Katiyar & Badola, 2018:555; Capgemini, 2017).

### **2.2.1.3 The impact of information and technology in the Omani banking sector**

Mobile banking and payments are becoming more prevalent in Oman. However, in order to prepare for the next phase in mobile technologies, banks in Oman will need to move up the maturity curve from a position of relaying information to customers, through to a position of enabling transactions, interacting with customers around their financial needs, becoming a part of life, and involving the engagement in non-financial activities. As a result, retail banks in Oman may need to develop closer relationships with telecommunication organisations in order to deliver new channels faster (El Sadaani, Reppel & Gibson, 2015:18). Although many Omani customers are starting to embrace mobile banking channels, customers are aware of the associated increase in security risks. Issues such as fraud, device theft and shoulder surfing are generally cited as the main concerns. There is a general sense of unease amongst Omani banking customers that the banks do not have sufficient risk prevention techniques in place to protect them against security problems (Nguyen-Duy, 2018; O'Riordan, 2018; Madigan, 2013). Further to this, many Omani banks have not yet

adopted tablets and smart phones internally as a way of assisting customers, where most banking transactions are conducted in branches through the traditional approach of personal service encounters. The two main reasons for this include a lack of skills in mobility and leadership. Banking leadership teams are generally made up of business people with a focus on business principles, who may lack the skills and knowledge to lead the technological evolution (De Bruin, 2018). On the other hand, IT leadership may be strong on developing innovative technological solutions, but these may not be based on customer needs and requirements. Success depends on a balance between business and IT, but banks in Oman have not yet established the nature of this balance (Maki, 2018). El Sadaani et al. (2015:18) suggest that the role of the IT department should be that of a strategic business partner; in this way, innovative technologies can be developed and used as a differentiating factor in creating a competitive advantage, such as improved service quality.

Big data analytics are still in the embryo phase within Oman, where the lack of big data tools and a lack of technological infrastructure make big data difficult to implement. In addition to this, there is a perceived lack of education in terms of how to use and leverage the information obtained from big data analyses (De Bruin, 2018). It is important that Omani banks understand their customer segments better, how these segments are growing and which are the most profitable. Further to this, Omani banks must understand their customer expectations of service quality, and how customers can be better served so that value is created for both the customer and the bank (De Bruin, 2018; Becker, 2018). Social media can assist Omani banks in the attainment of business goals, but banks need to develop systematic ways in which to manage the associated risks with this kind of platform. Budget constraints and a lack of skilled employees can prevent Omani banks from delivering such fixes (Salim & Al Ani, 2015:30; Kawarta, 2014). Social media in Oman banking is fairly advanced when communicating with customers, and is becoming more relevant. All the banks in Oman have migrated to social media platforms, however from an internal communication perspective, there is still room for improvement (De Bruin, 2018).

Although the survival of banks is dependent on the adoption of digital channels, banks often miss the opportunity to address the emotional and behavioural needs of their customers such as feelings of trust, safety and security, making digital channels less effective than what they could be. Whilst customers have embraced multichannel options, they still expect value and superior quality from face-to-face interactions with banking employees (Schlich et al., 2015). The next section investigates the power of people in retail banking, specifically within the branch network.

### **2.2.2 The importance of the employee-customer relationship**

Research conducted by Bain and Company found that 60% of great banking experiences are due to great employees (Bain & Company, 2015). Branch employees play a critical role in the employee-customer exchange. Guo (2017:3) purports that banks ought to be focusing on building profitable relationships with customers in order to maintain a balance between service quality and cost. This is specifically relevant to high value-adding activities such as sales, and the solving of more complex service problems. It should be noted that financial organisations are described as social arenas where the dissemination of information and the behaviours and emotions of the players create some kind of social cohesion which is grounded in trust, commitment and psychological safety (Tabrani, Amin & Nizam, 2018:825). This in turn impacts the manner in which participants perceive, construe and organise information and their own actions (Eggers, 2018; Williams, 2018). Strong employee-customer relationships require cross-functional integration and coordination across all employees and functions; and for this reason, an internal environment consisting of a network of connected internal relationships between internal customers and internal suppliers is required in order to achieve external relational success (Proenca & Castro, 2014). When close relationships are developed between employees and customers, it results in the rich flow of information between parties, a consistent level of business, low margins and strong levels of satisfaction, trust, commitment and loyalty between parties (Tabrani et al., 2018:825; Sarkheyli, Ithnin & Esfahani, 2013:2-3).

Further to this, leadership within retail banking has evolved to the extent that purchasing decisions are no longer considered to be isolated decisions based on the attractiveness of the banks marketing mix variables, but such decisions are rather based on the strength of the commitment to a particular bank (Amegbe & Osakwe, 2018:990; Auerbach et al., 2012:4-5). As a result, retail banks globally are placing greater importance on the development and maintenance of long-term employee-customer relationships with their primary customers, in order to establish higher levels of commitment and loyalty. In this way, banks are able to maximise the profitability of the relationship with its customers, instead of trying to maximise the profit from each single transaction (Guo, 2017:1,3). As highlighted in Chapter 1 (refer to section 1.5.1) from a systems thinking perspective, it is unwise to focus on single relationships as if they were discrete phenomena. Any interaction between banking employees and customers must be seen within the context of the bank's relationships, and how these relationships are affected by other relationships and the pattern of relationships that surround these (Eggers, 2018; Williams, 2018). A paradigm shift has taken place in consumer trust on a global scale due to the financial crisis of 2008.

The crisis has brought the crucial role of trust to light in banks and financial institutions across the globe (Shim, Serido & Tang, 2013:27-28). Secondly, money is emotional, in the sense that it causes happiness or anxiety. Therefore, as the guardians of customers' hard-earned money, banks need to deal with emotions in ways that other retailers are rarely subjected to (Graham, 2017). When banks are able to emotionally engage with customers, this results in stronger relationships, as well as higher levels of customer trust and loyalty (Loureiro & Sarmento, 2018:868-883). Considering this, each of these concepts is explored next.

#### **2.2.2.1 The role of trust**

The most commonly accepted definition of trust is that it is based on mutually beneficial relational exchanges in the market place (Tabrani et al., 2018:825). The most commonly accepted constructs of consumer trust are identified as honesty, reliability, fulfilment, competence, credibility, quality and benevolence (Punyatoya, 2018; Tabrani et al., 2018:825). They are also closely related to the service quality dimensions of assurance, reliability, tangibles, empathy, and responsiveness. Therefore, it can be argued that trust is created by people. Trust is often considered to be the most significant barrier to e-commerce, due to security-related issues (Punyatoya, 2018). Jarvinen (2014:553-554) believes that digital platforms serve as supplementary channels in the delivery of banking services, where online channels are not able to substitute the more traditional banking channels, such as branch contact. As a result, personal contact still remains a critical dimension in the establishment of personal relationships. This may seem to be in opposition to the declarations made by prominent service marketers such as Lovelock et al. (1990) who stipulate that in the servicing context, relationships can be established through online practices, but in reality, they cannot. Technology and digital platforms may have an effect on how the banking relationship unfolds in the early stages of the relationship-building process, however, the effect is limited to the early stages of the relationship process. At the attraction stage, customers interact with the banks online and mobile banking channels due to the convenience and reliability they provide. In this way, convenience and reliability may become service quality determinants. This means that if the customers perceive that service quality has been achieved, they will engage further with the bank, and if not, the customer will terminate his interaction with the bank at this point (Punyatoya, 2018; Jarvinen, 2014:553-554; Ioannou & Zolkiewski, 2009:263-264). Hence, interactions with the banks online and mobile banking channels influence service quality satisfaction, and thus first impressions (Mbama & Ezepue, 2018:233). However, the relationship-building ability of online channels is often limited to the attraction and initial stage of relationship development.

This is due to the nature of financial services, which are considered to be high in credence properties, resulting in a high level of perceived risk and uncertainty. This prompts customers towards searching for evidence of confidence and trust, which is often found in the interaction with the bank employees. Therefore, the presence and performance of service employees play a crucial role in the cementing of sustainable relationships with customers and the building of trust (Kosiba et al., 2018:766-767).

### **2.2.2.2 Emotional engagement**

The emerging science of behavioural economics tracks the way in which customer loyalty and buying decisions are influenced by emotional factors. Gallop has found that in retail banking, emotionally engaged customers bring in 37% more annual revenue than customers who have no emotional attachment to their bank (Guszcza, Bersin & Schwartz, 2016:117-119; Sorenson & Adkins, 2014). Sorenson and Adkins (2014) also found that emotionally engaged customers hold more banking products with their primary bank such as a cheque account, a savings account, a home loan and vehicle loan, resulting in higher levels of profitability. Further to this, since the financial crisis, the emotional connection in banking has become a prevailing theme in money and finance, and a key pillar in the establishment of both internal and external relationships (Jarvinen, 2014: 551).

If employees are considered to be warm and caring, deeper levels of emotional connection can be developed with customers (Zhao et al., 2018:1207-1208). McKinsey found that personalised high-quality service builds a deep connection with, and commitment among customers, often leading to greater price elasticity even in products such as mortgages (Bruno et al., 2014:2). Further to this, banks that build their value propositions around the emotional factors such as a strong community focus and strong customer-employee relationships, create a sense of belonging amongst customers (Armstrong et al., 2015). In addition, when employees identify strongly with the bank where they are employed, they develop a sense of pride and commitment, which is then transferred onto customers who in turn feel proud of the bank with which they are associated. Consequently, these customers refer their bank to others, creating positive word-of-mouth messages (Al Abdullat & Dababneh, 2018:520; Yu, Patterson & De Ruyter, 2015:492). When employees are enabled to develop strong relationships with customers, higher levels of service quality and customer satisfaction are made possible, which contributes to more positive customer experiences (Kosiba et al., 2018:766-767; Zhao et al., 2018:1207-1208). The section highlighted the role of trust and emotional connection as key pillars of building profitable relationships with both internal and external customers with specific focus on the employee-customer exchange.

The next section explores the impact of the employee-customer relationship on service quality and customer satisfaction within the Omani retail banking sector.

### **2.2.2.3 The impact of the employee-customer relationship on service quality and customer satisfaction within the Omani retail banking market**

Omani retail banking customers are demanding more than a variety of products. They are searching for superior customer experiences that meet or exceed their basic expectations, whilst providing added value (Famiyeh, Asante-Darko & Amoako, 2018:1550). In a global study conducted by Ernst and Young, the customer experience, with specific reference to emotional engagement through employee-customer relationships, was rated as the most common reason for opening and closing accounts, surpassing increased fees, location and convenience (Schlich, 2014:3,9-10). Although banks in Oman are aware of the need for stronger employee-customer relationships and emotional engagement, there is a lack of skills and understanding regarding how to execute this.

In Oman, there is a tendency for retail banks to focus on transactional relationships, as opposed to deepening their relationships with customers. Employees seem to behave as order takers as opposed to managers of their core relationships, and there is a perception that customer trust is not as strong as it could be (Fisk, 2016). Trust is a key driver in employee-customer relationships that transforms static sources of revenue into advocates for the bank. When customers trust their bank, they are more likely to make referrals and consolidate their banking needs with a single financial service provider (Kawatra, 2014). However, banking customers in Oman seem to patronise a number of banks as opposed to maintaining loyalty to one primary bank (Loots, 2017). Employee-customer relationships could be further compounded by a shortage of skilled, service-minded employees. In most instances, both front-line and back-office employees do not have the support and capabilities to meet their customer demands (Times of Oman, 2013). Policy requirements in Oman, as is the case with many Gulf Cooperation Council counties (GCC) and states, place an emphasis on the mandatory hiring of local talent through a localised employment agency. This scenario, in conjunction with a floating expatriate population presents many unique risks for banks in Oman (El Sadaani et al., 2015:18). The following section considers the impact of Oman's localisation strategy, namely 'Omanisation' next.



## **i) The role of Omanisation**

Localisation strategies have been firmly entrenched in the GCC to confront unemployment problems (Foroutan, Timur & Abubakar, 2018:914; Fortenlechner, 2010:137). The general approach is to impose quotas onto organisations in terms of the employment of locals (in Oman the programme is referred to as Omanisation). Economic growth has surged in Oman over recent years and the population growth has reached 3,1 million, of which 44% are expatriates. Of the total Omani population, 38% are aged between 16-29, representing a youthful composition of the population and stressing the need to develop employment opportunities for young Omanis. One of the most successful examples of Omanisation has been seen in the banking sector, which reported a 90% level of Omanisation. Although the quota has been successfully met, banks are still facing many challenges as a result of the early stages of Omanisation for the following reasons: meeting quotas, training and development and commitment (Forouta et al., 2018:915; Ali et al., 2017:1-2; De Bruin, 2018; Swailes, Al Said & Al Fahdi., 2012: 359). Each of these will be discussed in more detail next.

- Meeting quotas

The generally accepted view is that although sufficiently talented young Omani employees may be placed into vacant positions to meet Omanisation targets, their skills, experience and personality may not be a match for the post they are set to occupy (Budhwar & Mellahi, 2016: 102-103; Swailes et al., 2012:363). As a result, organisations are made up of under-experienced employees, who are not able to deliver on the requirements of the job expected from them (Ali et al., 2017:15). In service organisations, the recruitment of qualified service-minded employees is critical for organisational success. The presence of an employee in a position that is not suitable for his/her personality, skills or experience could have serious impact and repercussions on service quality standards. For instance, a technically-minded and qualified person could be put into a customer-facing position that is at odds with the employee's personality and comfort levels. When dealing with irate clients, the employee may not possess the emotional attributes that a 'people-person' may encompass. This means that these employees may not display empathy or may not be able to regulate their emotional response to the customer, which could result in negative outcomes impacting the customers' perception of service quality and their level of satisfaction or dissatisfaction as a result of the encounter (Al Mughairi, 2018; Saeed & Asghar, 2012:12180; Shuck, Rocco & Albornoz, 2011:319).

- Training and development

Despite existing training infrastructures and the motivation and drive to learn, young Omanis may lack the skills and experience needed to operate successfully in the banking sector (Loots, 2017). External training methodologies may also not be aligned to internal organisational processes, which in turn can create confusion and frustration for employees (Al Mughairi, 2018). Further to this, perceptions exist that expatriate workers responsible for the development and mentoring of the local market may not be willing to transfer their expertise and knowledge onto their Omani employees for fear of being made redundant. If employees are not provided with the required knowledge, training and development, it will impact their ability to provide the level of service quality expected by their customers, eventually influencing customer satisfaction (Budhwar & Mellahi, 2016:104-105; Swailes et al., 2012: 363).

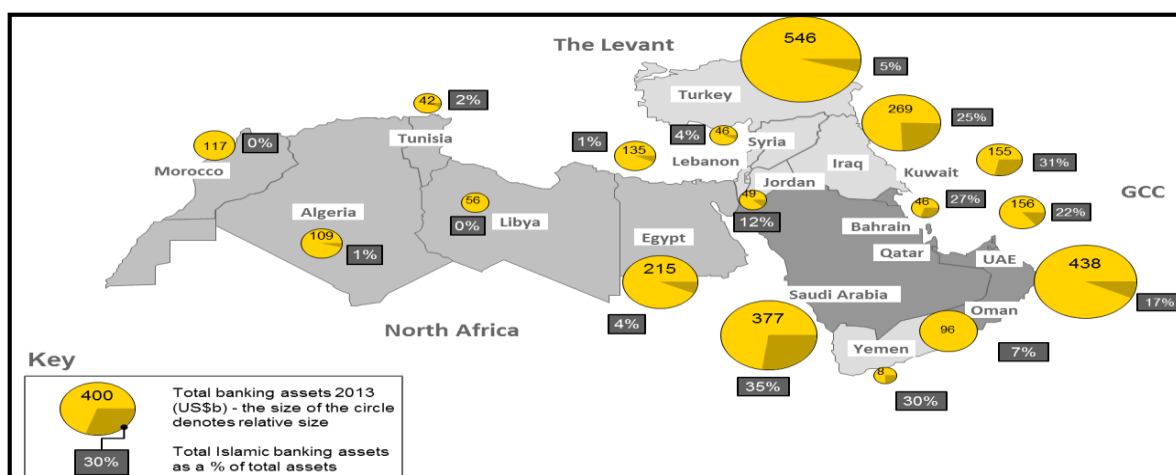
- Commitment

A common problem experienced by organisations worldwide is the lack of commitment from generation Y, and thus the level of commitment from young Omani employees is often brought into question. There is a perception that Generation Y employees do not pay sufficient attention to their obligations under the Omani employment law, such as attendance, reliability, and the delivery of satisfactory performance. There is a perceived mismatch between the expectations of organisations and young Omani employee expectations in terms of input into their jobs. As is the case with most of the Generation Y population, young Omani employees do not value the importance of high service standards, reliability and respect for others, which poses an organisational cultural challenge for organisations (Fisk, 2016; Swailes et al., 2012:364). These findings are particularly concerning for service organisations such as banks, as service quality standards could be comprised by uncaring attitudes (Loots, 2017). Further to this, revisions to the Oman labour law make it easy for the private sector to hire employees, but difficult for them to fire employees when performance standards are not met or duties are consistently neglected. Contributing further to the above-mentioned challenge is the reluctance of organisations to address poor performance issues among Omanis for two reasons. Firstly, Omanisation quotas could be impacted by firing Omani employees which may raise concerns in government departments, and secondly, organisations may struggle to recruit another employee capable of performing better (Budhwar & Mellahi, 2016:102; Swailes et al., 2012:364). In this way, banks are not able to meet service expectations, which impacts negatively on customer satisfaction perceptions.

The psychological contract theory suggests that a relational exchange takes place between employees and organisations in which employees invest their time, skill, and knowledge in return for a reward (Tube, 2015:4-5). When employees are sufficiently trained and developed to perform the jobs required of them and are accordingly rewarded for their efforts, they feel more satisfied and go on to provide value to customers (Sarantinos, 2018). Since employees are regarded as the strongest asset within a service organisation, the study will focus on the employee and how employees can be better satisfied, motivated and enabled to deepen their relationships with customers through internal marketing practices and the implementation of an internal marketing mix. When employees are supported and enabled by their bank to serve customers well, they are more likely to develop stronger emotional connections to the bank and customers, resulting in superior levels of service quality and customer satisfaction (Al Abdullat & Dababneh, 2018:520). The next major trend impacting global banking which is worthy of discussion is the rise of Islamic banking. The next section provides a brief overview on the rise of Islamic banking as a banking trend, a more in-depth discussion of Islamic banking is provided in section 2.4.2.

### **2.2.3 The rise of Islamic banking in the world**

The economic crisis of 2008 and 2009, as well as problems in various banking systems across the world, have called for many new trends in many different areas of business. One such trend is Islamic banking, which continues to be one of the most inspiring economic trends of the 20th century, due to the economic empowerment of Muslims (Al Harbi, 2015:13-14). Islamic banking refers to a system based on the principles of Sharia law. The two main principles driving Islamic finance are the sharing of profit and loss, and the prohibition of the collection and payment of interest (Miah & Sharmeen, 2015:205). Although as an industry, Islamic finance represents less than 2% of global banking assets worldwide, global Islamic finance assets reached \$1.9 trillion by mid-2014, with 75 per cent of the industry being concentrated in the Middle East North Africa region (MENA) (excluding Iran) as shown in Figure 2.1.



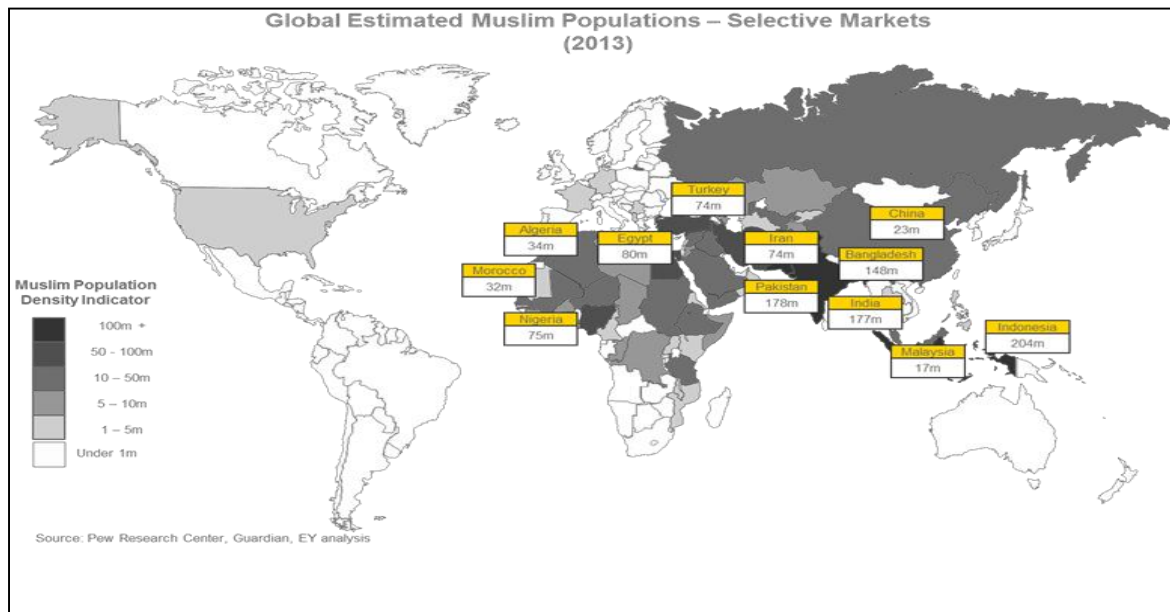
**Figure 2.1: Islamic banking assets as a percentage of total banking assets in the MENA region**

Source: Ernst and Young (2014); De Bruin (2018)

The MENA region holds \$3 trillion of the total global banking assets of which Islamic banking accounts for \$0,4 trillion (roughly 14%). Iran currently holds 38%, the largest share of Islamic banking assets (Hussain, Shahmoradi & Turk, 2015:12). The Islamic banking sector has grown at an annual rate of about 17% between 2009 and 2013, indicating strong growth and resilience within the market (Khamis & Abrashid, 2018:885; Ernst and Young, 2014). The Gulf Cooperation Council (GCC) is made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE and is referred to as the GCC. The GCC has shown a strong asset growth of 17,9% between 2007 and 2014, with Qatar outperforming its regional peers, while Oman is the most recent GCC state to enter into the Islamic banking arena (Divanna & King, 2015:12).

Aside from Muslim countries, Islamic banking is growing rapidly in Europe where it is considered to be favourable in light of its reliance to shocks, such as the recent financial crisis. As mentioned earlier, this is due to the Islamic finance emphasis on risk-sharing, imposing limits on excessive risk-taking and a strong link to real activities (Hussain et al., 2015:1). In this context, Islamic banking is defined by a 'real and rooted' approach, with a focus on assets, which helps avoid the unwarranted complexity and ambiguity of certain conventional banking products (Ghalaita, 2016). As a result of this, a large number of European and American banks (Citibank and HSBC) have been operating Islamic windows in order to take advantage of this fast-growing sector. Hong Kong and Luxembourg governments are the first non-Muslim governments to issue Sharia-rated government bonds, which created a level of confidence in these markets when they matured (Belwel &

Al Maqbali, 2018; Divanna & King, 2015:4). Islamic banking has experienced impressive growth in frontier and emerging markets across the globe due to the growing Muslim population in these markets. Islamic banking has shown a 6.5% growth rate per year since 2011 in QISMUT nations (Qatar, Indonesia, Saudi Arabia, Malaysia, UAE and Turkey) alone. Figure 2.2. shows the global estimated Muslim population considered to be a high growth market (Yueh, 2017).



**Figure 2.2: Global estimated Muslim population**

Source: Ernst and Young (2014)

Islamic finance has emerged strongly within developing Muslim markets due to the participatory structuring on instruments which integrate the assets of borrowers and lenders. Islamic banks also allow for customers to lend on a longer-term basis, which supports economic growth. Islamic financing can provide an attractive alternative to SMEs, as witnessed in Indonesia, Turkey and Kenya due to the profit and loss-sharing model. Islamic banks are able to prevent overleveraging of SMEs, whilst helping them obtain a foothold in the market (Daly & Frikha, 2016; Divanna & King, 2015:24). Due to the fact that SMEs are the backbone of both frontier and emerging economies, Islamic banks become important enablers for economic success (Daly & Frikha, 2016). Growth in emerging markets such as Malaysia, and frontier markets such as Indonesia, Oman and Africa, has been slow due to political instabilities, economic slowdowns, varying levels of financial infrastructure, and a wide range of regulatory regimes. The major two trends impacting Islamic banking, similar to conventional banking, include advancements in technology and levels of customer service competence, which are further impacted in frontier economies, such as Oman (Divanna & King, 2015:5). The rise and impact of Islamic banking in Oman and its

challenges are discussed further in section 2.3.2, of this chapter. Since the study is focused on the banking industry in Oman, the following section provides a more comprehensive discussion on the banking industry as it currently stands in Oman.

## **2.3 THE BANKING INDUSTRY IN OMAN**

According to the FTSE country classification report, Oman is currently classified as a frontier market (FTSE Russel, 2018). A frontier market is defined as a developing country which is more developed than the least developing countries, but too small to be generally considered an emerging market (Olarinmoye, 2017). They are categorically the riskiest markets in which to invest in. Oman's banking and financial sector have evolved over the last 70 years since first being introduced into Oman by the British Bank of the Middle East (BBME) in 1948, and currently plays a prominent role in supporting the growth process of the economy (Encyclopaedia of The Nations, 2015). Since 2010, Oman's monetary conditions have gradually been accelerating as a result of a growth in broad money (referring to the number of times money balances turn over) and bank credit, following a turnaround in the growth of the GDP of Oman. Improved liquidity conditions in Oman over the last decade have resulted in a softening of both deposit and lending rates which resulted in credit growth within the public sector. The private sector, however, still reported a moderate credit growth (Central Bank of Oman, 2017). The banking system in Oman has undergone major structural transformation through deregulation, innovations, technological advancements, corporate governance practices, risk-based supervision, and advances in payment and settlement systems. Oman has witnessed an increase in the use of ATMs, credit cards, debit cards, and electronic payments over the last 20 years, which have strengthened the financial economy. A wider geographical spread of branch networks over the last decade has resulted in greater access to banking services, specifically for people living in the more rural areas of Oman (Maki, 2018; Central Bank of Oman, 2017). The competitive landscape involves new, non-traditional players, as well as incumbent banks reshaping their operations. The launch of Islamic banking is a significant development for Oman and has further fuelled an already competitive and price-sensitive sector (Belwel & Al Maqbali, 2018; Kawatra, 2017). The next section provides a brief historical perspective on the banking industry in Oman.

### **2.3.1 A historical perspective on the banking industry in Oman**

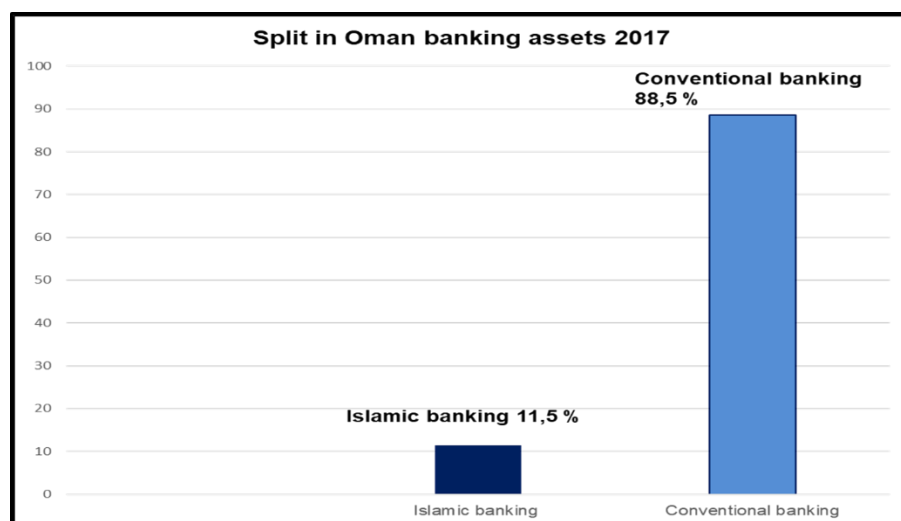
The banking sector in the country is governed by the Central Bank of Oman, which has the authority to regulate and monitor the conduct of all banking and financial institutions

operating in the country. The objective of the Central Bank is to provide a stable framework of economic development for the country, through the effective and transparent application of monetary and exchange rate policy and supervision of the financial sector as a whole (Central Bank of Oman, 2017). Established on 1 December 1974, under the Banking Law of 1974 (later amended with the promulgation of the Banking Law under Royal Decree No. 114/2000), the Central Bank of Oman (CBO) began exercising its powers in full, with effect from 1 April 1975, with an initial capital base of OMR 1 million. This figure was gradually increased until it reached OMR 500 million on 1 April 2010, and at the end of December 2011 the CBO had assets totalling OMR 5.6 billion, compared to around OMR 5.3 billion at the end of 2010 (Ministry of Information, 2017). This has increased the CBO's ability to carry out its functions and cope with developments in the local and global monetary and financial fields. One such function is the banking sector's ability to respond to growing trends towards freeing up financial services within the framework of the World Trade Organisation (Ministry of Information, 2017).

The Central Bank of Oman is also responsible for regulating the operations of both conventional and Islamic banks in Oman based on the Oman Banking Law. In 2012, Royal Decree 69/2012 was amended in the Banking Law 2000 (Royal Decree 114/2000), to make provision for the operation of Islamic Banks. In addition to the Banking Law, where required, the Central Bank of Oman issues and maintains regulatory frameworks, operating rules, circular letters and issuance of individual letters to banks to further prescribe and control the operations of banks, except as otherwise provided by the Oman Banking Law. Such regulatory frameworks and operating rules stipulate the minimum standards or practices for banks covering particular areas of control, including: license requirements, general obligations and governance, accounting standards, powers of supervision and control, capital adequacy, credit risks, market risks, operational risks and liquidity risks (Central Bank of Oman, 2017). For example, the CBO stipulates that the minimum paid-up capital requirement for Oman currently stands at OMR 100 million, for branches of foreign banks this stands at OMR 20 million, a minimum capital adequacy ratio of 12% is required and licensed banks need to retain a reserve of 5% of deposit liabilities (Central Bank of Oman, 2014; NBO, 2018; Lewis, 2012).

The Oman banking system has experienced a few mergers since the 1990s and as a result the number of commercial banks stand at 17, of which six are locally owned. These six local banks include Bank Muscat, The National Bank of Oman, Oman Arab Bank, Bank Dhofar, Bank Sohar and Al Ahli Bank. There are ten foreign banks, namely HSBC, Standard Chartered, Habib Bank, Bank Melli Iran, Bank Sederat Iran, Bank of Baroda, State Bank of

India, National Bank of Abu Dhabi, Bank of Beirut and the Qatar National Bank (De Bruin, 2018). All commercial banks are privately owned, with the government holding a minority share in only a few of the banks. Aggregate foreign ownership in locally incorporated banks is limited to a maximum equity share of 70% (Loewe et al., 2016). The banking system remains fairly concentrated with three of the biggest local banks (Bank Muscat, Bank Dhofar and the National Bank of Oman) owning 65.7% of the total banking assets. The banking sector has been performing well and has experienced a strong asset growth up 34% since 2007 (Bayliss Associates, 2017; The Business Year, 2015). The commercial banks' liabilities are dominated by deposits which reflect 67% of total liabilities as at the end of 2012. On the asset side, total credit accounted for 69% of the total assets as at the end of 2012. At present there are two specialised government-owned banks in place, namely Oman Housing Bank and Oman Development Bank, which provide soft financing to lower and middle income Omanis looking to build or purchase residential property (Central Bank Of Oman, 2014). Islamic banks began operating in Oman after the Central Bank of Oman (CBO) put the legislation in place to do so in 2012. CBO then granted two new Islamic bank licences to Bank Nizwa and Alizz Islamic Bank. Seven of the conventional banks, namely Bank Muscat, National Bank of Oman, Dhofar Bank, Bank Sohar, Ahli Bank, Oman Arab Bank and HSBC (HSBC currently does not have an Islamic banking offering in place) are licensed to offer Sharia-compliant banking products via Islamic windows (Belwel & Al Maqbali 2018; Central Bank Of Oman, 2014). To date, Islamic banks collectively own 11.5% of the total banking assets in Oman (refer to Figure 2.3).



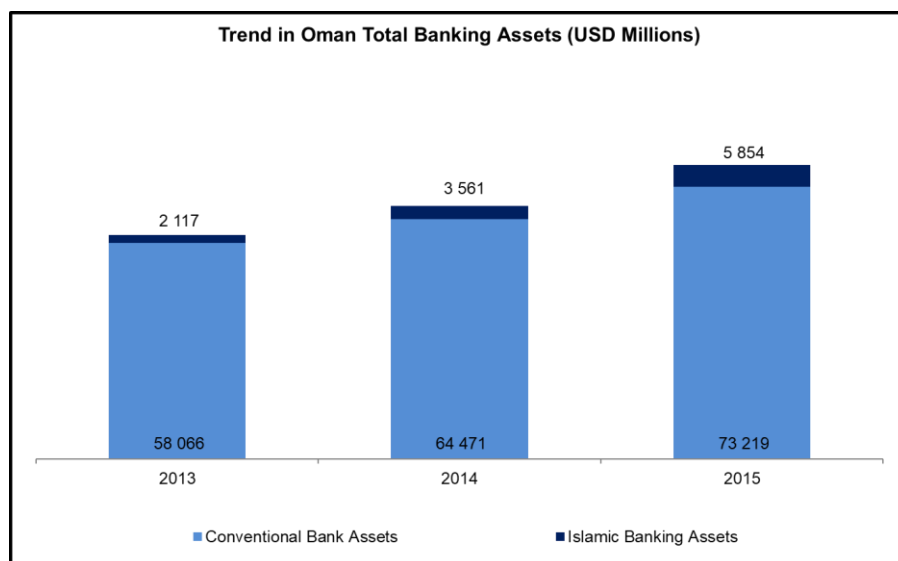
**Figure 2.3: Conventional versus Islamic banking assets**

Source: Author's own construct based on data from Filtch Solutions (2017)



### 2.3.2 The impact of Islamic banking finance in Oman

Since the inception of Islamic banking in the Oman banking market at the end of 2012, Islamic banking has grown significantly faster than conventional banking. Between 2014 and 2015, Islamic banking assets showed a compounded annual growth rate (CAGR) of 39%, whilst conventional banking assets showed a growth of 12% over the same period (refer to Figure 2.4). Although this growth comes from a much smaller base, key metrics support evidence that Islamic banking has now achieved a penetration of 11.5% of the total banking assets at the end of 2017 (refer to Figure 2.3), indicating strong growth in the banking market (De Bruin, 2018; Oxford Business Group, 2018). Culturally, there is a need for Islamic banking, stemming from religious beliefs, and Omani customers have put pressure on the government to provide these services. Due to the growth in this market, conventional banks are setting up Islamic windows as part of a defense strategy (Belwel & Maqbali, 2018; De Bruin, 2018).



**Figure 2.4: Growth in Islamic banking assets**

Source: Author's construct based on data from Filtch Solutions (2017)

The demand for Islamic banking and Sharia compliant instruments continues to grow in Oman, but the growth rate going forward may not be as strong due to a number of challenges (De Bruin, 2018).

#### 2.3.2.1 Challenges to growth

The following key challenges have been identified:

### **i) Structuring and Sharia issues relating to Islamic instrument development**

The costs and time associated with structuring Islamic instruments in a Sharia compliant manner result in delays in processing and turnaround times (Belwel & Al Maqbali, 2018; Ernst and Young, 2014). This impacts service delivery expectations and ultimately customer satisfaction.

### **ii) Service quality**

Although Oman enjoys many opportunities from an Islamic finance perspective, there are a number of challenges which deter the achievement of service quality objectives, the most significant of which, being the lack of skilled local banking talent. Very few Omanis are specialised in Islamic banking. Despite a focus on a localisation programme and on human development, higher education remains fairly low with the Ministry of Manpower reporting that only 20 025 Omani graduates are working in the private sector in comparison to 36 046 expatriate graduates (Salim & Al Ani, 2015:30). In order to compete in the long term with neighbouring nations, Oman will need to be able to provide graduates with the knowledge, skills and other essential enablers such as the internal marketing mix elements in order to create organisational success (Magd & McCoy, 2014:1626). Further to this, the introduction of Islamic finance into a market that has no prior experience with this, places a strain on the employee's ability to deliver service quality, predominately due to lack of product knowledge (Salim & Al Ani, 2015:30). Experienced Omani Islamic banking employees are difficult to find, and in huge demand. Although intensive training is provided to employees with previous conventional banking experience, an in-depth understanding is required to communicate the service offering to customers, which is still lacking (Al Zadjali, 2018; Divanna & King, 2015:6). The continual improvement of product and service knowledge is therefore vital to success. In addition to this, Magd and McCoy (2014:1626) in a study of Islamic banks in Qatar found that the three main barriers to service quality include a lack of empowerment, centralisation, and a lack of transformational leadership. These same elements are considered to be barriers to Islamic banking in Oman and each of these could be effectively addressed through the internal marketing mix. If employees could be developed and enabled to serve customers through the internal marketing mix, this would result in higher levels of service quality and thus improved customer satisfaction (Belwel & Al Maqbali, 2018; Fisk, 2016). Hong and Marimuthu (2014:67) found that both conventional and Islamic banking customers are looking for banks to deliver on their promises, provide services promptly, and recruit and train employees who are competent and willing to assist customers. Due to the highly interactive nature of the employee-customer relationship in retail banking, developing strategies such as internal marketing focused on enabling

employees to deliver service well, is paramount for success. This will be discussed further in section 1.5. of Chapter 1.

### **2.3.3 A background perspective on the different Omani banks participating in the study**

The banks participating in the study consist of the two largest conventional banks, namely: Bank Muscat and The National Bank of Oman, the Islamic banking windows of Bank Muscat and NBO, namely, Meethaq and Muzn, and the largest fully-fledged Islamic bank, namely Bank Nizwa. Each of these banks will now be briefly discussed in more detail.

#### **2.3.3.1 Bank Muscat**

Bank Muscat was established in 1982 as the Oman Overseas Trust Bank. Since 1982 Bank Muscat has seen a number of mergers and acquisitions. In 1993 it merged with Al Bank Al Ahli Al Omani, in 1999 it merged with the Commercial Bank of Oman, and in 2001 it merged with the Industrial Bank of Oman. In addition to this, Bank Muscat acquired a strategic stake in a Bahrain-based commercial bank, a 43% stake in the Mangal Keshav Group in India, a 35% in Saudi Pak Commercial Bank and a 79% stake in Muscat Capital LLC. Bank Muscat's international operations currently include a branch in Riyadh (The Kingdom of Saudi Arabia) and Kuwait and representative offices in Dubai (UAE) and Singapore (Bank Muscat, 2018). Bank Muscat is currently the largest bank in Oman with assets worth more than OMR 7 billion, and a market share of 39.70% (total banking assets). It currently operates 167 branches, 431 ATMs and more than 9 000 PoS terminals across Oman (Bank Muscat, 2018:9).

#### **2.3.3.2 The National Bank of Oman (NBO)**

The National Bank of Oman was founded in 1973, and was the country's first local bank. The bank was first established with a capital of OMR 500 000, and started operation with only two branches. WJ Towel and the Bank of America were the initial principal shareholders. In 1991, the bank was re-capitalised by the Omani government. In 2003, the Suhail Bahwan Group (SBG) obtained a 35% holding of the bank through the issue of private shares, but in 2005, the Suhail Bahwan Group, along with various other minority shareholders, divested part of their holdings to the Commercial Bank of Qatar, which currently owns 34,9% of the bank's share capital. Today, the National Bank of Oman is currently the third largest bank in Oman, with a market share of 12% (total banking assets)

(Bank Muscat, 2018; NBO, 2018; The Business Year, 2015). It has a paid-up capital of OMR 110.8 million and a regulatory capital of OMR 377.8 million. NBO's headquarters are based in Muscat, and the bank currently operates 63 branches across Oman and runs 194 ATMs (NBO, 2018).

#### **2.3.3.3 Meethaq**

Meethaq was established in 2012 and is the Islamic banking window of Bank Muscat. The Islamic banking operations of Meethaq are completely segregated from Bank Muscat's conventional banking operation. To ensure compliance with Sharia law, the bank has set up a five-member Sharia supervisory board consisting of some of the leading Sharia scholars in the Islamic finance field. Meethaq initially started operations with OMR 150 million in capital and currently has ten branches across Oman (Meethaq, 2018). Meethaq currently owns 2.50 % of the Omani market, the largest of the Islamic banking share (The Business Year, 2015). Meethaq started with three branches in 2013 and currently has 12 branches across Oman (De Bruin, 2018). Meethaq and Muzn both established Islamic windows as a defence strategy. The conventional banks faced the possible scenario of losing market share and customers to these Islamic bank market entrants, and hence launched their Islamic banking windows.

#### **2.3.3.4 Muzn**

Muzn began operations in 2013 and is the Islamic banking window of NBO. The reason for the Islamic window being established was for the National Bank of Oman as a group to expand and grow within the market, in addition to this, it serves as a defence strategy as discussed in section 1.3.2.3 of Chapter 1. As is the case with Meethaq, the Islamic banking operation of Muzn is completely separate to that of its conventional banking counterpart, The National Bank of Oman (Muzn, 2018). Muzn started with one branch in 2013 and launched its sixth branch in 2015. Revenues have increased by 117% since opening its flagship branch in 2013. Since its inception, Muzn currently holds 0,4% of the total banking assets, which signifies a clear indication that Islamic banking is gaining popularity in Oman (The Business Year, 2015).

#### **2.3.3.5 Bank Nizwa**

Up until 2012, Oman was the only Gulf Arab State not to have an Islamic bank. The Central Bank of Oman believed that banks should be universal, but due to the rapid growth in

Islamic finance and demand for Islamic banking from the local market, the Central Bank changed its position to allow for a wholly-owned Islamic bank (Salim & Al Ani, 2015:29). Bank Nizwa is one of the two fully-fledged Islamic banks in Oman. It began operations in 2013. The bank consists of a four-member Sharia supervisory board, made up of leading Sharia scholars to oversee compliance with Islamic banking principles (Bank Nizwa, 2018). It currently consists of eleven branches in Muscat, Nizwa and Sohar, and continues to expand through an ambitious growth strategy. The objective is to open 25 new branches within a five-year period. Bank Nizwa is also focused on strengthening its alternative channels to reach customers specifically through Internet and mobile banking. In this way, they are able to expand their presence across the country so that they are able to provide better access and better serve a diverse customer base (Arabian Business, 2016). Bank Nizwa currently holds 0,9% of the total banking assets (The Business Year, 2015).

Going forward, banks in Oman need to focus on developing fee-based sustainable sources of revenue, meaning that retail banks need to find new opportunities, develop products, and implement strategies in response to global trends that will allow for competitive differentiation. These strategies could include internal marketing aimed at achieving higher levels of service quality, and improved levels of customer satisfaction (Kawatra, 2014). The next section provides a perspective on conventional and Islamic banking and the need for an internal marketing approach.

## **2.4 A PERSPECTIVE ON CONVENTIONAL BANKING AND ISLAMIC BANKING AND THE NEED FOR AN INTERNAL MARKETING APPROACH**

The chapter started with a focus on global trends and then provided a view of the banking industry in Oman. The next section brings conventional banking and Islamic banking practices into view in order to obtain an understanding of the differences and similarities between these two banking groups.

### **2.4.1 Conventional banking practices**

Banking transactions have been practised by early civilisations long before the 12th century, but it was the Italians who first founded formal banking operations (Hoskin & Macvire, 2012:11-12). The word bank comes from the Italian word 'banco', which refers to a table on which banking transactions were conducted. The first known banks to be established were based in Venice, Florence, Genoa and Lucca in Italy during the 12th century. Subsequently,

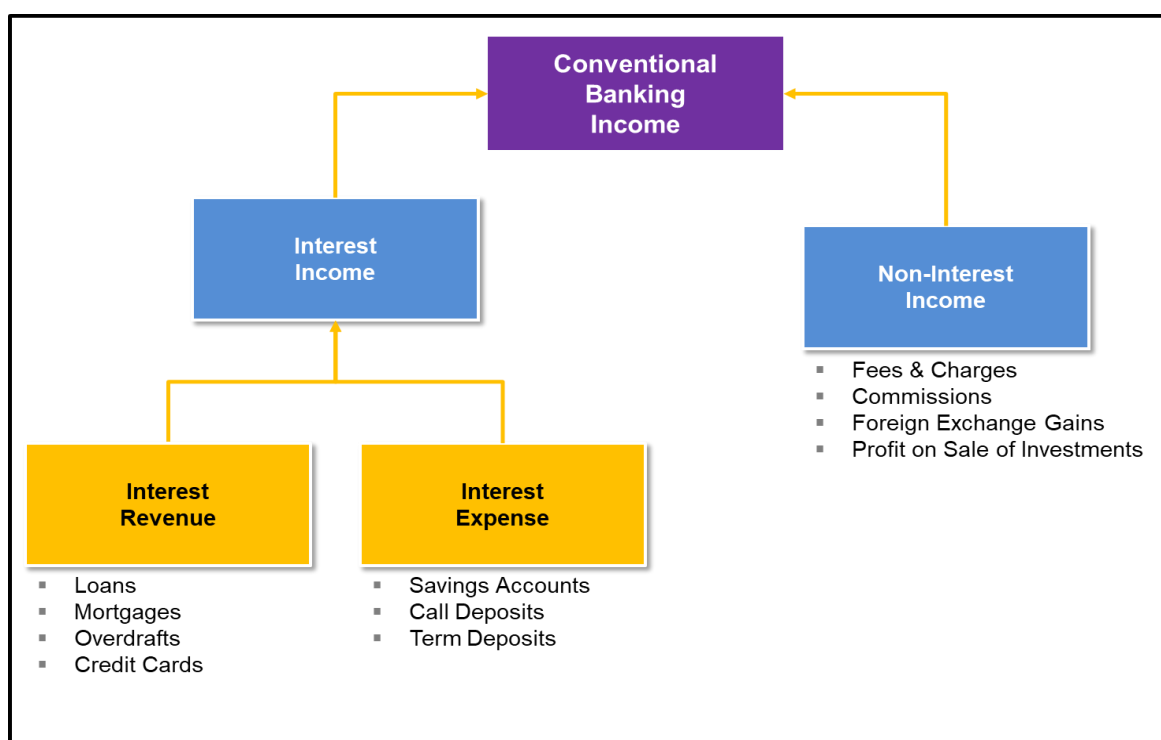
banking has become one of the biggest industries in the world. Conventional banking was first introduced into Oman in around 1948, when the British Bank of the Middle East (BBME) established itself in the country, and since then the industry has continued to flourish (Encyclopaedia of the Nations, 2015).

#### 2.4.1.1 Principles of conventional banking

The primary role of the conventional retail bank is to facilitate funds from savers to borrowers. In this manner, the bank takes responsibility for matching the unique needs of both parties (Ndwandwe, 2013:49). Conventional retail banks perform two vital functions: firstly they enable customers to store money safely, have easy access to it, and perform transactions; and secondly, they offer additional money to customers to fund businesses or large purchases. In return for holding customers' deposits, which the bank can in turn invest elsewhere, the bank pays the customer interest (Becker, 2018).

#### 2.4.1.2 Conventional banking products

Conventional banking products are traditionally structured around interest income and non-interest income as depicted in Figure 2.5.



**Figure 2.5: Conventional banking products**

Source: Author's own construct

The interest income refers to the net interest income, which is the balance of interest revenue less interest expense. Interest revenue is generally earned through products such as current accounts, credit cards, loans and mortgages. Interest margins earned by banks for intermediating between depositors and borrowers comprise a major source of profit for most banks (Loots, 2017). Interest expense is generated through products such as savings accounts and call accounts, in which the banks pay customers in the form of interest for customers to hold deposits, which the bank can then invest elsewhere. Banks also earn significant amounts of non-interest income, by charging customers a payment fee in exchange for using a variety of banking services. These services can include transactions costs when using an ATM or a credit card, foreign exchange transactions, commissions on investment, and insurance products (Clarke, 2017). Intermediation and payment services imply that banks are required to make funds available to customers at a very short notice. Due to this, the bank is required to manage its risk in the event that customers require more funding than is readily available, or in the event that customers default on their loans. In order to mitigate this risk, banks hold stocks of liquid assets at a certain level of capital, they lend to different borrower profiles, they adjust interest rates, and screen potential borrowers through credit scoring in a careful manner (Simpson, 2018).

#### **2.4.2 Islamic banking practices**

Islamic banking came to light in the 1970s in order to provide interest-free banking facilities. The first Islamic bank was Mit Ghamr Local Savings Bank, established in Egypt in 1963, but it was only after a ten-year period spurred by rising oil prices that Islamic banking gained a foothold in the commercial banking industry (Lujja, Mohammed & Hassan, 2018:337). Since then, Islamic banking has seen an unprecedented growth into the 21st century (Orhan, 2018:291). Islamic banks are no longer confined to Muslim countries, but have found their way to other parts of the world to serve both a Muslim and a non-Muslim customer base (Mahdi & Abbas, 2018:689-690).

There is a fair amount of literature published on Islamic banking, but there is no consistent view of what the exact principles and differentiators of Islamic banking are. As a starting point, it is important to understand that Islamic banking is grounded in Sharia law, meaning that the conduct of all banking operations is in line with Islamic teachings stemming from the Islamic holy book, the Qur'an (Mubeen, Kulkarni & Al Hussaini, 2014:203). The objective of an Islamic financial and economic system is to provide freedom of choice, private property and enterprise as well as to provide moral and ethical filters for different levels of life and

business operations. The most essential teaching of Islam is the development and sustainability of ethical and fair practices, thus diminishing the opportunity for exploitation in business transactions (Mohd-Shariff, 2013:49).

#### 2.4.2.1 Principles of Islamic banking

With this in mind, the following principles of Islamic banking from various authors are put forward. Table 2.1 highlights the principles of Islamic banking, which also serve as the major distinguisher between Islamic banking and conventional banking.

**Table 2.1: Principles of Islamic banking**

Principle	Authors
<i>Riba</i> (interest) is prohibited	Kammer et al. (2015:9)
<i>Haram</i> (unlawful) is prohibited	Kammer et al. (2015:9)
<i>Gharar</i> (speculation) is prohibited	Kammer et al. (2015:9)
<i>Maysir</i> (gambling) is prohibited	Kammer et al. (2015:9)
Sharing of profit and loss is encouraged	Lujja et al. (2018:337)
All financial transactions must be asset backed	Lujja et al. (2018:337)

Source: Kammer et al. (2015:9) and Lujja (2018:337)

##### **i) *Riba***

*Riba* is the most significant differentiator between Islamic and conventional banking and is therefore worthy of a longer discussion than some of the other principles of Islamic banking. *Riba* refers to the receipt and payment of interest, which is prohibited in Islamic banking. Cham (2018:22) states that any transaction resulting in interest is considered to be trading in money itself, with no real commodity involved. This in turn results in an unequal distribution of wealth, as interest is considered to create injustice in society and creates differences between social classes (Cerović, Nikolaj & Maradin, 2017:245; Amin et al., 2009:214). In addition to this, interest gives rise to inflation in society, which can disadvantage the poor at times. Savers are often the poor and middle-class in society who save smaller amounts in a bank savings product and in return, receive a small amount of interest to compensate for their opportunity cost. On the other hand, investors who borrow money from the bank and invest in some profitable venture earn a much higher return from



these investments. Hence, interest charged on the lending of money is also prohibited as per the Qur'n (Cerović et al., 2017:245). The Qur'n purports that any profit earned by Muslims should be through their own personal effort and not at the expense of others. Hence any transactions relating to interest are not permitted. These transactions include interest-based loans, discounting of receivables, trade of debts with profit, and the trade of all interest-based securities (Johnson, 2014:4).

#### **ii) *Gharar***

*Gharar* (uncertainty, risk or speculation) is also prohibited, and so any transaction entered into should be free from these elements, and contracting parties should have perfect knowledge of the counter-values intended to be exchanged as a result of their transactions (Cham, 2018:22). In this context, the term counter-value is used in the sense of something being deferred, either the price paid or the commodity received. Deferral of payment is an acceptable form of debt under Islam, in contrast to predetermined debt in conventional finance. Also, parties cannot predetermine a guaranteed profit. The rationale behind the prohibition of *gharar* is the wish to protect the weak from exploitation. Therefore, options and futures, considered to be very risky, are deemed to be forbidden, as they are forward foreign exchange transactions, and forward exchange rates are determined by interest rate differential (Johnson, 2014:4-5).

#### **iii) *Haram***

Islamic banking considers the nature of certain businesses or financial transactions to be *haram*, meaning unlawful (Cham, 2018:22). Organisations involved in the production of tobacco, alcohol, drugs and weapons or organisations engaged in the business of gambling, nightclubs, and prostitution are considered unlawful, as they negatively affect physical, mental and emotional health and result in ethical challenges. Islamic banks may not be involved with any businesses operating in these areas of trade (Johnson, 2014:5).

#### **iv) Profit and loss sharing**

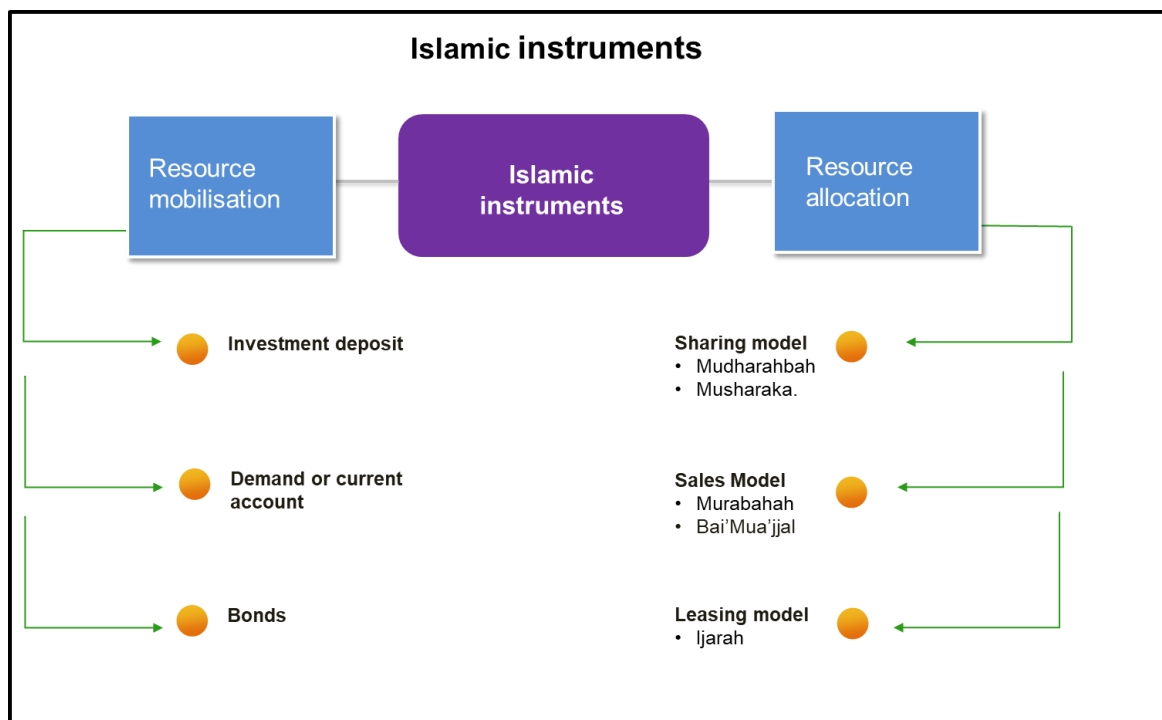
The principle in this instance is that the lender must share in the profit or losses arising from the business to which the money was lent. Customers are encouraged to invest their money, but in the capacity of a partner as opposed to that of a creditor (Albraka, 2018). In this way, the investor/partner is able to share in the profits and risks of the bank. Islamic banking is grounded on the belief that the provider and user of the capital should share equally in the rewards and risks of the financial business venture (Albaraka, 2018; MdNural, 2012).

#### v) Asset-backed financial transactions

Asset-backed finance is described as a security, which is backed by a group of assets, such as leases or receivables. The security is financed by the cash flow originated by the group of assets (Lujja et al., 2018:337; Gelbard et al., 2014:5).

#### 2.4.2.2 Islamic banking instruments

The two broad categories for the structuring of Islamic instruments are resource mobilisation and resource allocation as depicted in Figure 2.6.



**Figure 2.6: Islamic financial instruments**

Source: Author's own construct

#### i) Resource mobilisation

Resources are generally mobilised between savers and shareholders. Savers or depositors are considered to be the co-owners of funds for investment operations, whilst shareholders are considered to be owners of the bank's equity (Gelbard et al., 2014:9). Savers provide funds on the basis of sharing in the returns. A deposit made by a customer is viewed as a contract in which the funds provided by the customer will be managed by the bank. There are three ways in which to mobilise savings, namely, investment deposits, demand, or current deposits and bonds (Belwel & Al Maqbali, 2018; Gelbard et al., 2014:9).

## ii) Resource allocation

Islamic finance aims at a higher reliance on equity funding, although debt financing is still considered an option. Whilst debt is important, it should not be applied to wasteful, unlawful, or insignificant consumption and unproductive speculation (Kammer et al., 2015:32-34). For this reason, Islamic banking does not permit debt creation through direct lending and borrowing; rather, it makes use of resources through sale, lease, and sharing-based models (Belwel & Al Maqbali, 2018). Hence, instead of providing normal loans, Islamic banks make use of profit-loss sharing models, the purchase and resale of goods and services, and the provision of services for a fee, as the basis of the financial contract. In this way *gharhar* (speculation), *maysir* (gambling) and *haram* (unlawful) can be avoided. From a resource allocation perspective, the Islamic instruments are divided into three categories, namely sharing models (profit and loss sharing), sale models and lease models, each of which is discussed next (Gelbard et al., 2014:9).

- Sharing model

The underlying principle of the sharing model is that the depositor, the bank and the borrower become business partners and equally share in the risks and rewards of the financial business venture (Cham, 2018:22; Lujja et al., 2018, 337). The following products, namely, Mudharabah and Musharaka, are structured to facilitate profit and loss sharing.

- Sales model (Fees or charges based)

Under Sharia law, the borrower (the customer) cannot bindingly agree to purchase the goods until the seller (the bank) has possession of them, referring to asset-backed lending. Therefore, the bank serves as a trade agent in this regard (Lujja et al., 2018:337). The sales model consists of two forms of financing, namely Murabaha and Bai'mua'jjal /Bai'salam.

- *Ijarah* (Leasing model)

Leasing is an agreement that allows the lessee to utilise an asset owned by the lessor for an agreed upon price over a specified period of time (Cham, 2018:22). In Islamic finance, any financing mode should be asset-backed with an element of risk-taking present. *Ijarah* involves the transferring of ownership of an asset from the lessor to the lessee. In this instance, the lessor (the bank) must not only own the asset involved, but must also be able to transfer the ownership of the asset to the lessee (Belwel & Al Maqbali, 2018). The lease contract cannot be executed before the asset is in the possession of the lessor (in this case the Islamic bank). Further to this, under *Ijarah*, the lease period must be specified, and the

lessor must retain ownership of the asset for the entire period of the lease (Financial Islam, 2018).

Islamic banking is positioned as a complete financial system, in which profits may be earned in a socially responsible manner, but without the compromise of justice, equity and fairness. Through this approach, Islamic banks must preserve their commercial objectives such as the offering of competitive products, the enhancement of service quality, and the reduction of operational costs, whilst simultaneously contributing to the development of the economy and society as a whole (Iqbal, Nisha & Rasid, 2018:933-934; Amin et al., 2009:216). Islamic banks have become increasingly aware that loyal customers generate more profit for the bank. Therefore, through the provision of quality services, the sale of Islamic finance can be increased, whilst the cost of attracting new customers is reduced (Khamis & Abrashid, 2018:886-887).

The discussion in this section has thus revealed that conventional banks and Islamic banks perform very similar functions within the same society. They both serve as a store of money, and offer lending and investment options for their customers. In addition to this, both banking groups focus on the improvement of service quality as a competitive differentiator. However, the most prominent difference exists between the philosophy of each banking group, and the manner in which they operate. The following section will examine similarities and differences between these two banking groups. The first part of the discussion will concentrate on the differences in terms of the products and operations of Islamic banks in comparison to conventional banks. The second part of the discussion will focus on the similarities with specific emphasis on service quality and the importance of employees in establishing strong customer relationships.

#### **2.4.3 Differences between conventional banking products and Islamic finance instruments**

It is difficult to draw direct comparisons between conventional banking and Islamic banking products or services. To begin with, conventional and Islamic banks structure their products/instruments very differently. The main difference with regard to structuring comes back to the presence of interest, the sharing of profit and reward, and asset-backed financing. The next section provides comparisons around the core products/instruments offered by each of the two banking models and the differences between the two.

#### **2.4.3.1 Deposits**

Deposits are collected from savers under both conventional and Islamic banking, in return for a reward. Under the conventional banking system, this reward is fixed and predetermined, and the bank bears the total risk and reward after servicing the depositor at a fixed rate (Hanif, 2011:169). Islamic banks have deposit facilities, such as demand and current deposits, which are similar to conventional banks, whereby depositors are able to withdraw their funds at any time without notice. However, the difference between an Islamic bank and conventional bank is that Islamic banks would guarantee to return the deposited amount, however no return on deposit (interest) is promised (Belwel & Maqbali, 2018). Some Islamic banks may provide '*hibah*', which is regarded as a gift to the depositor in return for their deposit; '*hibah*' however, is not compulsory for banks to give, and is usually linked to the returns on assets. Linking return on deposits with return on assets is viewed as a disciplinary device that increases the efficiency of the bank (Becker, 2018).

#### **2.4.3.2 Investment deposits**

In conventional banking, customers make deposits into deposit accounts, and in return, investors are rewarded in the form of interest. From an Islamic banking perspective, investment deposits share a net return on investment in proportion to the amount deposited, and are based on a contractual ratio, which depends on the maturity of the investment (Gelbard et al., 2014:9).

#### **2.4.3.3 Financing and lending**

Both conventional and Islamic banks offer financing to industrious individuals or businesses for a reward. In order to maintain liquidity, conventional banks have many channels available, but mainly offer three types of loans, namely overdrafts, short-term loans and medium to long-term loans, to maintain liquidity and in return investors are rewarded in the form of interest (De Bruin, 2018; Hanif, 2011:171). In Islamic banking, interest cannot be charged, so to overcome this, profit is charged on investments (Cerović et al., 2017: 246; Hanif, 2011:169). The three banking loans are discussed next, both from a conventional banking and Islamic finance perspective.

#### **2.4.3.4 Overdrafts and credit cards**

Conventional banks offer an overdraft facility, in which the customer can overdraw on the account, and interest is charged in return (De Bruin, 2018). One such form is the credit card, in which a limit for overdrawing is set for the customer by the bank. Credit cards also perform a dual function in terms of providing finance and acting as a form of plastic money. In Islamic banking, overdraft facilities such as credit cards cannot be offered due to the interest component. Islamic banking instead provides the *Murabaha* instrument, in which a debit card is provided and the customer can utilise this facility, but only if it carries a credit balance (Albaraka, 2018).

#### **2.4.3.5 Short-term loans**

Conventional banks provide short and medium-term loans to customers as a personal loan or as business loan to meet working capital requirements such as inventories, investment in accounts receivables and the meeting of expenses. In return for these facilities, interest is charged (De Bruin, 2018). In Islamic banking, finance for businesses is provided through participation term certificates, whereby profit for a certain period such as six months or one year is shared on a pro-rata basis between the bank and the entity being financed. This is offered through the *Murabaha* instrument. Through the transaction of purchasing the goods, the bank is able to get around the prohibition of making a return on money lending (Albaraka, 2018). The bank buys an investment 'good' on behalf of the customer and then sells it back to the customer with an incremental payment structure and profit margin in the form of a fee (Beck et al., 2010:5). The amount of the instalment or incremental payment cannot be stipulated or increased or decreased in case of default or early payment, a penalty can be imposed on customers for default, but this penalty income may not be included in the income of the *Murabaha* and must be used for the purpose of charity (Hanif, 2011:174). Organisations seeking short-term facilities through Islamic banks must prove the viability of the project or business, making these loans more difficult to attain. Under Islamic financing, personal loans are not issued. However, financially sound individuals could acquire a *Murabaha* for personal use, whereby a certain percentage of profit is added onto the cost of the loan (Albaraka, 2018; Hanif, 2011:170).

#### **2.4.3.6 Medium/long-term loans**

Medium and long-term loans are generally provided to individuals and businesses for the purchase of building fixed assets to expand or replace existing ones. Under the

conventional banking system, a loan is provided and interest charged in return (Becker, 2018). Under Islamic banking, financing is provided through the *Murabaha* and *Bai Muajjal* instruments. In the instance of *Bai Muajjal*, the bank buys goods on post-delivery, but pays for the goods immediately. What this means is that the cost of goods, and well as the place and quantities sold, is fixed and paid for in advance, whilst the delivery of the goods is delayed up to a certain period (Albaraka, 2018; MdNural, 2012). This instrument is often used in the case of agricultural financing. *Murabaha* and *Bai Muajjal* are very similar to conventional loans, with the difference being the provision of an asset, and not cash to customers (asset-backed lending). An alternative Islamic instrument for longer-term loans is profit sharing through *Mudharabah* (Cham, 2018:22). The bank provides the resources referring to the loan, whilst the customer provides his effort and expertise. Profits are then shared in a predetermined ratio, whilst losses are borne exclusively by the bank (Kammer et al., 2015:9); in this way, the customer or entrepreneur is subjected to limited liability. Whilst the customer has control over the operation of their business, any major investment decisions need to be approved by the bank (Beck et al., 2010:5). The *Mudharabah* contract may be restricted or unrestricted, essentially no person can claim a lump sum amount for profit, but it must be based on the actual outcome of the investment (Hanif, 2011:175). Financing for *Mudharabah* may be challenging as under Sharia law, organisations must prove the viability of the business or venture to the Islamic bank, due to the risk of loss involved.

#### **2.4.3.7 Securities and bonds**

Within Islamic banking the opportunities to create liquidity and earn revenue are very limited. In addition to this, Islamic banks are not able to invest in market securities due to the *haram* and *riba* principle, according to which underlying firms may be involved in unlawful business and their operations may not be interest free (Cerović et al., 2017: 245). Islamic banks have introduced *Shukuks* (Islamic bonds), whereby servicing is fixed similar to conventional banking bonds. However, *Shukuks* can be issued against *Ijara* receivables, in which the asset is rented to the customer for an agreed period of time and ownership remains with the Islamic bank (Gelbard et al., 2014:9). To meet liquidity requirements, Islamic banks issue *Shukuks* to the investors equal to the value of the asset, hence ownership of the asset is transferred to *Shukuk* holders (Hanif, 2011:169). *Shukuk* bonds have been instrumental in bringing about economic growth and used predominately for the mobilisation of long-term funds used for financing large-scale investment projects. In this way, *Shukuk* plays a pivotal role in the provision of funds for macro-economic development

and is considered to be one of the world's fastest growing financial products (Kammer et al., 2015:9).

#### **2.4.3.8 Leasing**

Under conventional banking, leasing involves the financing of an asset, which is then transferred to the lessee for an agreed amount of rental. Under this agreement, the ownership may or may not be transferred and the lease carries all the risk (De Bruin, 2018). Islamic banks offer *Ijara*, which allows the customer to make use of the asset without the transfer of ownership, in exchange for agreed rentals over a period of time. On completion of the lease term, the asset is then transferred to the customer (Cerović et al., 2017:246). In this way, the bank retains the investment good and rents it out to customers for a fee. Whilst promissory notes are prohibited under Sharia law as they involved direct interest payments, an alternative structure can be accommodated under *Ijarah*, in which an operating asset is split into contracts. The first part involves the full payment of the IOU by the bank, and the second part involves the fee or commission for this prepayment (Beck et al., 2010:6). The bank generates a profit by determining in advance the cost of the item, its residual value at the end of the term, and time value or profit margin for the money being invested in purchasing the product to be leased for the intended terms. The combining of these three figures becomes the basis for the contract between the bank and the client for the initial lease contract (Hanif, 2011:172). All ownership risk is borne by the Islamic bank during this term (rent cannot be demanded in case of default, during a period of major repair, or if the asset is lost or destroyed, placing all risk on the bank itself) (Hanif, 2011:171).

#### **2.4.3.9 Housing loan**

Housing finance/mortgages is the more secured form of financing for both conventional banks and Islamic banks. In the conventional banking system, a loan is provided and interest charged over a fixed period of time (10, 20 or 30 years) (De Bruin, 2018). In Islamic banking, a facility is provided through diminishing *Musharaka*, in which the house is jointly owned by the bank and the customer. The customer pays instalments in the form of rentals which diminish over the period until they reach zero, at which point the house is transferred into the name of the customer. In terms of the *Musharaka* contract, the bank is considered to be one of several investors with the profits and losses being divided amongst all the investors (Cerović et al., 2017: 246). The partnership is mirrored on the deposit side where investments are not impacted by a fixed rate, but rather on a profit-loss sharing basis. These investment deposits are either linked to the banks' profit level, or linked to an investment on



the asset side of the banks' balance sheet (Beck et al., 2010:5). The diminishing *Musharaka* model is useful during a real estate crisis, since the value of the property is decreasing, but in this instance, both the customer and the bank share the burden in accordance with their shareholding in the property. In this way, the whole burden is not carried by the customer alone, as is the case in conventional banking (Cerović et al., 2017: 246; Hanif, 2011:171).

**Table 2.2: A summary of the differences between conventional banking products and Islamic instruments from an Islamic financing perspective**

Primary conventional banking products	Islamic instrument equivalent	Main difference from an Islamic financing perspective
Deposits and investment deposits	Islamic deposit	No interest is earned on Islamic deposits.
Overdraft and credit cards	<i>Murabaha</i> instrument	No interest is charged. Only debit cards with a credit balance can be provided.
Short-term loans	<i>Murabaha</i> instrument	No interest is charged and asset-backed lending is used in which the bank buys the 'goods' and sells it back to the customer using an incremental payment structure.
Medium and long-term loans	<ul style="list-style-type: none"> <li>• <i>Murabaha</i> instrument</li> <li>• <i>Bai Muajjal</i> instruments (for agricultural financing)</li> <li>• <i>Mudharabah</i> (an alternative for longer-term loans)</li> </ul>	No interest is charged, asset-backed lending is utilised and the profit-and-loss sharing model is used for <i>Mudharabah</i> , in which the bank provides the resources referring to the loan, whilst the customer provides his effort and expertise. Profits are then shared in a predetermined ratio, whilst losses are borne exclusively by the bank.
Securities and bonds	<i>Shukuks</i>	Islamic banks cannot invest in market securities due the unlawful nature of some listed companies. <i>Shukuks</i> are Islamic bonds. No interest is charged and asset-backed lending is used. The <i>shukuk</i> can be issued against <i>Ijara</i> receivables, meaning the asset is bought by the bank and leased to

Primary conventional banking products	Islamic instrument equivalent	Main difference from an Islamic financing perspective
		the customer for an agreed period of time.
Housing mortgage	Diminishing <i>Musharaka</i>	No interest is charged. Asset-backed lending and a profit-and-loss sharing model is used. The customer is seen as an investor and the investment is linked to an investment on the asset side of the bank's balance sheet. The customer pays instalments until they diminish to zero, at which point the asset is transferred to the customer.
Leasing	<i>Ijara</i>	Asset-backed lending is used in which the bank buys the asset and leases it to the customer for use. At the end of the term. the asset is transferred to the customer.

Source: Author's own construct

#### 2.4.4 Service quality as the distinguishing similarity between conventional and Islamic banking

The greatest similarity between these two banking groups is the emphasis on service quality as a competitive differentiator (Lee & Lee, 2018:913-914). Since banking products are undifferentiated commodities, retail banks need to consistently look for avenues to set themselves apart from the competition. The most effective method banks use to differentiate themselves from one another is through the optimisation of customer service. A 2008 study conducted by Deloitte and Touche and the Consumers Bankers Association among US customers, found that service quality is a major driver of customer satisfaction and loyalty. Genesys Telecommunications showed through an independent study conducted in 2008, that 48% of customers cited customer service as the primary factor in choosing to stay with an organisation (Genesys, 2018:5). Service quality remains a critical measure of organisational performance for banking institutions, and is recognised as the most significant contributor to customer satisfaction (Yilmaz, Ari & Gürbüz, 2018:425). Both conventional and Islamic banks are continually finding ways to address service quality in an attempt to keep customers loyal and returning to the same banks. Therefore, service quality and customer satisfaction are at the heart of both conventional and Islamic business

operations and both these concepts are strongly linked to employee satisfaction (Lee & Lee, 2018:913-914; Amirzadeh & Shoorvarzy, 2013: 64-65).

Sohail and Jang (2017:67) believe that employees in service organisations are comparable to the service itself, both from an external and from an internal service perspective. Employees represent the most tangible clue to customers as the service, and are often viewed as the organisation through the eyes of the customer. To this end, employees personify the organisation, and the customers' perception of the brand is influenced by their interactions with the service organisation's employees (Al Abdullat & Dababneh, 2018:520; Korsiba et al., 2018). According to Marinkovic and Obradovic (2015:254), management of retail banks ought to pay close attention to the strengthening of the intangible elements, such as trust and emotional connection that result in long-term customer-employee relationships and ultimately, in customer satisfaction. In this way, the quest for enhancing customer value and sustained competitiveness can be achieved through more meaningful employee-customer relationships. Close employee-customer relationships rely on a high degree of interdependence between the behavioural and emotional aspects. Therefore, if the emotional connection between the employee and the organisation is strong, stronger emotional connections can be established with customers (Al Abdullat & Dababneh, 2018:520; Zhao et al., 2018:1209). When customers believe that employees are exerting an effort to enhance interaction quality, they often reciprocate by showing greater relationship performance (Korsiba et al., 2018). The next section provides an understanding of how internal marketing can be used as an approach to achieve higher levels of service quality and customer satisfaction through the strengthening of relationships between employees, and between employees and customers in both conventional and Islamic banking.

## **2.5 INTERNAL MARKETING AS DIFFERENTIATING STRATEGY IN THE ACHIEVEMENT OF SERVICE QUALITY AND CUSTOMER SATISFACTION FOR CONVENTIONAL AND ISLAMIC BANKS IN OMAN**

Given the significant role that employees play in the employee-customer relationship, employee satisfaction is considered to be a key motivator in the retention of quality employees. The attitude and behaviour of quality employees have an impact on the performance of the service delivery, resulting in customer satisfaction and ultimately organisational success (Al Abdullat & Dababneh, 2018:520; Sirenne, 2013:13; Mohammad, Al-Zeaud & Batayneh, 2011:38). El Samen and Alshurideh (2013:85) found that employee

satisfaction is specifically influenced by the quality of the internal environment and the strength of relationships therein. If employees are happy in their internal environment and enabled to serve customers, they are more likely to feel engaged, empowered and appreciated, which would drive employees to perform well and remain with their organisations for extended periods of time (Barnes & Collier, 2013:490-491). Satisfied employees, in turn, go above and beyond the call of duty to serve their customers well, and as a result achieve higher levels of customer satisfaction (Sousa et al., 2018:56-57; Rehman, 2012:165).

Programmes such as internal marketing focus on treating employees as internal customers, in which employee satisfaction and motivation are a focal point, as happier employees are more productive and loyal to organisations (Shulz et al., 2017:1295). Internal marketing is focused on the attraction, satisfaction and engagement of customer-orientated employees who are encouraged to fulfil their role as part-time marketers, and to deepen relationships with both the employees of the bank and its customers (Sousa et al., 2018:56-57). Through the creation of an appropriate internal environment in which employees are treated with dignity and respect, and their needs are understood and addressed, strong internal relationships can be created (Ghoneim & El-Tabie, 2014:2). This facilitates higher levels of engagement and employees are encouraged to work together in a coordinated fashion in order to transfer knowledge and generate ideas that create value for customers. In this way, higher levels of customer satisfaction can be achieved (Al Abdullat & Dababneh, 2018:518; Rehman, 2012:165).

Many banks worldwide have successfully made use of internal marketing as a strategy to improve internal market relationships, prepare employees to work in a customer-orientated manner, and to ensure that employees have the skills, abilities, tools and motivation to serve customers well, which in turn leads to customer satisfaction (Ghoneim & El-Tabie, 2014:2). Despite the critical role of internal marketing as a link between the organisation's external marketing strategy and its internal capabilities, banks in Oman are not acutely aware of formal internal marketing practices or the benefits thereof (Attasi, 2017). Due to the recent economic emergence of Oman and due to the limited amount of empirical research and literature in the region, internal marketing is not widely practised. Internal marketing makes use of an internal marketing mix (refer to Chapter 1, section 1.5.4). When implemented successfully in both conventional and Islamic banks in Oman, an internal marketing strategy could result in valuable outcomes.

- When employees understand their unique role and purpose (internal purpose) and how they contribute to the organisational objectives, they feel more inspired and motivated to achieve organisational objectives such as service quality (Schulz et al., 2017:1297).
- When employees are provided with training and development (internal product), are empowered to serve customers (internal product), and are provided with the visible, up-to-date processes (internal processes), they become equipped with the required skills, knowledge and authority to perform their jobs competently (leong & Lam, 2016:593; Chen et al., 2015:298).
- Stronger internal recruitment processes (internal procurement) and more participative leadership styles (internal people) would reduce service failures. This ensures that banking operations and functions are better aligned and coordinated with customer needs and behaviours during the service encounter, leading to reduced conflict between employees and customers (Kaurav et al., 2018:28; Sohail & Jang, 2017:69).
- Frictions could be reduced between back-office and customer-contact employees, thereby improving relationships with co-workers (internal people), which results in higher levels of employee satisfaction, better internal service quality, and as a result, improved external service quality. This in turn can contribute to the reduction of stress and better work-life balance (internal price) (Kaurav et al., 2018:28; Sanchez-Hernandez & Grayson, 2012:7,15).
- Due to stronger relationships between managers and co-workers, communication (internal promotion) would be more effective, and performance feedback (internal performance management), as well as the timely exchange of information, would improve the employee perception of communication quality. The communication and adherence to a corporate vision (internal promotion) that bind the employee emotionally to the organisation, can also lead to outcomes such as greater employee satisfaction and retention leading to improved levels of service delivery (Kaurav et al., 2018: 33-34; Sohail & Jang, 2017:69; Appelbaum et al., 2009:243).
- A pleasing internal physical environment (internal physical evidence), which facilitates the development of personal relationships and teamwork and a controlled political environment (internal political power), is conducive for a satisfying internal customer (employee) experience, resulting in a more satisfying external customer experience (Schulz et al., 2017:1297).

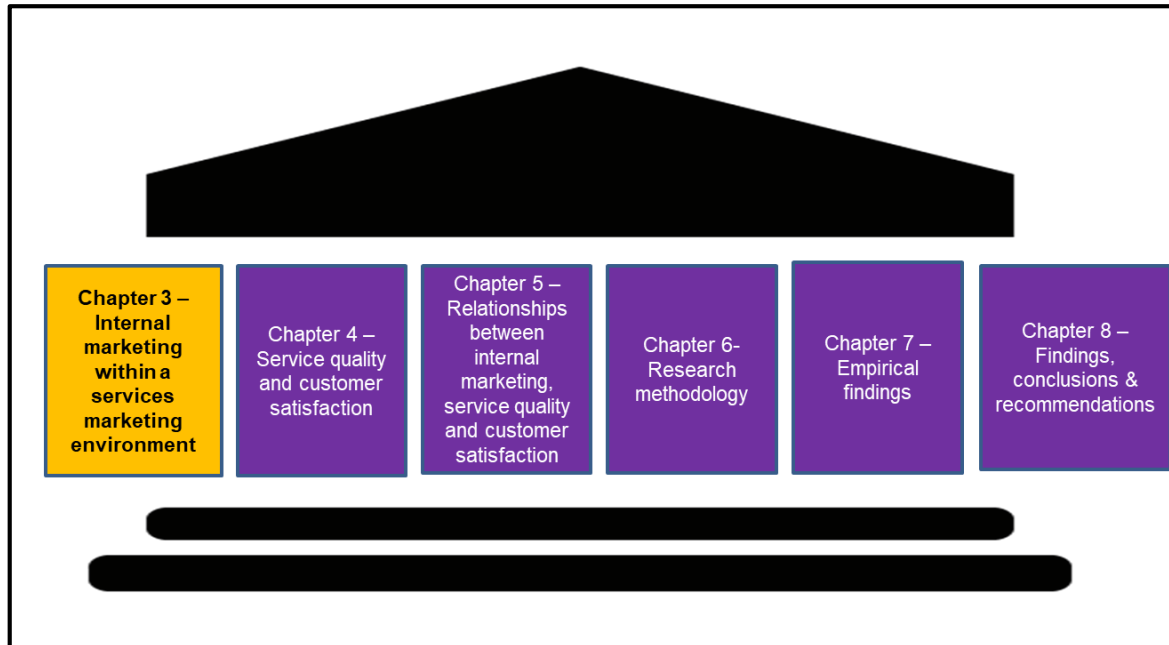
According to the Theory of Reciprocity, people return good for good in proportion to what they receive. When employees are provided with the internal marketing elements needed to satisfy their needs and enable them to serve customers better, they exert greater effort to satisfy customer needs. In turn, customers reciprocate through increased levels of patronisation and loyalty to their bank (Hoang et al., 2018:477). In this way, strong and sustainable relationships are created between the bank's employees and its customers, resulting in increased profits. Internal marketing as a strategy aspires to create value for both the employee and the organisation, allowing for the organisation's strategic objectives such as service quality and customer satisfaction to be achieved (Darzi & Bhat, 2018:664). The concepts of internal marketing and the internal marketing mix are discussed in greater detail in Chapter 3.

## **2.6 CONCLUSION**

This chapter explored the global environment of banking with a specific focus on three major trends, namely the role of technology; the role of the employee in the employee-customer relationship; and the rise of Islamic banking. This was followed by a discussion on the banking industry in Oman and a view of the banks participating in the study. A discussion was provided on conventional and Islamic banking and the differences between these two practices. The major similarity between conventional and Islamic banking, namely service quality, was also touched on, which lead into the discussion on internal marketing as a differentiation strategy for the achievement of service quality and customer satisfaction. Chapter 3 draws attention to internal marketing and the internal marketing mix within the context of the Relationship Marketing Theory and the Social Exchange Theory. Internal marketing as a concept emphasises the importance of internal relationships between internal suppliers and internal customers as a strategy for external success (Choi et al., 2014:12-13). The exchange that takes place between internal customers and suppliers allows for the transfer of knowledge and the generation of new ideas so that the organisational culture can be improved. In this way, employees feel they are part of a successful team and believe they are making a valuable contribution which translates into positive emotions such as employee satisfaction, which in turn results in service excellence and customer satisfaction (Sarkheyli et al., 2015:2-3).

## CHAPTER 3

### THE INTERNAL MARKETING WITHIN A SERVICES MARKETING ENVIRONMENT



### 3.1 INTRODUCTION

Chapter 2 provided the industry overview for the theoretical framework. Chapter 3 is focused on providing an overview of the services environment in which retail banks operate and explores the importance of the internal marketing mix within a service environment.

More than a decade ago, the customer centricity concept became the major theme pervading marketing literature. Customer centricity embodied core marketing ideas, such as Relationship Marketing and the co-creation of value between customers and employees. The Relationship Marketing approach is now regarded as the grand vision for the ideal practice of marketing, and the most effective approach for the management of service organisations such as retail banks (Kennedy & Lacznia, 2016:167). Key to this concept is the ability of employees to develop strong internal relationships through internal marketing practices, in order to facilitate the delivery of service excellence, thereby enabling the organisation to deliver on social exchange contracts and customer satisfaction. The objective of the chapter is to address issues surrounding services, and to provide an understanding of Relationship Marketing and the Social Exchange Theory as the underlying

theories of internal marketing. Further to this, the internal marketing mix elements as enablers of service quality and customer satisfaction are introduced and explored in depth.

### **3.2 MANAGING ORGANISATIONS IN A SERVICE ENVIRONMENT**

The growth of the service sector worldwide has led to services being considered to be one of the most important sectors in the world (Lee, 2018:681; Mishra, 2010:186). Oman, which has had an overdependence on the oil industry, has shifted its focus to the development of the service sector as part of the country's 20/20 vision. The intensive efforts of the Omani government over the last five years aimed at economic diversification, have contributed substantially to the growth of the service sector from 39.6% in 2011 to 53.5% in 2016 (Muscat Daily, 2017). Growing the services sector is therefore a focal point for Oman's growth and survival in the long run. It is important, therefore, that retail banks such as those in Oman have a thorough understanding of services, and how the marketing of services differs from product marketing; in particular, from a service quality and customer satisfaction perspective (Hussain & Ranabhat, 2013:2). The next section provides a brief perspective on the service concept.

#### **3.2.1 The services concept**

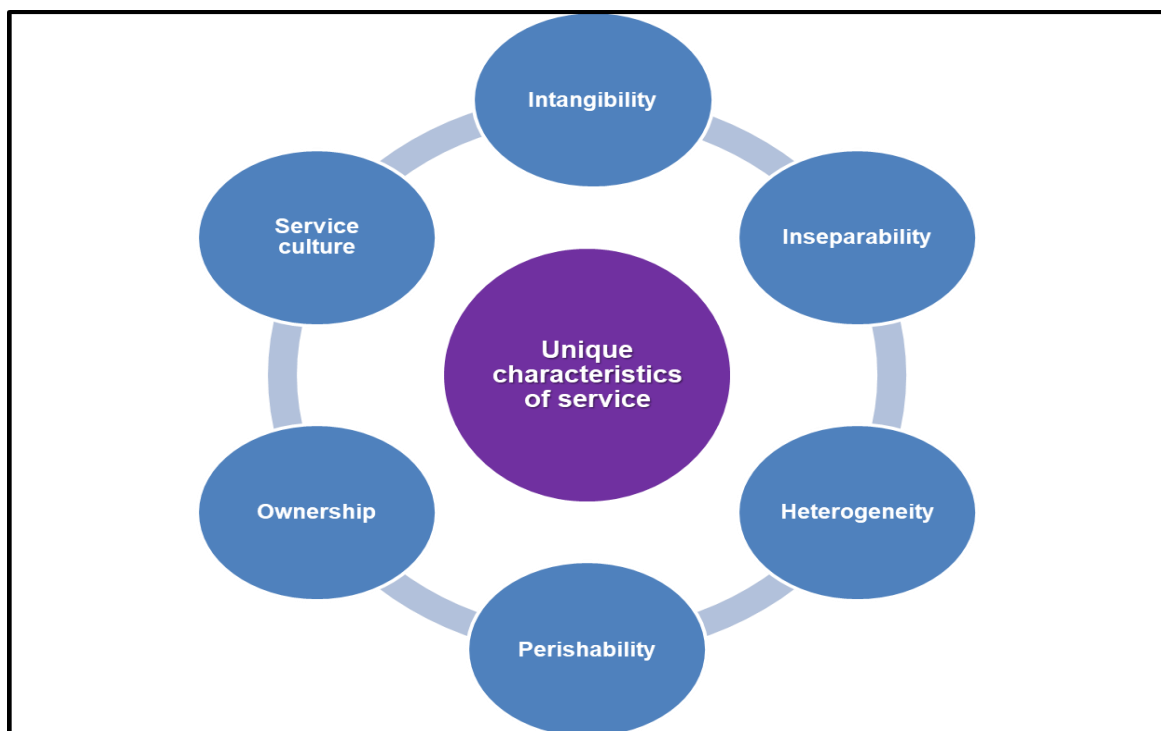
The most substantial distinction between products and services is that products are defined as tangible objects or things and thereby tangibly dominant, whereas services are defined as specialised competencies (skills and knowledge) applied through deeds, effort and performance and are regarded as intangibly dominant (Randall et al., 2014:656). To explain service provision better, the service dominant logic differentiates between two types of resources, operand (raw materials) and operant (knowledge and skills). The operant resources are intangible and dynamic, and are used to act on the operand resources (Maas, Herb & Hartmann, 2014:60; Randall et al., 2014:656). In order to co-create value for both internal and external employees, organisations need to apply and integrate both kinds of resources. Through this process, value is transferred from the service employee performing the actions to the customer (Maas et al., 2014:59). Unlike products in which quality can be measured easily through indicators such as product durability and the number of defects, the measurement of services is far more obscure due to the unique characteristics of services (intangibility, inseparability, perishability, heterogeneity and ownership) (Sichtmann et al., 2017:202). In order to operate successfully within a service environment, an understanding of each of the service characteristics is required. In addition to the traditional service characteristics, internal service culture has been added due to the fact



that employee attitudes are considered to be a consequence of the service culture, and in turn, impact customer outcomes such as perceived service quality and customer satisfaction (Hoang et al., 2018:477). The effect of this is magnified in service organisations and will be discussed in more detail.

### 3.2.2 Characteristics of service

The management of service organisations requires an understanding of the unique characteristics of services, which differentiates a service organisation from a product organisation (Sichtmann et al., 2017:202). The identification of these service characteristics was the subject of extensive research and development within the field of services marketing, and the core characteristics of service have been identified as intangibility, inseparability, perishability, heterogeneity, ownership and service culture (Mastrogiacomo, Barravecchia & Franceschini, 2016:556; Conradie, 2012:72). Figure 3.1 provides an overview of the service characteristics. Each of these elements needs to be considered from an internal perspective, as each element includes the intervention of employees in providing service to customers. This makes the measurement of service abstract, and ultimately creates the perception of service quality and customer satisfaction. Each element is discussed in more detail next.



**Figure 3.1: Unique characteristics of services**

Source: Author's own construct

### **3.2.2.1 Intangibility**

The most dominant characteristic of service is intangibility, implying that service is not an object and lacks a physical dimension. This implies that there is no tangible asset which can be seen, smelled or touched prior to purchase (Erickson & Rothberg, 2016:642). Intangibility creates problems for both marketers and customers, as the lack of a physical dimension makes it difficult to display and communicate services easily to customers (Londono, Prado & Salazar, 2017:272). This implies that customers may place a greater emphasis on price as an indicator of quality (Hellen & Gummerus, 2013:132). Further to this, the intangible nature of services leads to higher levels of perceived risk as customers require proof of purchase. For example, when a customer makes a payment over the Internet, there is no physical exchange of money taking place, thereby making the transfer of money intangible. The only physical dimension to the service is the proof of payment which can be printed out or emailed to the receiver (Loots, 2017).

### **3.2.2.2 Inseparability**

Inseparability relates to the simultaneous production and consumption of services, making it difficult to separate the service performance from the service provider (Gupta, Sharman & Sunder, 2016:1027-1028). Both the customer and the employee are present during the performance of the service process, where the customer is required to participate in the production and co-creation of the service, thereby influencing their level of satisfaction therewith (Silander et al., 2017:794). The quality of the service delivery is therefore dependent on the exchange that takes place between the service employee and the customer. To this end, service quality and customer satisfaction depend on the real-time exchange between the employee and the customer (Wu & Lee, 2017:614-615). The role of the employee in inseparability is therefore pivotal in the service delivery process and the employee is often regarded as the service itself, since the only evidence of service the customer has is through his interaction with the service employee (Minkiewicz, Bridson & Evans, 2016:750). From a retail banking perspective, inseparability is displayed when a customer must be physically present in the branch to collect a credit card. The quality of exchange between the customer and employee will determine the customer's level of satisfaction with the card collection process (Clarke, 2017).

### **3.2.2.3 Perishability**

Perishability emphasises the notion that services cannot be saved or stored for use at a later date, sold or returned. Time, in this instance, is therefore the most perishable component of services capacity (Mastrogiacomo et al., 2016:556; Memarbashi, 2012:13-14). Considering that the producers of goods are able to carry inventories in order to manage fluctuations in supply and demand, managing capacity in services is dependent on the needs of customers. Since customers need to participate in the service delivery process as co-producers of the service, the organisation becomes dependent on the presence of customers and a demand for the service (Wu & Lee, 2017:614-615, Shaw et al., 2011:211-212). For example, an ATM is a store of cash withdrawal. However, the capacity to be of value expires if there is no customer demand for cash. Hence, the potential to provide the service perishes (Loots, 2017).

### **3.2.2.4 Heterogeneity**

Heterogeneity is a side effect of the simultaneous production and consumption of the service, which results in inconsistencies in the service provided. The intangible nature of services implies that the standardisation of service and quality is difficult to control due to the use of human labour (Correa et al., 2015). Employees following the same process will deliver different outcomes, and the performance of the same employee may vary on a daily basis, depending on emotional states and personal circumstances. As a result, there is greater variability of employees performing services differently (Al Zaydi et al., 2018:316). For example, the service experienced at one branch could be very different from the service experienced at another branch, where employees differ. In the same way, the service experienced on one day in the same banking branch could differ on another day (Chang, 2017).

### **3.2.2.5 Ownership**

Ownership refers to the notion that customers buy access to a service, purchasing the rights to a service process; but there is no physical transfer of ownership to customers (Taherdoost et al., 2014:208). This inability to own a service has a number of implications for customers. Firstly, customers may not be certain that they have purchased the correct service and they are not able to return it due to the simultaneous production and consumption of the service. Secondly, the distribution of a service is affected, where customers only have access to the facility where the service is performed (Conradie,

2012:71). For example, customers purchase financial advice on where to invest their savings from a customer consultant or relationship manager. There is no certainty that the advice is correct and that it cannot be returned, in many instance corrections cannot be made without financial penalties to the customer (Ennew, Wait & Wait, 2018).

### **3.2.2.6 Service culture**

Service culture refers to an organisational way of life in which an appreciation for service excellence exists and the provision of both internal and external service quality is considered to be a key organisational value (Hoang et al., 2018:478). A strong service culture and values is required to support this guide the way in which employees think and behave. This implies that employees become more service-orientated and as a result, interactions internally as well as externally are improved and perceived to be favourable (Bellou & Andronikidis, 2017:76-77). A strong service-orientation is a key attribute of service culture which leads to positive perceptions of service quality and customer satisfaction (Hoang et al., 2018:477-478). In order to create an effective service-orientated culture, organisations ought to adopt a combination of market-orientated and an internal customer-orientated culture. Market-orientated culture should form the dominant culture of the organisation as it is strongly focused on external market orientation, and business results such as productivity, profitability and customer satisfaction (Lindquist & Marcy, 2016:171, Saame et al., 2011:531). As a result, market-orientated organisations tend to deliver higher levels of service quality. In addition to this, organisations need to have a clan type or internal customer orientated culture in order to align the internal environment with the external market objectives (Paro & Gerolamo, 2017:585, Madu, 2018). This type of culture places an emphasis on building trust and close relationships between employees, which strengthens internal cohesion and encourages the transfer of knowledge needed to enhance the organisation's service capability (Lindquist & Marcy, 2016:171; Trivellas & Dargenidou, 2009:386). Internal customer-orientation is the part of the organisational culture which drives the behaviours of employees as internal suppliers, in order to deliver quality to other employees (in this case their internal customer) (Bellou & Andronikidis, 2017:75). When organisations adopt a combination of a market-orientated and internal customer-oriented culture, it is referred to as an internal market-orientated culture, in which employees are viewed as the first market of the organisation. This means that organisations are focused on meeting employees' needs first, in order to better meet customer needs and provide the delivery of service excellence and customer satisfaction (Tortosa-Edo, 2015:487).

Retail banks that adopt an internally market-orientated culture, are able to achieve the benefits of enhanced service quality and customer satisfaction as a result of a strong customer and employee orientation (Clarke, 2017). For example, these banks show a genuine interest in the views of their employees, and they are responsive to employee needs in the sense that information is communicated to the right decision makers in order to be actioned. Ultimately, this leads to higher levels of employee satisfaction (Sanchez-Hernandez & Miranda, 2011:209). As a result, satisfied employees in the organisation reciprocate by generating information about external customers, communicating this information and by developing appropriate responses to this information. To this end, employees become an important source of market research information which enables them to generate better quality services for customers, resulting in greater service quality and satisfaction (Bellou & Andronikidis, 2017:76-77; Du Preez et al., 2017:252-253; Agrawal & Rahman, 2015:145). Internal marketing practices contribute to the development of an internally market-orientated culture in the sense that employees' needs are clearly understood. Information pertaining to employee needs and expectations is shared with managers across the organisation. The information is then responded to, resulting in higher levels of satisfaction (Pool, Khodadadi & Kalati, 2017:298). Through enhanced employee satisfaction and better performance, the external marketing objectives, such as service quality and customer satisfaction, can be met (Bellou & Andronikidis, 2017:76-77; Shekary et al., 2012:20-21). The next section explores the concept of internal marketing in more depth.

### **3.3 A PERSPECTIVE ON INTERNAL MARKETING**

There is no clear and agreed upon definition of internal marketing in marketing literature, where a plethora of definitions exist. The most dominant views have been put forward for the purpose of this study.

**Table 3.1: Definitions of internal marketing**

Author	Definition	Key themes
Hernández-Díaz et al. (2017:127)	A planned effort using a marketing like approach to overcome organisational resistance, to communicate with, to align, motivate, and inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through the process of creating satisfied, motivated and customer-orientated employees.	Marketing like approach, communicate, inter-functionally co-ordinate and integrate, satisfied, motivated, customer-orientated employees
Kanyurhi & Akonkwa (2016:776)	A strategy for attracting, developing, motivating, and retaining qualified employees through job products that satisfy their needs.	Job products, motivation and satisfaction
Bailey et al. (2016:823)	A strategy for the development and growth of internal relationships between employees across organisational boundaries despite their position within the business.	Internal relationships, job products, satisfied, motivated, committed
Tortosa-Edo et al. (2015:487)	A philosophy that focuses attention on customer satisfaction and organisational productivity through continuous attention and improvement of the jobs (products) that employees execute and the environment in which they execute them.	Customer satisfaction, Job products
Salem (2013:112)	Internal marketing is about motivating employees through marketing like communications .	Internal communication

Source: Author's own construct

From the different definitions provided, the dominant themes that pervade internal marketing are recognised as a marketing-like approach, establishment of internal relationships, jobs as internal products, satisfaction of employees as internal customers, cross-functional integration and internal communication. Each of these themes eludes to the core function of internal marketing, as well as to how employees are supported through these various concepts to bring about higher levels of service quality and customer satisfaction. Each of these themes is incorporated into and discussed in more depth in section 3.5.1 under the section of internal marketing models.

Internal marketing, for the purpose of this study, is defined as a relationship management strategy which focuses attention on customer satisfaction through continuous improvement to jobs and the environment in which they are executed (Tortosa-Edo et al., 2015:487). Since internal marketing is defined as a relationship management strategy, the Relationship Marketing Theory forms the foundation of internal marketing. Strong relationships between employees, between employees and management, as well as between departments, strengthen relationships with external customers (Namin & Moghaddam, 2014:61-62).

Internal marketing is also grounded in the Social Exchange Theory in the sense that when organisations build strong internal relationships and take positive actions to address employee needs, employees perceive that the outputs they receive from the organisation are greater than their inputs. As a result, employees feel compelled to reciprocate in beneficial ways such as the provision of service quality and a focus on customer satisfaction (Tortosa-Edo et al., 2015:487). The Relationship Marketing Theory and the Social Exchange Theory are explored next.

### **3.4 THEORIES GROUNDING AN INTERNAL MARKETING APPROACH TOWARDS SERVICE QUALITY AND CUSTOMER SATISFACTION**

Internal marketing has been recognised as a planned effort using a marketing like approach to overcome organisational resistance, with which to communicate, to align, motivate, and inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through the process of creating satisfied, motivated and customer-orientated employees (Hernández-Díaz et al., 2017:127). In this way, internal marketing serves as a mechanism for many organisational applications and as such has strong links to a number of theoretical models. The most recognised of these include the Relationship Marketing Theory, the Social Exchange Theory, the Stakeholder Management Theory, Total Quality Management (TQM), the Resource-based Theory and the Job Satisfaction Theory (Ozuem et al., 2018:358-359; Grace, King & Iacono, 2017:123-124; Gummesson, 2017:17-18; Raciti, 2016:18; Gronroos, 2007:389; Ahmed, Rafiq & Saad, 2003:1224). Each of these theories can be used to further support the importance of internal marketing initiatives in an organisation. The following discussion focuses on the Stakeholder Management Theory, the Total Quality Management (TQM), the Resource-based Theory and the Job Satisfaction Theory in more depth. Since the Relationship Marketing Theory and the Social Exchange Theory are the grounding theories for internal marketing in this study, they are worthy of a far lengthier discussion which will be covered in more detail in section 3.4.1 and 3.4.2 of this section.

#### **➤ Internal marketing in relation to stakeholder management theory**

Organisations have traditionally followed a transactional approach in which shareholders are viewed as the primary investors or shareholders of the organisation, and the purpose of the organisation being to maximise shareholder value. The focus in the 1990s then shifted to the external customer, in which organisations emphasised the importance of

customer needs and applied more customer-centric approaches to achieve customer satisfaction (Ozuem et al., 2018:358-359). In the last decade, service organisations have placed a focus on employees as the primary market, since it is the employee who delivers value to external customers. The Stakeholder Management Theory suggests, however, that all stakeholder groups must be valued (Brown, 2017:17). Stakeholders are defined as all groups or individuals who affect or are affected by the accomplishment of the organisation's purpose (Sanchez-Hernandez et al., 2016:2). Internal marketing is viewed as an effective method of developing a successful internal market orientation that allows organisations to fulfil their goal of customer satisfaction through employee satisfaction (Pinar et al., 2016:529). Since employees play a critical role in the communication of value to customers (either directly or indirectly), the satisfaction of employee needs enables organisations to enhance the level of service provided to the end customer, where satisfied employees go above and beyond to create value for customers (Bailey et al., 2016:823; Beng, 2015:1). Further to this, through the greater enablement of employees through internal marketing strategies, stronger internal capabilities can be established which are difficult to replicate by competitors. Internal marketing strategies have been found to have a positive impact on internal and external service quality, as employees recognise their own importance in the achievement of these objectives (Bailey et al., 2016:283; Sharma et al., 2016:775; Enkhmandakh et al., 2014:4). This provides the organisation with an incentive for a more customer-focused approach, which results in stronger financial performance and higher returns on investment for shareholders. The Stakeholder Management Theory therefore highlights the need to focus on the internal market, in order to achieve the needs of all other stakeholders (Brown, 2017:17; Sanchez-Hernandez, 2016:2). As per the marketing triangle discussed in Chapter 4, section 4.2, external marketing focuses on the economic transactions, whilst internal marketing focuses on the social dynamics and the requirement to build strong internal relationships with employees (Pereira et al., 2018:221; Zeithaml et al., 2012:355-356). From a stakeholder theory perspective, internal marketing is able to promote commitment to the organisation and a sense of belonging, which allows the external objectives of service quality and customer satisfaction to be achieved, which in turn results in greater profitability (Ozuem et al., 2018:358-359). Through this approach, the needs of employees, customers, and shareholders are met.

#### ➤ **Internal marketing in relation to the Total Quality Management Theory**

Total Quality Management (TQM) is a set of principles that provides guidance for quality initiatives, generally referred to within organisations as continuous improvement initiatives (Raciti, 2016:16; Saini & Visht, 2014:3341). TQM and internal marketing have both



advanced as a result of changing business environments and the importance of responding to customer needs. The objective of TQM is to create a culture of continuous improvement in which quality is continually improved, while internal marketing facilitates the creation of quality by increasing employee commitment to quality throughout the internal value exchange process (Raciti, 2016:16-17; Lubbe, 2013:71; Karasa et al., 2007:169). From both an internal marketing and TQM perspective, each department in an organisation is regarded as both a supplier and customer, and quality is created through the coordination and improvement of all business interactions (Anil & Satish, 2017; Imankan & Charakdar, 2013:2346). Emphasis is placed on internal relations with regard to the integration of all employees across the organisation. The approach looks beyond just the integration of functions and supporting mechanisms, to the employees themselves (Raciti, 2016:18; Lubbe, 2013:71). Both the TQM and internal marketing concentrate on the creation of an internal market-orientated culture that places a focus on the satisfaction of employees and the incorporation of the organisational values into the process (Lubbe, 2013:71), implicating that it is the employees themselves who add further value to the internal service experience. When employees are more responsive to internal customers, make few mistakes, and are empathic and friendly, internal customers have a good experience with their internal suppliers and perceive superior service quality to have been provided. This in turn translates into high levels of service quality being delivered to external customers (Anil & Satish, 2017; Raciti, 2016:18; Sheikholeslam & Emamian, 2016:39). Thus, internal marketing has some of its roots in TQM, and is considered a suitable framework for the implementation of quality initiatives, such as service quality.

#### ➤ **Internal marketing in relation to the Resource-based Theory**

The resource-based view becomes one of the grand theories of economics, in which links are examined between an organisation's internal characteristics and its performance. In order for an organisation to achieve a competitive advantage, it is important that dynamic capabilities are created (Powell & Rey, 2015:95-96). Dynamic capabilities refer to an organisation's ability to develop, integrate and reconfigure internal competencies in response to rapidly changing environments (Alves et al., 2017:233). These capabilities or competencies create superior value for the customer as a result of unique employee knowledge and experience. Furthermore, these new or enhanced capabilities or competencies allow the organisation to create a sustainable competitive advantage (Steiner et al., 2017:265; Bohnenkamp, 2013). The internal marketing framework has been proven to be an effective way of creating competencies in the organisation, specifically through the deployment of an internal marketing mix (Ahmed et al., 2003:1224). Internal marketing, in

this regard, is viewed as a philosophy for managing the organisation's human resources, based on a marketing perspective, in order to build internal competencies for external success (Wang, Hou & Cullinane, 2015:293-294; Ahmed et al., 2003:1224). Thus, internal marketing is capable of linking organisational competencies to business performance. Employees are enabled through the various elements of the internal marketing mix, with the objective of adjusting the mix to create the required competencies to achieve the business objectives and performance, such as increased service quality and customer satisfaction (Sharma et al., 2016:225; Wang et al., 2015:293-294; Enkhmandakh et al., 2014:4).

#### ➤ **Internal marketing in relation to the Job Satisfaction Theory**

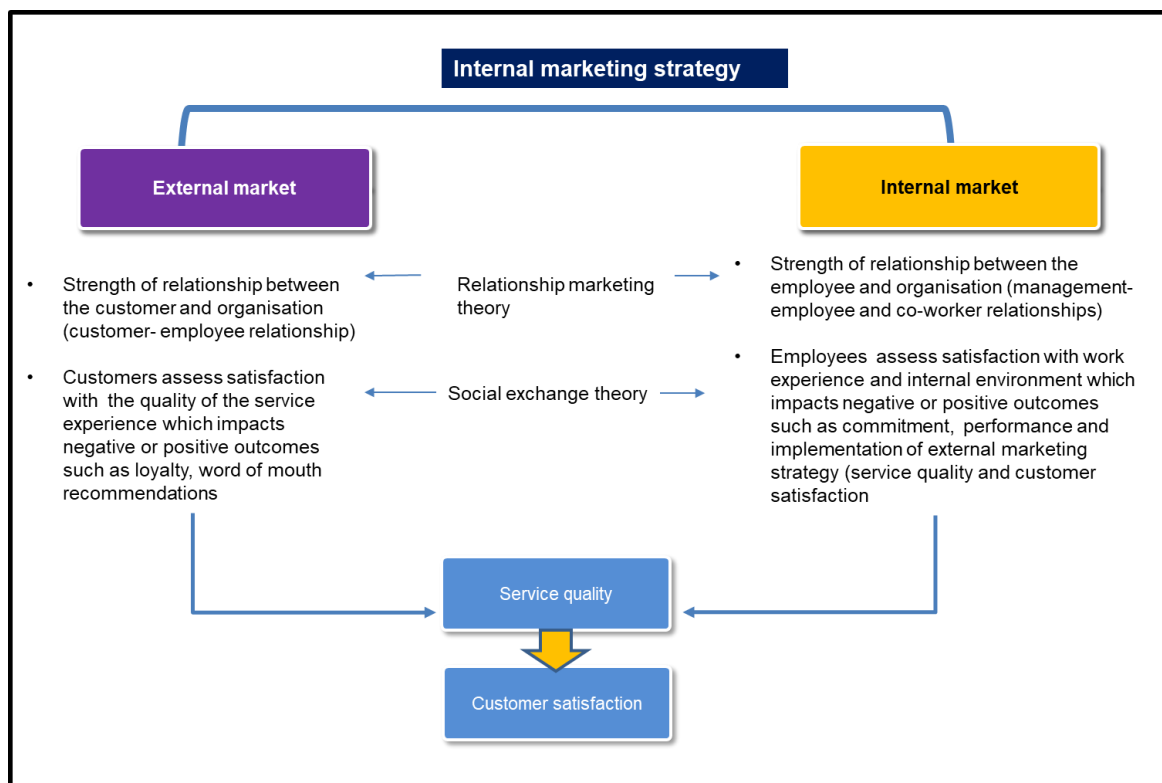
The Job Satisfaction Theory is described as a cluster of dispositions, some positive and others negative, which are acquired through experience and attitudes (Dugguh & Dennis, 2014:11). The grounding of internal marketing in employee job satisfaction literature is far more disseminated than that of customer satisfaction (Brown, 2017:63). The premise of internal marketing as an employee satisfaction strategy takes the perspective that in the marketing of services, much of that which the customers invest in when they buy, is human acts of performance (Lubbe, 2013:60). Thus, in order to have highly satisfied customers, the organisation must first have highly satisfied employees. Internal marketing is an effective strategy in the achievement of employee job satisfaction, and most directly by treating employees as internal customers and therefore understanding and satisfying their needs (Haghighikhah et al., 2016:150). Similarly, internal marketing has been seen to generate satisfaction and commitment through the transmission of value through internal exchanges and improved communication between the organisation and its employees (Brown, 2017:63). Delivering on the organisation's external objectives, such as service quality and customer satisfaction, is the responsibility of all employees within the organisation (Marques et al., 2018:37). Internal marketing is responsible for the attraction and satisfaction of customer-conscious employees who are supported to fulfil their role as part-time marketers within the organisation (Marques et al., 2018:37; Gronroos, 2007:389). In this manner, internal marketing has its roots in the Job Satisfaction Theory which aims to create value for both the employee and the organisation, allowing for the external strategic and marketing objectives to be met (Shabbir & Salaria, 2014:243-244; Sincic & Vokic, 2007:5-6).

In summary, the following theories put forward have helped define internal marketing as a concept. The Stakeholder Management Theory has emphasised the importance of the internal market and the need to focus on employee needs first, in order to satisfy customer

needs (Hernandez-Diaz et al., 2017:126). TQM strengthens the requirement of quality, specifically service quality, both internally and externally and stresses the need for cross-functional coordination and internal alignment (Raciti, 2016:16-17). The Resource-based Theory accentuates the importance of internal marketing as a mechanism for developing internal competencies that enable employees to deliver a superior performance such as increased service quality and customer satisfaction (Bohnenkamp, 2013; Ahmed et al., 2003:1224). The Job Satisfaction Theory cements the linkages between employee satisfaction and enhanced acts of human performance such as enhanced service quality and customer satisfaction (Haghighikhah et al., 2016:150). Two dominant theories encompass aspects from all the theories positioned above, and for this reason, form the grounding theories of internal marketing in the study. These two theories include the Relationship Marketing Theory and the Social Exchange Theory. The Relationship Marketing Theory dominates in terms of managing stakeholder groups (Stakeholder Management Theory) and managing the relationships between the internal and external market (Sanchez-Hernandez, 2016:2). The Relationship Marketing Theory helps to focus on the establishment of stronger internal alignment resulting in increased internal service quality (TQM) (Schultz et al., 2017:1296). Furthermore, the Relationship Marketing Theory emphasises the building of competencies through the transfer of knowledge (Resource-based Theory) and the strengthening of internal relationships between management and employees, results in higher levels of satisfaction (Job Satisfaction Theory). The second theory creating an underlying theme across all other theories presented is the Social Exchange Theory where stakeholder needs, such as the internal market needs, are fully understood and responded to, and they reciprocate through the achievement of external market needs (Stakeholder Management Theory) (Ullah & Ahmad, 2017:131). When stronger alignment, cross-functional coordination and relationships are established internally, employees reciprocate through the establishment of stronger external relationships (TQM) (Sanchez-Hernandez et al., 2016:1-3). When employees are provided with opportunities to develop their competencies and capabilities, they reward the organisation with higher levels of commitment and loyalty, resulting in stronger service delivery and customer satisfaction (Resource-based Theory). When employees' needs have been satisfied, they reward the organisation through higher levels of customer satisfaction (Job Satisfaction Theory) (Ullah & Ahmad, 2017:131; Shabbir & Salaria, 2014:243-244). For this reason, the Relationship Marketing Theory and the Social Exchange Theory form the underlying theories of the internal marketing concept in the study.

### 3.4.1 Relationship Marketing and Social Exchange as the grounding theories of internal marketing

An understanding of the Relationship Marketing Theory and the Social Exchange Theory proves essential in obtaining a better understanding of the reasons why internal marketing is such a powerful tool for the optimisation of service quality and customer satisfaction, as shown in Figure 3.2. The Figure provides an overview of how an internal marketing strategy can be used as the connector between the internal environment and the external environment through a better understanding of the Relationship Marketing Theory and the Social Exchange Theory. As a result of stronger cohesion between the internal and external environment, service quality and customer satisfaction can be improved. Figure 3.2 is discussed in more detail hereafter.



**Figure 3.2: Relationship Marketing and Social Exchange Theories grounding an internal marketing approach towards service quality and customer satisfaction**

Source: Author's own construct

As a consequence of the shift in marketing from consumer goods to relationship management, retail banks over the last decade have been placing certain emphasis on relationship marketing principles (Gummesson, 2017:17-18). Within this relationship marketing paradigm, partnerships or 'joint venturing' serves as the dominant model in

managing the interface between the organisation and the external market place. In this model, the most important relationship exists with the external customer, the aim of which is to improve the customers' service experience and ultimately their level of customer satisfaction (Sheth, 2017:7). However, due to the intangible nature of banking services, banks have come to realise that in order to successfully deploy customer satisfaction strategies, they must recognise the existence of two dominant markets, namely the external and the internal market or employee market. This is because customer perceptions of service quality are based on their interaction with banking employees (Musella et al., 2017:349-350). It is essential, therefore, that these employees are satisfied and motivated to provide a satisfying experience to both internal and external customers, resulting in positive outcomes (Kuranchie-Mensah & Amponsah-Tawiah, 2016:260, 272, 279). Internal marketing is the mechanism for aligning the internal market and internal practices with customer outcomes and external market objectives, such as service quality and customer satisfaction. This is achieved through the maintenance of effective relationships between the organisation and its employees (Tortosa-Edo et al., 2015:487). For this reason, internal marketing is strongly grounded in and can add value to the Relationship Marketing Theory. Closely linked to the Relationship Marketing Theory is the Social Exchange Theory, in which organisations are viewed as exchange networks in which relationships are guided by social exchange principles (Grace, King & Iacono, 2016:123). The Social Exchange Theory serves as a model for explaining the exchange between parties as a succession of interactions that are based on estimates of rewards and punishments resulting in either positive or negative emotions and outcomes (Mura et al., 2017:1226). Internal marketing contributes to Social Exchange, in the sense that when employees' needs have been met and strong internal relationships have been created, employees feel satisfied, and as a result feel obligated to reward the organisation with positive behaviour such as trust and commitment (Wu & Lee, 2017:480). This further enhances the service experience, with external customers positively influencing their perceptions of service quality and ultimately customer satisfaction. As a result, satisfied customers reward the organisation through higher levels of loyalty and positive word-of-mouth recommendations (Hernández-Díaz, 2017:125,137; Proenca, Torres & Sampaio, 2017:193, 201). Numerous studies have confirmed the linkages between internal marketing, the Relationship Marketing Theory and the Social Exchange Theory, thereby reinforcing these two theories as the grounding theories for internal marketing. Table 3.2 provides a summary of the relevance of the Relationship Marketing Theory and the Social Exchange Theory to internal marketing.

**Table 3.2: Studies confirming the link between internal marketing, the Relationship Marketing Theory and the Social Exchange Theory**

Theoretical foundation	Author	Findings	Industry
Relationship Marketing Theory	Bell (2018)	There are strong positive correlations with internal marketing and relationship marketing and internal marketing is regarded as a relational strategy.	General
	Schultz et al. (2017:1296)	The study confirms linkages between internal marketing and the Relationship Marketing Theory in the establishment of external market orientation and affective commitment.	Professional service organisations
	Tortosa-Edo et al. (2015:487)	The study confirms the linkages between internal marketing and the Relationship Marketing Theory in the achievement of outcomes in the external market.	Health care
	Madhavaram et al. (2014:275-276)	Validation of the inter-relationships between internal marketing and relationship marketing. Internal marketing is viewed as a relational strategy.	General
	Namin and Moghadda (2014:60)	There are strong positive links between internal marketing and relationship marketing. Internal marketing is regarded as a relational management strategy.	Tourism industry
	Barnes and Morris (2004:594)	There are strong links between internal marketing and relationship marketing which impact service quality.	Consulting
	Ballantyne (2003)	There are significant positive links between internal marketing and the Relationship Marketing Theory.	General
	Hunter and Earp (1999:19)	There are strong positive correlations between internal marketing and relationship marketing. Internal marketing is regarded as a relational strategy.	General
	Grönroos (1999:15)	The importance of internal marketing in the pursuit of motivating employees to commit to a relationship marketing strategy.	General

Theoretical foundation	Author	Findings	Industry
<b>Social Exchange Theory</b>	Grace et al. (2017:123-124)	The grounding of internal marketing as a social exchange strategy as a means to improve collaboration and service quality.	Retail, health and financial services, real estate and other
	Hernandez-Diaz et al. (2017:136)	There are significant positive linkages between internal marketing and social empathy (Social Exchange Theory).	Education
	Ullah and Ahmad (2017:131)	Internal marketing is grounded in the Social Exchange Theory as a way to create market-orientated cultures which improve performance.	Telecommunications sector
	Yu et al. (2017:2)	The grounding of internal marketing in the Social Exchange Theory as a means to enhance organisational commitment.	General
	Boukis et al. (2015)	Internal marketing is strongly grounded in the Social Exchange Theory which enhances service quality.	Retail banking
	Karanges et al. (2014)	Internal marketing is grounded in the Social Exchange Theory as way of improving internal communication and employee engagement.	General
	Budhwar & Malhora (2009:1:11)	Internal marketing is grounded in the Social Exchange Theory as a way to influence employee attitudes and service performance.	Business process outsourcing

Source: Author's own construct

An in-depth discussion of the linkages between internal marketing, the Relationship Marketing Theory and the Social Exchange Theory is explored in the following sections. Internal marketing as a relationship management strategy is discussed next.

#### **3.4.1.1 Internal Marketing and the Relationship Marketing Theory**

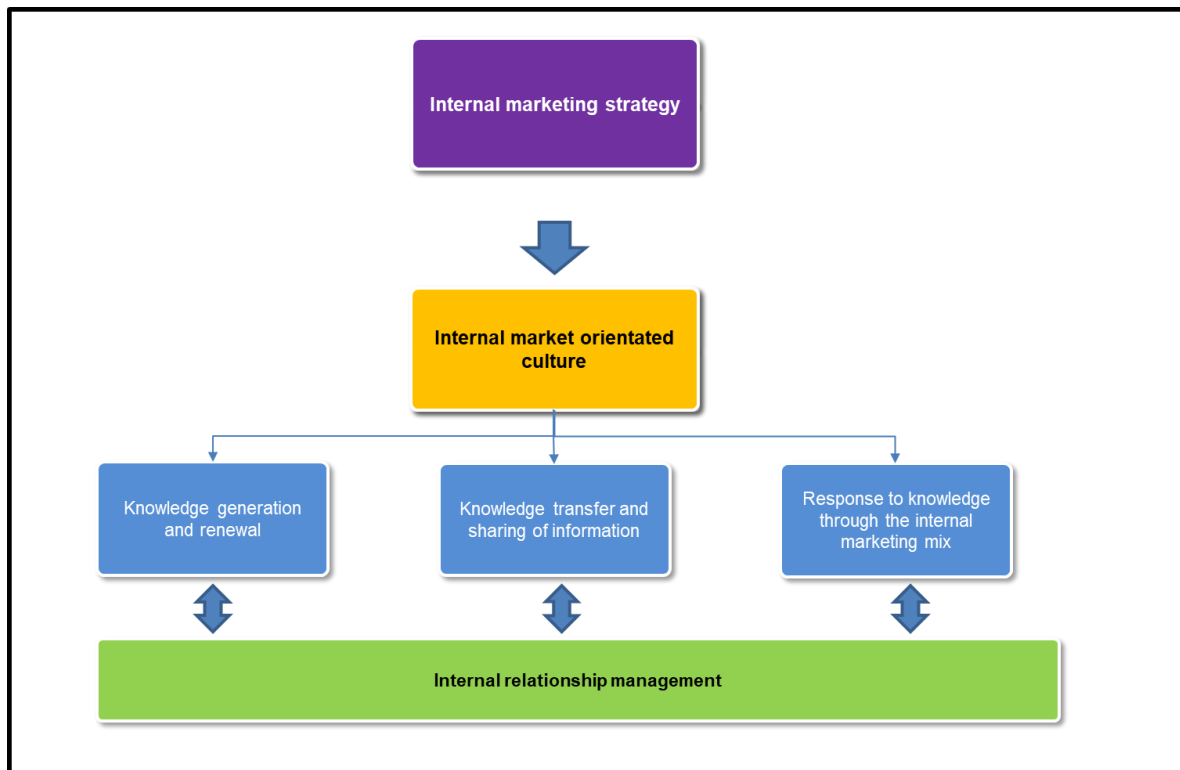
The Relationship Marketing Theory is defined as relational exchanges with stakeholders, which are lengthier in nature and reflect an ongoing process in which the social aspects of the relationship become important (Payne & Frow, 2017:12; Concha, 2013:14). Since customers are co-creators of value, and not merely its recipients, the exchange between customers and employees ought to be viewed from a relational perspective, as opposed to

a transactional perspective (Selvarasu, 2017:1256-1257). Sheth (2017:9) suggests that relationship marketing has moved away from 'share of wallet' to 'share of heart' and away from managing relationships with both internal and external customers, towards a joint venture or partnership approach with customers. 'Share of heart' relates to the bonding with internal and external customers on an emotional level and moves beyond the functional value of the product or service to the emotional level in which the relationship is governed by friendship, passion, purpose and mutual respect (Ponnam & Paul, 2017:321-323; Sheth, 2017:7). When strong friendship bonds exist, employees are motivated and willing to share knowledge with co-workers, which enables internal suppliers to serve their internal customers well; leading ultimately to higher levels of internal service quality (Longo & Narduzzo, 2017: 291, 293). Section 3.4.1.1 explores the way in which internal marketing enhances the Relationship Marketing Theory through the development and management of internal relationships, with the aim of improving internal service quality. Improvements in internal service quality strengthen relationships with external customers, and in turn external service quality and customer satisfaction.

**i) Internal marketing as a relationship management strategy to enhance service quality and customer satisfaction**

The internal marketing concept emphasises the importance of internal relationships and teamwork for external strategy success which is supported through the creation of an internal market orientated culture (refer to section 3.2.8) (Asiedu & Acheampong, 2017:2-3). Figure 3.3. illustrates that internal marketing contributes to an internal market-orientated culture. Internal market orientation requires that knowledge and information about employee needs must first be generated; this information must then be disseminated across the organisation, and finally the information must be responded to in meaningful ways. When knowledge is generated, shared, renewed and responded to, it contributes to the development and maintenance of strong internal relationships. This in turn contributes to strong external relationships and external service quality and customer satisfaction as highlighted in the service profit chain, which will be discussed in more detail in Chapter 4, section 4.5.1. Since the purpose of the discussion is to focus on internal relationships, Figure 3.3 is discussed in more detail next.





**Figure 3.3: Internal marketing as a strategy for internal relationship management**

Source: Author's own construct

Internal marketing strategy contributes to the development of an internal market-orientated culture in the sense that employee needs are clearly understood and information pertaining to employee needs and expectations is shared with managers across the organisation. The information is then responded to, through the implementation of the internal marketing mix. For example, if employees are not satisfied with learning and development opportunities, this can be addressed through the internal product element. If employees are dissatisfied with their relationships and management, this could be improved through the internal people element, and as such all employee needs could be addressed through a specific internal marketing mix element (Pool et al., 2017:298-299). This results in higher levels of job satisfaction and stronger internal relationships focused on the achievement of internal service quality (Bellou & Andronikidis, 2017:76-77).

Knowledge is considered to be the central resource and theme within service quality, customer satisfaction and Relationship Marketing literature, as it enables organisations to build a competitive advantage, develop innovative ideas and cultivate and sustain successful relationships with key stakeholders (Wulf & Butel, 2017:1408). Internal marketing contributes to the Relationship Marketing Theory and to the creation of an internal market orientation, in the sense that it ensures that a continuous flow of knowledge is

generated between employees, as well as between the various business units as a result of collaborative relationships between internal customers and internal suppliers (Wulf & Butel, 2017:1409). Internal marketing is considered to be valuable in the development of strong internal, collaborative relationships, regarded as a source of social support to the internal market. When higher levels of collaboration exist within the internal environment, spontaneous communities or communities of practice are more likely to develop, which is considered as vital in moving learning and information across internal boundaries (Longo & Narduzzo, 2017:291,293). Communities of practice are made up of employees, who spontaneously select themselves to develop capabilities and to build and exchange knowledge as a result of a commitment to a common cause (De Araujo & Franco, 2017:219). These communities are not constrained to functional boundaries, but rather form on the basis of common work interests and tasks. The greater the trust internally, the greater the level of learning activity as employees are more willing to contribute and share personal knowledge (tacit knowledge) for the greater cause (Kyrö, Peltokorpi & Artto, 2016:875). A Relationship Marketing perspective legitimises internal marketing through its purpose, which is to channel employee commitment and team work into market-orientated problem-solving. In this way, internal marketing builds on the Relationship Marketing Theory, which assumes that solutions to problems need to be solved as a team effort (Kanagal, 2018:3-4; Boukis et al., 2015:691-692; Gouanris & Lings, 2017:691-692; Grace et al., 2017:126; Gummesson, 2017:17; Ballantyne, 2003:1244). Through this approach, not one single correct answer exists for a problem, and if employees work together to solve problems, the solutions produced increase and become more meaningful. (Damaskopoulos, 2017:5-7; Wulf & Butel, 2017:1410). For example, if banks in Oman are experiencing queue management issues, the involvement of branch employees in sharing their experiences and coming up with solutions is vital to success. Employees could produce a number of viable solutions for the problem, since they would have a good understanding of what solutions would work best, for example, employing extra temp staff during peak periods such as lunchtime. These initiatives enhance the levels of service quality provided to customers and in turn, impact the level of satisfaction experienced (Longo & Narduzzo, 2017: 291,293).

From an internal market perspective once generated as per Figure 3.3 in the previous paragraph, knowledge must be shared. When knowledge is shared, it grows exponentially and becomes entrenched in the organisation's processes and services, enhancing the organisation's service capability and providing the organisation with a unique competitive advantage which is difficult to copy (Damaskopoulos, 2017:5-7). Specifically, from a tacit knowledge perspective relating to 'know how' and practical everyday intelligence (Gerard, 2018; Mura et al., 2017:1225). Tacit knowledge is defined as knowledge which is derived

from personal experience; it is subjective and difficult to formalise, and is generally transferred from one person to another through an apprenticeship, coaching or through the structured sharing of ideas (Bailey et al., 2016:823). Tacit knowledge is difficult to imitate, making employees with high levels of tacit knowledge rare and valuable to the organisation (Gerard, 2018). Retail banking employees with high levels of tacit knowledge are able to generate new ideas by combining knowledge, best practice, experience and lessons learnt from past mistakes as well as situation-specific feedback gained from collaborating with co-workers (Mura et al., 2017:1225). When knowledge is shared across front-office and back-office functions in retail banks, it allows banks to understand, anticipate and manage internal and external customer needs in order to better manage relationships between these two customer groups and improve on the service experience. According to Maas et al. (2014:59), service is a higher order concept, according to which employees apply knowledge and skills through deeds, processes and performances for the benefit of another party. The better the knowledge and the more specialised the skill set, the higher the level of service quality and satisfaction.

As per Figure 3.3, once knowledge has been generated and then shared, it must be responded to. Internal marketing is regarded as any form of marketing within an organisation that focuses employee attention on the internal activities that need to be changed in order to improve external marketplace performance (Kanyurhi & Akonkwa, 2016:774, 776-777). Internal marketing aspires to play a key role in the development of actions required to improve the internal environment through the implementation of a marketing mix (Boukis et al., 2017:692; Ahmed et al., 2003:1222). The internal marketing mix refers to the controllable elements internally, which serve as enablers in the development of competencies, which are linked to collaboration, knowledge sharing and experience (Amangala & Wali, 2013:2-3). Internal marketing therefore places employees at the centre stage of organisational success and provides the link to the organisational strategy as well as to the overall success of the organisation (Salehzadeh et al., 2017:277). In this way, internal marketing not only manages individuals, but also the collective, thereby systematically aligning interactions and solutions across all stakeholder needs. By looking after employee needs through the internal marketing mix elements, internal marketing provides a clear signal to the internal market that they are valued by the organisation (Boukis et al., 2017:692). This results in higher levels of employee satisfaction, which begins the cycle of reciprocity in which employees become more customer minded, thereby increasing the ability of the organisation to meet customer expectations (Salehzadeh et al., 2017:277).

Thus, internal marketing as a relationship marketing strategy provides the mechanism through which an internal marketing-orientated culture is created (Asiedu & Acheampong, 2017:2-3). Within this kind of culture knowledge can be generated, renewed, shared, reflected on and challenged as a result of strong internal relationships (Fang et al., 2014:172). In addition to this, through the internal mix, information can be customised into strategies to enhance motivation, the alignment of departments and the reinforcement of strong internal relationships. This effects both internal and external customer satisfaction, resulting in higher retention rates, loyalty and profitability (Tseng, 2016:204; Yu et al., 2017:3-5). Ellison et al. (2014:858) suggest that the development of strong internal relationships and knowledge transfer is largely dependent on social exchange principles. When employees have been provided with knowledge, enabled to perform and feel satisfied, they reward the organisation with positive behaviours (Grace et al., 2016:124-125). The next section discusses the Social Exchange Theory as a way to explain the exchange between parties as a succession of interactions that are based on estimates of rewards and punishments, resulting in either positive or negative emotions and outcomes.

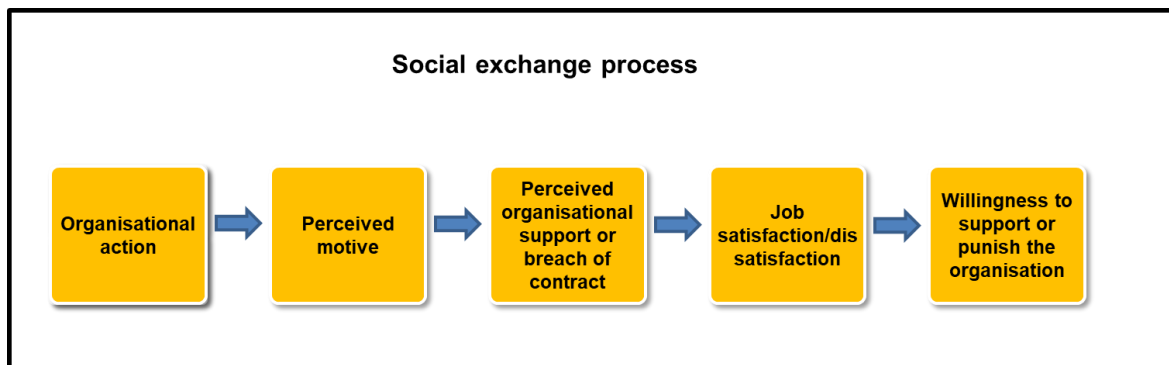
#### **3.4.1.2 Internal marketing and the Social Exchange Theory**

Social exchange is used to describe social interactions, in which parties involved in the exchange believe they will receive either a financial or social benefit from the experience (Chang et al., 2015:868). The Social Exchange Theory provides a framework for structuring the norms and rules shaping organisations, resource exchange and the quality of reciprocal obligations that are reflected in relationship behaviours within the organisation's internal environment (Liokas & Reuer, 2015:1830).

The cornerstone of the Social Exchange Theory is reciprocal exchange (Wu & Lee, 2017:614). Reciprocal exchange is described as the discretionary behaviours of the parties in the exchange and relates to repeated acts of giving meaning in such a way that when employees feel valued, they repeatedly reward the organisation with positive behaviours, such as serving both internal and external customers well (Grace et al., 2017:127). From an employee perspective, reciprocal exchange relationships are the interpersonal relationships that exist between internal customers and internal suppliers (Oparaocho, 2016:540). The foundation of reciprocal exchanges in the organisations internal environment is represented by internal relationship quality, referring to the extent to which internal customers perceive the relationships with internal suppliers and management to be of value (Grace et al., 2017:128). The indicators of internal relationship quality are recognised as satisfaction, trust and commitment. This indicates that when employees feel

cared for, it stimulates positive emotions, such as satisfaction, trust and commitment, which encourage employees to reward the organisation through more positive behaviours (Ruiz-Mafe, Tronch & Blas, 2016:537-538).

The social exchange process and reciprocity can best be explained through Figure 3.4. The process shows how the organisation executes actions, but the employees' perception of the motive behind these organisational actions results in either a positive or negative response. This prompts employees to then reciprocate through either positive or negative behaviours, as discussed in more detail next.



**Figure 3.4: The social exchange process**

Source: Adapted from Tsachouridi and Nikandrou (2016:1337)

The first step in the social exchange process explains that organisations take actions to secure the improvement of learning and development programmes. The second step highlights that employees assess more than just actions. They assess the perceived motives behind the organisational action, which results in perceptions of support or breach of the psychological contract, linking to the third step of the process (Tsachouridi & Nikandrou, 2016:1337). This means that employees assess the action, in this case the improvement of learning programmes, and perceive the motive to be either positive or negative. If the motive is perceived to be positive, employees believe that the organisation is supportive of staff and the psychological contract between the organisation and the employee. As a result of this employees experience higher levels job satisfaction, identified as the next step in the process (Chang et al., 2015:868). Due to higher levels of job satisfaction, employees are more willing to support the organisation through repetitive positive behaviours, such as treating customers with empathy and displaying higher levels of reliability and responsiveness. This results in increased internal and external service quality (Ruiz-Mafe et al., 2016:537-538). Subsequently, customers enjoy a more satisfying experience and reward the organisation through positive word-of-mouth messaging and

repeat purchases, thereby completing the social exchange process (Wu & Lee, 2017:614; Oparaocho, 2016:540). Hence, due to the norm of reciprocity, when employees perceive organisational actions delivered through the internal marketing mix as valuable, they become more willing to behave positively towards the organisation. This is demonstrated by rewarding the organisation with higher levels of trust and commitment, resulting in higher levels of service quality and customer satisfaction, as illustrated through the service profit chain discussed in detail in Chapter 4, section 4.5.1. (Tsachouridi & Nikandrou, 2016:1337).

**i) Internal marketing as a social exchange strategy within retail banking in Oman**

Internal marketing contributes significantly to the Social Exchange Theory in the sense that internal marketing represents the organisation's philosophy to create value for its internal market, with the objective of encouraging them to fulfil the external marketing objectives such as service quality and customer satisfaction (Boukis et al., 2015:396). Through an internal marketing strategy, banking employees' needs are understood and addressed through each of the internal marketing mix elements (Mbengo & Chinakidzwa, 2014:193-194). As a result of actions taken through the internal marketing mix, employees feel valued and cared for and perceive the organisational actions to be positive contributing to feelings of satisfaction (Boukis et al., 2015:396). This in turn, encourages reciprocity and positive responses towards the bank's customers in the form of superior service quality and customer satisfaction (Yalabik, Rayton & Rapti, 2018:249).

Employees participating in reciprocal exchange relationships with their bank will not fulfil their obligations unless they believe that the other party has something of value to contribute (Boukis, 2017:395). The Social Exchange Theory stipulates that employees view the relationship with the organisation as a sequence of interactions that involve reciprocal promises (Tsachouridi & Nikandrou, 2016: 1338). To this end, employees evaluate their relationship with their bank by balancing their inputs (what they contribute to the organisation) with their outputs (what they receive from the relationship) (Biswas & Kapil, 2017:698). For example, retail banks that take positive action in response to employee needs through internal marketing initiatives such as improved training and development initiatives, contribute to the establishment of high-quality exchange relationships. This is due to employee beliefs that they have been satisfied and provided with the tools to serve customers resulting in the fulfilment of promises (Restubog et al., 2008:1393). In this way, internal marketing increases employees' perception of value as they believe that the outputs are greater than their inputs. As a result, employees reciprocate in positive and beneficial ways and produce positive outcomes for the organisation (Tortosa-Edo et al., 2015:488). The outcomes of internal marketing from a social exchange perspective include satisfaction,

trust and commitment (Alexandru & Ioana, 2016:346-347; Tsachouridi & Nikandrou, 2016:1340-1341; Seo, Back & Shanklin, 2011:73). When employee needs have been responded to through an internal marketing strategy, employees feel satisfied and as a result feel beholden to reward the organisation with positive behaviours such as trust and commitment (Wu & Lee, 2017:480). Satisfaction, trust and commitment are also referred to as the indicators of internal service quality as mentioned in section 3.4.2.

For internal marketing to enhance internal relationship strength and quality, it is essential that an implementation plan is put into practice in the form of the internal mix consisting of different elements. The next section delves deeper into the internal marketing concept by reflecting on various marketing mix models and the role the internal marketing mix elements play in the development of an internally market-orientated environment and the achievement of service quality and customer satisfaction objectives.

### **3.5 INTERNAL MARKETING MIX**

The internal marketing mix is perceived as a strategy of interrelated elements all of which have an influence on internal and external service delivery and satisfaction, thereby impacting the service system as a whole (Liem, 2012:30). The following discussion starts with a focus on the history of internal marketing and the marketing mix, with the intention of informing the reader of how the internal marketing mix was developed. This is followed by a discussion on each of the elements, since each one of the elements has the potential to influence service quality and customer satisfaction (Mieres et al., 2012:408-409) (refer to section 3.5.2).

#### **3.5.1 The history of internal marketing models and the internal marketing mix**

Over the last 30 years, internal marketing as a concept has undergone considerable change. A number of perspectives with regard to the internal marketing model and makeup of the internal marketing mix have been put forward by various pioneers in the field. Four perspectives on internal marketing models are put forward in the following discussion, namely: the internal marketing mix perspective, a strategy orientated perspective, the processional perspective, and the relational perspective.

### **3.5.1.1 The traditional internal marketing mix perspective of the internal marketing model**

The first perspective of an internal marketing model was put forward by Berry (1981), who proposed that the focus of internal marketing should be on the internal market, in which employees are considered to be the primary market of the organisation. Employee satisfaction and motivation, and jobs as internal products served as the dominant themes within this model (refer to Table 3.1). Berry's model suggests that internal marketing begins with the belief that employees come first. When the needs of employees have been understood and responded to, they feel cared for, which translates into positive attitudes and behaviours such as satisfaction, trust and commitment (Ng, Fang & Lien, 2016:37). The internal marketing strategy of an organisation must stimulate an understanding of employee needs, which is shared with managers across all levels of the organisation. In addition to this, employee needs must be responded to in value-adding ways, so that employees feel cared for and valued within the organisation (Pool et al., 2017:298-299). Berry's model also suggested that organisations should use jobs as products and therefore as a means to attract, satisfy and retain employees. Treating jobs as products goes beyond the tasks that need to be accomplished; it must factor in reward systems, training requirements, involvement in decision-making and career opportunities (Hernández-Díaz et al., 2017:127). For this reason, organisations need to create jobs that engage employees in the organisation's strategy, vision and sustainability. The aim of internal marketing in this context is to focus on the design of jobs as products in order to provide higher levels of satisfaction for employees (Ng et al., 2015:2016:37; Yaghoubi, Salehi & Moloudi, 2011:80-81). When employees are satisfied, they become more motivated to deliver on the organisation's external objectives such as service quality and customer satisfaction (Yalabik et al., 2018:250-251).

Thus, in the 1980s, the dominant model for conceptualising internal marketing was the internal marketing mix perspective comprising the traditional marketing mix, which centred around mixing the 'four Ps' (product, price, place and promotion) into an optimum blend capable of satisfying internal customers' needs and desires. Further to this, the blend was considered to be dynamic in the sense that the mix could be remixed to reflect changes in internal customer needs and behaviour (Rosenbloom & Dimitrova, 2011:54). Thus, the four Ps were viewed as a toolkit that managers could utilise to influence employees (Tench, 2017; Chikweche, Stanton & Fletcher, 2012:508). This perspective later evolved into a more strategically orientated view of internal marketing, discussed next.



### **3.5.1.2 Strategically orientated perspective of the internal marketing model**

The strategy orientated model of internal marketing as put forward by Grönroos (1982) and Piercy and Morgan (1991), suggests that the focus of the internal marketing model should be on the recruitment and development of customer-minded employees, who are better able to serve and satisfy external customers, thereby emphasising the primacy of the external market. A marketing-like approach served as the dominant theme in this model (Hernández-Díaz et al., 2017:127) (refer to Table 3.1). A marketing-like approach implies that internal marketing is a marketing approach used internally to motivate employees to become more customer orientated and achieve organisational objectives (Hernández-Díaz et al., 2017:127; Kanyurhi & Akonkwa, 2017:776). Internal marketing focuses on treating the employee as the internal customer, and marketing techniques such as segmenting the internal market, and understanding and responding to employees, are applied with the intention of satisfying internal customer needs. Satisfied employees are then motivated to improve internal service quality which enhances external service quality and ultimately customer satisfaction (Sohail & Jang, 2017:71; Asiedu & Acheampong, 2014:3). The traditional marketing mix was still considered to be the dominant marketing mix within this model. The mix of elements could be utilised to orchestrate the process of organisational change, as each the of elements was capable of influencing techniques, systems, the structure of power, and the culture of the organisation's internal environment (Abzari & Ghujali, 2011:96; Javadein et al., 2010:366-367). Due to the quality movement during the 1990s, the internal marketing concept shifted to a processional perspective of the internal market (Varey & Lewis, 2012:251).

### **3.5.1.3 Processional perspective of the internal marketing model**

With the quality movement in full swing and increased attention placed on service quality aspects, Colins and Payne (1991:194) suggested that a TQM view of internal marketing be adopted. These authors, in conjunction with additional authors, such as Gremler, Bitner and Evans (1994), Lewis and Entwistle (1990) and Neuhaus (1996) have suggested that employees are both the customer and the supplier inside the organisation. The processional perspective stressed the importance of internal service quality within the internal customer–supplier relationship and the need for cross-functional relationships (Kotler & Armstrong, 2013:67). Cross-functional coordination encompasses the dominant theme within this model (Bailey et al., 2016:823)(refer to Table 3.1). Employees across all organisational departments must become enthusiastically involved in creating value for both internal and external customers (Lusch & Nambisan, 2015:160). These cross-functional activities all

have an effect on customer outcomes and for this reason, employees must perform as a chain of internal suppliers and customers with a commitment to the provision of both internal and external service quality (Camgöz-Akdağ, İmer & Ergin, 2016:958). Internal marketing practice serves to guide employees and functions by understanding the needs, aspirations and costs of each (Oparaocho, 2016:543). This is what strengthens the internal customer-supply chain and results in a network of strong relationships within the internal environment. When internal customers are satisfied, they are more driven to provide a satisfying experience to external customers (Kanyurhi & Akonkwa, 2016:776). Sohail and Jang (2017:71) and Wang, Chang and Chen (2015:84) support this view by stating that employee satisfaction is strongly related to service quality and service quality is strongly related to customer satisfaction.

Within this model, the traditional marketing mix was no longer considered to be appropriate, as it was based on a world typified by stability, economic expansion and much less competition, rendering it deficient in the modern world (Afridi, 2011:139). Furthermore, it was regarded as more transactional in nature and did not emphasise the importance of the entire relationship. With a stronger focus on internal service quality and services marketing, the traditional mix was considered inappropriate for service organisations, given the intangible nature of the product (Pomering, 2017:160-162; Varey & Lewis, 2012:241-242). Within service organisations the unique characteristics of service creates a void for the customer, compelling customers to search for evidence of service in their engagements with the organisation (Salman et al., 2017:50). Since the traditional four-P model was not able to provide such evidence, additional elements namely internal people, internal process and internal physical evidence were added to the mix, making up the 'internal services marketing mix'. These additional elements allow employees to observe evidence of service and assess their satisfaction therewith (Hashim & Hamzah, 2014:157; Mudie & Pirrie, 2006:6). The people element recognises the importance of a human element in all aspects of service delivery and the importance of internal relationships in the delivery of service quality and customer satisfaction (Salman et al., 2017:55). The process element reflects the notion that services are experienced as a process at the time and point of delivery between internal suppliers and internal customers (Zeithaml et al., 2012:27). If the process is efficient and effective, higher levels of internal service quality can be achieved, resulting in higher levels of customer satisfaction (Pomering, 2017:162; Salman, 2017:55). The physical evidence element refers to the internal service environment and the availability of the right tools and equipment. When employees have been equipped with the right tools and a satisfying environment, they are able to deliver higher levels of service quality to customers, which in turn translates into higher levels of satisfaction (Pomering, 2017:162). Thus,

through the service marketing mix, organisations have been able to evolve, as service delivery is based on internal and external customer needs as opposed to product needs (Ahmed & Rafiq, 2002:8). Towards the end of the 1990s, external marketing had transitioned to a relational perspective (Varey & Lewis, 2012:251). Internal marketing followed suit, evolving into a relationship strategy, as outlined next.

#### **3.5.1.4 Relational perspective model of internal marketing**

The relationship management approach adopted in the external market was then reflected internally by authors such as Varey and Lewis (1996), who offered a fourth perspective on internal marketing referred to as internal relationship management. Gummesson (1999) and Lings (1999) built on from the processional stage and strongly supported the relationship view of internal marketing. They purported that internal marketing is responsible for the creation of relationships between employees and management and between departments within the organisation. They argued that when strong relationships could be developed internally, they would result in strong relationships with the external market (Gummesson, 2017:18; Lings and Greenley, 2010:324). The main themes within this model encompass internal relationships and internal communication (Bailey et al., 2016:823; Salem, 2013:112). The aim of internal marketing with regard to this model is to manage internal relationships and the interactions between internal customers and internal suppliers, so as to ensure that collaborations result in positive outcomes such as employee satisfaction and internal service quality (Oparaocho, 2016:543; Tadajewsk, 215:487). When internal customers are satisfied, they are more driven to provide a satisfying experience to external customers (Sheikholeslam & Emamian, 2016:39). Further to this, stronger internal relationships strengthen internal communication, referring to the dissemination of information throughout the organisation in order to provide employees with a greater sense of purpose (Hernandez-Diaz, 2017:29-130). When employees have been informed about the brand promise, and how their role contributes to the fulfilment of these promises, they become more motivated to perform their jobs effectively, which in turn improves organisational performance (Suh & Lee, 2016:452-453). This relational perspective of internal marketing emphasises the importance of sharing knowledge and creating a shared understanding of purpose amongst employees (Tsai, 2017:3-4). Through such an approach, employees are clear on how their work contributes to the organisational purpose and what is required of them to achieve higher levels of service quality and customer satisfaction (Tsai, 2017:3-4; Suh & Lee, 2016:452-453).

To cater for a more relational perspective, a broader view of the services mix is required. Over the past 30 years, academics and industry experts in the field of services marketing and relationship marketing have offered a number of additional Ps. Table 3.3 provides an overview of additional service Ps suggested.

**Table 3.3: Overview of additional service Ps**

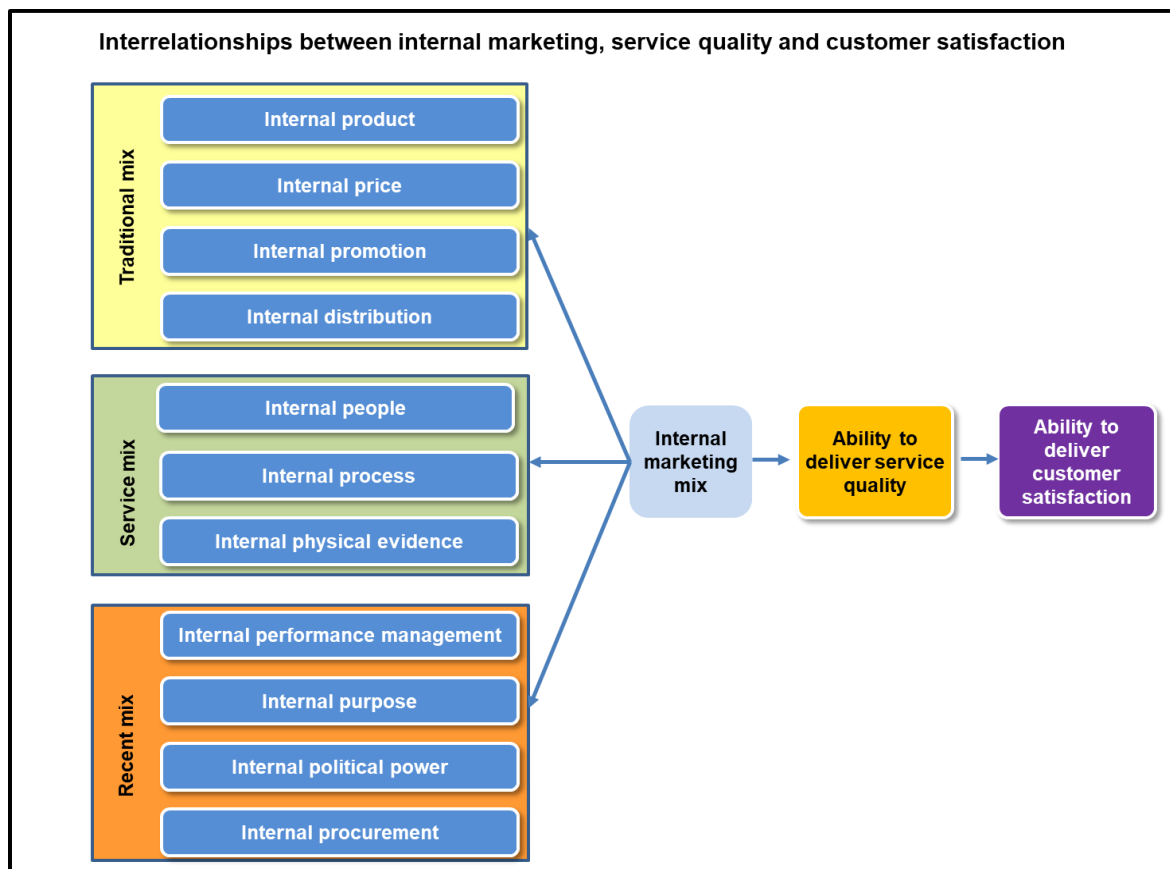
Proposed additions	Motivation	Author
<b>Purpose</b>	Referring to meaning at work and the uniting of employees behind a common purpose.	Loots (2017); Schneider (2018)
<b>Procurement</b>	Referring to how resources are obtained internally, has become a basic element of the internal services marketing mix.	Kotler (2003)
<b>Packaging</b>	Referring to promotional materials used to communicate with employees.	Beckwith (2001)
<b>Positioning</b>	Positioning relates to the segmentation of the internal market.	English (2000); Fryar (1991)
<b>Personal relationships</b>	Personal relationships between employees and co-workers are essential for service excellence.	English (2000); Fryar (1991)
<b>Performance</b>	Referring to the employee experience and how the service is performed.	Grove, Fisk and John (2000); Yudelso (1999)
<b>Personnel Promotion</b>	Referring to the interaction between internal customers and suppliers and the promotion of internal services. Both of which influence the service quality perception.	Heuvel (1993)

Source: Author's own construct

Since internal marketing emphasises the need for an integrated effort and strong internal relationships and due to the unique problems faced by the Omani banking sector as a result of economic isolation, additional internal marketing mx elements are required (Maki, 2018; Ali, 2012: 244). Four additional Ps have been added to the services marketing mix for the purpose of the study. These 'contemporary Ps' are internal performance management, internal procurement, internal political power and internal purpose. These Ps were selected as each one of these either hinders or promotes the development of internal relationships, impacting on service quality success and the achievement of customer satisfaction within Omani banks. Each of these and the motivation for their inclusion in the study will be discussed in section 3.5.2.3. The following discussion outlines the internal marketing mix elements and provides an in-depth discussion of each.

### 3.5.2 The internal marketing mix elements and their relationship to service quality and customer satisfaction

Internal marketing is a strategy for the creation of high-performance organisational systems which is achieved through the management of the interdependent elements of the internal marketing mix (refer to Figure 3.5). (Harrington et al., 2017:554; Komarac, Ozretic-Dosen & Skare, 2017:218-219). The internal marketing mix elements are viewed as the controllable elements within the organisational environment. They have been divided into three groups, namely the traditional marketing mix elements, the service mix elements and the contemporary mix elements. It is the internal marketing mix elements that link the employee to the organisation's strategy and strategic objectives (Harrington et al., 2017:554, Ahmed et al., 2003:1223-1224). Each of these elements is viewed as an enabler for the development of strong internal relationships, in which value is created for employees (satisfaction and well-being) in order to achieve the desired results of the organisation. As discussed in Chapter 1 (refer to section 1.5.4.1), internal place (distribution) has been merged with internal physical evidence and will form part of this construct. The desired results in this framework are identified as service quality and customer satisfaction.



**Figure 3.5: Interrelationships between internal marketing, service quality and customer satisfaction**

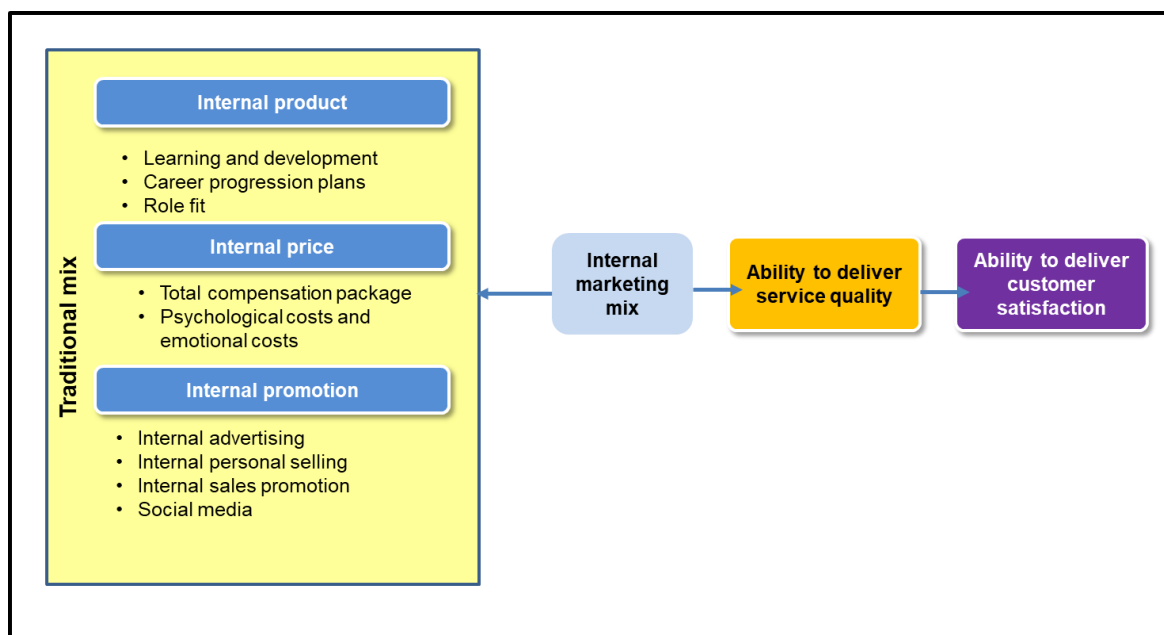
Source: Author's own construct

Since employees spend a significant part of their lives at work, the notion of creating value for employees may be more relevant than value creation for external customers (Grace & Iacono, 2015:561). Banking customers in Oman, for example, simultaneously co-create value with a number of banks and other organisations where one organisation can be easily substituted by another (Chang, 2018), implying that it is relatively easy for customers to switch banks if they are not satisfied with the service. Employees, however, are contractually bound to one organisation where it is more difficult for employees to switch to another employer which is dependent on the availability of alternative opportunities, the right package and termination terms (Al-Ismaili, 2017). To this end, the organisation's internal value proposition has a significant impact on employees' financial, social and psychological well-being (Grace & Iacono, 2015:561). For example, a well-designed financial reward programme provides an incentive to employees to remain with organisations for longer periods of time (Kwon & Hein, 2013:32). Positive internal relationships and social dynamics offered through the organisation's internal environment have a significant positive impact on employees' experience at work (Collins, Hislop & Cartwright, 2016:162). Work-life balance and supportive supervisory relationships are but a few elements that contribute to psychological well-being. When all aspects of employee well-being and satisfaction are considered and structured in a holistic way, value is created for employees. The internal marketing mix provides an attractive internal value proposition, in which value can be created through the implementation of each of the marketing mix elements. When employees perceive that value has been provided, they in turn produce value for customers through higher levels of service quality, which translates into higher levels of customer satisfaction (Marques et al., 2018:37). The next section discusses each of the internal marketing mix elements proposed in the study and how they contribute as enablers of service quality and customer satisfaction.

### **3.5.2.1 The traditional marketing mix elements**

The traditional marketing mix elements consist of internal product, internal price, internal promotion and internal place (distribution) (refer to Figure 3.6). As mentioned in Chapter 1, section 1.5.4.1, internal place (distribution) will be incorporated into internal physical evidence. Distribution relates to the channels and outlets required to get the product or service delivered to the right customers at the right time and place, in the right condition (Sharma et al., 2016:110). From an internal perspective, distribution refers to the physical and non-physical aspects of the work environment. The physical aspects include the visible and tangible aspects of the environment which are included as part of the internal physical

evidence element (discussed in section, iii of 3.5.2.2), whilst non-physical aspects include the invisible and intangible aspects of the organisation (Marić et al., 2016:13-14). The non-physical elements incorporate communication, cultural aspects and leadership style and each of these aspects has been incorporated into other elements of the internal marketing mix (internal product, internal price, internal promotion, internal people, internal political power and internal purpose). For this reason, internal place overlaps with other elements in the mix and in order to avoid confusion, has been incorporated into the internal physical evidence element of the internal marketing mix. Each of the remaining traditional elements, their subcomponents and their relevance to the Omani banking environment are discussed next.



**Figure 3.6: The relationship between the traditional marketing mix elements, service quality and customer satisfaction**

Source: Author's own construct

#### **i) Internal product**

From an external marketing perspective, product is defined as anything that organisations offer to their customers in order to satisfy needs (Golubkova & Iljina, 2015:219). From an internal perspective, product generally relates to the employee's job (Yang, 2017). From a Social Exchange perspective, the job itself governs the exchange process that takes place between the employee and the organisation (Nikoloski et al., 2014:120-121). A successful service organisation must first sell the job to employees before it can sell its services to customers (Yang, 2017). This implies that organisations use marketing tools to sell jobs (internal products) to employees, and employees buy and assess these internal products

much the same way as customers buy and assess a product or service (Vasconcelos, 2008:1255). When designing job products in Omani retail banks, it is essential that management consider the needs and competencies of employees with regard to the physical, material and emotional components of the job. In this way, approaching jobs as products goes beyond the tasks that need to be fulfilled on a daily basis; it also takes into consideration other factors, proved to be the subcomponents of internal product, referred to as learning and development, career opportunities and role fit, all of which influence employee satisfaction and their ability to deliver on service quality and customer satisfaction objectives (Yang, 2017; Reynolds-De Bruin, 2014:73; Grayson & Sanchez-Hernandez, 2010:9; Gounaris, 2008:72).

- Learning and development

Learning and development refer to the attainment of skills, which enables employees to perform their jobs well (Braun & Hadwich, 2017:127). This is an important component of internal product, as it is viewed as the leading factor for professional growth, which contributes to feelings of satisfaction (Heyler, 2015:16). Learning and development should be aligned to the organisation's vision, strategy and values, and embedded in the organisational culture (Bagga & Srivastava, 2017). This is based on the premise that if employees are expected to meet organisational objectives, such as customer satisfaction, they must have the necessary information, skills and coaching to do so (Braun & Hadwich, 2017:127). Learning can take place through many different mediums, but should be reinforced through mentoring and coaching. One of the most effective ways for employees to learn in banks in Oman is through a supervisor or mentor who coaches employees, based on the feedback received from customers or errors made during the service encounter. In this way, the skills required can be learned, entrenched and shared (Attassi, 2017). Learning and development as an element of internal product enhances knowledge transfer and builds employee confidence and respect. This enables employees to perform their tasks better, resulting in higher levels of satisfaction and increased performance at work, such as the delivery of service quality (Bagga & Srivastava, 2017; Oyitso and Olomukoro, 2012:75). Currently, there many weaknesses within learning and development programmes across Oman, specifically in the sense that training is not aligned to organisational strategy, jobs or other HR processes. Learning programmes are not considered to be effective and the transfer of knowledge is not taking place (Budhwar & Mellahi, 2016:105). The extent of these issues is still unknown, necessitating further research.



- Career advancement opportunities and career progression plans

Part of creating a strong internal product is through the provision of careers to employees, and not just jobs. Hereby employees can link their identity to the organisation and are both physically and emotionally present as a result (Wrzesniewski et al., 2013:282). The provision of 'a career' is assisted through the establishment of a career development plan, which maps out the different steps in the career development path and identifies what actions the employee needs to take in order to progress along these steps (Merchant, 2017). Regular competency assessments must be performed to ensure that employees have the adequate skills to achieve their career objectives (Clayton, 2017). If employees do not possess the skills required to achieve their career aspirations, mentoring and coaching should be provided by management to assist employees in this respect (Humphreys, 2018; Slatten, 2011:101). Career development plans contribute to internal marketing objectives, in the sense that they equip employees with a tool to build their skills and capabilities, which in turn enable employees to progress in their careers through promotion (Merchant, 2017). Retail banks in Oman ought to be focused on enabling employees to put their capabilities to optimal use. Further to this, banks must ensure that focus is given to internal promotion and movement, as opposed to recruiting from the outside (Al Mughairi, 2018). Employees must believe that promotional opportunities exist within their organisation and they must perceive all promotional decisions to be fair and transparent. This results in greater feelings of employee satisfaction and the achievement of improved service quality and customer satisfaction (Scales, 2017). Since Omani HR practices are still catching up to the more mature westernised market, most banks do not seem to provide career advancement plans or progression plans in terms of how employees are able to progress within the organisation (Al Mughairi, 2018; Al Zadjali, 2018; Chang, 2018; Loots, 2017; Fisk, 2016). Very limited research exists as to the extent of these problems and thus the study aims to provide greater insights into these aspects.

- Role fit

Role fit is a vital part of internal product, as it concentrates on securing the right fit between the employees and the roles they are performing. This implies that there needs to be an adequate level of comfort between the employees, their roles and the culture of the organisation (Omar, Samsuri & Ab Wahab, 2017:57). If employees are happy in their roles, they are more likely to stay with the organisation for longer periods of time, contributing to the establishment of long-term relationships with customers (Matanda & Ndubisi, 2013:1032). Organisations must have a solid understanding of value orientation, meaning that a distinction needs to be made between task-orientated roles and people-orientated

roles when designing jobs. Placing a task-orientated person into a customer-facing role could be catastrophic for the organisation from a service perspective, and would increase role stress for the employees, resulting in feelings of unhappiness and dissatisfaction (Al Mughairi, 2018; Saeed & Asghar, 2012:12180; Shuck et al., 2011:319). Role fit supports internal marketing in the sense that employees who experience a good degree of job fit, are more satisfied, and are able to use different skills and develop personally and professionally, resulting in more productive employees (Omar et al., 2017:57; Saeed & Asghar, 2012:12180; Shuck et al., 2011:319). Thus, role fit is crucial for the delivery of both internal and external service and for the retention of key talent in the organisation. Since retail banking employees in Oman purchase jobs (internal products) from their banks, these banks need to ensure that they create internal products that attract, satisfy and retain talented employees (Mbugua, Waiganjo & Njeru, 2014:90). In this way, retail banks in Oman would be able to develop strong employer brands and enable employees to deliver on promises made through the marketing strategy such as customer satisfaction (Attassi, 2018; Ahmad, Wasay & Malik, 2012:532).

## **ii) Internal price**

Price relates to the price customers pay to purchase a product or service. Internal price, in the context of this study, refers to the value employees gain from working for the organisation in terms of the total compensation paid to employees, less than the costs incurred of working for the organisation. Total compensation relates to the monetary benefits paid to employees in return for their time and knowledge (Yu et al., 2017:4). These monetary benefits include compensation (salary), bonuses (financial incentives) and benefits such as medical aid and pension-fund contributions. Total compensation serves as a way to attract high calibre talent in the organisation whilst satisfying them, and retaining them over the long term (Carraher, 2011:25-26). Retail banks use these rewards to create the perception that employees are cared for (leong & Lam, 2016:593; Kwon, 2013:22). Through the provision of benefits such as pension funds, employees believe that the organisation is providing for their future financial security, which produces positive emotions in employees as a result of feeling cared for by the organisation (leong & Lam, 2016:593; Gough & Arkani, 2011:175).

The costs employees incur to work for organisations relate to the sacrifices employees make to work for the organisation, for instance adaption to organisational change. Adapting to organisational change may require additional time and effort from employees, which distracts them from achieving other objectives and may result in stress (Grayson & Sanchez-Hernandez, 2010:3). When employees experience stress and a work-life

imbalance, it may result in resistance leading to lost opportunities from a professional growth perspective. Since Oman is a collectivist society with a strong emphasis on community and family, Omanis still need to perform their social obligations towards their family and extended family, and may struggle with work-life balance issues (Budhwar & Mellahi, 2016:100). The biggest non-monetary costs include the psychological and opportunity costs of working for an organisation. Psychological costs are often painful costs for employees to bear, and relate to the fear attached to adopting new ways of working. Fear of being rejected or of neither understanding their jobs, nor being enabled to serve and satisfy customers well, are examples of psychological costs. Opportunity costs refer to the pain associated with the knowledge that by working for this organisation, employees have missed out on opportunities elsewhere (Kim & Ryu, 2017:265; Zheng et al., 2016:503, Reynolds-De Bruin, 2014: 78-79).

Retail banks in Oman use financial rewards to encourage and motivate employees to adopt new ways of working, thereby helping to reduce the costs incurred with this (Al Zadjali, 2017). Budhwar and Mellahi (2016:110) purport that since Oman is still considered to be a developing country, reward frameworks are not as advanced as can be found in the Western world, which brings about a number of challenges, for example. These include rewards not linked to service quality objectives and in some instances because KPIs are not clear and specific metrics are not in place, reward is not clearly aligned to performance and in some instances, may be perceived to be unfair. Due to limited research, however, the extent of these issues is not yet clear. Nonetheless, if employees are not acquiring new skills, transferring knowledge and working together in a coordinated fashion, the banks will not be able to survive and flourish over the long term (Tseng, 2016:203-204). Internal price as an element of the internal marketing mix therefore acts as an incentive to encourage employee development, knowledge transfer and promote interfunctional coordination (Šajeva, 2014:131). When employees are sufficiently rewarded and believe rewards to be fair and consistent, desired behaviours and actions are entrenched and replicated on an ongoing basis (Nzoyka & Orwa, 2016:22). Further to this, if the psychological and opportunity costs can be controlled, employees are able to perform their jobs well, which will positively impact interpersonal relationships with others. This in turn leads to a more integrated internal environment and stronger organisational performance (Leung et al., 2011:315-316). As a result, employees are motivated to deliver service quality and create satisfying experiences for both internal and external customers.

### **iii) Internal promotion**

Mutum, Ghazali and Ning (2016) describe promotion as those tactics used to inform, excite and remind customers about the organisation's products or services and to position the product or service in the marketplace. From an internal perspective, this relates to all communication activities to inform, excite and remind employees about the organisations vision, purpose and strategic objectives (Bruhn & Schnebelen, 2017:466-467). This in turn contributes to the delivery of the brand promise and enhances service quality and superior levels of customer satisfaction (Steingrimsdottir, 2011:22). A blend of communication tools is used to communicate with the internal market, namely advertising, personal selling, sales promotion, and social media (Bruhn & Schnebelen, 2017:466-467; Ali & Haider, 2012:39; Gummesson et al., 2010:12). Each of these communication tools is briefly discussed next.

- **Internal advertising**

Advertising is generally the first point of contact between the organisation and its customers. The primary purpose of advertising is to attract, inform and persuade customers to purchase a product or make use of a service (Attassi, 2017; Fathian, Slambolchi & Hamidi, 2015:4). Internal advertising is focused on attracting and informing employees about the internal product and services (Attassi, 2017; Müller, Alt & Michelis, 2013). Internal advertising as a component of internal marketing serves two purposes; firstly it conveys the organisation's strategy and objectives to employees, so that employees have a clear understanding of what is required in order to satisfy customers. Secondly, it helps create a culture centred around employee needs and the communication of how these needs are being fulfilled through various organisational initiatives (Rosengren & Bondesson, 2017:205-206; Conradie, 2012:132). Retail banks in Oman make extensive use of internal advertising in the form of posters and billboards situated in prominent areas within the bank's offices and branches. Monthly magazines or newsletters can be used to communicate new initiatives and to celebrate successes (Attassi, 2017). The intranet (an internal communication system to the organisation) can be used to advertise and sell job products internally with the intention of motivating and retaining employees within the organisation (Clarke, 2017). 'Advergates' refer to a digital game created for the brand with the aim of conveying internal advertising messages, and is an additional approach towards increasing communication and advertising the organisation's brand to employees (Lawlor, Dunne & Rowley, 2016:4). This secures greater social interaction within the organisation, allowing employees to compete, collaborate or connect through this online platform (Conde-Pumpido, 2014:25,50). When employees believe that the organisation is doing everything possible to meet their needs, communicate how these needs are being met, and provide clarity on what

is required to serve customers well, they feel more satisfied and motivated (Pool et al., 2017:298-299). Since employees are responsible for the delivery of service quality, they must be motivated to deliver on the service level promises made through the marketing strategy (Musella et al., 2017:349).

- Internal personal selling

Personal selling refers to face-to-face presentations to individuals and groups about the organisation (Poon, Albaum & Yin, 2017:329). From an internal perspective, this comprises face-to-face communications between management and employees. Personal selling is strongly linked to internal marketing, as it allows managers to collaborate face-to-face with employees (Eppler & Heisler, 2017:22). This supports managers by enabling them to understand employee aspirations, goals, dreams and expectations with regard to job products and the organisation, and how to react to these needs, which results in stronger internal relationships (Eppler & Heisler, 2017:22; Vasconcelos, 2008:1256). Retail banks in Oman use internal personal selling to ensure that a common understanding of the message has taken place between the sender and receiver. This is particularly important when managers and employees need to be aligned when communicating with customers (Attassi, 2017; Sangari, 2014:71-72). Further to this, it promotes two-way communication between management and employees, which fosters trust (Zeithaml et al., 2012:488). Internal personal selling helps create long-term relationships between employees and managers and a more open dialogue, which supports internal marketing in that employees have the required knowledge to perform their roles well. This results in higher levels of service quality being provided to customers, increasing their level of satisfaction with the organisation (Kanagal, 2017; Preece, 2015:7).

- Sales promotion

Sales promotion is a communication tool used to encourage customers to make use of a product or service, generally within a specific time period, through some kind of incentive (Harindranath & Jacob, 2017:98). From an internal perspective, it relates to a tool which can be used to encourage employees to develop additional skills, transfer knowledge or change their behaviours in alignment with organisational change and growth (Ogbonnaya, Daniels & Nielsen, 2017). In order to encourage such changes, employees should be offered some kind of benefit or incentive to do so (Šajeva, 2014:131). When employees are sufficiently rewarded and recognised, desired behaviours and actions are replicated on a continual basis (Ogbonnaya et al., 2017). Retail banks in Oman make use of incentives such as sales and service incentive programmes, awards, certificates, events to celebrate

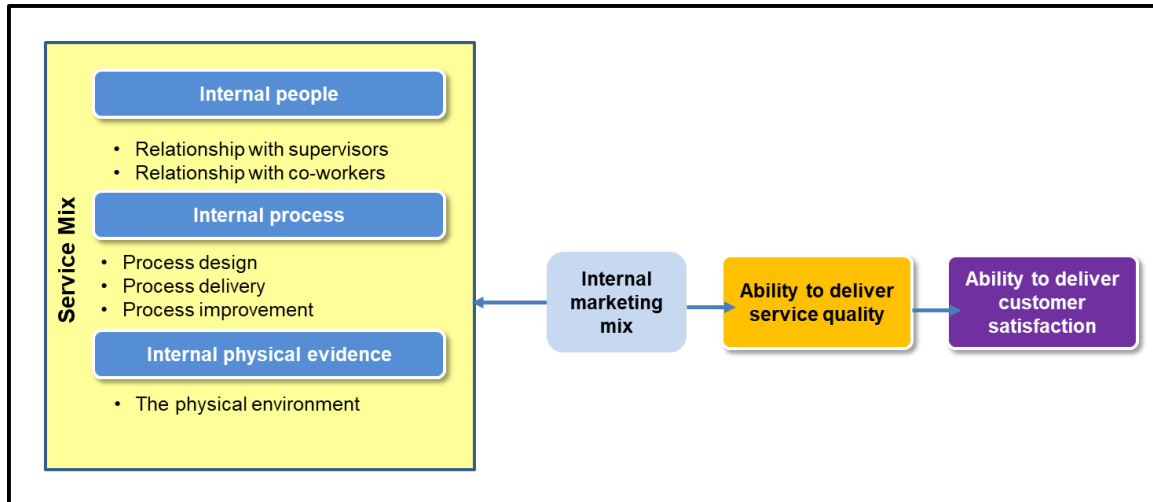
success, competitions and recognition through public forums (Al Zadjali, 2018). In addition to incentives, ongoing public recognition in front of peers and colleagues can produce strong feelings of self-worth in employees, resulting in higher levels of satisfaction. This may inspire other employees to strive towards for similar achievements (Zak, 2017:88). Internal promotion therefore supports internal marketing objectives in the sense that it promotes customer-orientated behaviours and recognises those employees who display these behaviours, thereby strengthening reciprocal exchange. As a result, employees are more motivated to improve their performance, resulting in more satisfied customers (Zak, 2017:88; King & Lee, 2016:2677).

- Social media

Social media applications such as Facebook, Twitter, LinkedIn and Youtube are new technologies made available to individuals and organisations to interact with customers on a global scale (Oyza & Edwin, 2018). Social media usage within organisations refers to open community-based online platforms that allow for information and employee-generated content to disseminate across the organisation in a timely manner, thus, allowing for greater employee participation and interaction (Ventola, 2014:491-492). Social media forms a key part of internal promotion, as it is used to connect employees and to inspire collaboration through online communities which strengthen the organisations social capital (King & Lee, 2016:2677). This in turn enhances the social dynamics in the organisation and supports spontaneous communities of practice, whereby employees come together voluntarily to share information. Retail banks in Oman, such as NBO make use of applications such as 'Facebook for work', in order to connect employees and encourage the distribution of information across the organisation (Attassi, 2017). Social media in retail banking contributes to internal marketing objectives in that stronger internal relationships are encouraged through online conversations and collaborations. This strengthens internal connections and friendships, resulting in a more satisfying employee experience (King & Lee, 2016:2677). Knowledgeable and motivated employees are better able to provide a more satisfying experience to the customer (Cooper et al., 2017:242). In summary, internal promotion within retail banks in Oman would be used to inform employees of the organisational objectives, provide them with the knowledge needed to perform their jobs well, and provide instant recognition when goals are achieved. This drives increased employee satisfaction, which in turn enables employees to better serve customers, resulting in higher levels of customer satisfaction (King & Lee, 2016:2677; Ventola, 2014:491-492).

### 3.5.2.2 The internal service marketing mix

The service marketing mix elements consist of internal people, internal process and internal physical evidence (refer to Figure 3.7). Each of these, their subcomponents and relevance to the Omani banking sector is discussed next.



**Figure 3.7: The relationship between the service marketing mix elements, service quality and customer satisfaction**

Source: Author's own construct

#### i) Internal people

The people element of the mix refers to all the human actors who participate in the service performance, namely employees and customers, inclusive of customer interactions with other customers in the environment (Agrawal & Rahman, 2015:146). Consequently, each of these groups provides input which impacts the customers' perception of service delivery, and ultimately their level of satisfaction with the service experience (Selvakumar, 2015:3). From an internal marketing perspective, the employee is regarded as the internal customer and his perception of service quality is impacted by internal suppliers, management, and by other employees in the environment (Gjurašić & Marković, 2017:188). For this reason, co-workers and supervisors or direct managers are regarded as the components of internal people. Each of these has a significant impact on employee attitudes and behaviours, influencing how well they are able to perform their jobs and how satisfied they are with the organisation as a whole (Al Shabani, 2017; Turkyilmaz et al., 2011:6780).

- Relationships with co-workers

Relationships with co-workers are influenced by the degree to which co-workers are perceived to be helpful, supportive and receptive to work-related problems (Ghoneim & El-Tabie, 2014:2). Employees who receive help and support from co-workers develop a deeper sense of personal accomplishment, resulting in feelings of fulfilment (Sharma et al., 2016a:226). Social studies indicate that employees change their attitudes and behaviours to conform to social expectations and norms within the internal environment. These expectations are generally governed by the organisation's values (Charoensukmongkol, Moqbel Gutierrez-Wirsching, 2016:7, Morris et al., 2015:2). When co-workers within retail banks in Oman treat each other with respect, it creates an environment conditioned in trust, in which employees feel safe to share information openly enhancing the flow of knowledge throughout the organisation (Zak, 2017:89). Co-workers support internal marketing objectives where strong relationships can be fostered between employees that enhance trust and collaboration (Ghoneim & El-Tabie, 2014:3). This contributes to higher levels of reciprocal exchange, which encourages team work and the creation of value throughout the internal supply chain (Ansari & Malik, 2017:214-215; Charoensukmongkol et al., 2016:7). Further to this, employees who are satisfied with their organisation send positive cues to co-workers to do the same (Ansari & Malik, 2017:214-215) These positive attitudes are then passed onto the customer through improved service performance, resulting in positive customer outcomes such as satisfaction (Charoensukmongkol et al., 2016:7; Shuck et al., 2011:306).

- Relationship with supervisors

Satisfaction with the direct manager/supervisor relationship is dependent on the degree to which supervisors/managers are understanding, supportive, set direction, praise and adopt an open-door policy (Bermudez-Gonzalez, Sasaki & Tous-Zamora, 2016:32-33; Sahi et al., 2013:388). When managers/supervisors are considered to be supportive, it communicates to employees that they are cared for, resulting in feelings of satisfaction and a greater commitment to service excellence (Pasamehmetoglu et al., 2017:6; van Dyk et al., 2013:61). Relationships with supervisors support internal marketing objectives in the sense that they are focused on building close relationships between managers and subordinates. When employees feel that managers are approachable through informal conversations, they become more real to employees. As a result, employees feel safe to communicate more freely, allowing for improved knowledge exchange (Jeung, Yoon & Choi, 2017:948). If supervisors in retail banks in Oman were to model the values and desired customer-orientated behaviours, encourage and motivate their subordinates well, employees would



feel more secure in their roles (Al Zadjali, 2018; Hasel & Grover, 2017:853;. This in turn, would result in higher commitment to organisational objectives, such as service quality and customer satisfaction (Fazio et al., 2017:513-514; Bermudez-Gonzalez et al, 2016:30-31, Fisk, 2016). In addition to the above, good managers/supervisors empower their employees to perform through their leadership style (Kanyurhi & Akonkwa, 2016: 776). Loots (2017) suggests that managers and supervisors in Omani banks who adopt more participative leadership styles enable and empower employees to carry out their duties and go beyond the service process in need to create a satisfying experience for customers (Hasel & Grover, 2017:853; Gupta, 2012:176). Due to limited research in Omani banks, it is unclear as to whether managers/supervisors do include employees in decision-making. It is perceived that empowerment is concentrated at the upper echelons of the organisation and leaders do not appear to be visible, specifically at the front line (Loots, 2017; Fisk, 2016). Through participative leadership, when supervisors involve employees in decision-making, it serves as a source of motivation and helps employees to better understand the nature of the organisation's business and challenges (Lumbasi, K'Aol & Ouma, 2016:2). This permits them to respond to customers faster, improving productivity and the service experience for both internal and external customers (Al-Sada, Al-Esmael & Faisal, 2017:168-170). Through the internal people element of the mix, the internal marketing objectives of knowledge sharing, open communication and collaborative relationships can be achieved, all of which result in positive consequences such as service excellence, customer satisfaction and profitability (Kanyurhi & Akonkwa, 2016:777; Shuck et al., 2011:306).

## **ii) Internal process**

Hadvorsrud, Kvale and Folstad (2016:843) refer to process as those procedures, routines and method in which the service is delivered in the service delivery process and operating systems of the organisation. From an internal perspective, internal processes relate to how employees receive the job product, such as HR processes, as well as the processes followed that permit internal suppliers to deliver material or information to internal customers (Luu et al., 2016:630-631; Ahmed & Rafiq, 2002:34). Processes that are streamlined and effective, enable employees to deliver within faster turnaround times, thereby improving the internal response capability resulting in more satisfied customers (Chan & Tay, 2018, 48,50; Brajer-Marczak, 2014:89-90). In order for retail banks in Oman to create more effective processes, it is essential that focus is placed on the design, delivery and improvement of the processes (Kasturi, 2017).

- Process design

Process design involves the end-to-end design of the service delivery process, which should be designed deliberately to achieve certain customer outcomes such as customer satisfaction (Smith et al., 2017:1823; Hadvorsrud et al., 2016:843). Understanding the service delivery process from both the employee and the customer's perspective, is therefore key to the successful design and management of services and value creation. Processes such as the service blueprint are highly visual in design and chronologically depict the touchpoints and steps in the service encounter (Luu et al., 2016:631; Crosier & Handford, 2012:70-71). From an internal process perspective, when processes are mapped and visible, employees are enabled to provide a more consistent experience to customers, which results in higher levels of confidence (Katsuri, 2017). To this end, retail banking employees in Oman would know what to do and would be better equipped to perform their jobs more effectively (Loots, 2017). Technology and the use of digital channels, should also be considered during the design of processes, given that technology allows for processes to be automated and greater efficiencies can be achieved from a monetary, employee energy, and time perspective (Hadvorsrud et al., 2016:846; Burin, 2011:122). Since retail banks in Oman interact with employees through a number of channels, it is important to consider the impact of both digital and human channels and how the two can be integrated through a seamless approach.

- Process delivery

Employees play a crucial role in the delivery of processes (Anderson & Smith, 2015:300). When high levels of service quality are experienced internally between customer-facing and back-office support, this provides a reliable and consistent service experience internally. A consistent internal service experience though better interfunctional co-ordination results in a consistent and satisfying external service experience (Luu et al., 2016:630-631; Madhavaram, 2014:280). Further to this, employees who are empathic and responsive to customer needs provide assurance to customers, further enhancing the customer experience and feelings of satisfaction (Drotskie & Viljoen, 2018). Since customers view employees as the brand within the context of service organisations, the customers' perception of the service delivery process and experience is directly correlated with the performance of the employee (Voorhees et al., 2017:270). If banking employees in Oman are effectively trained in the delivery of processes, actions and behaviours required at each touchpoint, the service would be perceived to be reliable. If the process is considered to be reliable, customers have a great experience with the bank and its employees (Katsuri, 2017). Currently, processes in Omani retail banks are perceived to be outdated, are not

mapped, and no checklists are in place. Most of the processes in conventional banks are still manual, which will threaten service quality and the customer experience in general. Due to limited research in Oman, it is not clear as to the extent of these issues, as well as whether internal process is an effective enabler of service quality and customer satisfaction (Katsuri, 2017; Loots, 2017).

- **Process improvement**

In addition to the design and delivery, internal processes need to be constantly improved in order to reduce waste, errors and improve turn-around-times and productivity, resulting in improved levels of internal service quality (Boak et al., 2017:425). Key process performance metrics must be developed and tracked in retail banks in Oman in order to establish whether processes are meeting performance objectives, and whether benefits are realised (Loots, 2017; Chidley & Pritchard, 2014:300). Through continuous improvement programmes such as Lean Management, referring to the ongoing effort to identify and eliminate the root cause of problems, employees would be empowered to solve their own problems (Chan & Tay, 2018:48-49). Such an approach creates value throughout the end-to-end value chain and service experience journey, resulting in higher levels of service quality and satisfied employees and customers (Al Zaydi et al., 2018:298; Lam, O'Donnell & Robertson, 2015:206).

### **iii) Internal physical evidence**

Due to the intangible nature of service, customers are constantly looking for evidence of service quality. Physical evidence provides such evidence through the tangible aspects of the organisation which from an internal perspective, also have an impact on employee satisfaction and productivity (Taherdoost et al., 2014:206). Internal physical evidence (which incorporates internal place) refers to the layout of office space, lighting, music, air quality, the look and feel of the intranet, and any promotional material used to communicate with employees. All such aspects contribute to positive employee experiences and the strengthening of internal relationships (Johnson, 2016:83). Since employees' social and physical environments have an impact on their motivation and performance, it is important that the physical environment is suitably designed (Samani, 2015:163). Work space should be designed in such a way that it allows for collaboration, interaction and social bonding, in order to stimulate the sharing of knowledge and teamwork (Chadburn, Smith & Milan, 2017:68-69). When work stations are set up in close proximity to employees, the visibility and accessibility of these work stations promote the seamless flow of information and face-to-face communications. In addition to the layout of work space, the internal environment

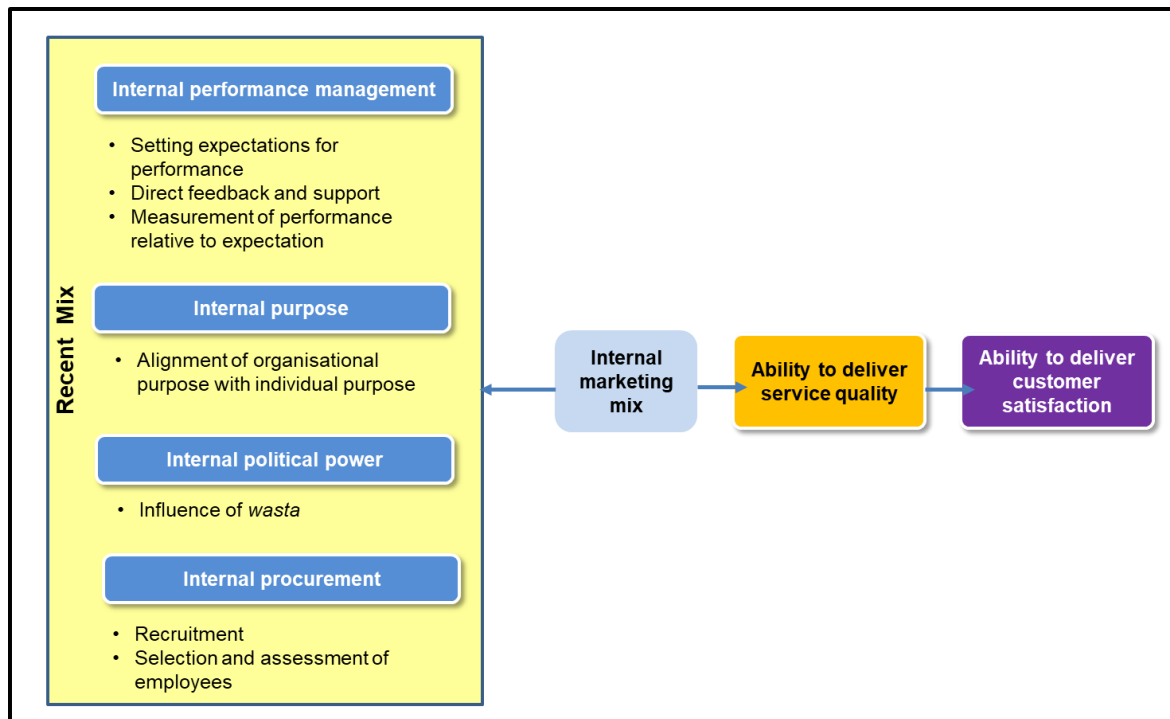
includes the internal décor, equipment used, quality of internal promotional material and the look and feel of the intranet (Chadburn et al., 2017:68-69; Lenka et al., 2010:1322). Adverse work conditions, such as when facilities are dilapidated, have an adverse effect on employee satisfaction, turnover intentions and commitment, which in turn adversely affects business results such as the achievement of customer satisfaction and increased profitability (Samani, 2015:164).

Various activities to improve employee performance are necessary but of little value if employees are not provided with the tools, equipment and systems to perform their jobs (Chan & Tay, 2017:46,48). Success in retail banking in Oman is dependent on equipping employees with the right tools and equipment such as CRM systems in order to provide meaningful information about customers (Motamarri, Akter & Yanamandram, 2017). It is important for retail banks that the internal promotional material used creates a sense of pride and comfort for employees. In addition to this, the bank's intranet site should be designed for ease of use and navigation, and present a pleasing look and feel to employees (O'Riordian, 2018). Due to the emergent nature of the Omani market, many improvements need to be made in this area. In some instances, branches have not been refurbished for many years, creating an inconsistent branding experience and employees being left feeling uncared for. The layout of some branches is not efficient, which results in long customer queues, leading to customer frustration and dissatisfaction. Equipment may for example not be working and bandwidth limitations can cause further frustrations (Al Mughairi, 2018; Loots, 2017; Fisk, 2016). Internal physical evidence supports internal marketing objectives, in the sense that the layout and flow of work space enhances internal communication and collaboration, which further enhances communication and collaboration with external customers (Taherdoost et al., 2014:206). Aesthetically pleasing work environments in which employees are provided with modern and reliable equipment, result in more satisfied employees who are enabled to complete their tasks well, which in turn leads to better results such as service quality and customer satisfaction (Mulville, Callaghan & Isaac, 2017:181).

### **3.5.2.3 The contemporary mix**

The contemporary mix of marketing elements comprises internal performance management, internal political power, internal procurement and internal purpose, as per Figure 3.8. These additional elements serve as additional decision-making variables used to strengthen the internal environment and help in the development and sustainability of internal relationships (Mutharasu, Natarajan & Filipe, 2013:584; Egan, 2011:20). Each of

these, their subcomponents, relevance to the Omani banking sector, and validation for their inclusion in the study are discussed next.



**Figure 3.8: The relationship between the contemporary marketing mix elements, service quality and customer satisfaction**

Source: Author's own construct

### i) Internal performance management

Organisations focused on internal market orientation recognise that people are the most important asset in the achievement of organisational objectives. These organisations strive to develop, motivate and improve the performance of their employees (Mainardes & Cerqueira, 2014:54-55). Al Mughairi (2018) and Loots (2017) suggest that currently in Omani retail banks, there are many instances where there is a misalignment between employees' roles and KPIs. The broader organisational objectives and departmental objectives are not clearly communicated to employees and employees are not clear on how their roles relate to these. Furthermore, due to a lack of performance feedback throughout the year, employees are often surprised with appraisal scores that create trust issues and higher levels of uncertainty, resulting in dissatisfaction (Budhwar & Mellahi, 2016:107). Due to very little research around this element in Oman, it is not clear as to whether internal performance management is an enabler of service quality and customer satisfaction. Smith and Bititci (2017:1208) motivate for the importance of performance management systems as a way to improve organisational performance, which is achieved through the

improvement of individual performance. Internal performance management is referred to as an approach for formulating a shared vision of the purpose and objectives of the organisation. Management should endeavour to help each individual employee understand and recognise their role in contributing to them, and in so doing, managing and improving the performance of both the employee and the organisation (Surprihanto, Wrangkani & Meliala, 2018:85). A performance management system consists of three phases, namely: 1) setting expectations for employee performance, 2) direct managers providing regular feedback and support to keep employee performance on track, and 3) measuring actual performance relative to expectations (Smith & Bititci, 2017:1210).

- Setting expectations for employee performance

Performance management supports Omani retail bank objectives, such as service quality and customer satisfaction, by linking the work of individual employees through clearly defined KPIs to the overall objectives and purpose (Loots, 2017). They also provide an effective way of modifying performance requirements to meet new challenges in need (Simon, Hatch & Youell, 2017). When employees have clarity about their deliverables and what values and behaviours are expected from them within the internal environment, they experience stronger emotional states, such as higher levels of satisfaction, trust and commitment (Stelson et al., 2017:47; Ingram, 2013:377). As a result, they reward the organisation through the provision of service quality and customer satisfaction (Hernández-Díaz, 2017:125,137).

- Direct managers providing regular feedback and support to employees

Performance feedback in Omani banks is generally provided through an annual performance appraisal (Loots, 2017). However, feedback provided only once a year is not sufficient for employees and tends to result in inaccurate self-evaluations, disengagement and feelings of anxiety. For this reason, regular feedback in the form of monthly performance reviews is required to enhance employee engagement, trust, commitment and satisfaction (Tricomi & De Pasque, 2017:175,183; Aguinis, Gottfredson & Joo, 2011:504). Regular feedback provides employees with information, specifically with regard to what they are doing well and what they are not doing well. If employees are not performing well, suggestions and improvements can be made, so that employees are able to grow and develop through their mistakes (Tricomi & De Pasque, 2017:175,183). This strengthens the supervisor-employee relationship and provides employees with both the external and intrinsic resources needed to serve internal and external customers better and create a more satisfying experience (Kim & Carlson, 2016:725). In this way, the internal marketing

objectives, such as the sharing of knowledge, open communication, joint problem-solving, trust and engagement are achieved (Smith & Bititci, 2017:1210-121; Shuck et al., 2011:306). Through supervisor feedback and support, work stress and turnover intention can be reduced and greater levels of satisfaction achieved, resulting in higher levels of reciprocal exchange (Grace et al., 2017:127; Hsu, 2011:235).

- Measuring actual performance relative to expectations

One of the most effective methods to measure actual individual and team performance relative to expectations is through programmes such as Lean Management and Agile (Boak, et al., 2017:425; Aziz & Hafez, 2013:680). Lean Management makes use of visual management tools as well as a daily huddle meeting to track actual performance against target metrics, both on an individual and team level. In this way, employees are able to see and track how they contribute to the performance of the team (Tezel et al., 2016:8,12; Mutharasu et al., 2013:584). Further to this, employees are responsible for their own processes and enabled to participate in continuous improvement initiatives (Loots, 2017). Some banks in Oman make use of visual management tools, which have a performance management element to them, in the sense that they communicate the metrics, objectives and current performance in a simple and transparent way, which allows for the effective flow of information (Katsuri, 2017; Tezel et al., 2016:8,12). By providing visual information and focusing on transparency, banking employees are enabled and mobilised to take action and remove obstacles that hinder themselves and the team from achieving their goals (Eaidgah et al., 2016:188). In this way, poor performance in Omani banks can be assessed and improved and a set of action plans put in place to continually improve performance (Raddats et al., 2017:11). Internal performance management contributes to the achievement of internal marketing objectives through the involvement of employees in the establishment of clear expectations and the measurement thereof, linked to the organisational objectives. Employees and direct managers work together to build, sustain and improve employee performance so that employees are able to provide a satisfying customer experience both internally and externally through the delivery of service quality (Ažić, 2017:108-119; Raddats et al., 2017:11).

- a) Validation for the selection of Internal Performance Management as a contemporary internal marketing mix element and its inclusion in the study

Performance management systems are lacking in terms of identifying and tracking performance metrics and most banks in Oman are not providing regular performance feedback to employees (Loots, 2017). Performance feedback is identified as a significant

enabler of employee satisfaction and success, as it is viewed as emotive and as modifier of future performance (Tricomi & De Pasque, 2017:177). Internal performance management has been included as it is essential to manage how the service is performed and how internal suppliers are performing in accordance with internal customer expectations (Carter & Yeo, 2017:243-244; Gove, John & Fisk, 2000; Constantinides, 2006:414-429; Yundelson, 1999). Further to this, regular performance feedback provided to employees communicates that they are cared for and supported by their employer, thereby strengthening the employee-manager relationship. This results in higher levels of satisfaction motivating employees to serve customers well (Kim & Carlson, 2016:725).

## **ii) Internal purpose**

Internal purpose can be described as the organisation's philosophical heartbeat. It is regarded as emotional in the sense that it connects the heart and the head (Kenny, 2014). Currently there is a perception that leadership teams within the banks do not provide a clear purpose and understanding of the reason as to why the bank exists beyond profit. Branch employees often feel disconnected from the rest of the bank and may feel that their roles are insignificant when compared to head office roles. Furthermore, employees are currently not involved in CSR (Loots, 2017). No research could be found to support or refute these claims, hence the requirement for further investigation. Internal marketing theory around the internal purpose element suggests that two kinds of purpose exist: the first is purpose related to "getting", and the second is purpose related to "giving". In the case of "getting", employees exchange their time and talent in return for something they are interested in getting back. Although the approach may motivate employees over the short term, it requires continuous adjustment for the approach to work over the long term (Bajer, 2017:26). When reviewing the moments of truth from an employee experience perspective from recruitment through to performance management and eventually to exit, the main focus of coming to work is to get as much as possible from the organisation (Clayton, 2017). As a result, organisations have to create corresponding structures, processes and policies to assist employees in the search for purpose (Giannakis et al., 2015:528,535).

When a shared sense of purpose is created, it provides something employees can rally behind. For this reason, organisations focused on creating an internal market orientation have adapted the "what's it in for me?" model in the sense that the question has changed from "what can I get?" to "what can I give?", thereby strengthening reciprocal exchange in the organisation (Bajer, 2017:26). The new "what can I give?" model talks about the contribution that each team member makes to the organisation, its customers and to society



as a whole (SHRM, 2017:34). High-performing teams worldwide share this kind of purpose and describe their jobs in terms of the value they are adding to customers. In this way, employees are aware of how their decisions and actions impact their customers' lives (Bajer, 2017:27). Internal purpose within Omani retail banks can be used as a mechanism to bring meaning to employees' lives through the contributions they make to society. Leaders focused purely on market value miss the opportunity to create even greater business value by using internal purpose to bring meaning to employees' work, and thereby drive employee engagement (Schuyler & Brennan, 2016:3).

Lyons (2016) states that purpose is becoming a major factor across multiple generations of employees across all levels of the organisation. Increasingly, organisations are expected to deliver solutions and contribute to important societal and environmental problems through their offerings, but more importantly, through Corporate Social Responsibility (CSR) programmes (Schuyler & Brennan, 2016:4). CSR programmes focus on integrating social and environmental concerns into their business operations and in their interactions with stakeholders on a voluntary basis. The objective is for organisations to give back to communities, as opposed to concentrating purely on wealth creation (Elasrag, 2015:2). CSR is recognised as a powerful anecdote of employee satisfaction and commitment, where employees feel proud to be part of social causes, and feel proud to link their identity with that of the organisation (Glavas, 2016:4). Retail banks in Oman can focus on CSR programmes such as winning 'share of heart' through the sponsorship of social causes, such as breast cancer, economic development, and others. When these organisations encourage their employees to volunteer their time and talent to these causes, employees connect emotionally with the organisation and feel proud of the bank for which they work. In this way, retail banks in Oman would enable employees to achieve more meaningful lives and self-actualisation through their affiliation with the organisation (Becker, 2018; Sheth, 2017:8). In addition to this, Omani banks can create more meaningful products and services and educate both employees and customers on the usage of these products or services. For instance, in the case of responsible lending, it may not be ethically responsible to provide a loan to an individual or organisation knowing that they may struggle to pay it back. In this way, employees are enabled to encourage mindful consumption and are enabled to inform customers about the impact of their actions and consequences, which may even mean discouraging consumption. In this way, employees are empowered to serve as a moral compass, resulting in more positive emotions and a sense of significance (Sheth, 2017:8). Retail banks in Oman therefore need to embed purpose into the organisations' culture which requires strong leadership support (Al Zadjali, 2018). From a leadership perspective, employees need to hear leadership and direct managers talking about why

their work matters. Story-telling is a powerful way in which leaders are able to connect employee activities with the impact on customer lives. It is important that leaders in Omani banks demonstrate that the organisation's purpose is central to their strategy, in order to build trust and confidence in employees (Lategan, 2018). During a study conducted by PWC in 2016, it was found that 79% of business leaders believe that purpose is key to the organisation's existence and success, but only 39% of leaders demonstrated this in their decision-making, indicating a disconnect between what leaders believe and what they practise (Schuyler & Brennan, 2016:5). Further to this, banking leaders should empower employees across the organisation to connect with their decisions and understand how purpose is woven into both the culture and customer experience (Alexander, 2017; Hanaysha & Tahir, 2016:274). This provides clarity to employees in terms of what the organisation supports and does not support due to ill-alignment, which is particularly important to Islamic banks given the *haram* principle of Islamic banking (refer to Chapter 2, section 2.4.2.1). This in turn enhances sound decision-making and builds commitment to the organisation's purpose (Schuyler & Brennan, 2016:9). Internal purpose supports internal marketing objectives in the sense that employees who consider their work to be purposeful, feel significant within the internal environment and develop a psychological attachment to the organisation. As a result, these employees go above and beyond to achieve the organisational objectives, such as service quality and customer satisfaction (Lategan, 2018; Clausen & Borg, 2011:666-667).

- a) Validation for the selection of internal purpose as a new internal marketing mix element and its inclusion in the study

Internal purpose as an element recognises the importance of alignment between organisational and individual purpose. Due to the poor alignment of individual and organisational purpose, banks in Oman are missing opportunities to create more meaningful jobs and internal relationships for employees, which could have many benefits for both employees and customers (De Bruin, 2018). Further to this, through actions such as CSR initiatives, employees feel proud to belong to their bank, thereby strengthening the employee-organisation relationship. As a result, employees experience higher levels of satisfaction and give back to the organisation through enhanced service quality and customer satisfaction (Al Mughairi, 2018, Carter & Yeo, 2017:245). Thus, internal purpose has been included as an additional element.

### iii) Internal political power

Although organisations have shifted to less formal and hierarchical structures over time, organisational politics is still an unavoidable part of an organisation's social fabric (Yuan et al., 2016:1349). Internal political power is a social influence defined as an occurrence in which organisational members attempt, either directly or indirectly, to influence other members by means not authorised by formal standard operating procedures or informal norms, in an attempt to achieve personal or group objectives (Han et al., 2016:281). Highly political organisations encourage employees, either deliberately or inadvertently, to engage in political plays such as taking credit for others' work and forming alliances with high-ranking allies. Although internal politics can be healthy, it can also cause widespread damage across the organisation as political actions are often at the expense of others (Upasna, 2016:417). Work performance suffers as a result of depressed moods, negligent behaviours, job dissatisfaction, anxiety, strain and poor communication (Meisler & Vigoda-Gadot, 2014:18).

Internal political power from an Omani banking perspective, would imply the concept of *wasta*. *Wasta* is described as a form of favouritism in which certain employees benefit from preferential treatment instead of going through formal, authorised channels (Al-Enzi, 2017:25). *Wasta* is considered to be a driving force in the Arab world which impacts both social and economic development across a number of dimensions (Alazmi, 2016:477-478). *Wasta* traditionally served as a mechanism for the settlement of intertribal disputes. In so doing, *wasta* helped to maintain the unity, integrity and status of the tribal group within the broader society. Over time, *wasta* shifted from maintaining and enhancing tribal status to the furthering of individual interests within the work environment mainly as a result of globalisation and increased competition (Al – Ali, 2017; Brandstaetter, 2017). Although from a Western perspective *wasta* is viewed as a form of nepotism and corruption, in Middle Eastern societies, it forms part of the social fabric and is practised openly without shame, guilt or remorse (Alazmi, 2016:477). *Wasta* helps create personal relationships in the sense that *wasta* requires an element of reciprocity in which the *wastee* is obligated to provide aid when requested by members of the social network providing the *wasta* (Barnett et al., 2011:7). In this way, *wasta* provides a networking mechanism to create a level of personal trust, by bridging relations through a culture-specific process. The degree to which organisations rely on this form of relationship building will impact the type of cooperation that emerges, as well as how organisational learning takes place, since the internal ties between employees will determine how information flows (Al-Ali, 2017; Al Salem & Speece, 2017:148). *Wasta* in the employment or promotion process takes place when someone with

strong political influence uses his power to have an individual employed or promoted. The result is that unskilled or underqualified employees are placed in key positions, which could adversely affect the delivery of service and result in dissatisfied customers (O’Riordan, 2018; Alazmi, 2016:478). In addition to this, job satisfaction, motivation and commitment of both the individuals and their team could be negatively impacted and attrition rates could increase, preventing the organisation from achieving its objectives (Al-Ali, 2017). As a result of internal politics in Omani banks, employees are forced to expend time and energy on managing strain associated with political actions such as favouritism, unfair rewards and promotions. All of these reduce motivation and engagement as employees withdraw from their roles, leading to a negative experience in the workplace (Upasna, 2016:419; Karatepe, 2013:83). Further to this, *wasta* influences behavioural integrity. Leaders with high behavioural integrity align their words to their deeds and provide followers with a sense of certainty, which in turn results in higher levels of trust. This enhances social exchange in the sense that leaders are perceived to be closer to employees, which evokes positive emotions such as satisfaction and commitment (Erkutlu & Chafra, 2016:675). When employees believe that leaders are controlling *wasta* influences, they feel that they are being treated fairly and in turn reward the organisation through the delivery of service quality and customer satisfaction (Bezuidenhout, 2018; Clayton, 2017).

- a) Validation for the selection of internal political power as a new internal marketing mix element and its inclusion in the study.

Internal political power reflects the uncontrollable forces within the organisation’s environment, which affect the development of internal relationship and the delivery of internal service quality (Erkutlu & Chafra, 2016:676). Poor internal service quality will in turn have an impact on the perception of external service delivery and the level of customer satisfaction experienced (Latif & Baloch, 2018:268). For the purpose of the study, *wasta* will be discussed as the dominant political power in Omani banks. Pockets of *wasta* exist across the banks, which is expected in some cases. If leveraged in a positive way, it can be beneficial as a networking practice. However, it is important that political influences are managed. In some instances, *wasta* is used in the selection and promotion of employees, which creates a sense of unfairness and dissatisfaction (Loots, 2017). *Wasta*, as a form of favouritism, impacts promotional decisions and political plays within these banks. When not controlled for, this creates an environment of distrust in Omani retail banks, where employees do not feel safe to collaborate with one another, nor share knowledge, which results in poor internal relationships, service delivery and dissatisfied customers, both internally and externally (O’Riordan, 2018).

#### **iv) Internal procurement**

Procurement refers to the process of obtaining goods or services required by the organisation to achieve its objectives (Costelloe, 2014:1,8). Although procurement from an internal perspective refers to the attainment of resources, for the purpose of the study internal procurement will focus on the procurement of people. This pertains to the recruitment and selection process followed by organisations to ensure that the right people, with the right attitudes and skills, are recruited into the right jobs (Argue, 2015:19). Ahmed et al. (2003:1224) state that recruitment and selection tactics are key competencies required for internal marketing success, as these enable organisational performance through the procurement of customer-minded employees. Recruitment is recognised as an essential internal marketing mix element.

Since the success of retail banks in Oman is linked to the performance of those who work there, the recruitment and selection of talent have become important for these banks, which need to ensure that employees are attracted on a timely basis, in sufficient numbers, and with appropriate qualifications (Hennessey, 2018; Ekwoaba et al., 2015:23). Gamage (2014:41-42) states that a systematic selection process should be adopted, which involves: the recruiting process, gathering information about qualified applicants, evaluating the qualification of each applicant, assessing candidates, and making decisions about employment. In this way, the recruitment model is more holistic in nature (Jain, 2014: 206; Sinha & Thaly, 2013:150). Further to this, the organisation must take the time to develop a valid recruitment and selection strategy aligned to their purpose and strategy (Argue, 2015:2; Jain, 2014: 206).

- **Recruitment**

In order to improve customer satisfaction, it is essential that top talent is attracted to the organisation. Retail banks in Oman must position themselves as an employer of choice and for this reason must have a clearly defined recruitment strategy (Hennessey, 2018; Bagga & Srivastava, 2017). The use of online recruitment is becoming increasingly popular, especially for the younger generation. Organisations prefer online channels as they are less time consuming, easy to access and more cost-effective (Argue, 2015:19). Graduate development programmes prove to be a successful recruitment approach for retail banks focused on the acquisition of top talent. Retail banks focus on attracting top talent into their organisations through marketing activities conducted on university campuses. In this way, talent can be acquired and developed through specialised training programmes and these employees serve as powerful brand ambassadors (Clarke, 2017).

- Selection

Selection of talented employees is important for retail banks in Oman wishing to achieve a competitive advantage. Strongly linked to this is the quality of interviewers, as poor employee selection may occur as a result of poorly trained interviewers. Interviewers within Omani retail banks must have the ability to select employees according to their responsibilities, skills set, values and fit between the organisation and the individual (Hennessey, 2018). A range of assessment tools can also be used to increase the speed of the selection process, making sure the right people are selected for the job (Jain, 2014: 206). When assessment tools are built into online applications the process can be enhanced even further, narrowing down the potential talent pool (Hennessey, 2018; Argue, 2015:21). In order to create a competitive advantage, organisations must focus on the voluntary extra-role behaviours of employees, which comes from a sense of satisfaction and sense of belongingness to the organisation (Begum, Zehou & Sarker, 2014:147). Employees who experience a strong sense of belonging are more committed to the achievement of organisational objectives such as serving customers well and creating satisfying experiences for both internal and external customers (Fazio et al., 2017:515). Organisations strongly focused on service quality, are making use of predictive selection tools which look beyond the job to identify extra-role behaviour. Skills and knowledge alone are not sufficient, employees must demonstrate the right attitudes and behaviours in the achievement of service quality expectations. Behavioural profiling tools such as SERVQUAL behaviour dimensions and the Organisational Citizenship Behaviour Model provide the means to assess candidate attitudes and their behaviour (Begum et al., 2014:147). In this way, organisations can ensure that talented, customer orientated employees are recruited into the organisation, guaranteeing that employees are better able to function within the value chain, resulting in higher levels of internal satisfaction and service. This in turn is transferred onto external customers (Guscina, 2015:7-8). Relationship Marketing and the Social Exchange Theory maintain that a crucial part of the organisation's strength comes from the calibre of employees employed and the quality of their working relationships (Ekwoaba et al., 2015:24). If Omani retail banks are able to recruit and retain exceptional employees, they will enjoy a human capital advantage, with respect to the intellectual capabilities that are uncommon, inimitable and unsubstitutable. In so doing, they will contribute to the organisation's current and future competitiveness as well the organisational value growth (Kamukam & Sulait, 2017:499). To this end, internal marketing objectives can be achieved in that a pool of highly qualified, customer-orientated employees can be acquired, who are

motivated to satisfy both internal and external customers. This ultimately means delivering on the external brand promise (Du Preez et al., 2017:252).

- a) Validation for the selection of internal procurement as a new internal marketing mix element and its inclusion in the study.

Internal procurement as part of an internal marketing strategy recognises the importance of resources required to deliver the service, in this case, the recruitment of talented customer-orientated employees (Ng et al., 2016:37). The right employees may not be recruited into the right positions as a result of Omanisation targets, in which Omani employees must be recruited over expat employees, even if the Omani employee does not have the desired skill level or knowledge (Loots, 2017). If the wrong employees are placed in the wrong roles, they will not be able to establish strong relationships or serve their internal or external customers adequately, which would have negative consequences for service quality and customer satisfaction objectives (Giannakis et al., 2015:528,535). Procurement has therefore been suggested as an additional element.

### **3.6 THE IMPORTANCE OF INTERNAL MARKETING AS A DIFFERENTIATING STRATEGY TO SECURE SERVICE QUALITY AND CUSTOMER SATISFACTION**

Customer-facing banking employees in Oman such as customer consultants, tellers, relationship managers and call centre operators, face the daily challenge of delivering value for the customer. This is characterised by time pressures, unpredictability over the work load, and the reliance on internal suppliers for information and materials. In this kind of setting, employee knowledge is a major driver in improving the internal and external service experience (Mura et al., 2017:1223). In order for knowledge to flow, strong internal relationships are required between internal suppliers and internal customers. It is well understood that internal marketing is regarded as a relationship marketing strategy, in the sense that it concentrates on the development of relationships between employees across internal organisational boundaries. In this process, employee autonomy and know-how are combined to generate and share organisational knowledge, allowing the organisation to create superior levels of internal service quality. Healthy, well-functioning internal relationships are a prerequisite for healthy, well-functioning external relationships and external service quality (Darzi & Bhat, 2018:664; Tsachouridi & Nikandrou, 2016:1340-1344).

Further to this, internal marketing focuses on treating employees with the same level of importance as customers, in order to achieve both the internal and external marketing objectives (Mbengo & Chinakidzwa, 2014:193). In this way, employees feel cared for by organisations, which results in increased levels of trust, employee satisfaction and more positive attitudes towards their work, such as increased affective commitment and loyalty (Wu & Lee, 2017:614; Oparaocho, 2016:540). More satisfied and committed employees contribute to improved service quality, stronger financial performance and profitability. As a result of reduced attrition costs due to stronger employee-customer relationships, sales volumes can be increased and operating efficiencies improved (Becker, 2018). One of the most important factors contributing to organisational success is customer satisfaction. The more satisfied the customer is, the more durable the relationship, meaning that customers are more effectively retained (Boukis et al., 2017:398).

Customer retention is a key issue for retail banks in Oman looking to improve profitability and establish a sustainable competitive advantage. The longer customers are retained, the stronger the benefits in terms of a sustained income stream. This is due to more effective cross-selling of banking products, which relates to the number of products held by one customer leading to higher net present value of customers (Maki, 2018). Further to this, satisfied customers become advocates of the bank and actively promote the organisation to friends and family. This constitutes improved customer feedback and positive word-of-mouth publicity, which in turn results in better revenues, profit and cash flow; influencing the organisation's stock price and market valuation (Du Toit & Burns, 2017). Given that satisfied employees make satisfied customers, the satisfaction and retention of talented employees create a secure and experienced internal market that wants to reward the organisation through the delivery of higher service quality to customers at a lower cost. The result is greater customer satisfaction, retention and profitability (Grace et al., 2017:127; Oparaocho, 2016:540).

Thus, internal marketing is the driver for the development of internal relationships (the Relationship Marketing Theory) and high levels of internal relationship quality (the Social Exchange Theory), which in turn results in higher levels of service quality and customer satisfaction. A prolific body of literature in services marketing, operations and psychology has studied the relationships between employees and customers where the most acknowledged contribution is the service profit chain (Myrden & Kelloway, 2015:585-586). Chapter 4, section, 4.5.1 will utilise the service profit chain framework to provide strong linkages between the internal marketing mix and employee satisfaction, which in turn drives



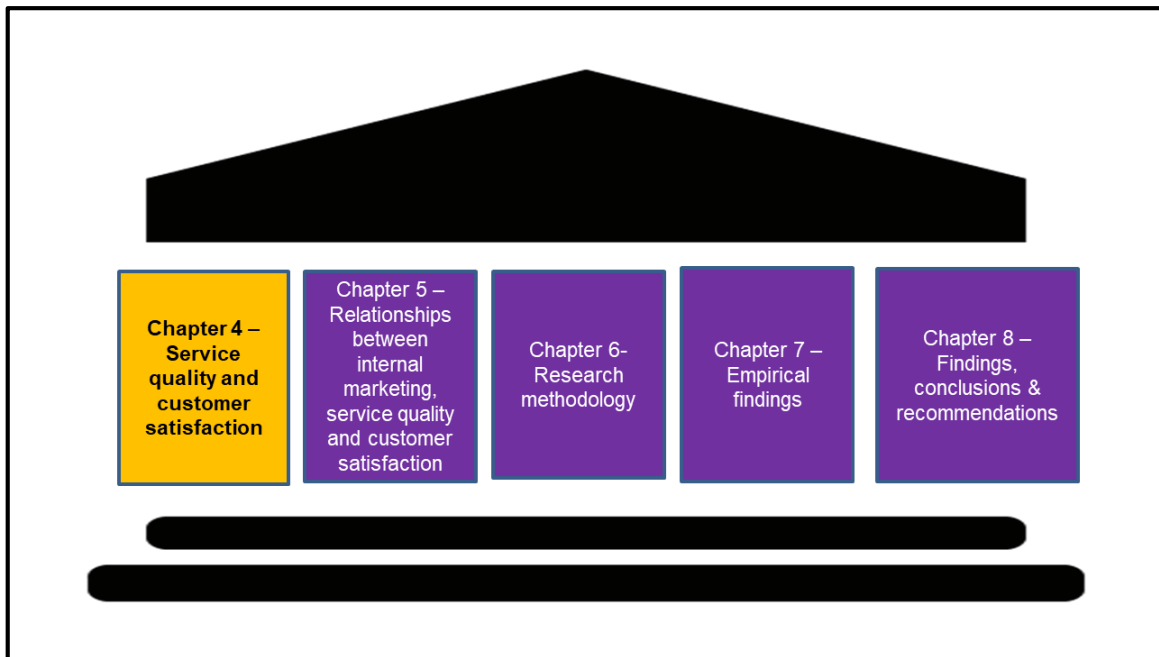
internal service quality. Internal service quality evolves into external service quality, which is regarded as the catalyst for customer satisfaction and eventually profitability.

### **3.7 CONCLUSION**

As marketing has evolved from consumer goods marketing to relationship marketing and thinking has shifted from share of wallet to share of heart, the development and success of strong relationships with customers hinges on the strength of internal relationships between internal customers and internal suppliers (Sheth, 2017:9). The Relationship Marketing Theory dictates that knowledge transfer and the development of spontaneous communities are crucial in improving the organisation's response capability needed in the management of relationships. The Social Exchange Theory specifies the importance of reciprocal exchange required to produce the outcomes of relationship quality, namely satisfaction, trust and commitment (refer to section 3.4.1 and 3.4.2 of this section). Chapter 3 highlighted how internal marketing can be used by retail banks in Oman as a relationship management strategy and strategy to enhance social exchange. The internal marketing mix is used as a mechanism to create value for employees which supports improved internal relationships and internal service quality. This results in satisfied employees who are engaged, productive, knowledgeable and enabled to serve internal customers well. These employees are then more motivated to improve external service quality, resulting in delighted customers (Loots, 2017). Chapter 4 investigates the concepts of service quality and customer satisfaction in greater depth, and the linkages between internal marketing and these two concepts are further explored.

## CHAPTER 4

### SERVICE QUALITY AND CUSTOMER SATISFACTION



#### 4.1 INTRODUCTION

Chapter 3 emphasised the significance of internal marketing and the need for an internal marketing mix to enable employees to deliver superior levels of service quality and customer satisfaction. Chapter 4 discusses the concepts of service quality and customer satisfaction as the desired results in the study's framework in greater detail.

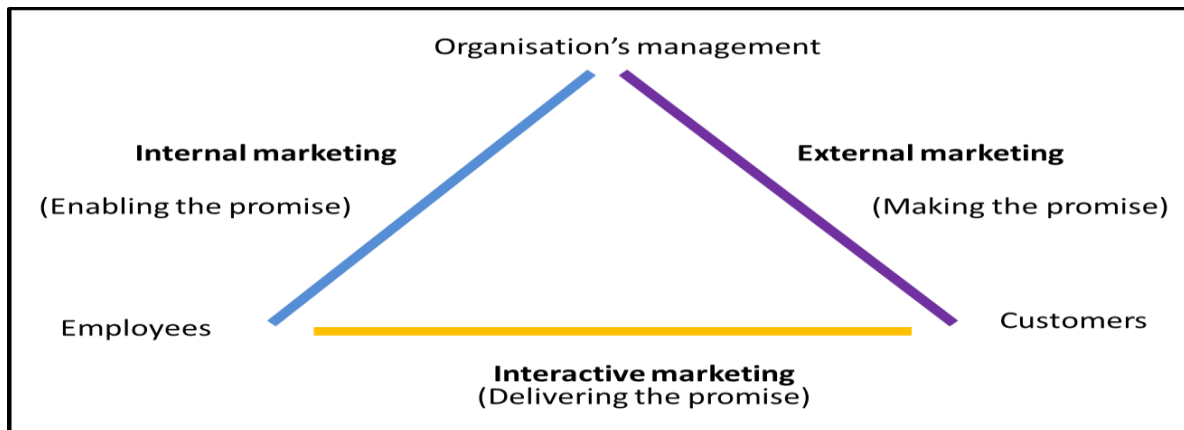
Since the 1980s, most academic and managerial practices have focused on understanding service quality, what it means to customers, and how service quality strategies can be developed in order to meet customer expectations. Although the movement has included other reconfigurations of customer satisfaction, such as customer experience, the highest priority in business still remains the understanding of the impact of service quality on customer satisfaction, profitability and other financial outcomes of the organisation (Rasheed & Abadi, 2014: 229). Although closely related, the concepts of service quality and customer satisfaction are distinct, where service quality is defined as a global judgment or attitude relating to the superiority of the service. On the other hand, customer satisfaction is related to a specific transaction or series of transactions and is described as an evaluation of an emotion; meaning that customers assess service in terms of the degree to which they believe it will result in happy feelings (Mohd- Shariff, 2013:19).

Within retail banking, customers' perceived service quality still remains vitally important, specifically as a way to create a differentiation strategy (Rasheed & Abadi, 2014: 229- 230). According to the Relationship Marketing Theory and the Social Exchange Theory (refer to Chapter 3, section 3.4.1), the greater the interaction between the service provider and the customer, the greater the level of satisfaction experienced by customers (Deloitte, 2015). The external experience and level of quality delivered are therefore dependent on the internal experience and level of internal quality delivered. This calls for an internal marketing approach in which employees represent one of the primary markets of the organisation, and there is an established understanding that by satisfying employee needs, higher levels of internal service quality can be established, resulting in external service quality (Mirahmadi & Akbari, 2017:507). For this reason, service quality is viewed as the most important contributor to customer satisfaction and hence, the intervening variable in the study. This chapter focuses on the concepts of service quality and customer satisfaction in more depth, noting how the internal marketing mix elements enable superior levels of service quality and customer satisfaction.

## **4.2 THE IMPORTANCE OF INTERNAL AND EXTERNAL MARKET ALIGNMENT AND THE INTERACTION BETWEEN THE TWO IN THE ACHIEVEMENT OF SERVICE QUALITY AND CUSTOMER SATISFACTION OBJECTIVES**

The services marketing triangle has been used to position this discussion, as it provides a representation of the relationship between the internal market (employees), the organisation and the external market (customers), and how these stakeholders work together to develop and deliver superior service (Anderson & Smith, 2017:238). The services triangle was first developed by Calomiris (1986) and later modified by Bitner (1994) and Grönroos (1999). The framework also distinguishes between the three marketing processes of external marketing, internal marketing and interactive marketing, in order to deliver superior service (Pinar et al., 2016:532). As illustrated in Figure 4.1, the three points of the triangle represent the organisation's management, external customers and employees (Zeithaml et al., 2012:356). Between each of the three points of the triangle, different marketing activities such as external marketing (the activity of making promises), interactive marketing (the activity of fulfilling a promise), and internal marketing (the activity of striving to keep a promise) have to be carried out successfully for internal and external market alignment to occur (Enkhmandakh et al., 2014:4). In this way, stronger relationships in banks are developed both internally and externally, resulting in higher levels of internal and external

service quality and satisfaction (Anderson & Smith, 2017:238). Each of the elements of the services triangle and their relevance to banking is discussed next.



**Figure 4.1: The Services Marketing Triangle**

Source: Zeithaml, Bitner and Gremler (2013:356)

#### 4.2.1 External marketing

External marketing consists of the promises banks make to their customers and how these promises will be fulfilled through the delivery of their offerings (Zeithaml et al., 2012:355-356). To provide a service that meets customer expectations, the bank must first understand the needs of the customer. These needs must then be translated into operational elements such as responsiveness, reliability, empathy, assurance and the physical appearance of the service facilities (Asadabadi, 2016:1063). By carefully segmenting and targeting customers, banks are able to align their capabilities and strengths in accordance with customer needs (Trevor & Varcoe, 2017). In this way, customers perceive the service offering to be superior and value what their bank has to offer, resulting in satisfaction. Omani banks that are able to provide a superior service and customer experience enhance their value proposition, and in turn augment their competitive position in the market. Value is thus not only determined through the service provided, but also by the value created as perceived by the bank's customers (Pinar et al., 2016:532-533).

#### 4.2.2 Interactive marketing

Interactive marketing relates to the keeping of promises made to customers, such as the delivery of service quality. It is often referred to as the service encounter or customer experience touchpoint, as it involves the interaction between the employee and the customer (Voorhees et al., 2017:270). In order to meet customer expectations created

through the external marketing strategy, the bank must create value through the provision of resources, processes, people, systems and infrastructure. Customers themselves must be equipped to use the products, services, information and manage systems and infrastructure in a value-adding way (Raddats et al., 2017:384,386). Value creation and the development of value propositions contribute to service excellence where customer satisfaction therefore becomes the obligation of several functions in the bank, and no longer the sole responsibility of the marketing department. The role of marketing in this respect is to help the bank co-create value propositions with all business partners, with the view of enhancing total value for the organisation (Lusch & Nambisan, 2015:160). Thus, delivering on the brand promise is the responsibility of all employees across all levels and functions within the bank. For this reason, every employee must understand the bank's purpose and key strategic objectives (Pinar et al., 2016:544). Further to this, if communicated well, employees develop an emotional attachment to the brand, motivating them to serve as brand ambassadors. This in turn contributes to the employees' performance during the service encounter, enabling employees to deliver on the brand promise through the provision of service quality and ultimately, customer satisfaction (Du Preez et al., 2017:252).

#### **4.2.3 Internal marketing**

Internal marketing is based on the assumption that employee satisfaction and customer satisfaction are interlinked, where internal marketing must therefore pave the way for external marketing. Since employees are viewed as the brand in the eyes of the customer, they have the power to create value and influence customer satisfaction through the service encounter (Pinar et al., 2016:529). The Stakeholder Management Theory, which focuses on the importance of all stakeholder groups, such as customers, employees and shareholders, states that employees are just as important as customers (refer to Chapter 5, section 5.3). As a result, an equal amount of focus is required for the employee market as it is for the customer market (Ozuem et al., 2018:357). Internal marketing is concerned with attracting quality employees and improving employee satisfaction, with the objective of improving external marketing success. The focus of internal marketing in this respect is to ensure that the needs of employees are satisfied, by providing value to the employee-organisation relationship throughout the employee lifecycle (Du Preez et al., 2017:252; Qayum & Sahaf, 2013:51). Further to this, internal marketing is vital in developing an environment focused on providing internal quality within the internal supplier-customer value chain. In this way, employees are enabled to deliver on promises made through the bank's external marketing strategy, viz. service quality and customer satisfaction, thereby linking the three points of the triangle, namely external, internal and interactive marketing.

For internal marketing to succeed in this respect, an internal marketing mix is required (Sharma et al., 2016a:225; Enkhmandakh et al., 2014:4). The internal marketing mix is a set of interrelated elements used to both satisfy and enable employees to deliver internal service quality, resulting in external service quality and ultimately customer satisfaction (Bailey et al., 2016:823). Hernandez-Diaz et al. (2017:127) argue that the purpose of internal marketing is to create customer-minded employees who are better equipped to deliver on external objectives, namely service quality, and customer satisfaction, and promises made through the external marketing leg of the triangle. Internal marketing has been strongly linked to service quality and customer satisfaction in internal marketing, service quality and customer satisfaction literature (Sohail & Jang, 2017:68; Ghoneim & El-Tabie, 2014; Nsour, 2013). The remainder of the chapter concentrates on understanding the external marketing leg of the triangle and the external marketing objectives of service quality and customer satisfaction. The discussion will focus on these constructs in more depth within the Omani retail-banking context and discuss how the achievement of these objectives and the fulfilment of promises can be facilitated through an internal marketing strategy. The concept of service quality is discussed next.

#### **4.3 UNDERSTANDING SERVICE QUALITY AND THE RELEVANCE OF SERVICE QUALITY TO BANKS IN OMAN**

Over the last decade, due to regulatory, structural and technological changes in Oman, the retail banking system as a whole has been transformed. Transformations have included service proliferation, increased investor interest-sensitivity, the enablement of institutional consolidation, and geographic expansion and convergence. All these changes have resulted in an intensely competitive environment (Becker, 2018; International Chamber of Commerce, 2017). Within such a competitively complex market, retail banks in Oman need to achieve customer longevity and loyalty, which is only achievable through higher levels of service quality (Maki, 2018). Service quality is vital to the survival of banks and to their competitive position in the market. Higher levels of service quality in banking create greater cross-sell opportunities, help attract new customers and assist in the development of stronger relationships with existing customers (Yu et al., 2015:492; Zameer et al., 2015: 443-444). All of this results in higher customer retention rates, which in turn increases sales revenue and market share (Rasheed & Abadi, 2014:299). In addition to this, higher levels of service quality in banking reduce costs due to lower error rates, which in turn contributes to increased profitability and organisational performance (Sahi et al., 2017:20; Selvakumar, 2015:2). Thus, through a focus on service quality, banks are able to differentiate themselves, which further enhances their brand and corporate image and creates a

sustainable competitive position in the market (Abu Saleh et al., 2017:879). It is essential therefore that banks have a thorough understanding of what service quality entails.

Definitions of service quality vary from person to person and from one situation to the next, but generally the definition centres around the customers' perception of whether the perceived service delivery has met, exceeded or failed customer expectations. Table 4.1 puts forward some definitions of service quality.

**Table 4.1: Service quality definitions**

Author	Definition	Generic elements
Dauda and Lee (2017:842)	Service quality is defined as a customer's overall evaluation of the relative inferiority/superiority of an organisation and its services.	Overall evaluation, inferiority or superiority
Londono et al.(2017)	Service quality relates to the customer's overall perception of overall service excellence offered by the organisation.	Perception of service excellence
Rubogora (2017:3)	Service quality is a form of an attitude, related to, but not equivalent to satisfaction as a result of an evaluation of the service performance.	Attitude, evaluation of service performance
Abu Saleh et al. (2017:880)	Service quality is defined as a global judgment, or attitude, relating to the superiority of the service.	Global judgement, attitude, superiority of service
Lu et al. (2015:170)	Service quality is an overall evaluation of the services and satisfaction concerned with the overall evaluation of the experience with the service encounter.	Overall evaluation of experience with service encounter
Zameer et al. (2015:444)	Service quality refers to the percentage difference between the customers' expectation and the nature of the experience after utilising the service.	Difference in expectation and experience

Source: Author's own construct

The generic elements of service quality emerging from the definitions above are discussed in more detail next.

- Overall evaluation, global judgement or attitude

Attitude refers to the feelings and emotions deduced as result of exposure to stimuli. A stimulus refers to a unit of input for example packaging, brand names, and/or a friendly encounter with employees. (Ebrahim, 2013:17). Attitude is the result of positive or negative emotion, which occurs as a result of exposure to a service encounter. Judgement refers to the assessment of individuals' behaviour, including a person's degree of capability and reliability. The result of this is either praise or condemnation (Prentice, 2013:51-52; Zhao et al., 2013:218-219). Customers judge service employee behaviour during the service experience and if satisfied, assign praise, which results in positive feelings and a positive image of the organisation (Schepers & Nijssen, 2018:236-237). Overall evaluation refers to the customers assessment of the overall experience and is the result of both their attitude and judgement towards the service experience (Voorhees et al., 2017:269, Lu et al., 2015: 170).

- Expectation of service experience

Expectation refers to the customer's beliefs that a service will perform according to the desired standard against which it will be judged and is fundamentally that which the customer expects from the organisation and its services (Ghasemi & Moghadam, 2016:2108; Awoke, 2015:146).

- Perception of service experience

Perception relates to the process by which customers select, organise, and interpret stimuli into a meaningful picture of the world. Customers make a number of observations with regard to stimuli and then formulate a perception of the organisation. Customers perceive service in terms of the quality provided by the employees with whom they interact, and the level of satisfaction they feel as a result of the service encounter. Customer perception is often the result of the customers' assessment of the service performance against their expectations (Zameer et al., 2015:444).

- Superiority and inferiority

If customers perceive a service experience to be value adding, they experience satisfaction referring to a feeling of pleasure and delight (Landahl, 2015:19). As a result, they perceive the experience and level of quality provided to be superior. Likewise, should a service process not perform well, customers experience feelings of disappointment and dissatisfaction. Perceived service quality, in this instance, is considered to be inferior (Awoke, 2015:146).



For the purpose of this study, service quality is defined as an attitude and judgement relating to the perceived superiority of the service experienced during the service encounter.

There is general consensus amongst researchers and practitioners that service quality in retail banking is an elusive and abstract concept that is difficult to define and measure (Landahl, 2015:18-19). It is further compounded by cultural and context-specific issues, which makes the formulation of a standard scale problematic (Gera, 2018). Since service quality is the precursor of customer satisfaction and a multidimensional construct, attention must therefore be given to the specific dimensions of service quality, which have the strongest influence on customer satisfaction (Hamzah et al., 2017:786; Culiberg & Rojsek, 2010:152). The dimensions utilised in this study include assurance, reliability, tangibles, empathy and responsiveness as part of the SERVPERF model. The rationale for the choice of the service model and service quality dimensions is discussed in more detail in the following section.

#### 4.3.1 Banking-specific service quality models and scales

The difficulty in defining and conceptualising service quality as a concept has compelled researchers to develop various models in order to better understand this construct (Sumaedi, 2016:1010). This section briefly reviews some of the more dominant service quality models and scales as laid out in Table 4.2, and assesses which model would be most appropriate for the banking sector.

**Table 4.2: Dominant service quality models in banking**

Service quality model	Author	Dominant aspects	Limitations
<b>Grönroos model</b>	Grönroos (1984)	The model focuses on three components, namely technical quality (referring to the technical aspects of service delivery), functional quality (referring to the manner in which the service is delivered),	Although the model holds value conceptually and does provide an overview of factors influencing service quality, the model was considered to be ineffective from a banking point of view. The reason cited is that it lacks operationalisation, making

Service quality model	Author	Dominant aspects	Limitations
		and corporate image (referring to the overall perception of the bank) (Abu Bakar et al., 2017:665; Singh, 2017:473; Bakti & Sumaedi, 2015:537).	it ineffective from a practical point of view (Polyakova & Mirza, 2015:64).
<b>The Attribute Model</b>	Haywood-Farmer (1988)	The model suggests that service quality is perceived to be high when a bank consistently meets customers' preferences and expectations (Shalini & Duggal, 2015:3). The attribute model proposes that services have three basic attributes, namely: physical facilities and processes, employee behaviour and professional judgement.	This model was not considered effective in measuring service quality in the banking industry, as it does not provide a practical procedure capable of helping management identify service quality problems or a means of improving service quality (Harmse, 2012:105). The proposed model does not provide any information about the measurement scale (Jain, 2015:133).
<b>Tri-component Model</b>	Rust and Oliver (1994)	The model focuses on the internal environment and the relationships that exist between service quality, service value and customer satisfaction (Singh, 2017:475).	Although there was support for models such as this in retail banking, evidence for the practical application of this model from a banking perspective is limited. Hence it is not a great fit for retail banking, but did enhance further models and provided a deeper theoretical understanding of the service quality concept (Singh, 2017:475;

Service quality model	Author	Dominant aspects	Limitations
			(Polyakova & Mirza, 2015:67).
<b>The GAP Model</b>	Parasuraman, Zeithaml and Berry (1985)	The underlying principle of the GAP model is that service quality is the result of a comparison of two variables, namely: what customers expect from the service, and the customers' perception of what is actually delivered (Shalini & Duggal, 2015:2). The interaction between the customer and banking employees becomes pivotal in the achievement of service quality perceptions (Khalaf & Khoureshed, 2017:628).	The GAP model lead to ambiguity between the two concepts: Service quality and customer satisfaction (Ladhari, 2008). Customers do not use expectations to evaluate services as there is no reasonable tool to measure expectations (Buttle, 1996; Cronin & Taylor, 1992) Jain (2015:133) contended that the model is based on a disconfirmation model, rather than an attitudinal model.
<b>SERVQUAL Model</b>	Parasurman et al. (1985)	The GAP Model was further delineated and the scale was adapted to include only five service quality dimensions, namely assurance, reliability, tangibles, empathy and responsiveness (Yarimoglu, 2014:83).	Customers do not use expectations to evaluate services as there is no reasonable tool to measure expectations. (Buttle, 1995). The biggest concern lies with the measurement of expectations. Measuring expectations is deemed unnecessary by critics who believe that the measurement of perception should be enough (Sumaedi, Yarmen & Bakti,

Service quality model	Author	Dominant aspects	Limitations
			2016:1010; Wu, Tsai & Chen, 2015:227) The SERVQUAL model focuses on the process of service, rather than on the outcome of service (Jain, 2015:133).
<b>SERVPERF Model</b>	Cronin and Taylor (1992)	The SERVPERF model views service quality as an evaluation of the perceptions of the service only (there is no comparison with expectations) (Fragoso & Espinoza, 2017: 1300).	The research is based on the perceptions of only three organisational types. The study is based on the data gathered at a particular point in time only. The sample is skewed. (Jain, 2015:133).

Source: Author's own construct

Since the study is focused on the banking sector, the models and scales were considered with regard to which one would be the most appropriate for the study at hand. SERVQUAL and SERVPERF are the most commonly used service quality models in both conventional and Islamic banking (Kant & Jaiswal, 2017; Taap et al., 2011; Yap & Sweeney, 2007; Yavas et al. 2004; Gounaris, Stathakopoulos & Athanassopoulos, 2003; Lassar, Manolis & Winsor 2000; Angur, Nataraajan & Jahera 1999; Athanassopoulos, 1997). The SERVPERF model, however, has been selected as the model of choice for this study for the following reasons:

- Cronin and Taylor (1992) and Brady et al. (2002) confirmed that SERVPERF is the most superior amongst all the service quality models and it provides an excellent fit for banking (Yarimoglu, 2014:86).
- In banking studies, the SERVPERF scale shows stronger correlation with independent variables, more than any other scale (Korda & Snoj, 2018; Babakus & Bollen, 1992).
- The SERVPERF model appears to have a better ability of explaining variation in customer satisfaction and a greater predictive power than SERVQUAL in the banking sector (Khalaf & Khourshed, 2017:629; Brady et al., 2002; Cronin & Taylor, 1992).

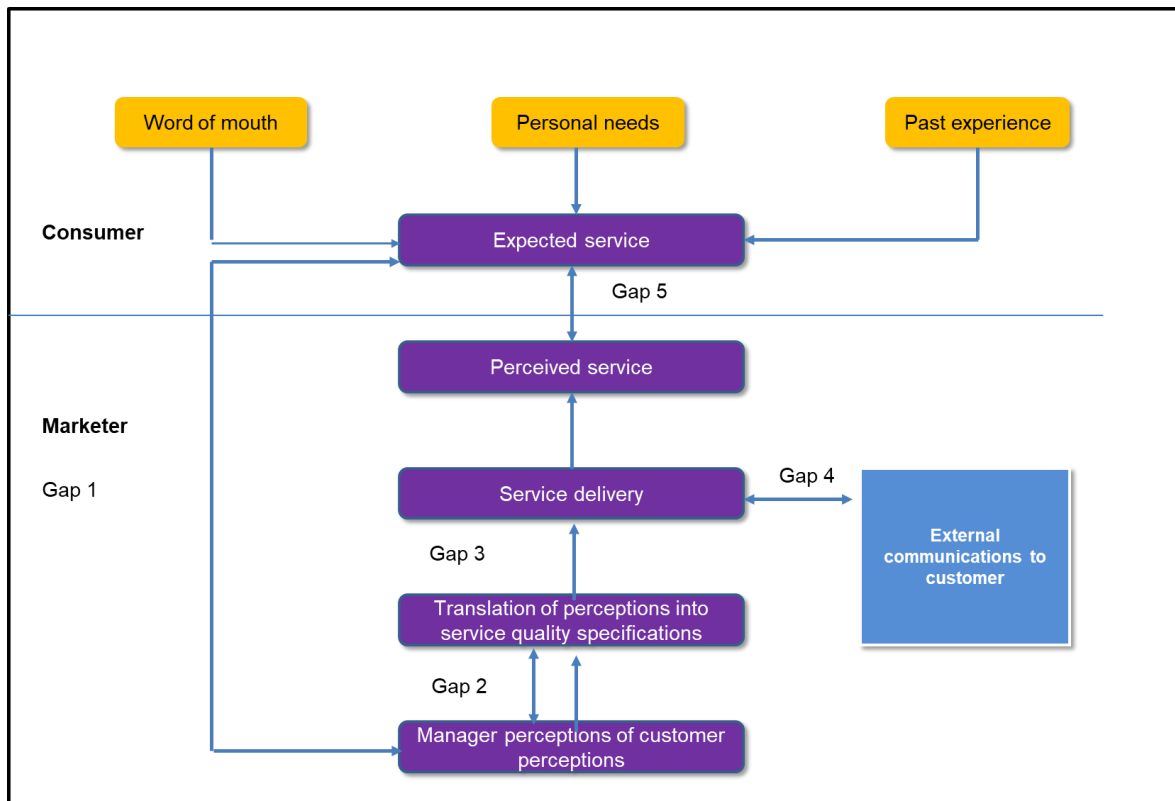
To fully understand the SERVPERF model, it is necessary to have an understanding of how the model was developed and why the service quality dimensions of assurance, reliability, tangibles, empathy and responsiveness have been selected as the service quality measures (refer to section 4.3.1.1.) The following section discusses the evolution of the SERVPERF model in more detail.

#### **4.3.1.1 The evolution of the SERVPERF model**

The SERVPERF model has its origins in the Parasuraman et al.'s (1985) body of work and the American school of thought on service quality. Parasuraman et al. (1985) initially developed the GAP model of service quality in which the focus was given to the gaps between customer expectation and customer perception (Narteh, 2018:70). This model was later modified to the SERVQUAL model of service quality, recognised as a more refined version of the GAP model which incorporated the five dimensions of service quality, namely assurance, reliability, tangibles, empathy and responsiveness (Ramanathan, Win & Wien, 2018:1939). The SERVQUAL model later evolved into the SERVPERF model, which took a performance-only view on service quality, meaning that the assessment of expectation was removed from the model. The evolution from the GAP model to the SERVQUAL model, and eventually to the SERVPERF model, is discussed next.

##### **i) The GAP Model (Parasuraman et al., 1985)**

The underlying principle of the GAP Model is that service quality is the result of a comparison of two variables, namely what customers expect from the service and the customers' perception of what is actually delivered (Shalini & Duggal, 2015:2). For instance, if the customer expects a current account to be opened in three working days and it takes a week to do so, the result is a gap between what was expected and what was delivered. This gap creates the perception of poor service quality, which evolves into feelings of dissatisfaction. The interaction between the customer and banking employees is therefore pivotal in the achievement of the outcome (Khalaf & Khourshed, 2017:628). When employees are attuned to customer needs, and understand how a superior service experience can be created, they are able to close or minimise the potential gaps. Figure 4.2 provides a diagram of the GAP model with emphasis on the specific gaps which could play out during service encounters with customers.



**Figure 4.2: GAP Model**

Source: Yarimoglu (2014:82)

Parasuraman et al. (1985) suggested that five gaps exist between what customers expect and the employees' ability to meet these expectations. The model applies well to banking as a service organisation, in which customers expect a certain level of service delivery from their bank, and employees should be enabled through various elements to provide the level of service expected (Muthoni & Otieno, 2014:277).

- Gap 1: Customer expectation – management perception gap

This gap communicates the inconsistencies between customer expectations and what management perceives those expectations to be (Shalini & Duggal, 2015:2). Banking managers in Oman may not fully understand what attributes the service needs to have in order to meet customer needs. This may result in a lack of feedback from employees to upper management and insufficient research about customer needs. As a result, the customers' perception of service quality is impacted (Chang, 2017).

- Gap 2: Management perceptions – service quality: specification gap

This gap relates to the difference between what management believes customers want and the design of service specifications to meet these needs (Tan, Chew & Hamid., 2017:361). The cause of this gap within Omani banking may be due to poor service design in terms of

processes and standards, resource constraints and a lack of management commitment to service quality. All of these impact customers' perception of service quality (Chang, 2018).

- Gap 3: Service quality specifications – service: The delivery gap

This gap concerns the difference between the actual service delivered by employees and the standards established by the organisation (Tan et al., 2017:361). The cause of this gap within banks in Oman may be due to the recruitment of incorrect employees, role ambiguity, poor job fit and training, insufficient reward systems, structure issues, poor internal communications, poor internal relationships, internal political struggles and process issues. All of these increase anxiety among employees delivering the service (Al Kharusi, 2018; Chang, 2018). Further to this, employee variability will impact adherence to formal standards and specifications, which will impact the customers' perception of service quality (Muthoni & Otieno, 2014:278).

- Gap 4: Service delivery – external: The communications gap

This gap relates to the discrepancy between promises made by the organisation and the actual performance of the service (Tan et al., 2017:361). In this instance, employees are unwilling or unable to perform the service at the desired level (Muthoni & Otieno, 2014:278). This gap within banking in Oman may be due to ineffective external communications, ineffective management of customer expectations, overpromising or a lack of inter-functional coordination between departments in the bank. All of these affect customer perceptions of service quality (Chang, 2017).

- Gap 5: Expected service – perceived service gap: The perception gap

This gap is regarded as the most important and is seen as a function of the first four gaps. This means that when all the gaps have been closed, customers' perception of service quality exceeds their expectation. This gap relates to the discrepancy between customer perception and service expectation (Tan et al., 2017:361). Banks in Oman need to manage this gap through marketing activities such as advertising, personal selling and promotions, and by ensuring that what is promised, is delivered to customers (Ghasemi & Moghadam, 2016:2020). If what is delivered matches what is promised through the external marketing strategy, customers perceive quality and experience satisfaction and fulfilment (Chang, 2017).

In order to achieve service quality success, it is therefore essential that the first four gaps (Gaps 1-4) be closed in order to close Gap 5. Ghasemi and Moghadam (2016:2020) believe

that in order for retail banks to manage service quality, it is important to manage the gaps that exist between expectations and perceptions on the part of the organisation, its employees and its customers (Selim, Islam & Mohiuddin, 2017). In order to better manage the gaps, managers must have a good understanding of service quality as a multi-dimensional construct and the dimensions underpinning this. Parasuraman et al. (1988) initially identified ten key service dimensions for the GAP model illustrated in Table 4.3 (Awoke, 2015:147). The authors believed that the ten dimensions identified could be used by banking customers to assess evidence of service quality. The ten dimensions served as the basic structure from which the five SERVQUAL dimensions were derived, and are discussed in more detail in section 4.3.1.2.

**Table 4.3: Determinants of service quality**

<b>Determinate</b>	<b>Explanation of variable</b>
<b>Tangibility</b>	Appearance of physical facilities and personnel
<b>Reliability</b>	Performing services right the first time
<b>Responsiveness</b>	Willingness and ability to provide prompt service
<b>Communication</b>	Explaining service to customers in a language they can understand
<b>Credibility</b>	Trustworthiness of customer-contact personnel
<b>Security</b>	Confidentiality of transactions
<b>Competence</b>	Knowledge and skill of customer-contact personnel
<b>Courtesy</b>	Friendliness of customer-contact personnel
<b>Understanding /knowing your customer</b>	Making an effort to ascertain a customer's specific requirements
<b>Access</b>	Ease of contacting service

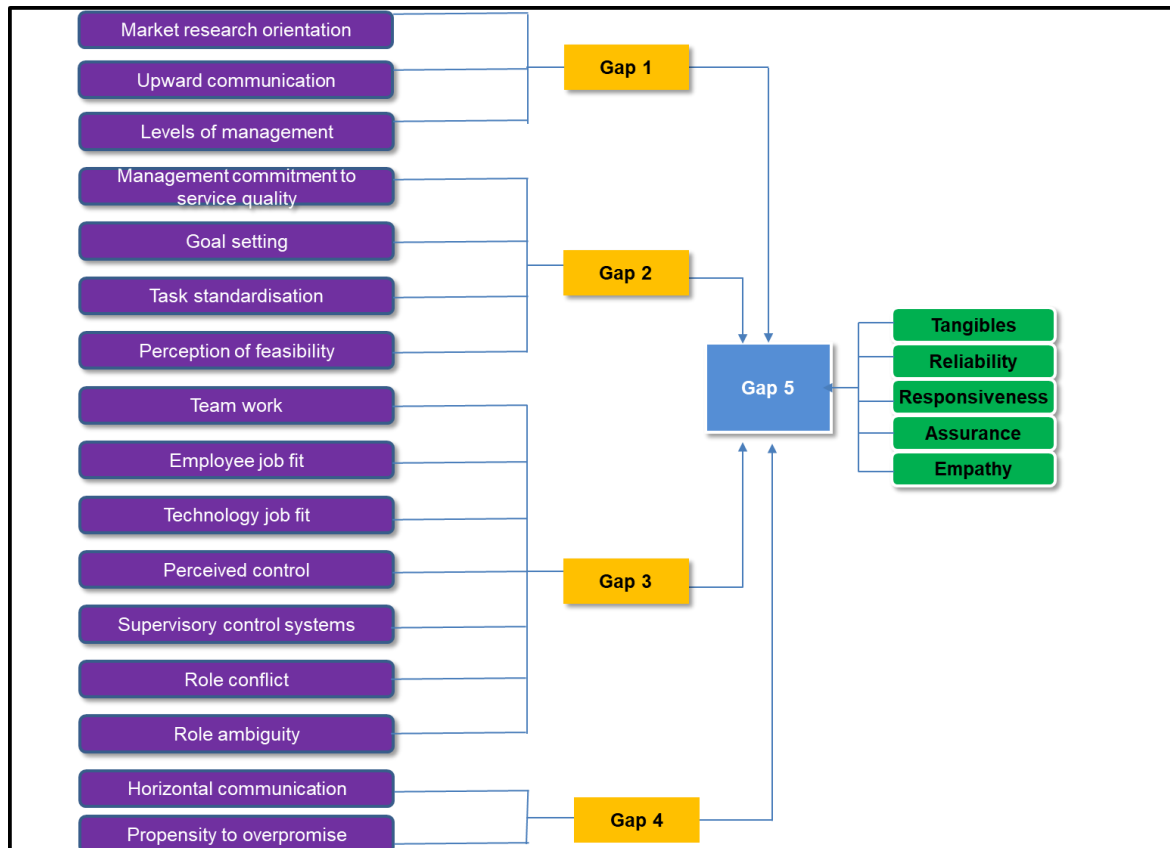
Source: Awoke (2015:147)

Parasuraman et al. (1985) later refined their research and developed a modified version of the scale named SERVQUAL, which will be discussed in greater detail in the following section (Ramanathan et al., 2018:1939).



## ii) The SERVQUAL model

SERVQUAL is notably the most widely used service quality model across service industries but specifically within the banking sector and is regarded as a more sophisticated version of the gap model (Narteh, 2018:70). Refer to Figure 4.3.



**Figure 4.3: The SERVQUAL model**

Source: Sangeetha (2015:88)

The model still makes use of the gap approach, in which customers compare their perceptions of service with their expectations. The four gaps however were further delineated and the scale was adapted to include only five service quality dimensions which encapsulated the original ten dimensions proposed (Selim et al., 2017). These five dimensions were identified as reliability, assurance, tangibles, empathy and responsiveness, discussed in more detail next (Famiyeh, Asante-Darko & Kwarteng, 2018:264; Wu, Tsai & Chen, 2015:227). Researchers in the field of services marketing and banking studies have proven that a strong fit exists between the five SERVQUAL dimensions and the retail banking environment, both within conventional and Islamic banking (Narteh, 2018:70; Rubogora, 2017; Ali & Zhou, 2013; Kumar et al., 2010; Amin & Isa, 2008; Guo, Duff & Hair, 2008; Dusuki & Abdullah, 2007; Lopez, Hart, & Rampersad,

2007; Jabnoun & Khalifa, 2005). Each of these five elements and their relevance to the Oman retail banking sector are discussed in more detail next.

- Reliability

Reliability refers to the ability to perform the promised services dependably, accurately and consistently within the desired timeframe (Fragoso & Espinoza, 2017:1298-1299; Marković Dorčić & Katušić, 2015:210; Adil, Al Ghaswyneh & Albkour, 2013:67). Reliability refers to a retail bank's ability to perform service correctly, the first time (Wu et al., 2015:227). Within retail banks in Oman, factors such as the placement of ATM machines in secure areas is key, whilst ensuring that ATMs are in constant working order. Reliability pertains to access to the Internet site, as well as to ensuring that the website has minimal downtime which could severely affect both personal and business transactions. Further to this, it requires that employees have the necessary skills for taking action when problems arise and it relates to the bank's ability to provide good service at a reasonable cost while maintaining quality (Gera, 2018). If banks in Oman are not able to deliver on promises made, customers may be enticed to seek out competitor offerings (Zameer, 2016:444-445).

- Assurance

Assurance relates to the level of employee knowledge and professionalism, as well as the level of confidence banking employees project when dealing with customers (Fragoso & Espinoza, 2017:1298-1299; Marković et al., 2015:210; Adil et al., 2013:67). When for example applying for a home loan through an Omani bank, the customer must feel assured that the employee understands the product well and can answer any questions relating to the servicing of the loan. Assurance also encompasses compliance, which forms the philosophical foundation of Islamic banking, and many Islamic banking customers give special consideration to this dimension when selecting a bank (Badara et al., 2013:7). Compliance in this respect relates to the adherence to Sharia law, meaning that the Islamic banking principles such as no-interest are being upheld. Women are provided with special services and waiting areas and equality is upheld in all dealings with the bank (Amirzadeh & Shoorvarzy, 2013:70). From an Omani retail banking perspective, assurance is communicated through respect for cultural norms, and well-trained, service-orientated employees who are able to make customers feel safe and instil confidence and trust through their attitudes and behaviour during service encounters (Selim et al., 2017).

- Tangibles

Tangibles relate to the appearance of the bank's physical facilities, the use of modern equipment, well-presented employees and printed marketing materials (Fragoso & Espinoza, 2017:1298-1299; Marković et al., 2015:210; Adil et al., 2013:67). Within Omani banks, factors such as the usage of innovative technology such as tablets and digital screens in branches inform customers that banks are on par with technological trends. Making use of digital channels and modern equipment helps instil confidence in the bank (Wu et al., 2015:227; Mohd- Shariff, 2013:24). Customer-facing banking employees who are well dressed appear to be more sophisticated and professional. Within Oman, cultural norms come into play in the work environment. Omani employees are expected to dress according to the cultural code. For instance, Omani women are expected to wear an *abaya* and the *hijab* (head scarf), Omani men are expected to wear a *dishdasha* and a *kuma* (cap), which may be worn with a *massar* (a woollen turban) (A Mughairi, 2018). Expat men are expected to wear a suit and tie and expat women have a choice of business attire, but must have their shoulders, knees and chest area covered at all times. Furthermore, superior marketing material used in branches and through the bank's website communicates the level of professionalism and helps to instil feelings of trust (Wu et al., 2015:227; Mohd- Shariff, 2013:24).

- Empathy

Empathy relates to the genuine concern and care banking employees bestow on customers, as well as the individual attention provided to customers during engagement touch points with employees (Fragoso & Espinoza, 2017:1298-1299; Marković et al., 2015:210). It is important that banking employees in Oman understand the need for an emotional connection with customers and in turn develop this. This is reflected through flexible banking hours and personal attention provided to customers. Furthermore, this involves listening to customer concerns, advising where possible, and finding ways of providing value and assistance to customers during their time of need (Chang, 2017; Qadri, 2015:2).

- Responsiveness

Responsiveness is defined as the willingness to help customers and provide prompt service (Fragoso & Espinoza, 2017:1298-1299; Marković et al., 2015:210; Adil et al., 2013:67). From an Omani retail banking perspective, this involves assisting customers through the provision of timely information, quick transactions and instant confirmations. It relates to short waiting times, whether that be queue management in a branch or transacting with a call centre (Chang, 2017). In addition, responsiveness involves the ability to provide service

within acceptable timelines according to service level agreements, effective communication with customers regarding the status of transactions, and effective service recovery when required (Maki, 2018; Wu et al., 2015:227).

Since its inception, SERVQUAL has received a fair amount of criticism due to the fact that the evaluation of service quality is a complex process (Sumaedi et al., 2016:1010). The biggest concern lies with the measurement of expectations. Measuring expectations is deemed unnecessary by critics who believe that the measurement of perception should be enough. As a result of this weakness in the SERVQUAL model, Cronin and Taylor (1992) introduced an alternative to SERVQUAL known as the SERVPERF model or performance-only model. This model is focused purely on the evaluation of the perceived service experience and has been selected as service quality for the study at hand (Yarimoglu, 2014:86). This model and the reasons for its selection will be discussed in more detail next.

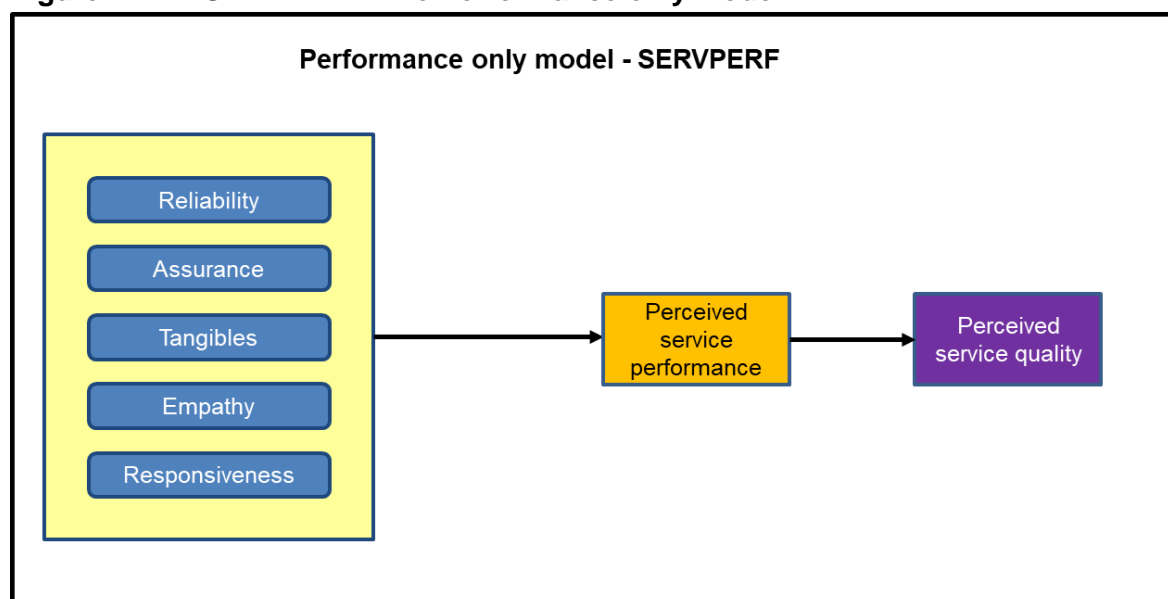
### **iii) The performance only model – SERVPERF**

The SERVPERF model views service quality as an evaluation of the perceptions of the service only (there is no comparison with expectations), i.e. the performance of employees delivering the service (Fragoso & Espinoza, 2017:1300). SERVPERF assumes that respondents provide their ratings by automatically comparing performance perceptions with performance expectations, where measuring expectations directly is unnecessary (Shalini & Duggal, 2015:3; Culiberg & Rojsek, 2010:152). The model still makes use of the SERVQUAL service quality dimensions, namely reliability, assurance, tangibles, empathy and responsiveness (Fragoso & Espinoza, 2017:1300). The model however conveys that performance alone determines service quality and that customer expectation has already been built into this. There is no requirement therefore to measure expectation independently (Yarimoglu, 2014:86).

The SERVPERF model has been selected for the study at hand, since it consistently outperforms all other service models (Fleishman, Johnson & Walker, 2017:99; Adil et al., 2013:69). The reasons include greater measurement reliability and model fit with the banking sector. SERVPERF is considered to be a far more reliable scale for the measurement of service quality in banking. Studies show that performance only scores exhibits greater reliability and validity than difference scores used in SERVQUAL (Landrum, Prybutok, Kappelman, & Zhang, 2008; Carrillat, Jaramillo & Mulki, 2007; Landrum & Prybutok, 2004; Brady, Crosby & Brand, 2002; Babakus & Boller, 1992). This is due to a stronger degree of model fit and due to the fact that SERVPERF explains more of the

variations in an overall measure of service quality than the SERVQUAL scale (Gera, 2018; Machado, Ribeiro & Basto, 2014:268; Adil et al., 2013:69; Moisesescu & Gica, 2013:6-7). SERVPERF is focused on the measurement of attitudes and creates a perception of service quality that leads to satisfaction. Within the SERVQUAL model, satisfaction mediates the effect of prior service quality perceptions. This means that each service encounter generates a revised perception of service quality and this overtime may dilute the influence of expectations. As such, the SERVQUAL model seeks to mediate rather than define customer perceptions of service quality. SERVPERF is thus more beneficial to retail banks which wish to evaluate the overall quality of their services (Fleishman et al., 2017:115). Further to this, the model outperforms all other service quality models within emerging and frontier markets such as Oman (Adil et al., 2013:69). Given the superiority of the SERVPERF model, the study will focus on the SERVPERF scale in terms of the measurement of performance only. Figure 4.4 provides a representation of the performance only model.

**Figure 4.4: SERVPERF- The Performance only model**



Source: Polyakova and Mirza (2015:66)

The dimensions included will comprise the SERVQUAL dimensions and service quality will be viewed from a holistic perspective. Although each dimension will be included as a factor of the construct, the dimensions themselves will not be measured on an individual basis. The service quality construct will be viewed from an employee perspective, where the study aims to understand the extent to which banking employees in Oman feel they have been enabled to provide service quality to customers in order to meet their needs.

Since the chapter is focused on the relationship between service quality and customer satisfaction, Table 4.4 summarises the five dimensions of service quality and their relationship with customer satisfaction. Each service quality dimension has a proven significant positive relationship with customer satisfaction which has been validated through various studies in both conventional and Islamic banking studies as highlighted next.

**Table 4.4: Relationship between service quality dimensions and customer satisfaction in both conventional and Islamic banking studies**

<b>Construct</b>	<b>Relationship with customer satisfaction</b>	<b>Author - conventional banking</b>	<b>Author – Islamic banking</b>
<b>Assurance</b>	Assurance has been shown to have a significant positive relationship with customer satisfaction.	Gera (2018); Thusyanthi and Tharanikaran (2017); Rubogora (2017); Awoke (2015); Selvakumar (2015); Kuara (2013); Banerjee & Sah (2012); Munusamy, Chelliah and Mun (2010); Shanka (2012)	Abu Saleh et al. (2017); Sulieman (2013); Rehman (2012); Ladhari et al. (2011); Lo, Rahim, Osman and, Ramayah (2010)
<b>Reliability</b>	Reliability has been shown to have a significant positive relationship with customer satisfaction.	Gera (2018); Fragoso & Espinoza (2017); Rubogora, (2017); Awoke (2015); Hamzah et al. (2015); El Saghier and Nathan (2013); Kuara (2013); Shanka (2012)	Abu Saleh et al. (2017); Al-Azzam (2015); Kumar, Fong and Charles (2010); Jabnoun and Khalifa, (2005), Arasli, Smadi and Katircioglu (2005)
<b>Tangibles</b>	Tangibles have been shown to have a significant positive relationship with customer satisfaction.	Gera (2018); Fragoso and Espinoza (2017); Selvakumar (2015); Karim and Chowdhury (2014); Sanjuq (2014); Lau et al. (2013); Mohd-Shariff (2013);	Abu Saleh et al. (2017); Shariff (2013); Rehman (2012);

Construct	Relationship with customer satisfaction	Author - conventional banking	Author – Islamic banking
		Shanka (2012); Munusamy et al. (2010); Krishnamurthy, Sivakumar and Sellamuthu (2010)	
<b>Empathy</b>	Empathy has been shown to have a significant positive relationship with customer satisfaction.	Fragoso and Espinoza (2017); Selvakumar (2015); Navaratnaseelan and Elangkumaran, (2014); Shanka (2012); Krishnamurthy et al. (2010)	Rehman (2012); Sulieman (2013); Mohd-Shariff (2013); Lo, Osman, Ramayah and Rahim (2010)
<b>Responsiveness</b>	Responsiveness has been shown to have a significant positive relationship with customer satisfaction.	Kant and Jaiswal (2017); Kaura (2017); Rubogora (2017); Awoke (2015); El Saghier & Nathan, (2013); Lau et al. 2013)	Abu Saleh et al. (2017); Ladhari et al. 2011); Amin and Isa (2008)

Source: Author's own construct

Customer satisfaction and the provision of superior services for external customers, depends mainly on satisfying the needs of employees first and on the creation of exceptional internal service quality (Singh, 2016:29). Thus, the SERVPERF dimensions of assurance, reliability, tangibles, empathy and responsiveness must be applied within the internal service chain within retail banks in order to achieve higher levels of internal customer satisfaction (Dhaleez, 2015:a4). The internal service chain creates a network of functional departments, which collaborates together with the intention of delivering service to external customers. Each department receives inputs, transforms these inputs and delivers the output to the next internal customer in the chain (Braun & Hadwich, 2017:124). Each link in the chain provides a service encounter between internal suppliers and internal customers. Within Omani banks, when internal customers feel assured by internal suppliers, they are treated with empathy and respect, are responded to within acceptable timeframes

and receive a consistent and reliable level of service from internal suppliers, they perceive the overall service experience to be positive (Katsuri, 2017; Braun & Hadwich, 2017:124). The next section discusses the significance of internal service quality in the delivery of external service quality.

#### **4.3.2 Internal service quality**

Internal service quality is defined as the quality of service provided by various departments to the employees of other departments within the organisation (Dhaleez, 2015:a3). This suggests that every employee and business unit are both providers and consumers, and that internal service quality greatly impacts external service quality (Singh, 2016:29). Within retail banking in Oman, providing outstanding internal service quality across departments and teams is vital to success (Chang, 2018; Fleishman et al., 2017:97). Retail banks are made up of a complex network of internal relationships between employees, departments and interdependent processes that impact the ability of banks to perform successfully, specifically, in terms of how well meaningful knowledge and information are disseminated across the organisation (Braun & Hadwich, 2017:123). For this reason, it is essential that collaborative relationships are established between internal suppliers and customers in order to eliminate silo effects which could hamper the transfer of knowledge (De Abreu & Alcântara, 2017; Longo & Narduzzo, 2017:294). Effective internal relationships are therefore the building blocks of a facilitative environment in which internal service quality can be nurtured (Dhaleez, 2015:a3).

As a result of more effective internal relationships, new ideas can be generated, the culture maintained or improved, and improved levels of internal service quality achieved (De Oliveria, Pimenta & Hilltoft, 2015:2140). Improved cross-functional coordination within Omani banks improves service quality in that risks can be reduced, since departments are not acting within their own best interests and joint decision-making improves the quality of decisions made (Chang, 2018; De Abreu & Alcântara, 2017; De Araujo & Franco, 2017:381-382). It is therefore important for retail banks in Oman to build quality relationships with all employees from top management right down to the shop-floor level. This helps to establish an internal environment in which employees feel psychologically safe, and are fully engaged, motivated and committed to the transfer of knowledge and improved collaboration. Thus, to achieve internal service quality success, retail banks must be able to mobilise accumulated know-how and enable employees to deliver service quality through a cohesive approach (Kryo, Peltokorpi & Artto, 2016:875).



It can therefore be concluded that the internal exchanges between the bank and its employees must be functioning effectively before the bank is able to achieve its external marketing objectives. Hence, the effect of employee attitudes and behaviours in Omani banks is key to customer outcomes and external service quality. The SERVPERF dimensions can be applied internally to measure internal service quality. For example, within Omani banks, when internal suppliers are knowledgeable (assurance), dress professionally and have neat workspaces (tangibles), process applications with minimal errors (reliability), treat their co-workers with respect (empathy) and deliver work within acceptable turnaround times, internal customers perceive a high level of internal service excellence. The SERVPERF dimension model has been proven to be an effective measure of internal service quality across a number of industries, including banking (Eresia-Eka, Stephanou & Swanepoel, 2018; Dhurup, 2012; Wang, 2012; Back, Lee & Abbott, 2011; Jun & Cai, 2010; Ramseook-Munhurrin et al., 2010; Bouranta et al., 2009; Bellou & Andronikidis, 2008; Yee et al., 2008; Zailani, Din & Wahid, 2006; Bruhn, 2003; Kang et al., 2002; Stanley & Wisner, 2002; Frost & Kumar, 2000; Marshall et al., 1998). The findings across these various studies showed that these dimensions are effective internal service quality measures and influence the overall perception of service quality (Dhaleez, 2015:a4).

Through a better understanding of internal service quality and the applications thereof, employees may be extended the same privileges and courtesies awarded to external customers. In this way, both internal and external service environments are equally important in contributing to customer satisfaction (Fleishman et al., 2017:98-99; Sheikholeslam & Emamian, 2016:39). The relationship between internal service quality and customer satisfaction can best be explained through the Social Exchange Theory. In social exchange relationships, banks offer employees long-term monetary rewards, as well as well-being and investment in employees' careers. Employees reciprocate by completing their jobs well and by taking on tasks outside of their prior agreements, such as assisting co-workers to complete their tasks. All of this enriches the internal service experience and in turn the external service experience and ultimately, customer satisfaction (Dhaleez, 2015:a4). Awoke (2015:151) suggests that internal customer needs supersede external customer needs, since customer satisfaction will only occur once employees' needs have been fulfilled. The next section discusses customer satisfaction in more detail, with a view on employee satisfaction as an important determinant in the achievement of customer satisfaction.

## **4.4 UNDERSTANDING CUSTOMER SATISFACTION**

Customer satisfaction is generally considered to be the most significant long-term goal of retail banks worldwide (Odindo & Delvin, 2018; Olsen, Witell & Gustafsson, 2014:557). Service quality is widely recognised as the dimension which has the strongest influence on overall customer satisfaction (Selvakumar, 2015:2; Olsen et al., 2014:557). This is attributable to the notion that service quality results in fewer errors, assists in the development of stronger customer relationships, and improves overall responsiveness (Sahi, Sehgal & Sharma, 2017:20; Zameer et al., 2015:443-444). Service quality as a construct is well researched and understood, as discussed in section 4.3. However, customer satisfaction is also a direct reflection of employee satisfaction (Chidley & Pritchard, 2014:294). Employee satisfaction is considered to be the catalyst leading to changes in customer satisfaction levels. This is due to the fact that customer satisfaction is an outcome, whereas employee satisfaction is the mechanism that requires changing in order to produce changes to the outcome (Drotskie & Viljoen, 2018). Thusanthy and Tharanikran (2017:146) reinforce this view by proposing that positive employee behaviour increases customer satisfaction in service encounters. The section therefore focuses on the definition of customer satisfaction and the importance of employee satisfaction in relation to the ability of internal customers to provide superior service to achieve external customer satisfaction.

### **4.4.1 Definition of customer satisfaction**

Over the past decade, there has been a cumulative trend towards creating experiences for customers, particularly for those in the services sector. As a result, the service economy has transformed into an emotion economy or an experience economy (Odindo & Delvin, 2018). To this end, management of banks need to devise new ways to achieve a competitive advantage through the design and management of customer experiences. Customer experience is defined as a set of interactions between the customer and the organisation, which provoke a reaction and require the customers involvement on a physical, rational and emotional level (Drotskie & Viljoen, 2018; Keiningham, Askoy & Cadet, 2017:186-187). Jain, Aagia and Bagdare (2017:648) state that all experiences are consumption experiences that result in a state of pleasure or displeasure. Hence, customer satisfaction is regarded as the proxy for customer experience. Table 4.5 provides a summary of customer satisfaction definitions.

**Table 4.5: Definitions of customer satisfaction**

Author	Definition	Generic elements
Korda and Snoj (2018)	Customer satisfaction is defined as the fulfilment of customer expectations.	Fulfilment of customer expectations
Biscaia et al. (2017:1510)	Customer satisfaction is an outcome deriving from a specific service experience. It is a cognitive and affective reaction to a service incident.	Outcome; cognitive and affective reaction
Proenca et al. (2017:192)	Customer satisfaction is defined as the subjective comparison of expected and perceived attribute levels. Customer service in services is not only influenced by confirmation or disconfirmation of expectations, but also by the quality of the relational service.	Outcome quality of relational service
Silverstri, Aquilani and Ruggieri (2017:57)	Customer satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfilment of some needs, goals or desire.	Attitude; emotional reaction
Guterman (2015:2)	Customer satisfaction is defined as the degree to which customers' needs are fulfilled, which determines their response therewith.	Fulfilment of needs and response
Landahl (2015:10)	Customer satisfaction is defined as the fulfilment of customer needs.	Fulfilment of needs
Gummi (2014:56)	Customer satisfaction is defined as the customers' response to an offering. The customer is satisfied when an offering performs better than expected, and is dissatisfied when expectations exceed performance.	Response to an offering

Source: Author's own construct

Generic elements pertaining to customer satisfaction include fulfilment of needs or expectations, a cognitive and affective outcome, and response or an emotional reaction to the service offering.

- Fulfilment of needs or expectations

The Oxford Dictionary defines fulfilment as the achievement of something desired, promised, or predicted (Oxford Dictionary, 2018). In the case of customer satisfaction, the customer compares the value of what has been delivered with what has been promised by the organisation (Korda & Snoj, 2018). The objective of customer service is therefore to meet or exceed customer needs, so that they may feel satisfied with the overall experience and interaction with the organisation (Landahl, 2015:10).

- Cognitive and affective (emotional) reaction/response to an offering

The cognitive component relates to the mental process involved in evaluating a stimulus such as a service encounter. The affective component reflects the emotions experienced by a customer as result of the service encounter. Cognitive and emotional reactions have been understood to be incompatible aspects of the human psyche in the past (Gutierrez-Cobo, Cabello & Fernandez-Berrocal, 2016). Today, scientific evidence confirms that emotions play a key role in our cognitive processing. Customers use their cognitive processing to appraise the various touch points in the service process, which then trigger a variety of emotions (Meirovich, 2018:4,14; Gutierrez- Cobo et al., 2016). Meirovich (2018:4,14) states that emotions stem from the quality of the service encounter, but impact satisfaction, which implies that emotion mediates the relationship between service quality and customer satisfaction. When customers have a superior service experience, they experience pleasurable emotions as a result (Meirovich, 2018:4,14; Kageyama, 2016:28). The goal of a superior service experience is pleasure, and pleasurable emotions result from the performance of the service and from affective expectations. This results in an effective response/outcome or attitude towards the service which if positive, is construed as customer satisfaction (Kageyama, 2016:28-29). Furthermore, these impressions create an emotional anchor in the customer's memory, which is used to guide future behaviour (Heinonen et al., 2010:537).

For the purpose of the study, customer satisfaction is defined as the customer's emotional response to an offering. It is the belief that the service encounter will result in a pleasurable outcome and fulfilment of the customer needs.

The root cause of customer emotions in retail banks generally comes down to their interaction with customer-facing employees. Nguyen (2014:12) purports that employees in a service organisation are comparable to the service itself. Due to the intangibility aspect of service, employees represent the most tangible clue of service, and are viewed as the brand in the eyes of the customers (Braimah, 2016:2). This implies that employees personify the

organisation and that customer perception of service quality and satisfaction is directly influenced by their interactions with the employees of the organisation. Therefore, the attitudes and behaviours of employees influence customer satisfaction (Kattara, Weheba & Ahmed, 2015:4). A significant positive relationship between employee satisfaction and customer satisfaction has been established (Sharma et al., 2016a; Rahman, Sayeda & Bari, 2015:278). Hur, Moon and Jung (2015:70) state that employee satisfaction has the strongest impact on customer satisfaction in a service organisation such as a bank. The next section explores the concept of employee satisfaction in more detail.

#### **4.4.2 The importance of employee satisfaction in the achievement of customer satisfaction**

Employee satisfaction refers to an employee's sense of satisfaction not only with the work, but also with the broader organisational context within which the work exists. Employees positively assess the extent to which their needs and expectations have been met by management (Kuranchie-Mensah & Amponsah-Tawiah, 2016:272-273; Chepkwony, 2014:60; Spagnoli & Caetano; 2012:256; Halepota & Shah, 2011:281).

If employees perceive that their needs have been met and interaction with other people in the organisation is pleasant, they are likely to experience positive feelings and higher levels of satisfaction (Mbengo & Chinakidzwa, 2014:193-194). Zak (2017:89) found in a study conducted around the links between satisfaction, trust and neuro-science, that when employees experience satisfaction and trust, the brain releases the chemical oxytocin, resulting in greater feelings of joy and happiness. His study showed that when employees were satisfied and trusted their organisation their energy levels increased by 106%, engagement improved by 74%, employees experienced 76% less stress, 40% less burn-out, 13% less absenteeism and a 50% increase in both productivity and retention. Employee satisfaction is thus strongly coupled with escalated productivity, commitment, engagement, lower levels of absenteeism and employee turnover, all of which increase customer satisfaction and profitability (Zak, 2017:89; Bryant, 2017:34-35). This is because satisfied employees want to reward the organisation through more productive and motivated behaviours, resulting in the delivery of higher levels of service quality to their internal and external customers, and hence higher levels of customer satisfaction (Kim et al., 2017:630-631). Robust findings in retail banking show that a positive service climate and internal market orientation are positively associated with employee satisfaction and in turn, positively influence employee behaviour, leading to customer satisfaction (Silvestri, Aquilani

& Ruggieri, 2017:57). The question then arises as to which factors drive and influence employee satisfaction the most.

#### **4.4.2.1 Drivers of employee satisfaction to deliver external customer satisfaction**

A number of employee satisfaction drivers have been identified in satisfaction literature. The most commonly cited factors are listed in Table 4.6 and discussed in more detail in this section. Although many strategies exist to address the drivers of satisfaction, it is important that when developing employee satisfaction strategies, that these factors are not viewed in isolation. For example, improving employee training and development opportunities will not accomplish much if employees are not empowered to use and share the knowledge. Collaboration and teamwork will not be effective if the organisational structure does not support these objectives and if poor relationships exist with co-workers. Thus, the internal marketing mix has been proven to be a valuable way of bringing all the drivers of satisfaction together through a structured internal marketing programme. In this way, all these factors can be addressed through the elements of the internal marketing mix, in order to bring about higher levels of employee satisfaction (Thusyanthy & Tharanikaran, 2017:146; Kaura, 2013:170). Satisfied employees who perceive their relationship with their organisation to be beneficial are motivated to perform better, bringing about higher levels of internal service quality (Melian-Gonzalez, Bulchand-Gidumal, López-Valcarce, 2015:920). External service quality and customer satisfaction in turn have been proven to be strongly related to internal service quality (Umamaheswari, 2014:714). Table 4.6 lists the drivers of employee satisfaction and links the drivers to the internal marketing elements. Furthermore, the Table confirms the relationship between each of the satisfaction drivers and internal service quality which in turn translates into external service quality and customer satisfaction.

**Table 4.6: The link between internal marketing mix elements, drivers of employee satisfaction and internal service quality**

<b>Internal marketing mix element</b>	<b>Significant drivers of employee satisfaction</b>	<b>Authors</b>	<b>Relationship between satisfaction driver and internal service quality</b>	<b>Authors</b>
<b>Internal product</b>	Role fit	Bryant (2017:52); Felstead et al. (2015); von Rimscha (2015:19)	There is a positive relationship between role fit and internal service quality.	Makherjee (2018); Elsaleh and Alshurideh (2012:85-86);

Internal marketing mix element	Significant drivers of employee satisfaction	Authors	Relationship between satisfaction driver and internal service quality	Authors
				Jeon and Choi (2012:333-334)
	Training and development	Mbengo and Chinakidzwa (2014:193,196); Terera and Ngirande (2014:45)	There is a positive relationship between training and development and internal service quality.	Susanti et al., (2015); Elsalem and Alshurideh (2012:85-86)
	Career advancement	Kiragu (2015:4); Kaya and Ceylan (2014:179); Parsa et al. (2014:110)	There is a positive relationship between career advancement and internal service quality.	Onurlu and Karatas (2016); Naser et al., (2013),
<b>Internal price</b>	Stress and work-life imbalance	Schipou (2018); Hoboubi et al. (2017:70-71); Bin Shmailan (2016:3)	There is a positive relationship between internal price and internal service quality.	Makherjee (2018); Sharma et al., (2016); Susanti et al., (2015)
	Reward and recognition	Chepkwony (2014:63.67); Gohari et al. (2013:587.589); Bustamam, Teng and Abdullah (2014: 394,401)	There is a positive relationship between reward and recognition, and internal service quality.	Susanti et al., (2015); Elsalem & Alshurideh, (2012:85-86)
<b>Internal promotion</b>	Sharing of knowledge and information	Longo and Narduzzo (2017:294-295); Al-Tokhais (2016:118), Proctor (2014:41)	There is a positive relationship between sharing of knowledge and information, and internal service quality.	Susanti et al., (2015:79); Abdel et al. (2014), Nsour (2013:31); Khan et al., (2011:280)
<b>Internal people</b>	Relationship with supervisors	Ugaddan and Park (2017:274); Sturman and Park (2016:6);	There is a positive relationship between the relationship with supervisors and	Mendoza and Maldonado (2014:6,8);

Internal marketing mix element	Significant drivers of employee satisfaction	Authors	Relationship between satisfaction driver and internal service quality	Authors
		Babalola (2016:937, 941)	internal service quality.	Umamaheswari (2014:714)
	Relationship with co-workers	Avci (2017:586); Bryant (2017:36) Charoensukmongkol et al. (2016)	There is a positive relationship between the relationship with co-workers and internal service quality.	Susanti et al. (2015); Mendoza and Maldonado (2014:6,8) Umamaheswari (2014)
	Participative leadership style	Hasel and Grover, (2017:854); Vance (2016); Tepret and Tuna (2015: 675,678)	There is a positive relationship between participative leadership style and internal service quality.	Asgari (2014:128); Thevarajah and Ratnam (2014:140); Chebbi (2013:43)
<b>Internal process</b>	Operating processes and policies	Bin Shmailan, (2016:4); Brajer-Marczak (2016:98-99); Lu et al. (2016:637)	There is a positive relationship between operating processes and internal service quality.	Peronja (2015:9,19) Nazeer, Zahid and Azeem (2014); Umamaheswari (2014:714)
<b>Internal physical evidence</b>	Physical environment	Agbozo et al. (2017:13); Samani, (2015:163-164); Raziq and Maulabakhsh (2015:724)	There is a positive relationship between physical environment and internal service quality.	Elsalem and Alshurideh (2012)
<b>Internal performance management</b>	Performance feedback	Katavich (2013:2); Weerakkody & Mahalekamge (2013:198); Zhang (2012:46)	There is a positive relationship between performance feedback and internal service quality.	Makherjee (2018); Umamaheswari (2014)



Internal marketing mix element	Significant drivers of employee satisfaction	Authors	Relationship between satisfaction driver and internal service quality	Authors
<b>Internal purpose</b>	Purpose	Keles and Findikli (2016:67); Fitzgerald (2014:8); Golparvar and Abedini (2014:265)	There is a positive relationship between internal purpose and internal service quality.	Nsour (2013:32)
<b>Internal political power</b>	Control over political power	Julius, Ojiabo and Alagah (2017:101); Erkutlu and Chafra (2016:674-675); Gull and Zaidi (2012:160)	There is a positive relationship between internal political power and internal service quality.	Farmer (2015:16-17,24)
<b>Internal procurement</b>	Recruitment and selection of talented employees	Oaya, Ogbu and Remilekun (2018); Alrhaimi and Alhumshy (2015:135); Gopinath and Shibu (2014:15)	There is a positive relationship between recruitment and the selection of talented employees, and internal service quality.	Nsour (2013:32)

Source: Author's own construct

Each of the drivers highlighted in the Table is discussed in more detail next, specifically, in terms of how they relate to employee satisfaction and customer satisfaction within the Omani banking environment.

#### **i) Learning and development as a driver of employee satisfaction enhance customer satisfaction**

Learning and development programmes provide employees with the opportunity to improve their knowledge and skills, enabling them to perform their jobs better. When employees are provided with the relevant training their self-confidence improves, along with their ability to serve customers well (Terera & Ngirande, 2014:45; Halepota & Shah, 2011:283). Well-trained banking employees are able to contribute their part in internal service encounters

more effectively, thus positively impacting the external service experience and customer satisfaction (Umamaheswari, 2014:714). Within retail banks in Oman, although learning and development programmes are provided, employees feel that in some instances, the learning provided is not relevant to their jobs (Loots, 2017). It is essential therefore that customer-facing employees in Oman banks are provided with the required knowledge and skills to understand customer needs and to address these needs in a courteous manner. Furthermore, learning and development programmes are recognised as a response behaviour to employee needs. When employees' needs have been met, they feel satisfied and valued by the organisation (Rehman et al., 2011:19-20). Satisfied employees in turn achieve superior results with both internal and external customers, contributing to customer satisfaction and enhanced organisational performance (Ahmad et al., 2012:532). Learning and development are addressed through the internal product of the internal marketing mix (refer to Chapter 3, section 3.5.2.1).

**ii) Role-fit as a driver of employee satisfaction enhances customer satisfaction**

When an employee's abilities and interests match their job, they are likely to prosper at work, resulting in the enhancement of employee satisfaction (Bryant, 2017:52; Von Rimscha, 2015:19). Within retail banks in Oman, the level of role-fit may not be as effective as it could be. Employees do not generally undergo assessments at the recruitment phase and some employees could be in positions as a result of *wasta* placements. Poor role-fit could result in poor internal relationships, which would impact internal service delivery. Furthermore, in customer-facing positions, a lack of fit between the employee and the job could result in the delivery of poor service quality (Loots, 2017). It is important, therefore, that retail banks in Oman match customer-facing employees to the job as well to the customer segment. In this way, their levels of skill and experience can be utilised efficiently, ensuring that customer expectations within these segments are met, resulting in customer satisfaction (Becker, 2018). Role-fit is addressed through the internal product element of the internal marketing mix (refer to Chapter 3, section 3.5.2.1).

**iii) Career advancement as a driver of employee satisfaction enhances customer satisfaction**

Career advancement relates to the opportunity to develop skills and capabilities, making employees more eligible for promotion (Parsa et al., 2014:109). Employees feel satisfied when promotional opportunities exist within the organisation and when they perceive promotional decisions to be fair (Kaya & Ceylan, 2014:179). Career advancement provides a great extrinsic reward for employees. Monetary reward will only motivate employees to a point. By allowing employees to take charge of their careers and develop their own career

progression plans, they feel more empowered and satisfied (Scales, 2018). As a result of increased satisfaction, employees reward the organisation through increased levels of internal and external service quality, resulting in customer satisfaction. Career advancement is addressed through the internal product of the internal marketing mix (refer to Chapter 3, section 3.5.2.1).

**iv) Stress and work-life balance as a driver of employee satisfaction enhance customer satisfaction**

Too much stress and work-life imbalance cause both psychological and emotional problems for employees, such as burnout, which result in feelings of dissatisfaction (Bin Shmailan, 2016:3). The majority of customer-facing employees experience stress from either dealing with difficult customers or from emotional labour, situations in which they are required to 'put on a happy face', even when inside they are not feeling happy (Schiopu, 2018; Medler-Liraz & Seger-Guttmann, 2015:210-212). Furthermore, employees may be required to gain new knowledge and skills, which requires sacrifices to be made, resulting in increased stress and feelings of dissatisfaction (Reynolds-De Bruin, 2014:79). Retail banks in Oman must become more aware of employee stress levels, as the cost of working for the organisation may become too high for these employees. This will result in employees withdrawing either physically or psychologically, which will impact the level of service provided to internal customers and in turn impact external service delivery and customer satisfaction (Schipou, 2018). Employee stress is addressed through the internal price element of the internal marketing mix (refer to Chapter 3, section 3.5.2.1).

**v) Communication as a driver of employee satisfaction enhances customer satisfaction**

Communication, specifically through knowledge sharing, provides employees with the important information required to create harmonious relationships with both other employees and with customers (Trivellas et al., 2015:240). Knowledge sharing improves employee flexibility and adaptability, as it provides employees with information about what does and does not work well, enabling them to perform better and deliver higher levels of service quality (Tseng, 2016:203; Almahamid et al., 2010:332,334). Increased flexibility culminates into stronger internal customer responsiveness, as the free flow of knowledge allows for better integration and cross-functional coordination across teams and business units. Furthermore, through increased competence as well as greater creativity and innovation, stress levels can be reduced and higher levels of job satisfaction achieved (Trivellas et al., 2015:240-241; Niehaves & Plattfaut, 2011: 2-3; Almahamid et al., 2010: 332,334). Internal communication within retail banks in Oman is not considered strong in

some instances. Organisational objectives are not clearly communicated, there is a perceived lack of transparency and little knowledge sharing takes place across departments (Loots, 2017; Fisk, 2016). Omani retail banks should not only listen to their internal and external customers, they should also respond to these customers through social networking tools such as Facebook and organisational blogs. In this way, banks communicate that internal customers are cared for, which increases satisfaction and customer enthusiasm, resulting in superior service quality and customer satisfaction (Attasi, 2017; Tseng, 2016:240-241). Internal communication is addressed through the internal promotion element of the internal marketing mix (refer to Chapter 3, section 3.5.2.1).

**vi) Reward and recognition as a driver of employee satisfaction enhances customer satisfaction**

Reward and recognition refer to the pay, as well as intrinsic and extrinsic fringe benefits that motivate employees to develop strong relationships and result in higher levels of service quality and customer satisfaction (Chepkwony, 2014:62; Van Dyk et al., 2013:60). Reward and recognition systems are important determinants of employee behaviour and communicate to employees that they are valued by the organisation. This results in the occurrence of positive work behaviours and work improvement, such as the delivery of internal service excellence (Okoth, 2014:3; Wilches-Alzate, 2009:24). Employees evaluate the rewards provided, and if the rewards are perceived to be fair, employees experience satisfaction and reciprocate through providing service quality and satisfaction to external customers (Okoth, 2014:3; Sarwar & Abugre, 2013:30). Within retail banks in Oman, there is some concern that employees are not sufficiently rewarded and recognised for their work. If this is the case, employees will not promote the organisation's services or serve customers well, thus affecting both internal and external marketing success (Loots, 2017; Fisk, 2016). From a recognition perspective, retail banks in Oman ought to celebrate exemplary performance and offer praise at a formal ceremony. In this way, employees feel recognised, which enhances their levels of satisfaction and service consciousness (Attasi, 2017). This in turn motivates other employees to improve their performance and achieve higher levels of service quality and customer satisfaction (Attasi, 2017; Ndungu, 2017:45). Reward and recognition are addressed through the internal price element of the marketing mix (refer to Chapter 3, section 3.5.2.1).

**vii) Relationship with co-workers as a driver of employee satisfaction enhances customer satisfaction**

Positive relationships between co-workers ensure that employees bond better as a team and work together to achieve common objectives, such as service quality and customer

satisfaction (Bryant, 2017:36; Halepota & Shah, 2011:284). This contributes to higher levels of employee satisfaction, as co-workers serve as a source of support and comfort to each other (Avci, 2017:578). In banking, where stronger relationships are established between co-workers and between departments, employees are able to strengthen their service delivery to both internal and external customers, thereby enhancing customer satisfaction (Guscina, 2015:8-9). Within retail banks in Oman, relationships with co-workers within the same team are considered to be high, however cross-functional co-ordination across departments is considered to be weak and requires improvement. It is essential for banks, when recruiting new employees, to ensure that there is a match between the values of the employee and that of the organisation to ensure a good person-organisation fit and team fit (Loots, 2017). Person-organisation fit and team fit are essential for the delivery of internal service quality (Sharma et al, 2016a:7). Stronger internal service quality leads to stronger external service quality and customer satisfaction. The relationship with co-workers is addressed through the internal people element of the internal marketing mix, and recruitment is addressed through the internal procurement element of the internal marketing mix (refer to Chapter 3, section 3.5.2.2).

**viii) Leadership style as a driver of employee satisfaction enhances customer satisfaction**

The success of organisations in the achievement of organisational objectives depends on the leadership style adopted (Hasaballah, Ibrahim & Abdallah, 2014:2367). Participative leadership styles are shown to have the strongest correlation, with both employee satisfaction and with service quality. In retail banking in Oman, a participative management style has benefits for both managers and employees. Through this kind of leadership style, employees are involved in decision-making, which results in higher levels of satisfaction (Hasel & Grover, 2017:854; Loots, 2017). Furthermore, better decisions regarding customer concerns can be made as a result of front-line employee input (Xu, 2017:156). In this way, greater levels of service quality and customer satisfaction can be achieved (Asgari, 2014:115). Leadership style is addressed through the internal people element of the internal marketing mix (refer to Chapter 3, section 3.5.2.2).

**ix) Relationship with supervisors as a driver of employee satisfaction enhances customer satisfaction**

The relationship with the employee's immediate supervisor/manager has been determined as a major factor in an employee's level of satisfaction and loyalty to the organisation (Ugaddan & Park, 2017:274). When supervisors or managers treat employees with respect, provide support and resources necessary for employees to perform their jobs and adopt

open lines of communication, employees feel more satisfied as a result thereof (Ugaddan & Park, 2017:274; Sturman & Park, 2016:6; Heish, 2012:251). This helps promote inter-functional integration in which all banking employees understand the operations behind the service process, enabling them to perform their role as part-time marketers (Gummesson, 2007). Omani retail banks focus on ensuring that relationships with direct managers and employees are strong. If direct managers create a supportive internal environment, employees experience satisfaction and are more willing to share information and develop internal relationships, resulting in internal service quality (Al-Zahjali, 2017; Sharma et al., 2016a:7). Stronger internal relationships translate into stronger external relationships, resulting in superior levels of service quality and customer satisfaction (Namin & Moghaddam, 2014:62). Relationships with supervisor are covered under the internal people element of the internal marketing mix (refer to Chapter 3, section 3.5.2.2).

**x) Process as a driver of employee satisfaction enhances customer satisfaction**

Consistent processes promote confidence, as employees comprehend exactly what is expected from them, allowing them to perform their jobs more successfully (Ullah & Ahmad, 2017:137-138). Effective and efficient processes allow internal suppliers to serve internal customers well and to create value throughout the service delivery chain. Internal customers will assess the service-delivery process they receive from internal suppliers and if this is seemingly consistent and reliable, these internal customers will experience higher levels of satisfaction (Madhavaram et al., 2014:280). Within retail banks in Oman, in some instances, well-defined processes are lacking and in many instances, process is not automated, all of which would impact operational excellence (Loots, 2017). Operational excellence is fundamental to a retail bank's success and requires a consistent service experience across channels under both normal and abnormal circumstances. Processes must be continually assessed for improvement opportunities, contingency plans must be developed for disruptive events, and internal and external customer loops must be closed in order to monitor customer problems to safeguard both internal and external customer satisfaction (Boak et al., 2017:425; Halvorsrud et al., 2016:846). Furthermore, processes ought to be automated as much as possible by providing employees with self-service systems such as an HR administration system. Automated processes provide employees with more time and greater control over their work, resulting in increased satisfaction and the ability to improve service quality and customer satisfaction (Halvorsrud et al., 2016:846; Burin, 2011:122). Process is addressed through the internal process element of the internal marketing mix (refer to Chapter 3, section 3.5.2.2).

**xi) Physical environment as a driver of employee satisfaction enhances customer satisfaction**

Physical working conditions refer to variables such as safety, better and cleaner office space, comfortable working environment, temperature, ventilation and lighting. These factors prompt employees' feelings of physical comfort and safety within their internal environment (Chadburn et al., 2017:68). A few banks in Oman place a particular focus on this element and understand that by changing or improving the physical environment of employees, it is an effective enabler for changing individual behaviour (Attasi, 2017). The employees' physical environment is one of the most important contributors to employees' sense of satisfaction and their effectiveness at work (Samani, 2015:168). Changes to the physical environment allow for improvements in collaborating and in outcomes such as improved internal service quality and customer satisfaction (Chadburn et al., 2017:68). Hassard and Cox (2018) purport that the employees' work environment and internal service delivery have a significant influence on the level of service provided to external customers and their satisfaction therewith. Physical environment is addressed under the internal physical evidence element of the internal marketing mix (refer to Chapter 3, section 3.5.2.2).

**xii) Feedback as a driver of employee satisfaction enhances customer satisfaction**

Performance feedback is an important requirement for successful business performance. The ability to provide feedback well depends on the ability to assess the employees' performance in a fair and accurate manner and to structure the content in a meaningful way (Makherjee, 2018). When feedback is provided, employees have an understanding of how they are performing and experience satisfaction (Katavich, 2013:2). High levels of satisfaction reinforce the frequency of positive behaviours and motivate employees to maximise their chance of earning positive feedback through the delivery of service excellence and customer satisfaction (Tricomi & De Pasque, 2017:175). Within Omani retail banks, feedback is provided during the annual performance appraisal, but regular feedback throughout the year does not take place. For employees to continually improve, they must understand how they are performing and what improvement or development interventions are required (Al Mughairi, 2018). Feedback is addressed through the internal performance element of the mix (refer to Chapter 3, section 3.5.2.3).

**xiii) Purpose as a driver of employee satisfaction enhances customer satisfaction**

The secret ingredient of extraordinary companies is purpose (Lategan, 2018). By establishing a connection between the employee and the organisation's values, a social dynamic transpires in which individuals feel part of something bigger than themselves, resulting in feelings of deep satisfaction and affective commitment (Alexander, 2017).

Further to this, corporate social responsibility is proven to be a significant predictor of employee satisfaction and meaningful work (Glavas, 2016; Ditlev-Simonsen, 2015; Farooq et al., 2014; Glavas & Kelley, 2014). Results show that a strong relationship exists between employees who have a sense of what makes their life meaningful, and those who see a connection to their work and the larger social good of their community (Glavas, 2016:4-5). Oman as a Muslim country is considered to be a collectivist society, meaning that within the framework of human society, the Islamic nation possesses an inner sense of responsibility for its own members, both individually and collectively (Elasrag, 2015:4). Corporate social responsibility is therefore important for retail banks in Oman. Through initiatives such as the distribution of food packages to the poor during Ramadan, banking employees are able to live their values through their work. This provides meaning and strengthens the bond between the employee and the organisation, resulting in greater feelings of satisfaction and higher levels of collaboration (Attasi, 2017). Purpose-driven organisations provide vision, information and resources that help embed meaning into the culture of the organisation (Schneider, 2018). Clarity of purpose in Omani banks would help leaders and employees make faster, better and more informed decisions, which improve performance, the delivery of service quality and ultimately, customer satisfaction (Sarfraz, 2018:8; Alexander, 2017). Purpose is considered through the internal purpose of the internal marketing mix (refer to Chapter 3, section 3.5.2.3).

#### **xiv) Organisational politics as a driver of employee satisfaction enhances customer satisfaction**

Organisational politics relates to employee perceptions regarding self-serving behaviours demonstrated by influential organisational members regarding the manipulation of organisational rules and policies to serve certain individuals at the expense of others (Agarwal, 2016:418). When employees perceive organisational politics to be prevalent, they experience dissatisfaction with their job, which results in consequences such as job stress and employee turnover (Abbas & Awan, 2017:23). Organisational politics has been found to be positively associated with variables such as job stress (Kacmar & Bozeman, 1999; Ferris et al., 1996) and negatively with employee attitudes such as job satisfaction (Gull & Zaidi, 2012; Witt et al., 2002; Kacmar & Bozeman, 1999; Cropanzano et al., 1997). Within in Omani retail banks, *wasta* is the form of political power impacting employee satisfaction. Bank managers may promote or employ employees based on family connections or social ties. This creates feelings of unfairness and distrust and results in feelings of dissatisfaction (Al Ali, 2018). This in turn affects employee willingness to collaborate and to provide service quality both internally and externally to customers. As a result, banks are not able to deliver on their external promises, resulting in customer dissatisfaction (Abbas & Awan, 2017:23;



De Waal, 2017:242). Politics in the form of *wasta* is discussed under the internal political power element of the mix (refer to Chapter 3, section 3.5.2.3).

**xv) Recruitment and selection as a driver of employee satisfaction enhances customer satisfaction**

Recruitment and selection practices provide retail banks with the opportunity to staff the organisation with employees who are able to meet the service quality and customer satisfaction objectives of the organisation. In this way, banks are able to achieve a competitive advantage through the quality of employees hired (Mubugua, Waiganjo & Njeru, 2015:90). In order to recruit the right employees into the organisation, it is important to have an understanding of the individual's total personality and value system. When the right employees are matched to the organisation, to its values and to the right teams, and employees are sure that they are able to contribute to the organisational objectives, they experience higher levels of satisfaction. This impacts their commitment to the organisation and in turn they reward the organisation with higher levels of service quality resulting in customer satisfaction (Salahat & Majid, 2016:2940; Mubugua et al., 2015:90). From an Omani retail banking perspective, the banks do not generally focus on shaping the organisation's culture through recruitment and selection practices (Fisk, 2016; Gopinath & Shibu, 2014:8). The use of key tools such as competency-based interviews and assessments tests, are rarely used in the selection process. Furthermore, due to strong Omanisation targets, retail banks are expected to achieve a 90% Omanisation rate, which implies that highly qualified and experienced expat candidates cannot be considered for certain roles and the talent pool within the Omani population is limited for certain roles (Fisk, 2016). Hiring inappropriate employees is highly costly to the banks in terms of training and development and can have undesired consequences such as reduced productivity, poor team morale and poor interpersonal relationships; all of which impact customer service and in turn, customer satisfaction (Salahat & Majid, 2016:295). Recruitment and selection are discussed through the internal procurement of the internal marketing mix (refer to Chapter 3, section 3.5.2.3).

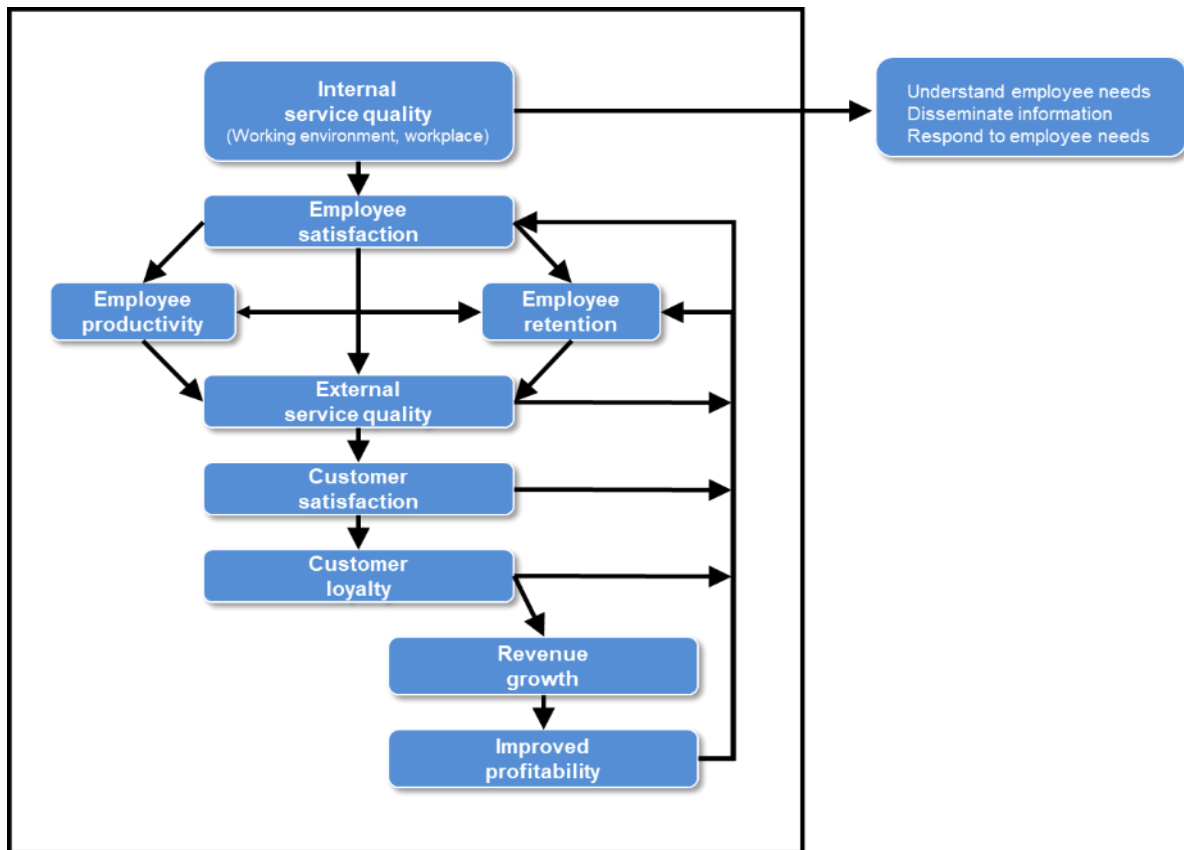
When attention is paid to the drivers of employee satisfaction, employee needs are fulfilled, resulting in employees who are both loyal to the organisation and capable of providing customers with an exceptional service experience resulting in superior levels of customer satisfaction (Silvestri et al., 2017:60). In this way, employee satisfaction is an important influencer of service quality, which in turn impacts customer satisfaction. The next section discusses the relationship between service quality and customer satisfaction in greater depth.

## **4.5 THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION WITHIN OMANI BANKS**

As argued in the previous discussion (refer to section 4.4.2), employee satisfaction is a powerful influencer of service quality, and service quality is primary driver of customer satisfaction. Service quality and customer satisfaction literature reveals that there is a causal relationship between service quality and satisfaction, meaning that perceived service quality is an antecedent of customer satisfaction (Izogo & Ogba, 2015:253-254). Service quality in banking influences customers' behavioural intentions, such as a willingness to purchase more, cross-buying, less price sensitivity, and positive word-of-mouth (Ramanathan et al., 2018:1941). Furthermore, superior service quality gives banks a competitive edge, lowers defection rates and attracts new customers through positive messages (Saynani, 2015:353-354). For this reason, banks are increasingly focused on minimising the gap between internal service performance and external service performance, and exploring more holistic approaches to improve effectiveness and overall customer satisfaction (Di Pietro et al., 2015). A prolific stream of literature has studied the linkage between internal and external service quality and internal and external customer satisfaction, and the most acknowledged contribution still remains the service profit chain model (Chicu et al., 2016:618; Gupta, 2016:3). The model emphasises that banks must concentrate on internal service quality in order to achieve external service quality, which in turn drives customer satisfaction (Musella et al., 2017:349). The service profit chain is presented next.

### **4.5.1 The service profit chain**

The service profit chain illustrated in Figure 4.5 identifies the number of direct relationships spread across the organisational process in order to explain organisational performance (Chicu et al., 2016:616). The key assumption is that satisfied employees result in satisfied customers, and satisfied customers purchase more resulting in increased revenue and profit. The model explains the importance of people (both customers and employees) in the delivery of service (Musella et al., 2017:349). The discussion links the concepts of internal and external service quality and internal and external customer satisfaction as discussed next.



**Figure 4.5: The service profit chain**

Source: Reynolds-De Bruin (2014:107)

#### 4.5.1.1 The link between internal service quality and employee satisfaction

For banks in Oman to prosper and grow, it is essential that a focus be placed on enhancing service quality (Chang, 2018). Before external service quality can be improved, however, internal service delivery requires attention first, specifically the enablement of banking employees to deliver on service quality objectives (Sheikholeslam & Emamian, 2016:39). When employees are enabled through factors such as the internal marketing mix elements, they are able to provide a higher level of service quality to their internal customers. For example, if banking employees in Oman are well trained and have positive attitudes towards their jobs, they are able to complete their jobs more effectively and more competently (Bailey et al., 2016:823). The provision of quality internal services to internal customers and their levels of satisfaction with the internal service, are vital to the success of the bank. Furthermore, employee satisfaction is influenced by the quality of the bank's internal environment and the strength of the relationships therein as discussed next (El Samen & Alshurideh, 2013:85).

#### **4.5.1.2 The link between employee satisfaction and employee productivity**

Omani Banks that have a collaborative network of productive, high-performing employees are able to outperform their competitors and increase their market share (Maki, 2018). New employees recruited into retail banks are not as knowledgeable and experienced as their co-workers and may be experiencing new processes and ways of working for the first time. In these instances, namely in which a new recruit has replaced an experienced employee, a certain amount of customer dissatisfaction is expected (Hennessey, 2018). For instance, banks in Oman could expect to see higher error rates in the account opening process when a new employee joins the bank, which could frustrate customers (Maki, 2018). In addition to this, new employees have not established strong relationships with colleagues internally to assist them with information when required. As a result, turnaround times may be impacted which may result in some customer dissatisfaction (Loots, 2017). It is important therefore that banks focus on understanding and meeting employee needs (Alhakimi & Alhariry, 2014:16). When needs have been met, employees experience satisfaction and reward the organisation with higher levels of productivity, as per the Social Exchange Theory. Further to this, these employees are retained within the organisation, resulting in higher levels of internal and external service quality (Babalola, 2016:637; Melian-Gonzalez et al., 2015:909).

#### **4.5.1.3 The link between employee satisfaction and employee retention**

Loss of talented employees can result in massive costs for retail banks in Oman. Not only from a recruiting and training perspective, but also from a loss of productivity and increased customer dissatisfaction (Al Mughairi, 2018). The pool of talented employees in Oman is limited, as employees still prefer to work in the public sector due to shorter working hours. Finding talented customer-conscious employees for banking in Oman can be a lengthy and expensive process (Hennessey, 2018). Employee satisfaction is recognised as the main anecdote of employee retention (Babalola, 2016:637). If employees are provided with job products and internal environments that meet or exceed their needs, they experience superior levels of job satisfaction (Kuranchie-Mensah & Amponsah-Tawiah, 2016:272-273). As a result, they reward the organisation with higher levels of commitment and loyalty, resulting in high levels of retention (Melian-Gonzalez et al., 2015:909).

#### **4.5.1.4 The link between employee productivity and employee retention and external service quality**

When talented employees are satisfied and motivated, this translates into higher levels of customer orientation which in turn translates into higher levels of productivity (Beng, 2015:14). In addition to this, satisfied banking employees have better moods whilst at work, resulting in the better treatment of other employees and customers. These improvements are then reflected in the level of service quality provided to both internal and external customers (Proenca et al., 2017:194). Within Omani banks, the quality of the service experienced by external customers is highly correlated to the quality of the internal service and relates to how employees are treated within the organisation (Loots, 2017; Guscina, 2015:9). For this reason, a healthy internal environment comprising collaborative internal relationships is required for external service quality and market success (De Araujo & Franco, 2017:379; Shaukat, Yousal & Sanders, 2017:6).

#### **4.5.1.5 The link between external service quality and customer satisfaction**

Greater levels of external service quality result in customer satisfaction, loyalty and retention, which are cited as the primary reasons as to why retail banks exist (Izogo & Ogba, 2015:253-254). Furthermore, within Omani banks, external service quality, customer satisfaction and profits in turn create employee satisfaction, and increased employee satisfaction creates higher levels of internal service quality, which in turn further improves employee satisfaction and retention (Chang, 2018; Jeon & Choi, 2012:333).

#### **4.5.1.6 The link between customer satisfaction and customer loyalty**

The result of customer satisfaction is elevated by levels of customer loyalty. Satisfied banking customers in Oman repeatedly use bank services and make recommendations to others, thereby contributing to the future growth and profitability of the organisation (Biscaia et al., 2017:1511; Chang, 2017). In retail banking in Oman, superior levels of customer satisfaction lead to increased cross-selling of products at branch level, which results in higher levels of profitability (Chang, 2018; Saynani, 2015:353-354). To this end, customer satisfaction is a predictor of revenue and growth in both customers and bank branches (Kant & Jaiswal, 2017:414).

#### **4.5.1.7 The link between customer loyalty and increased organisational revenue and profitability**

Profit and growth are in turn fuelled by customer loyalty (Kant & Jaiswal, 2017:414). Profit and growth can be enhanced as retail banks in Oman develop a better understanding of their customers' needs and offer solutions in alignment with these needs (Jouny-Rivier, Reynoso & Edvardsson, 2017:86). In addition to this, loyal customers reduce marketing and transaction costs associated with the acquisition of new customers, thereby contributing to greater profit margins (Singh & Pattanayak, 2014:404-405).

#### **4.5.1.8 Increased profitability and growth improves employee satisfaction**

Retail banks that generate increased profits are able to reinvest this money into the enablement and satisfaction of employee needs through the provision of better rewards, learning and development programmes, and the improvement of the internal environment (Myrden & Kelloway, 2015:588). Omani banking employees who are well trained, for example, adopt more positive attitudes to their jobs and are enabled to complete their work more effectively, which further enhances their feelings of satisfaction (Al Muhairi, 2018; Tereran & Ngirande, 2014:44-45).

Based on the above discussion, the importance of internal service quality is highlighted, bringing to the fore the importance of an internal marketing strategy. Internal marketing aims at creating an internally market-orientated environment in which strong internal relationships are created and employees are engaged and encouraged to work together in a coordinated fashion, in order to create value and internal quality for internal customers, resulting in external quality and satisfaction (Ullah & Ahmad, 2017:132-133). Based on the requirement for an internal marketing strategy, a more inclusive model is required to explain the relationship between internal marketing, service quality and customer satisfaction. The proposed theoretical model is discussed briefly next, but will be covered in more detail in Chapter 5.

### **4.6 THE PROPOSED THEORETICAL MODEL**

As positioned in Chapter 1 (section 1.5.5) the proposed theoretical model for this study includes three main constructs, namely internal marketing (Chapter 3, section 3.5), service quality (Chapter 4, section 4.3) and customer satisfaction (Chapter 4, section 4.4). The

interrelationships between these constructs are portrayed in the proposed theoretical model, discussed in more detail in Chapter 5.

Based on the discussion above (sections 4.3 and section 4.4), both service quality and customer satisfaction are depicted as multidimensional constructs. Although linkages between these two constructs can be explained through the service profit chain, this model does not factor into consideration service culture and the importance of relationships between the organisation and employees. Herington and Johnson (2010) recognised the importance of internal relationships in the creation of an internal market orientated environment and found this to be a gap in the service profit model. Building on from this, internal marketing has been recognised as the missing link or independent factor responsible for setting off the chain reaction for subsequent dependent variables and ultimately, organisational performance (Shah, 2014:34).

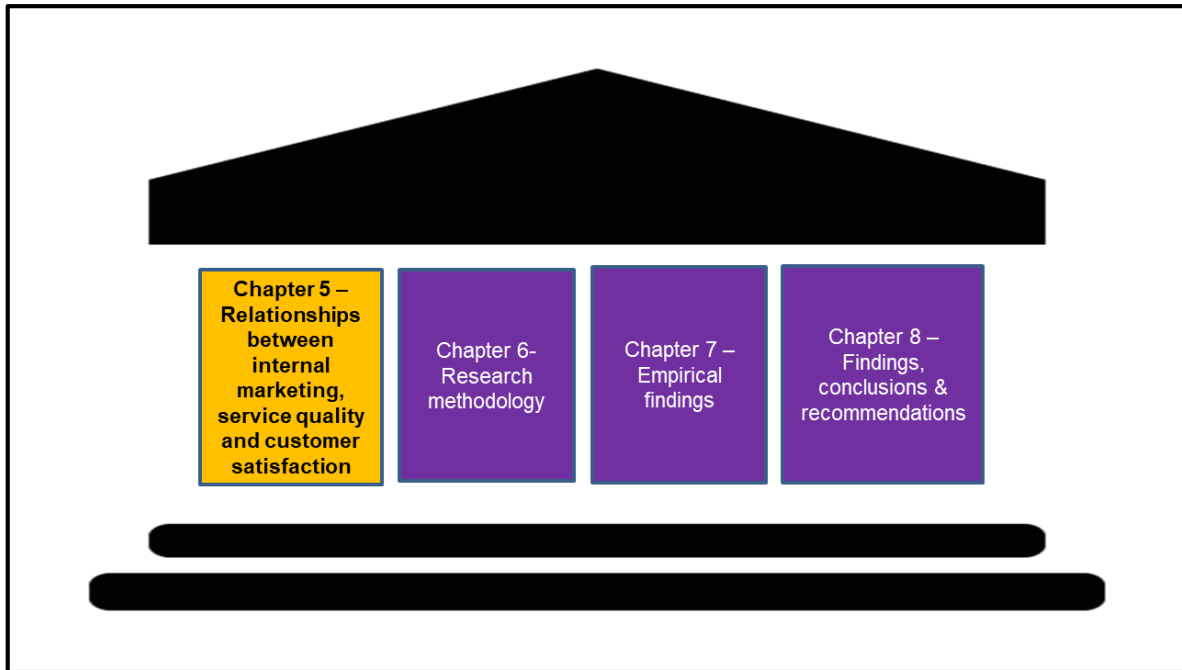
For this reason, a more comprehensive model is required to understand how internal marketing can be used to infuse strong internal relationships and enable the achievement of service quality and customer satisfaction (refer to Figure 1.1 in Chapter 1). In the instance of retail banking in Oman, additional internal marketing mix elements need to be considered as enablers of service quality and customer satisfaction. As per the discussion in Chapter 3, section 3.5.2, 10 internal marketing mix elements have been proposed based on the literature review (refer to sections 3.5.2.1, 3.5.2.2 and 3.5.2.3), and will be empirically tested in this study. Through each of these carefully selected internal marketing mix elements, bank managers in Oman are able to ensure that employees have been equipped and enabled through the provision of tools, processes and resources to perform their jobs and serve both internal and external customers well (Ghoneim & El-Tabie, 2014:2).

## **4.7 CONCLUSION**

Chapter 4 covered the importance of the alignment of the internal environment with the external marketplace. Specific focus was given to the constructs of service quality and customer satisfaction. The drivers of employee satisfaction were identified, since employee satisfaction is an anecdote of customer satisfaction. Finally, the linkage between service quality and customer satisfaction was explained through the service profit chain. Chapter 5 focuses on the conceptual model in which internal marketing as a relationship management and social exchange strategy is used to enable employees to deliver on service quality and customer satisfaction objectives.

## CHAPTER 5

### CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT



#### 5.1 INTRODUCTION

Chapter 4 focused on the importance of service quality and customer satisfaction as important constructs to service industries and in particular, to banking. High levels of service quality and customer satisfaction are vital to the survival of banks and to their competitive strength in the market. This is mainly due to the fact that higher levels of service quality and customer satisfaction in banking create greater cross-sell opportunities, attract new customers, and maintain higher customer retention rates, which in turn increase sales revenue and market share (Sehgal & Sharma, 2017:20; Yu et al., 2015:492; Zameer et al., 2015:443-444). Chapter 5 brings all the theory together through the presentation of the conceptual model developed from the literature in Chapters 3 and 4. The grounding theories that support an internal marketing approach, namely the Relationship Marketing Theory and the Social Exchange Theory, are discussed in more depth (refer to Chapter 3, section 3.4). The remainder of the chapter concentrates on the conceptual model and the relationships between the independent variables (the internal marketing mix elements), the intervening variable (service quality) and the dependent variable (customer satisfaction).



## **5.2 THE IMPORTANCE OF THE RELATIONSHIP MARKETING THEORY AND THE SOCIAL EXCHANGE THEORY IN INTERNAL MARKETING INITIATIVES**

Service organisations in frontier markets such as Oman are often not sufficiently agile enough to positively impact organisational performance. Some of the main reasons for this is a lack of effective cross-functional coordination, internal rigidity and a knowledge gap that prevent these organisations from serving both internal and external customers well (Bell, 2018; World Bank Group, 2018: 97-98). Kanyurhi and Akonkwa (2016:774) suggest that the solution to these issues may lie in the practice of internal marketing. Retail banks that treat their employees as internal customers and suppliers and encourage stronger cross-functional interaction create internal value, which translates into stronger external customer value through superior levels of service quality and customer satisfaction (Tortosa-Edo et al., 2015:487). Internal marketing and the Relationship Marketing Theory are strongly related, in the sense that both theories require all departments within an organisation to work collaboratively with one another to enrich employee knowledge and experience to create a knowledge generating environment. This confirms the view of Varey and Lewis (2012), which states that internal marketing is a relationship management strategy in which knowledge is acquired for the organisation in order to create a distinctive advantage (Wulf & Butel, 2017:1407; Longo & Narduzzo, 2017:291,293). As stated in Chapter 3, section 3.4.1.1 (which includes a more detailed description of the link between the two theories), internal marketing contributes to the Relationship Marketing Theory and to the creation of an internal market orientation in the sense that it ensures that a continuous flow of knowledge is generated between employees, as well as between the various business units, as a result of collaborative relationships between internal customers and internal suppliers (Wulf & Butel, 2017:1408-1409).

A relational view of internal marketing values the integrative approach to internal relationships regardless of issues of complexity. A relational view acknowledges the shortcomings of transactional internal relationships and calls for a relationship management approach similar to external Relationship Marketing (Sheth, 2017:9). In this way, internal marketing is described as the process of initiating, maintaining and developing relationships with employees, their management and the organisation for the purpose of producing superior value for customers (Sirenne, 2013:21). Internal marketing as a process of initiating, maintaining and developing relationships draws from definitions obtained in Relationship Marketing literature. This implies that internal marketing is not only about attracting employees, but also about enabling and enhancing the internal relationship and

value provided to these employees (Imankhan & Charakdar, 2013:2347). Internal marketing as a relationship management strategy emphasises the importance of relationships within and across teams and hierarchies. For organisations to be successful, it is essential that these relationships are positive and supportive in order for employees to achieve organisational objectives (Kanyurhi & Akonkwa, 2016:777). Internal marketing as a strategy for creating superior value for customers also incorporates a process perspective of internal relationships and the degree to which employees are enabled to deliver on organisational objectives such as service quality and customer satisfaction (Hasaballah et al., 2014:2366). This implies that internal marketing as a relationship management strategy provides the mechanism through which an internal marketing-orientated culture can be created (Asiedu & Acheampong, 2017:2-3). Within this kind of culture, knowledge can be generated, renewed, shared, reflected on and challenged as a result of strong internal relationships (Fang et al., 2014:172). Furthermore, employees can be enabled and satisfied through the internal marketing mix elements, which sends a clear signal to the internal market that they are valued by the organisation (Boukis et al., 2017:692). This results in higher levels of employee satisfaction, which starts the cycle of reciprocity where employees become more customer-minded, thereby increasing the ability of the organisation to meet customer expectations (Salehzadeh et al., 2017:277). This in turn, positively affects both internal and external customer satisfaction, resulting in higher levels of perceived customer value, higher retention rates, loyalty and profitability (Bell, 2018; Tseng, 2016:204).

Closely linked to the Relationship Marketing Theory is the Social Exchange Theory, in which organisations are viewed as exchange networks where relationships are guided by social exchange principles (Grace, King & Iacono, 2017:124). As discussed in detail in Chapter 3, section 3.4.1.2, the Social Exchange Theory, specifies that employees view the relationship with the organisation as a sequence of interactions that involve reciprocal promises (Tsachouridi & Nikandrou, 2016:1338). To this end, the Social Exchange Theory incorporates the Equity Theory and the Psychological Contract Theory, in which employees evaluate their relationship with their bank by balancing their inputs (what they contribute to the organisation) with their outputs (what they receive from the relationship) (Biswas & Kapil, 2017:698; Grace et al., 2017:124; Wu & Lee, 2017:480). This implies that employees provide the organisation with their time, knowledge, and experience and in return receive benefits such as reward and recognition, and learning and development (Biswas & Kapil, 2017:698; Restubog et al., 2008:1393). Employees assess the benefits received from their organisation and if these are considered fair, employees experience satisfaction and reward the organisation with positive behaviours, resulting in higher levels of service quality and

customer satisfaction (Bell, 2018; de Araujo & Franco, 2017:219; Longo & Narduzzo, 2017:291,293).

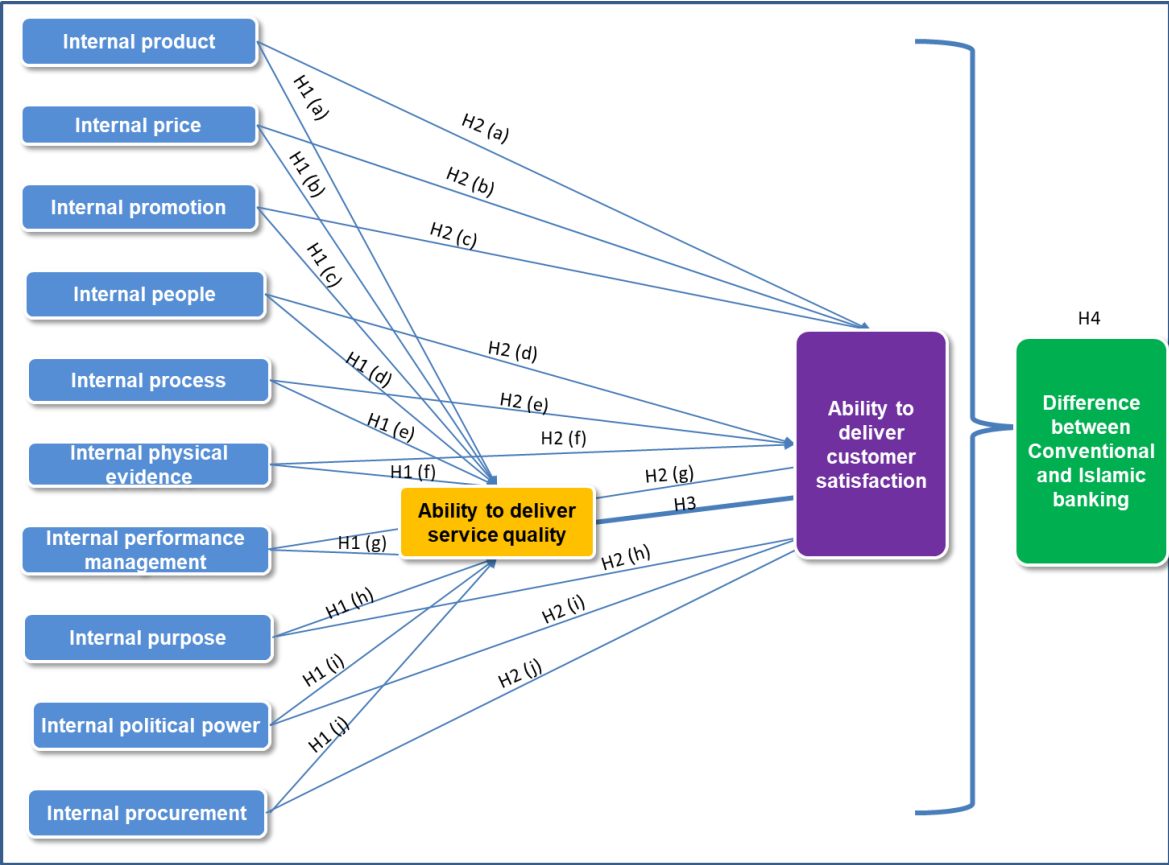
As further discussed in Chapter 3, section 3.4.1.2, internal marketing contributes significantly to the Social Exchange Theory in the sense that internal marketing represents the organisation's philosophy to create value for its internal market with the objective of encouraging them to fulfil the external marketing objectives, such as service quality and customer satisfaction (Gjurašić & Marković, 2017:188). Through an internal marketing strategy, banking employee needs are understood and addressed through each of the internal marketing mix elements (Mbengo & Chinakidzwa, 2014:193-194). As a result of actions taken through the internal marketing mix, employees feel valued and cared for and perceive the organisational actions to be positive, contributing to feelings of satisfaction (Mirahmadi & Akbari, 2017:507-508). This in turn encourages reciprocity and positive responses towards the bank's customers in the form of superior service quality and customer satisfaction (Gjurašić & Marković, 2017:188).

In summary, the Relationship Marketing Theory and the Social Exchange Theory were selected as the grounding theories for the study due to their strong relationships with internal marketing practice. It has been established that internal marketing is essential in the establishment and maintenance of effective relationships between the organisation and its employees allowing for the realisation of organisational objectives such as service quality and customer satisfaction, thereby grounding internal marketing in the Relationship Marketing Theory (Tortosa-Edo et al., 2015:487). Furthermore, internal marketing contributes to the Social Exchange Theory in the sense that when employees' needs have been met and strong internal relationships have been created, employees feel satisfied and as a result feel obligated to reward the organisation with positive behaviour such as trust and commitment. This further enhances the service experience with external customers, positively influencing their perceptions of service quality and ultimately, customer satisfaction (Mura et al., 2017:1226; Wu & Lee, 2017:480). The next section provides an overview of the theoretical model in which the linkages between the main constructs on the study, namely internal marketing, service quality and customer satisfaction, are discussed in more detail.

### **5.3 THEORETICAL MODEL AND RESEARCH HYPOTHESES**

The following section discusses the conceptual research model (refer to Figure 5.1) in greater depth. The section provides a view of the internal marketing mix elements as the

independent variables, service quality as the intervening variable, and customer satisfaction as the dependent variable in the study. Furthermore, a discussion is provided linking each of the internal marketing mix elements to service quality and linking each of the internal marketing mix elements to customer satisfaction.



**Figure 5.1: Conceptual Research Model**  
 Source: Author's own construct

### 5.3.1 The internal marketing mix as independent variables

External marketing makes use of the marketing mix in order to create a value proposition for external customers. In the same way, internal marketing makes use of the internal marketing mix in order to create a value proposition for internal customers (employees). Through the internal marketing mix, the organisation is able to transform elements of the business, or make improvements in alignment with the external strategy. In this way, the internal marketing mix serves as a framework for implementing the actions to be taken and the way in which resources would be allocated in order to provide value to both internal and external stakeholders (Harrington et al., 2017:554). The internal marketing mix elements are therefore viewed as the independent variables in this study, as these are the controllable

elements within the organisation that are able to influence employee attitudes and behaviours. These elements consist of all organisational influence systems within the organisation, which are used to influence employees so that they are satisfied, enabled and motivated to act in a customer-orientated manner. Through the use of each element employees are enabled, satisfied and motivated to achieve the desired results of the organisation. As per the Social Exchange Theory and the Relationship Marketing Theory, employees with high levels of satisfaction are more likely to display positive moods that influence service quality and affect the customers' experience and reactions. This in turn leads to a positive impact on the level of customer satisfaction experienced (Hur et al., 2015:72) (refer to Chapter 3, section 3.4.1.2).

### **5.3.2 Service quality as the intervening variable**

Relationship Marketing and the Social Exchange Theory provide the grounding for this study and as such, service quality is regarded as the variable in the exchange, which, when influenced, brings about positive outcomes (refer to Chapter 3, sections 3.4.1.1 and 3.4.1.2 and Chapter 4, section 4.3). Overall, service quality is the variable influenced by the internal marketing mix to enhance the ability of employees to bring about higher levels of speed for service delivery, efficiency of transactions, courtesy, friendliness and willingness of employees to help customers. Higher levels of service quality in turn create positive outcomes for customers such as trust and commitment, resulting in higher levels of customer satisfaction (refer to Chapter 4, section 4.4). As a result, customers reward the organisation with higher levels of loyalty and stronger relationships (Yeun & Thai, 2015:180).

Previous research has proven that service quality as a determinant of customer satisfaction has the strongest influence on customer satisfaction and the positive relationship between these two has been well substantiated in academic literature (Abu Saleh et al., 2017:880; Zameer et al., 2015:445; Kursunluoglu, 2014:541; Kaura, 2013:170). Satisfaction builds market share profitability, enhances customer commitment and strengthens customer relationships with the organisation. Service quality is the variable which infers these benefits, thereby suggesting the relationship between quality and satisfaction (Famiyeh et al., 2018:264). The premise of the study is that service quality is influenced by the independent variables, namely the internal marketing elements that enhance the employee's ability to deliver higher levels of service quality (refer to Chapter 3, sections 3.5.2 and 3.6). As such, service quality results in positive outcomes and the ability to deliver customer satisfaction as the desired outcome. Thus, the internal marketing mix elements

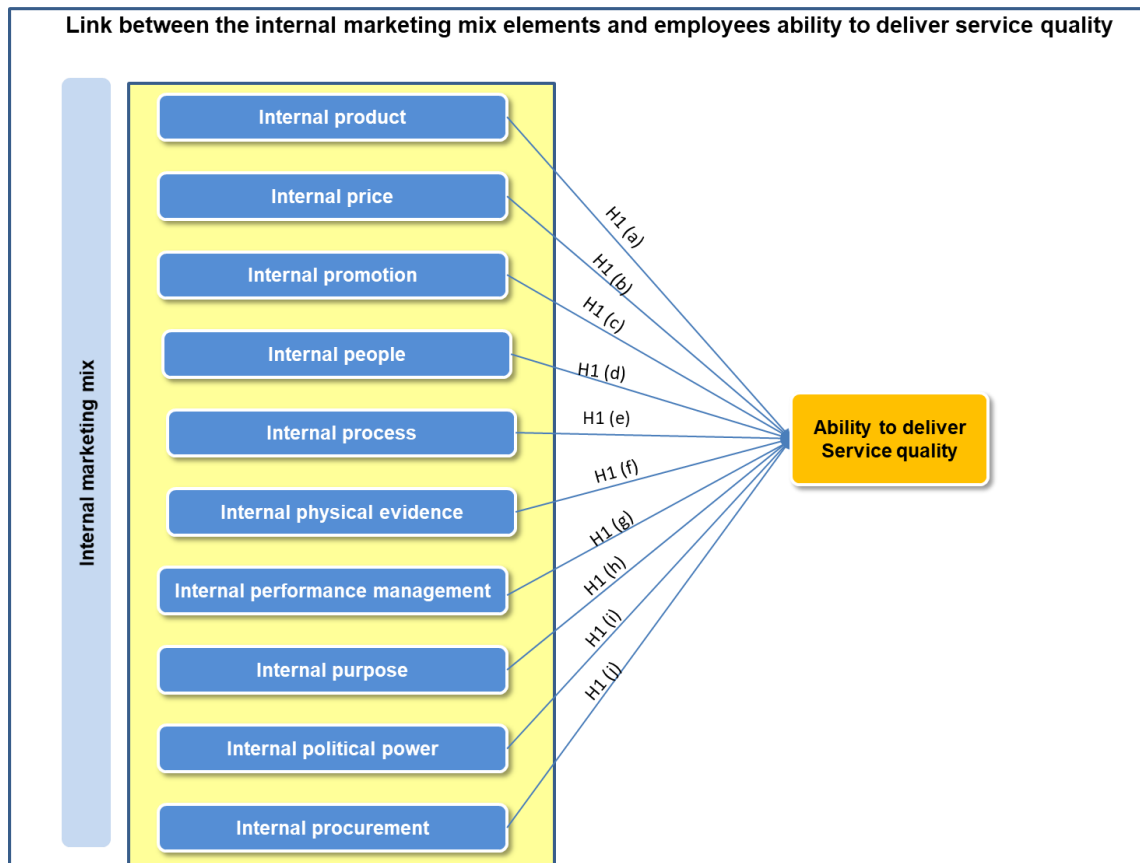
are positively related to service quality, and service quality is positively related to customer satisfaction (refer to Chapter 3, section 3.5.2 and 3.6 and Chapter 4, section 4.5 and 4.6). For this reason, service quality has been selected as the intervening variable in the study.

### **5.3.3 Customer satisfaction as the dependent variable**

Customer satisfaction is selected as the dependent variable in the study, since this construct is the primary measure of banking success, which will impact the bank's relationship with the market, its reputation in the market and fundamental operational processes (Kant & Jaiswal, 2017:413; Munari, Ielasi & Bajetta, 2013:139). As per expectancy or disconfirmation theory, customers assess their expectations with a service against what is actually delivered. If the service exceeds customer expectations, customer satisfaction is experienced as the desired result (Al-Azzam, 2014:48). The independent variables in the study, namely the internal marketing mix elements, influences the employee's ability to provide service quality, which in turn influences the customers' perception of service quality, resulting in feelings of satisfaction or dissatisfaction as the outcome and desired result in the study. Customer satisfaction as an outcome is essential to success, as satisfied customers complain less, are willing to pay higher premiums, use more products, and recommend their bank to others (Ramanathan et al., 2018:1941; Zameer, 2015:445; Singh & Pattanayak, 2014:404).

### **5.3.4 The relationship between the internal marketing mix elements and service quality**

This section explores the linkages between each of the internal marketing mix elements and service quality (refer to Figure 5.2). This section focuses purely on each element as an enabler of service quality. The discussion is viewed from a relationship perspective as per The Relationship Marketing Theory (refer to section 3.4.1.1). The section considers how each element contributes to the development of internal relationships, with the objective of sharing knowledge and information so that service quality can be improved within retail banks in Oman.



**Figure 5.2: The relationship between the internal marketing mix elements and service quality**

Source: Author's own construct

#### **5.3.4.1 The relationship between internal product and service quality**

Through the better design of job products, comprising the employees' job and elements related to this, retail banks are able to provide higher levels of service quality, as employees are placed into jobs which satisfy their needs, thereby enabling them to perform better. When components such as role fit, training and development and career progression are factored into job products, retail banks are better able to produce internal satisfaction and quality, resulting in external service quality (Reynolds-De Bruin, 2014:118-119). Through role fit, employees' skills and personalities are better matched with the tasks they are expected to perform (Von Rimscha, 2015:18). Through learning and development programmes, employees are provided with a better understanding of customer needs and requirements and how best to satisfy these needs (Bhattacharjee, Moreno & Ortega, 2016). Through coaching practices and career development plans, employees can be equipped and enabled to utilise their capabilities and achieve their full potential (Merchant, 2017). All of the listed aspects result in stronger internal collaboration, compliance, reliability, responsiveness, assurance and problem-solving, all of which have a positive impact on the

overall service experience for both internal and external customers (Merchant, 2017; Battacharjee et al., 2016; Von Rimscha, 2015:8). Thus, internal product is viewed as an enabler of service quality and the following hypothesis has been proposed:

H<sub>1</sub> (a): There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

#### **5.3.4.2 The relationship between internal price and service quality**

If employees are not motivated to share knowledge and deliver service quality to customers, no amount of investment, infrastructure and technological development will make service effective. Thus, having the right rewards in place to encourage employees to share and apply knowledge and serve both internal and external customers well, is crucial for a retail bank's success (Nthabiseng et al., 2017). Rewards should also be linked to risk-taking and service quality behaviours, namely compliance, assurance, reliability, tangibles, empathy and responsiveness, in order to reinforce these positive behaviours and build an internally market-orientated culture (Espinosa-Parrilla et al., 2018; Kiragu, 2015:18,44). In this way, employees will strive to deliver service excellence, as they desire to be rewarded for it (Okoth, 2014:11, 15, 38). Further to this, when employees are required to learn new processes, systems or receive training on service quality behaviours, the level of service quality provided may decrease, as employees are learning the new skills and mistakes can be expected. This is attributable to the notion that employees are unfamiliar with the new knowledge and may feel overloaded and stressed, impacting their mood when serving customers (Al Mughairi, 2018). When learning is incorporated into the product component and conducted more effectively such as through weekly learning sessions, employee energy levels are better maintained and service quality levels are improved (Al Ismaili, 2018). Internal price is therefore regarded as an important enabler of service quality and the following hypothesis has been put forward:

H<sub>1</sub> (b): There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.



#### **5.3.4.3 The relationship between internal promotion and service quality**

Internal promotion relates to the strategic management of interactions and relationships between employees in an organisation, with the intention of creating a more engaged workforce (King & Lee, 2016:2676). Through improved communication and collaboration, retail banks are able to strengthen internal relations and knowledge sharing, enabling cooperation across departments for the benefit of the collective, while ultimately securing an improvement in internal service quality (Wu & Lee, 2017:477). The communication of a compelling vision and clear organisational goals has been proven to have strong links with service quality behaviours such as reliability, responsiveness, assurance, empathy and compliance (Nautin, 2014:140-142). This is attributable to the idea that employees understand what is expected of them and how their job contributes to the achievement of organisational outcomes (Quarantino & Mazzei, 2018:186,192). Thus, internal promotion is a powerful enabler of service quality and the following hypothesis has been developed:

H<sub>1</sub> (c): There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

#### **5.3.4.4 The relationship between internal people and service quality**

The level of service quality provided to customers is directly correlated to internal people, specifically relationships with direct managers and co-workers (Ariani, 2015:33-34). Relationships with direct managers denote both leadership style and the managers' ability to influence and motivate employees within the organisation (Pasamehmetoglu et al., 2017:6). Direct managers, such as supervisors who ensure a good people-organisation fit, communicate the vision and purpose clearly and transform organisational goals into concrete strategic plans, are better able to motivate employees towards the achievement of higher levels of service quality (Ugadden & Park, 2017:273). Further to this, when a more participative leadership style is adopted, it promotes cross-functional integration and employee involvement, in which all employees understand the operations behind the service process, thus enabling them to perform better and provide higher levels of both internal and external service quality (Veliu et al., 2017:61). According to the Social Exchange Theory, when employees receive information from their managers, they are more willing to share knowledge with their co-workers in return (refer to Chapter 3, section 3.4.2). In so doing, employees are able to strengthen internal relationships, help disseminate important knowledge and improve group performance (Conway, 2015; Mkhize, 2015). This

leads to the rapid exchange of information and good practices, according to which employees are able to develop better solutions to challenges incurred and become more responsive, reliable, emphatic, compliant and more confident as a result. Through this approach, employees are enabled to enhance internal and external service quality (Mkhize, 2015; Nazeer et al., 2014:45-46). In this way, internal people contribute to the enablement of service quality. The following hypothesis has been developed:

H<sub>1</sub> (d): There is a significant positive relationship between the internal people element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

#### **5.3.4.5 The relationship between internal process and service quality**

Successful retail banks such as the Royal Bank of Scotland focus on the delivery of superior process, in order to ensure a consistent service experience across channels (Loots, 2017). These banks believe that if clear internal processes are put in place, are practised and enforced, they will ensure that a consistent level of service quality is delivered (Katsuri, 2017). Through customer feedback and a better understanding of customer needs, processes can be better designed to incorporate quality into all stages of the service delivery process (Tseng, 2016:215). This ensures that failure points are eliminated or minimised and turnaround times improved (Kefalas, 2018:64-65). Through continuous improvement initiatives, incremental changes to processes can lead to significant long-term improvements such as reduced waiting times, increased efficiency and effectiveness (Smith et al., 2017:1823). Reduced waiting times and the ability to respond better to internal customers strengthen the relationships between departments as well as the relationship between customers and the service provider, bolstering customer perceptions of service quality and outcomes (Drotskie & Viljoen, 2018; Kefelas, 2018:64-65; Luu et al., 2016:633). Thus, internal process is an essential enabler of service quality and the following hypothesis has been put forward:

H<sub>1</sub> (e): There is a significant positive relationship between the internal process element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

#### **5.3.4.6 The relationship between internal physical evidence and service quality**

The physical environment of a banking branch and operational office space have an impact on both the psychological and the physiological well-being of employees, which in turn influences their productivity (Morgan, 2018). Further to this, the lay-out of the physical environment impacts employees' ability to develop relationships and transfer knowledge and learning (Abozed, Melaine & Saci, 2017). Workspaces in which an open-plan layout is applied, provide greater flexibility and social interaction between employees, which promotes the development of internal relationships, knowledge sharing, teamwork and the improvement of internal and external service quality (Waber, Magnolfi & Lindsay, 2014). In addition to this, tools and equipment such as CRM systems and big data tools enable customer-facing employees to create higher levels of customisation, resulting in greater levels of reliability, responsiveness, assurance and empathy, factors which allow employees to deliver the service in a more personalised way and result in greater levels of service quality (Motamarri et al., 2017:624). Physical evidence is recognised as an enabler of service quality and the following hypothesis has been put forward:

H<sub>1</sub> (f): There is a significant positive relationship between the internal physical evidence element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

#### **5.3.4.7 The relationship between internal performance management and service quality**

Internal performance management refers to the mechanisms used to maintain and improve employee performance within the organisation (Conway, 2018). When employees understand the organisational objectives, performance measures are aligned and consistent with organisational objectives, and employees are provided with regular feedback which results in their feeling psychologically safe within the organisation (Smith et al., 2017:1821; Lovelock & Writz, 2016:301-302). Regular monthly performance feedback creates stronger relationships and higher levels of trust between employees and management, which are strongly correlated with higher levels of performance and the achievement of service quality (Conway, 2018). Further to this, when employees are provided with tools to track their own performance, they are able to compare outcomes with targets and feel empowered as a result (Laisasikorn & Rompho, 2014:83). Through regular feedback and visual metrics, employees are able to understand and assess how effectively they are meeting service quality objectives. Furthermore, through the process they are

enabled and motivated to perform better, in order to achieve higher levels of both internal and external service quality excellence (Kim et al., 2017:722; Lovelock & Writz, 2016:301). Thus, internal performance management is an enabler of service quality. The following hypothesis has been developed:

H<sub>1</sub> (g): There is a significant positive relationship between the internal performance element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

#### **5.3.4.8 The relationship between internal purpose and service quality**

Internal purpose is instrumental in creating the organisation's service culture, in which shared values, beliefs and perceptions about what is important dominate the organisation's core philosophy (Lovelock & Writz, 2016:303). Employees rely heavily on their perceptions of what is important, by observing what the organisation and leaders do, as opposed to only what leaders say (Renjen, 2018). It is through a clearly communicated purpose as well as through consistent and visible leadership behaviours that employees are able to gain an understanding of what is important in their daily experiences with various departments (Renjen, 2018; Lovelock & Writz, 2016:303). Organisations with a strong purpose develop a strong foundation for their service strategy, specifically if all customer activities and processes are aligned to this in order to create value for both internal and external customers (Hughes, 2014:6-7). For example, leaders help employees to understand the big picture and how their jobs achieve the organisational purpose, they help identify opportunities and focus on the details in terms of improving how employees manage the details in order to make big improvements to service quality. Call centre leaders can help employees understand how to be empathic to customers by listening and by not transferring calls without first trying to help, as this enhances the service experience (Schneider, 2018; Lovelock & Writz, 2016:30). Thus, internal purpose is an enabler of service quality and the following hypothesis has been proposed:

H<sub>1</sub> (h): There is a significant positive relationship between the internal purpose element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

#### **5.3.4.9 The relationship between internal political power and service quality**

Internal political power refers to the complex mixture of power, influence and behaviour which has an impact on the organisation and the relationships therein (Abbas & Awan, 2017:22). When employees perceive politics, in this case the use of *wasta* to be high, it indicates dissatisfaction with their job and the organisation (Upasna, 2016:415-416). *Wasta* can be used to influence hiring and promotional decisions, the level of autonomy afforded to employees, and it could influence the withholding of punishment in situations where employees deserve it (De Waal, 2017:242). The practice of *wasta* could result in feelings of discrimination, exclusion and the breakdown of trust, which would have a severe impact on the social dynamics and internal relationship strength within the organisation. The outcomes of internal politics effect the attitudes of employees and their behaviours towards work, which in turn affects their willingness to collaborate cross-functionally and their ability to deliver service quality (Abbas & Awan, 2017:23). In this way the practice of *wasta* may pose a hinderance to the delivery of service excellence in Oman and is thus considered an enabler of service quality when controlled (De Waal, 2017:242). The following hypothesis has been developed:

H<sub>1</sub> (i): There is a significant positive relationship between the internal political power element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

#### **5.3.4.10 The relationship between internal procurement and service quality**

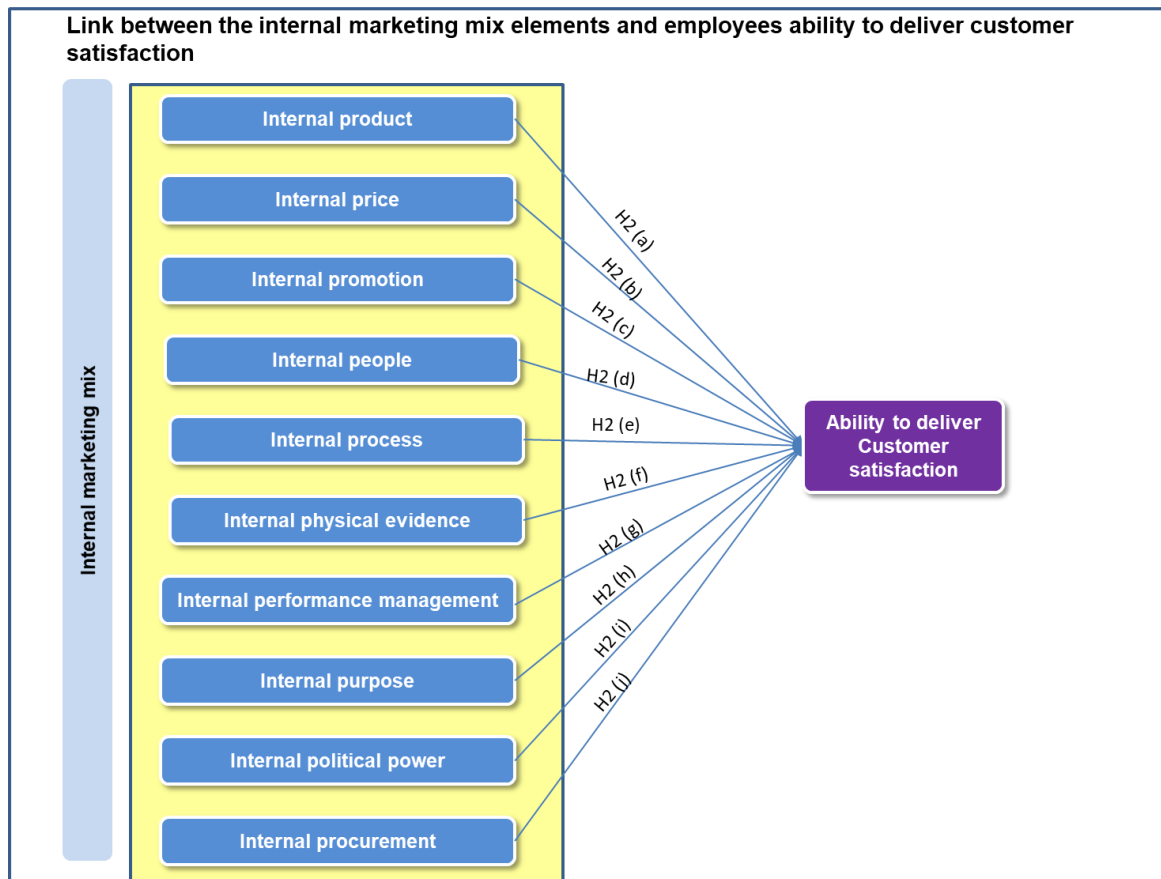
The recruitment of talented employees who possess the right skills, knowledge and behaviours into the organisation is paramount to the success of a retail bank (Hennessey, 2018). These employees represent the operational resources of the organisation that generate emotional benefits for both internal and external customers and provide the element of differentiation, specifically from a service quality perspective (Du Preez et al., 2017:251). Employees who share similar values and a strong customer orientation play a significant role in enabling cross-functional coordination and the development of internal relationships. It is essential, therefore, that employees who are able to serve as brand ambassadors are attracted into the organisation (Suh & Lee, 2016:453-454, Swink & Schoenherr, 2016:69). These employees are more willing to share information, generate closeness and an understanding for all internal and external stakeholder needs (Wang et al., 2017:844). Furthermore, these resources create a competitive advantage for the

organisation in the sense that strong internal relationship management capabilities can be developed, which are aligned with the organisational strategy and the desire to create strong external relationships (Wang et al., 2017:844; López-Cabarcos, Oliveira-Monteiro & Vázquez-Rodríguez, 2015:3). Successful retail banks such as Standard Bank of South Africa focus on recruiting the right employees into the right roles through a competency-based interview process and through the use of assessment centre techniques (Bezuidenhout, 2018). In this way, they ensure that people with strong customer-orientated and relationship-building skills are recruited into the bank in order to secure higher levels of service excellence (Lovelock & Writz, 2016:291-292). For this reason, internal procurement is considered to be a vital enabler of service quality and the following hypothesis has been proposed:

H<sub>1</sub> (j): There is a significant positive relationship between the internal procurement element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

#### **5.3.5 The relationship between the internal marketing mix elements and customer satisfaction**

The section proposes that as per the Social Exchange Theory, each internal marketing mix element contributes to positive outcomes such as higher levels of employee satisfaction, which in turn influences employees' behaviour and their ability to deliver customer satisfaction (refer to Chapter 3, section 3.4.1.2). In this way the internal marketing mix elements impact both internal and external customer satisfaction (refer to Figure 5.3).



**Figure 5.3: The relationship between the internal marketing mix elements and customer satisfaction**

Source: Author's own construct

#### **5.3.5.1 The relationship between internal product and customer satisfaction**

Internal marketing is concerned with the formation of attractive job products to satisfy employee needs through the development and motivation of best-qualified employees (Reynolds-De Bruin, 2014:72). Through elements such as training and development, career advancement and role fit, employees believe they are cared for, resulting in higher levels of satisfaction (Von Rimscha, 2015:18-19; Kaya & Ceylan, 2014:183; Terera & Ngirande, 2014:43,45). Satisfied employees collaborate better and are more responsive to both internal and external customer needs. Further to this, satisfied employees achieve better results with customers, resulting in higher levels of customer satisfaction (Simes et al., 2014:4-5). Thus, internal product is regarded as a key enabler of customer satisfaction and the following hypothesis has been put forward:

H<sub>2</sub> (a): There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **5.3.5.2 The relationship between internal price and customer satisfaction**

The internal price element is used to attract talented employees into the organisation, motivate them and retain them through reward programmes such as total compensation programmes (Bersin, 2015). Reward systems communicate to employees that they are valued by the organisation, which increases the frequency of positive work behaviours. As per the Social Exchange Theory (refer to Chapter 3, section 3.4.1.2), employees assess the rewards and if perceived to be equitable, these employees experience satisfaction and reward the organisation with positive behaviours (Chepkwony, 2014:60,63). This element is often viewed as the most important in the achievement of employee satisfaction and engagement (Ndungu, 2017:48). Further to this, internal price takes into account the costs that employees bear to work for the organisation in the form of psychological costs and opportunity costs (Zeithaml et al., 2012:517) (refer to Chapter 3, section 3.5.2.1). When employees perceive the costs of working for the organisation to be low, they experience satisfaction. Improved levels of satisfaction in turn affect the level of work effort afforded by employees, resulting in a more satisfying customer experience and higher levels of customer satisfaction (Bakotić, 2016:120). To this end, internal price is considered to be an enabler of customer satisfaction and the following hypothesis has been proposed:

H<sub>2</sub> (b): There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **5.3.5.3 The relationship between internal promotion and customer satisfaction**

The internal promotion element is crucial in the understanding of employee needs and the communication of these across the organisation in order to create an internally market orientated culture (Fang et al., 2014:172). Internal promotion is also key in the sharing of information and knowledge, which ensures the adherence to shared goals and the strengthening of congenial relationships between employees (Akkas, Chakma & Hossain, 2015:83). Knowledge-sharing creates an internal environment based on trust and openness, which in turn drives higher levels of employee satisfaction and customer



enthusiasm (De Araujo & Franco, 2017:379). This results in the achievement of higher levels of customer satisfaction and a superior customer experience (Ariani, 2015:33). In this way, internal promotion enables superior levels of customer satisfaction. Thus, the following hypothesis has been proposed:

H<sub>2</sub> (c): There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **5.3.5.4 The relationship between internal people and customer satisfaction**

Internal people are the employees themselves, which include the direct manager and co-worker perspective (Reynolds-De Bruin, 2014:95). The relationship between co-workers creates the notion of teamwork, trust and the feelings of a team spirit. If positive and trusting relationships exist between co-workers, these employees will bond better as a team (Ansari & Malik, 2017:214). As a result, employees are able to fulfil their affiliation needs, which results in greater feelings of satisfaction (Collins et al., 2106:162). Happy employees are motivated to create happy customers and to this end, strive for higher levels of customer satisfaction (Smith et al., 2017:1825). Further to this, the relationship with direct managers provides the first link between the employee and the organisation and when employees view this relationship as positive, it generates more positive attitudes and behaviours such as job satisfaction (Pasamehmetoglu et al., 2017:7). As a result, employees feel supported, communicate more openly, share information and develop internal relationships, all of which have a positive impact on the customer experience and customer satisfaction (Babalola, 2016:937; Sturman & Park, 2016:4; Asiedu & Acheampong, 2014:2). Hence, internal people enable employees to deliver customer satisfaction. The following hypothesis has been proposed:

H<sub>2</sub> (d): There is a significant positive relationship between the internal people element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **5.3.5.5 The relationship between internal process and customer satisfaction**

Effective, well-designed processes are crucial for both internal and external customer satisfaction (Camgöz-Akdağ et al., 2016:958). Employees assess the level of internal service received from their internal suppliers and if consistent and reliable, they perceive

value, which results in feelings of satisfaction (Luu et al., 2016:631-632). Further to this, the automation of processes and continuous improvement thereof reduce time spent on non-value adding activities and provide employees with more control over their work, further enhancing levels of satisfaction (Kefelas, 2018:64-65; Smith et al., 2017:1821). Higher levels of satisfaction motivate employees to provide a consistent customer experience across both internal and external channels, resulting in higher levels of customer satisfaction (Halvorsrud et al., 2016:841; Wu, 2017:618-619). In this way, internal process is an enabler of employees' ability to deliver customer satisfaction. Thus, the following hypothesis has been proposed:

H<sub>2</sub> (e): There is a significant positive relationship between the internal process element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **5.3.5.6 The relationship between internal physical evidence and customer satisfaction**

Internal physical evidence relates to the physical environment in which employees work, as this has a strong influence on their feelings of physical comfort, safety and ultimately, satisfaction (Johnson, 2016:83). Furthermore, the layout of office space has an impact on social interaction and collaboration between employees, which also affects both employee satisfaction and customer satisfaction. Improvements to physical working conditions (such as safety, a comfortable working environment, lighting, temperature, office layout, as well as by providing employees with the appropriate equipment to serve customers well) are some of the most effective ways of changing employee behaviour (Morgan, 2018; Agbozo et al., 2017:13). By enhancing employees' level of comfort at work, employees experience more satisfaction, which in turn improves productivity and outcomes such as greater customer satisfaction (Morgan, 2018). This is due to the fact that when employees are satisfied with their work environment, they collaborate better with other employees, make fewer mistakes, absenteeism is reduced, innovation increases and employees remain with organisations for longer. All of which have a positive impact on customer satisfaction (Agbozo et al., 2017:13; Chadburn et al., 2017:68-69; Samani 2015:163). Thus, internal physical evidence is an enabler to customer satisfaction and the following hypothesis has been put forward:

H2 (f): There is a significant positive relationship between the internal physical evidence element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **5.3.5.7 The relationship between performance management and customer satisfaction**

Performance management is regarded as an important way to generate satisfaction for both employees and customers (Cambra-Fierro et al., 2014:75). There is evidence that by improving performance measurement systems and practices, employee engagement levels can be enhanced, which impact employee performance and positively impacts customer satisfaction (Smith & Bititci, 2017:1208; Bourne et al., 2013:1604). Organisations that provide regular feedback in terms of how employees are performing their tasks relative to expectations, are able to reduce uncertainty amongst employees and generate higher levels of satisfaction (Kumari, 2015:2). In turn, satisfied employees are critical in the acquisition, satisfaction and retention of customers (Odindo & Devlin, 2018). Thus, performance management is regarded as an enabler of customer satisfaction and the following hypothesis has been proposed:

H2 (g): There is a significant positive relationship between the internal performance element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **5.3.5.8 The relationship between internal purpose and customer satisfaction**

Alexander (2017) states that the secret ingredient to organisational success is purpose and although a 'squishy' topic, these softer qualities become the differentiators of successful service organisations. Organisations focused on creating a connection between employees and the organisation's mission and values, are able to establish a socialised dynamic in which employees feel part of something bigger than themselves (Renjen, 2018). Employees are thus able to integrate their deeper personal values with those of the organisation, leading to their ability to fulfil their vocational needs (Gatling, Jungsun & William, 2016:474). This results in an emotional attachment to the organisation, which results in higher levels of employee satisfaction, engagement, commitment and trust (Karanike-Murray et al., 2015:1021). Higher levels of customer satisfaction are evident in organisations focused on creating meaningful work and those in which corporate social responsibility is present

(Glavas, 2016). Hence, internal purpose is a key enabler of customer satisfaction and the following hypothesis has been put forward:

H<sub>2</sub> (h): There is a significant positive relationship between the internal purpose element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **5.3.5.9 The relationship between internal political power and customer satisfaction**

Internal political power for the purpose of the study is discussed in the context of *wasta*. *Wasta* refers to the placement of unskilled or underqualified employees into positions they are not capable of fulfilling by people in a position of power (De Bruin, 2018). The employee placed into the position may experience dissatisfaction over time, as he or she is not able to perform well, which diminishes the employee's work involvement and commitment (Al Ismaili, 2018). Furthermore, teams may become resentful of *wasta* placements or promotions, resulting in higher levels of dissatisfaction and a lack of trust. The consequence of this is that organisations are not able to meet their organisational objectives such as customer satisfaction (Becker, 2018). To this end, internal political power is an important enabler of customer satisfaction. Therefore, the following hypothesis has been proposed:

H<sub>2</sub> (i): There is a significant positive relationship between the internal political power element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

#### **5.3.5.10 The relationship between internal procurement and customer satisfaction**

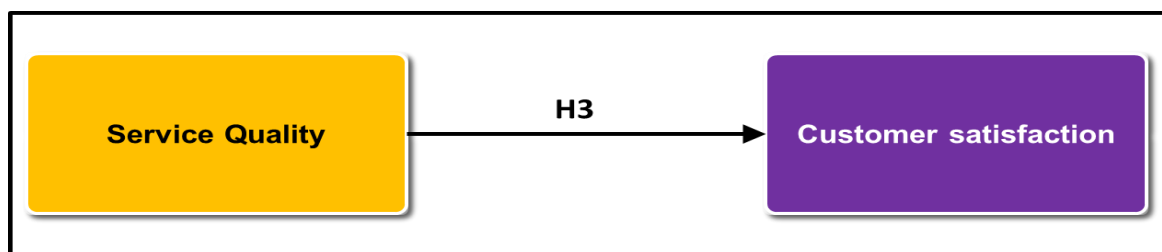
Recruitment and selection strategies are strongly linked to organisational performance and customer satisfaction (Begum et al., 2014:147,153). Candidates who are selected due to their compatibility with the organisation's culture and values, are more likely to experience higher levels of satisfaction (Chen, Sparrow & Cooper, 2016:948). As a result, employees with positive attitudes and higher levels of satisfaction perform better and influence others to do the same (Susanty et al., 2013:16-17). These employees in turn are more likely to treat customers better and to provide a more satisfying customer experience, resulting in higher levels of customer satisfaction (Cambra-Fierro et al., 2014:69). Internal procurement is therefore an important enabler of customer satisfaction and the following hypothesis has been put forward:

H2 (j): There is a significant positive relationship between the internal procurement element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

The underlying objective of internal marketing in respect of customer satisfaction therefore, is the development of a marketing programme and mix, focused on the internal market of the organisation. The intention of this is to understand and meet employee needs in order to bring about higher levels of employee satisfaction. In this way, customer satisfaction can be created and the external market objectives achieved.

### 5.3.6 The relationship between service quality and customer satisfaction

Customer satisfaction is central to the marketing concept and key to service organisations such as banks wishing to create a competitive advantage in a highly competitive world (Biscaia et al., 2017:1509; Al-Azzam, 2015:45; Munari et al., 2013:139). Many studies have proven that there is a strong positive correlation between service quality and customer satisfaction and service quality is recognised as important antecedent of customer satisfaction, as represented in Figure 5.4 (Abu Saleh et al., 2017:880; Selvakumar, 2015:2; Izogo & Ogba, 2014:253; Rasheed & Abadi, 2014:300-301).



**Figure 5.4: The relationship between service quality and customer satisfaction**

Source: Author's own construct

The relationship between service quality and customer satisfaction has received considerable academic interest over the last few years (Famiyeh et al., 2018:263). Both constructs are recognised as key influencers in the formation of customers purchase intentions in a service environment (Izogo & Ogba, 2014:253). Service quality and customer satisfaction are generally conceptualised as distinct constructs with the understanding that service quality influences customer satisfaction, specifically within the banking industry (Narteh, 2018:68). Service quality in this regard is concerned with conformance to service design and specification, while customer satisfaction is concerned with monitoring and

measuring how well the bank is delivering the service. The assumption here is that the better the service quality delivered, the higher the level of customer satisfaction (Famiyeh et al., 2018:263; Izogo & Ogba, 2014:253). Research in the field of service quality has also suggested that SERVPERF as a model of service quality measurement is essential in building high levels of customer satisfaction (Fleishman et al., 2017:99). This is influenced by the idea that customer satisfaction is impacted by how customers experience the performance of the service. Customers form an overall evaluation of the services based on their sum beliefs or experience, with a set of attributes, in this case being the SERVPERF variables, namely, assurance, reliability, tangibles, empathy and responsiveness (Qadri, 2015:1-2).

To evaluate the service quality of a bank, customers determine whether or not they can rely on the bank's service. The reliability of a bank's services may create a positive image of the bank in terms of access to services and the services offered (Narteh, 2018:69-70). Furthermore, reliability will result in customer satisfaction when customers feel that bank employees have zero error records and fulfil their promise of delivering a high-quality service within a stipulated time frame (Qadri, 2015:2). Assurance can only be delivered when employees have the knowledge, courtesy and ability to convey trust and confidence (Van Esterik-Plasmeijer & Van Raaij, 2017:99-100). Customers will only experience satisfaction with overall service quality if they feel assured that employees are competent and have the required knowledge and experience to serve them well. Thus, to achieve customer satisfaction, banks are expected to manage customers in a professional and competent manner (Qadri, 2015:2). Researchers have revealed that empathy plays a critical role in influencing customer satisfaction, where for example, customers perceive higher levels of overall service quality when flexible banking hours and personal attention are provided by banking employees (Kamal et al., 2013:156). Finally, responsiveness accentuates the willingness and readiness of bank employees to assist customers. A bank's service can also be measured by the willingness and readiness of service availability (Qadri, 2015:2). In this way, responsiveness affects the customer perception of overall service quality and in turn, determines customer satisfaction (Yeun & Thai, 2015:171-173).

As per the Relationship Marketing Theory and the Social Exchange Theory, trust and commitment are essential for building and maintaining long-term relationships with customers (refer to Chapter 3, section 3.4.1.1 and 3.4.1.2). If one party in the exchange is able to bring positive outcomes to the other party, trust and commitment can be developed. Overall service quality in terms of speed, efficiency of transactions, courtesy, friendliness and willingness of employees to help creates positive outcomes for customers, such as trust

and commitment results in higher levels of customer satisfaction. As a result, customers reward the organisation with higher levels of loyalty and stronger relationships (Kundu & Datta, 2015:22,27). Thus, there is a strong relationship between service quality and customer satisfaction and the following hypothesis has been proposed:

H3: There is a significant positive relationship between service quality and customer satisfaction at retail banks in Oman.

### **5.3.7 Testing the equivalence between the conventional banking model and the Islamic banking model**

The aim of the study is to comprehend the differences in a comparative research setting of conventional and Islamic banking. The internal marketing mix elements as enablers of service quality and customer satisfaction are used for assessment purposes. The objective is to determine whether any differences exist in the influence of the internal marketing mix elements on service quality and customer satisfaction between the two banking groups. Observations will be made and conclusions drawn as to whether any differences exist between these two groups. If differences do occur, it provides insights into which internal marketing mix elements are viewed to be stronger enablers of service quality and customer satisfaction within each group. As a result, more customised internal marketing programmes can be designed to meet the needs of the two different banking groups. The study proposes that differences do exist between the two banking groups as a result of the different ways in which they function, as per Chapter 2. The following hypothesis has been proposed:

H4: The relationships proposed in the conceptual model indicate different regression weights for conventional and Islamic retail banks in Oman.

## **5.4 CONCLUSION**

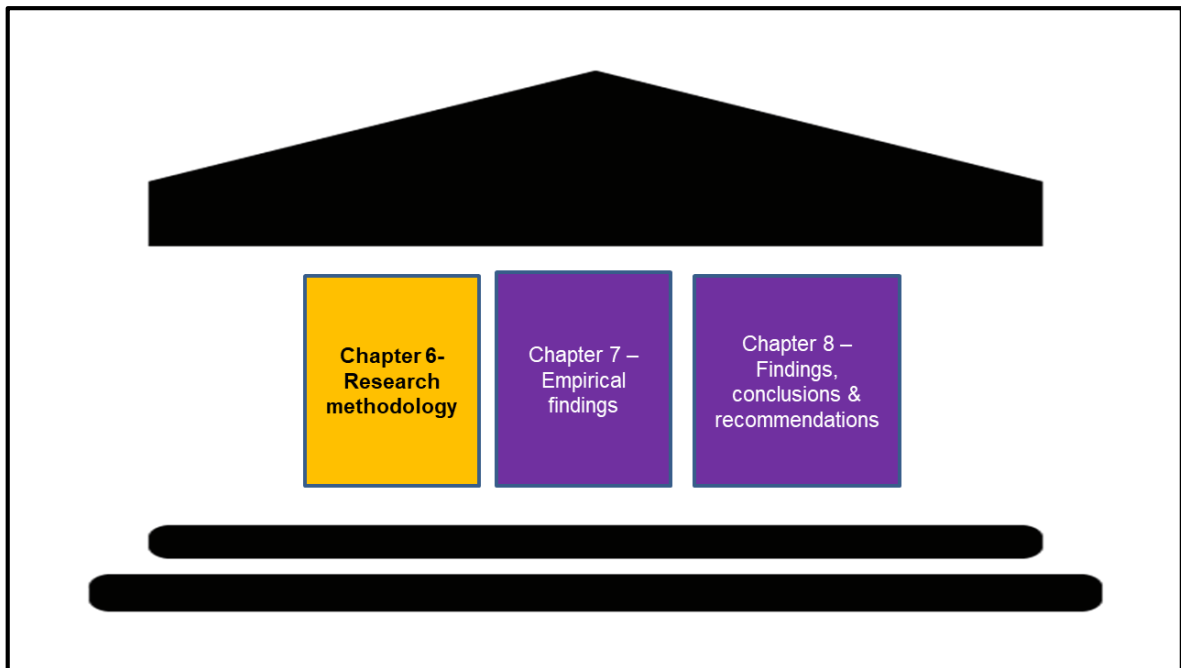
Chapter 5 has provided an overview of the study's conceptual model in order to obtain a deeper understanding of how the internal marketing mix elements influence the enablement of service quality and customer satisfaction in both conventional and Islamic banking. The model was developed based on a review of literature and a deep understanding of the grounding of internal marketing in the Relationship Marketing Theory and the Social Exchange Theory. The purpose of the chapter is to reinforce the relationship between internal marketing, service quality and customer satisfaction. The internal marketing mix

elements as the independent variables are considered to be enablers of service quality and customer satisfaction. When employees have been enabled through each of the internal marketing mix elements (the independent variables), they are able to achieve higher levels of service quality (the intervening variable), which in turn results in higher levels of customer satisfaction (the dependent variable). Chapter 6 investigates the research methods that were used to collect the data and to statistically test the conceptual model empirically as discussed.



## CHAPTER 6

### RESEARCH METHODOLOGY



#### 6.1 INTRODUCTION

The previous chapter highlighted the conceptual framework for the study, and emphasised the relationship between the theoretical constructs that helped formulate the hypotheses to be tested in the study. The objective of this chapter is to shape the research philosophy behind the methodology utilised, discuss the research methodology deployed to collect the data, and test the relationships purported in the conceptual model. The chapter focuses on research philosophy, the research process, the research design selected for the study, the data collection process and the methods deployed to analyse the data.

#### 6.2 RESEARCH PHILOSOPHY

Research philosophy relates to interrelated assumptions about the social world which provides a philosophical and conceptual framework for an organised study of the world (Issok, 2016:121). Research philosophy is characterised by research paradigms that provide a framework for the understanding and shaping of what we both see and how we understand things (Babbie, 2010:72). The two dominant paradigms that exist within social marketing research include the positivist and interpretivist paradigms (discussed in sections 6.2.1, 6.2.2 and Table 6.1). These research paradigms are typified by basic beliefs that

guide the investigation which includes their ontology, epistemology and methodology (refer to Table 6.1) (Issok, 2016:121).

- **Ontology:** This relates to the philosophy of reality and the nature and form of reality in the validation of researchable questions (Brown, 2017:108). Ontology is focused on the nature of reality and considers the question of whether reality can be perceived as subjective or objective (Bryman, 2016:27).
- **Epistemology:** This refers to how something is known and focuses on the relationship between the researcher and reality. It specifically considers whether the researcher is part of the reality being investigated, or external to it (Bryman, 2016:27).
- **Methodology:** Methodological assumption refers to the methods that researchers use to investigate what they believe can be known, and the rationale behind the methods (Urus, 2013:86). This is important as it relates to how the researcher goes about investigating reality and how the research will be conducted (Issok, 2016:121; Guba & Lincoln, 1994:109).

The next section considers the two dominant paradigms, namely positivist and interpretivist paradigms taking into consideration how they differ from an ontological, epistemological and methodological perspective. Table 6.1 summarises the differences between positivist and interpretivist philosophy.

### 6.2.1 Positivist philosophy

The positivist philosophy perceives the world as external where there is a single objective reality to any phenomenon, regardless of the researcher's belief. It requires a structured and controlled approach to research, in which a clear research topic is defined, hypotheses are constructed, and a suitable research methodology deployed (Edirisingha, 2018). The positivist paradigm adopts an ontological position in that reality is objective and from an epistemology perspective, the researcher is separate from the research and does not influence the outcomes thereof. The positivist approach formulates assumptions from a theoretical framework, which then operationalises and statistically tests the hypotheses using collected empirical evidence. In this way, the positivist paradigm is regarded as a scientific approach to research, highlighting facts and quantitative measurements in an objective way (Issok, 2016:121; Hennink et al., 2011:14). As a result, theories can be tested

and material developed for the establishment of principles (Bryman, 2016:27). From a methodological perspective, the positivist approach is associated with quantitative research methods (Steinert, 2014:383). Quantitative research refers to the precise and objective documentation of a phenomenon and allows for the generalisation of results (Brown, 2017:109). Furthermore, quantitative research makes use of structured, closed-ended questions, which have predetermined response options in questionnaires that are distributed to a large number of participants. This allows for larger sample sizes to be accommodated as well as the provision of quick, inexpensive and efficient data which can be generalised (Hair et al., 2017:78). The main advantages of the positivist approach include the use of hypothetic-deductive methods that require the systematic observation of occurrences and hypothesis testing relying on empirical studies. Thus, it is focused on the accurate and replicable documentation of a phenomenon which results in valid generalisations about the phenomenon (Ponterotto, 2005:127). The main disadvantage is that the positivist approach is not able to uncover holistic, in-depth, subjective influences that shape human experiences (Bryman, 2016:27).

### **6.2.2 Interpretivist philosophy**

Interpretivist philosophy takes a view that reality is multiple and relative, and subjective meanings are formed through human experiences. Multiple realities rely on other systems for meaning, making it even more difficult to interpret in terms of fixed realities (Maduku, 2015:131). Knowledge in this regard is socially constructed, as opposed to objectively determined. The interpretivist paradigm therefore views reality as subjective and is espoused by the epistemological position in the sense that the researcher is not detached from the research process (Issok, 2016:122; Hennink et al., 2011:14-15). This paradigm is generally used when researchers seek to understand how people make sense of social problems. (Hennink et al., 2011:14-15). The interpretivist paradigm primarily makes use of qualitative research methods. Table 6.1 provides a summary of the differences between positivist and interpretivist research philosophy.

**Table 6.1: Differences between positivist and interpretivist research philosophy**

Key elements	Positivist philosophy	Interpretivist philosophy
<b>Assumption</b>	This relates to an objective world in which science mirrors privileged knowledge.	This relates to the inter-subjective world in which science represents the concept actors and social construction of reality.
<b>Key focus or ideas</b>	The search for contextual variables that cause actions.	The search for patterns of meaning.
<b>Ontology</b>	Reality is real and apprehensible.	Multiple local and constructed realities.
<b>Epistemology</b>	Findings are true (quantitative).	Findings are created (qualitative).
<b>Paradigm objective</b>	To uncover the truth as quantitatively specified relationships between variables.	To describe meaning, understand participants' definitions of the situation and examine how objective realities are produced.
<b>Theory formation or nature of knowledge</b>	Includes verified hypotheses involving valid, reliable and accurately measured variables.	Includes abstract definitions of meanings and the definitions of solutions produced in natural contexts.
<b>Theory of transference approach</b>	Includes the deductive approach (theory confirmation).	Includes the inductive approach (theory discovery).
<b>Assessment criteria</b>	Prediction-explanation Rigour, internal and external validity and reliability.	Trustworthiness and authenticity
<b>Units of analysis</b>	The variable.	The Meaning, symbolic act.
<b>Research methods</b>	Experiments, surveys, secondary data analysis, quantitatively coded documents.	Ethnography, participant observation, interview, conversational analysis, grounded theory development.
<b>Methodological assumption (Methods of analysis)</b>	Quantitative, regression, Likert scaling, SEM, quantitative grounded theory testing.	Case studies, conversational and textual analysis, expansion analysis.

Source: Maduku (2015:130); Urus (2013:86)

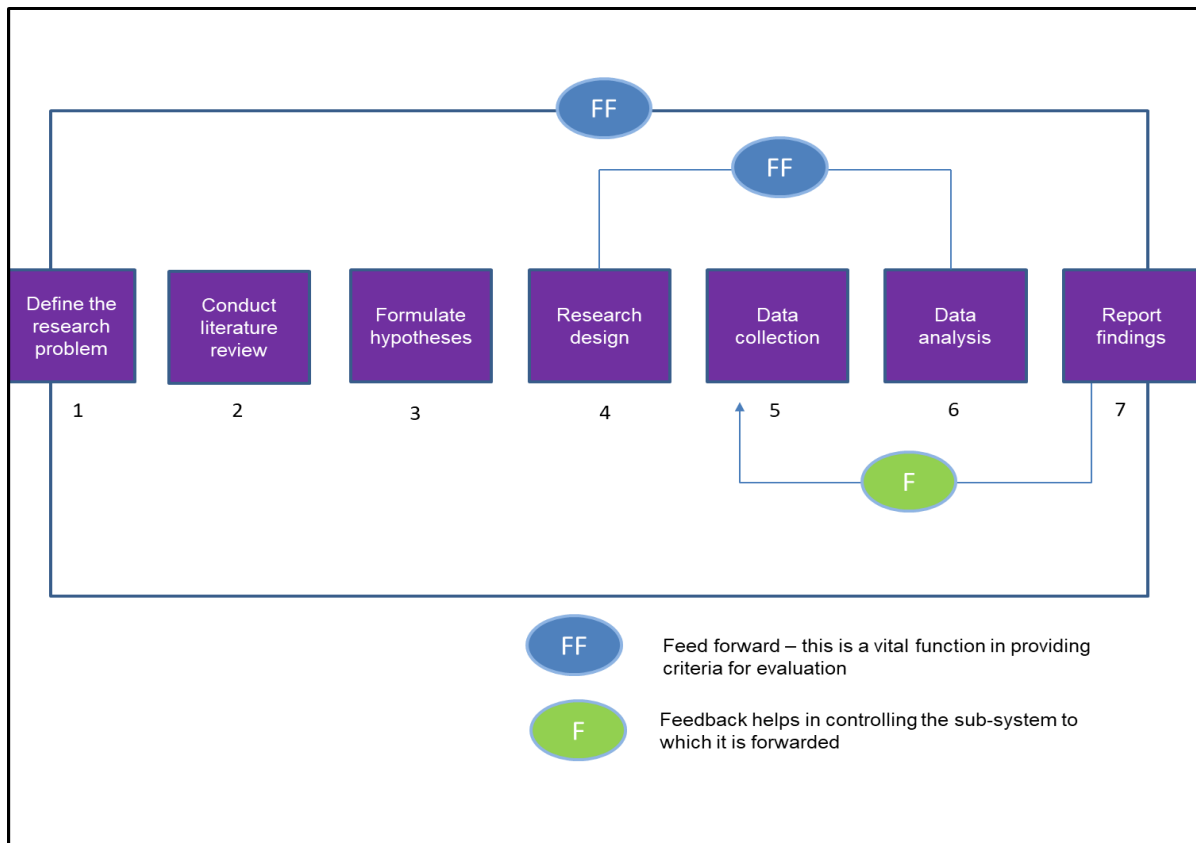
Based on the findings presented in Table 6.1, **the positivist philosophy was adopted for the study at hand** for the following reasons:

- Within a positivist paradigm, the research objectives are generally framed in measurable and quantifiable terms (Steinert, 2014:383). Since the research objectives for the study are measurable, a positivist paradigm makes for the best fit.
- The positivist philosophy aims to validate theories (Swanson & Chermack, 2013:40). An in-depth literature review was conducted for the study in which a number of theories were identified (refer to Chapter 3 and 4). Based on these theories, different hypotheses were proposed and as result, a conceptual model was developed (refer to Figure 1.1, Chapter 1).
- The study is quantitative in nature and makes use of a questionnaire as the data collection instrument.
- The positivist approach suggests that studies are dependent on the supposition that there are causal relationships between variables, which can be used to explain phenomena (Swanson & Chermack, 2013:41). The study proposes that 20 relationships exist between the independent variables, the intervening variable and the dependent variable (refer to section 5.3.4, 5.3.5 and 5.3.6 in Chapter 5).

In line with the positivist research paradigm, a quantitative design using a questionnaire as the data collection method, was used to collect data from participants. The next section explores the research process in more detail.

### **6.3 THE RESEARCH PROCESS**

The research process consists of a number of steps, some with a high level of interdependency, which need to be followed when undertaking research (Bradley, 2013:35). Many market research processes have been proposed by different researchers, but the process selected for the study pertains to Kothari's seven-step research process (Kothari & Garg, 2014:11). This process is considered to be a holistic framework that sufficiently addresses all the activities contained in the marketing research process. Figure 6.1 provides an outline of the research process.



**Figure 6.1: The research process**

Source: Adapted from Kothari and Garg (2014:11)

Each of the steps laid out in the research process presented in Figure 6.1 is discussed in greater detail in the following sections of the chapter.

### 6.3.1 Define the research problem

A research problem is defined as an intellectual stimulus needing a response in the form of scientific enquiry. The objective of the research problem is to centre on a specific research subject which can be narrowed down to a topic small enough to be investigated (Iacobucci & Churchill, 2015:34; Frankfort-Nachmias, Nachmias & DeWaad, 2014:56). The research problem for the study was based on a review of secondary information that indicated a lack of research on internal marketing, service quality and customer satisfaction in both the conventional and Islamic retail banking environment of Oman. In both these banking sectors, there is limited understanding about the extent to which internal marketing is implemented within retail banks, whether or not banks have a sound understanding about how to structure an internal marketing programme, and whether or not banks are aware of the required elements of the internal marketing mix. Most of the elements of internal marketing exist informally within Omani banks, but it is not clear as to whether a deeper

understanding of these elements exists, specifically in terms of how they can be used to bring about increased levels of employee satisfaction and engagement.

Secondly, since Oman has embraced a dual banking system, it is imperative for banks in Oman to understand that structural policy can no longer be the only source of competitive advantage. Continual service improvement, which allows banks to stay ahead of their competitors in the attraction and retention of customers, is of critical importance. For this reason, it is also important that both conventional and Islamic retail banking groups in Oman understand their customer needs and develop strategies to satisfy these needs (De Bruin, 2018; Rubogora, 2017:2-3). Since employees act as proxies for customer satisfaction, it is also important to understand how such satisfaction can be obtained from an employee perspective through the internal marketing mix elements. This may or may not differ for each of the banking groups included in this study. Therefore, the purpose of the study is to uncover the 10 internal marketing-mix elements and determine their ability to deliver on service quality and customer satisfaction, from an employee perspective, within conventional and Islamic retail banks in Oman (refer to section 1.3 and 1.4.1 in Chapter 1). Hence, the primary objective of the study is: **To determine the interrelationships between internal marketing and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers overall, and for Islamic and conventional banking respectively.**

### **6.3.2 Literature review**

The literature review refers to the steps in the process where reference is made to the theories forming the foundation of the field of study. It not only provides a reference to underlying theories, but also guides the development of the measurement constructs and items of interest within the study, as well as appropriate methods of analysis (Mertens, 2015:90).

Secondary research was used to formulate the theoretical background. Extensive literature on banking, services marketing, the Relationship Marketing Theory, the Social Exchange Theory, internal marketing, service quality and customer satisfaction was collected as part of the secondary research. The information was obtained from numerous academic journals, theses and dissertations, books, websites and industry studies prior to considering any primary research methods. This information is presented in Chapters 2, 3 and 4.

### 6.3.3 Formulation of hypotheses

Once the literature review had been conducted, the objectives and hypotheses could then be formulated. Hypotheses are referred to as the conditional assertions linking two or more variables (Greenland et al., 2016:338). They are based on existing knowledge and must be stated in a manner that is appropriate for testing through empirical research. Through this approach, the hypotheses can be verified and may contribute to scientific enquiry through the advancement of knowledge (Mertens, 2015:90).

The literature review conducted in Chapters 3 and 4 provided a clear justification for the hypotheses and constructs developed in the study. As a result, the hypotheses have been formulated based on the major theoretical models governing the study. The hypotheses have been presented in Chapter 5 (refer to section 5.3.4, 5.3.5 and 5.3.6) as part of the conceptual framework, and in Chapter 1 of the study (refer to sections 1.5.4 and 1.5.5). It is important to note that the hypotheses influence the choice of research design, sampling techniques, data collection process and the analysis of data (Maduku, 2015:135; Fain, 2013:105). Refer to Chapter 1.

**Table 6.2: Hypotheses formulated for the study**

Number	Hypotheses
H1 (a)	There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (a)	There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (b)	There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (b)	There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (c)	There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.



Number	Hypotheses
H2 (c)	There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (d)	There is a significant positive relationship between the internal people element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (d)	There is a significant positive relationship between the internal people element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (e)	There is a significant positive relationship between the internal process element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (e)	There is a significant positive relationship between the internal process element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (f)	There is a significant positive relationship between the internal physical evidence element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (f)	There is a significant positive relationship between the internal physical evidence element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (g)	There is a significant positive relationship between the internal performance management element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (g)	There is a significant positive relationship between the internal performance management element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (h)	There is a significant positive relationship between the internal purpose element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (h)	There is a significant positive relationship between the internal purpose element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.

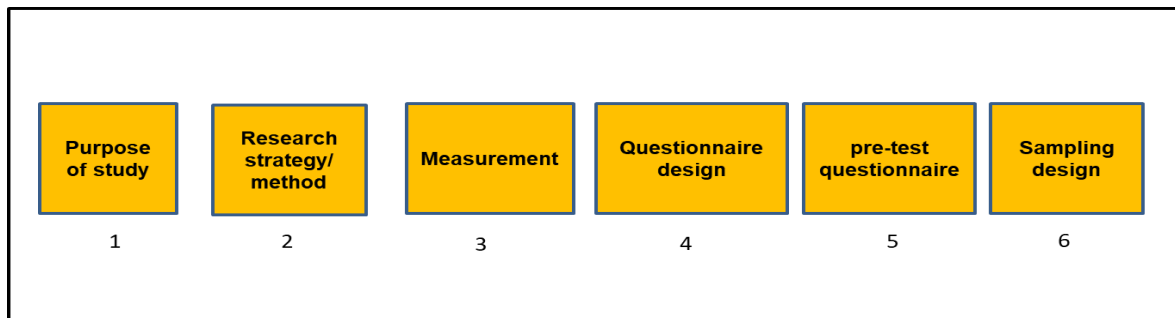
Number	Hypotheses
H1 (i)	There is a significant positive relationship between the internal political power element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (i)	There is a significant positive relationship between the internal political power element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (j)	There is a significant positive relationship between the internal procurement element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (j)	There is a significant positive relationship between the internal procurement element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H3	There is a significant positive relationship between service quality and customer satisfaction.
H4	The relationships proposed in the conceptual model indicate different regression weights for conventional and Islamic retail banks in Oman.

Source: Author's own construct

The next section of the chapter discusses research design in greater depth.

#### 6.3.4 Research design

Malhotra, Nunan and Birks (2017:105-106) describe research design as a framework that specifies what information will be gathered, and what kind of study the researcher will be conducting (Blumberg, Cooper & Schindler, 2011:147). Sekaran and Bougie (2016:95) define research design as the blueprint for the collection, measurement and analysis of data based on the research objectives. The selection of and the development of the research design are critical for success and as a result, should follow a defined process. Figure 6.2 depicts the process selected for the research design.



**Figure 6.2: The research design process**

Source: Adapted from Sekaran and Bougie (2016:95)

The researcher made use of the steps proposed by Sekaran and Bougie (2016:95). Two of the steps, namely data collection and data analysis, were removed, as these are discussed as part of the broader research process outlined in section 6.2. The next section discusses each of the steps in the research design process in more detail.

#### **6.3.4.1 The purpose of the study**

It is important to understand the purpose of the research being conducted, the research objectives, hypotheses and data collection methods when selecting a research design (Aaker et al., 2016:65; Hair et al., 2014:77). This is essential in order to achieve the research problem (refer to Figure 6.1) and ensure that the research problem under investigation is sufficiently addressed. As positioned in section 6.3.1, the specific purpose of this study is to determine the interrelationships between internal marketing and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers overall, and for Islamic and conventional banking respectively.

#### **6.3.4.2 Research strategy or method**

The positivist research philosophy selected for the study will inform the choice of research strategy it requires. The research strategy provides the direction for the research and highlights the method required for data collection (Solomon, Marshall & Stuart, 2018:109; Maduku, 2015:138). In positivist research studies, a quantitative approach is followed (refer to Table 6.1), supported by a selected research design. Quantitative research is defined as the objective measurement or numerical analysis of data collected through questionnaires or surveys (Iacobucci & Churchill, 2015:84). Solomon et al. (2018:109) describe research design as a framework that identifies what information will be gathered and what kind of study the researcher will be conducting. Research designs may be classified as exploratory,

descriptive or causal (Burns, Veeck & Bush, 2016:143; Iacobacci & Churchill, 2015:59; Hair et al., 2014:77).

#### **i) Exploratory research design**

Exploratory designs are concerned with finding patterns and ideas and are focused on gaining background information in order to understand how similar issues have been solved in the past (Burns et al., 2016:145). The objective of exploratory research is to obtain insights into the nature of the problem, possible alternatives, and relevant variables to be considered in future research (Aaker et al., 2016:65; Hair et al., 2014:77). Exploratory design is not considered suitable for the study at hand, since the research problem is clearly defined. Furthermore, exploratory designs make use of qualitative research, which is inconsistent with the positivist philosophy forming the foundation of the study (Malhotra et al., 2017:60-61; Aaker et al., 2016:65).

#### **ii) Descriptive design**

Descriptive designs relate to the collection of data in order to describe and measure existing phenomena at a specific point in time (Babin & Zikmund, 2015:45; Iacobucci & Churchill, 2015:84). These research designs are quantitative in nature and allow for research that defines the characteristics of certain groups, determine the percentage of people behaving in a specific manner, and make predications in this regard (Iacobucci & Churchill, 2015:84; Churchill & Brown, 2010:105). Descriptive research embodies a large portion of marketing research and attempts to answer questions such as who, what, where, when or how (Iacobucci & Churchill, 2015:84). It is essential in descriptive research to clearly define what will be measured and to have some sort of understanding of the research problem (Zikmund et al., 2013:45). **A descriptive research design was selected for the study**, since the problem statement had been clearly defined (refer to section 1.3, Chapter 1). Clearly defined objectives have been developed in conjunction with hypotheses which require testing (refer to Chapter 1, section 1.4 and 1.5). Descriptive research has also been selected, as it makes use of quantitative research methods and formal survey techniques to gather data pertaining to the study (Malhotra et al., 2017:73). With a descriptive research design, the researcher was able to determine demographic variables, as well as the number of participants who shared similar attitudes and opinions to the questionnaire statements. This helped generate more accurate results for the study. Furthermore, descriptive research studies assist in the determination of relationships between variables, such as the relationships between the internal marketing elements, service quality and customer satisfaction (Burns et al., 2016; Churchill & Brown, 2010:105).

Since the research process has a defined time frame, there are two possible time dimensions that can be utilised in descriptive research design, namely cross-sectional and longitudinal studies. Cross-sectional studies refer to studies that are conducted once at a particular point of time, whilst longitudinal studies are conducted over extended periods of time (Burns et al., 2016:150; Churchill & Brown, 2010:114). **This study makes use of a cross-sectional time dimension**, since the purpose of the study is to describe a current situation and not to observe trends or changes. Although descriptive research designs are strong in demonstrating the relationship between variables, understanding the cause and effect of relationships is not possible with this type of research design. In this instance, a causal research design is considered to be relevant.

### iii) Causal design

Causal design research focuses on the need to determine causality in relationships between factors. These designs are most appropriate when it is necessary to show that one variable determines the values of another variable (Hair et al., 2017:77; Malhotra et al., 2017). A causal research design was not considered fitting for the current study, since it goes beyond the natural order of doing things by using manipulation in order to show evidence of cause and effect relationships.

#### 6.3.4.3 Measurement and objectives

When planning what to measure, it is essential that accurate information is obtained through the development of clear objectives. These objectives must clearly define the kind of information required, the scope of research, and aid in the formulation of the hypotheses (Aaker et al., 2016:250). The secondary objectives formulated for the study (refer to section 1.4.2, in Chapter 1) and the corresponding section in the questionnaire which addressed each of the objectives, have also been provided and are presented in Table 6.3.

**Table 6.3: Link between secondary objectives and sections in the questionnaire**

No	Secondary objectives	Items in questionnaire	Relevant chapter in study
1	To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	Section 1	Chapter 3, 7 & 8
2	To measure employees of retail banks in Oman's perceived ability to deliver service quality to retail customers.	Section 2	Chapter 4, 7 & 8
3	To measure employees of retail banks in Oman's perceived ability to deliver customer satisfaction to retail customers.	Section 3	Chapter 4, 7 & 8
4	To determine the interrelationships between perceived internal marketing implementation and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers in Oman.	Section 1, Section 2 and Section 3	Chapter 3, 4, 5, 7 & 8
5	To determine the influence of service quality on customer satisfaction in retail banks in Oman	Section 4	Chapter 4, 7 & 8
6	To ascertain the validity of the conceptual model across conventional and Islamic banking.	N/A	Chapter 7 & 8

Source: Author's own construct

The literature provided in the study serves as a guideline for the development of the scales or constructs and items used in the questionnaire (refer to Table 6.6-6.17). Burns et al. (2016:267) state that a structured questionnaire ought to comprise of well-developed statements and preset response options that are directly related to the research objectives (Babin & Zikmund, 2015:283). The next section explores the questionnaire design, along with the choice of scale and items used in the study in more detail.

#### **6.3.4.4 Questionnaire design**

With the objectives clearly formulated, the questionnaire design process was initiated. Chapter 5, section 5.3 emphasised the conceptual framework as the basis for the study. Within this framework, three main concepts were put forward, namely internal marketing, service quality and customer satisfaction. In the following section, an explanation is provided as to how this conceptual framework guided the design and development of the statements used in the questionnaire.

According to Burns et al. (2016:267-268), questionnaires are designed to achieve three main objectives, namely: to maximise the participation and cooperation of the participants; to facilitate the collection and analysis of data, and to improve the accuracy and relevance of the data collected. It is important therefore that attention is paid to the design of the questionnaire (Aaker et al., 2016:150). As part of questionnaire design, this section considers the following: the choice of scale, the operationalisation of the scale; pretesting Arabic translation, and the correction of problems.

#### **i) Choice of scale**

Once the objectives and hypotheses have been clearly defined, the next step is understanding what exactly needs to be measured and how it should be measured in order to achieve the research objectives. Measurement is described as the standardised process by which numbers are assigned to specific elements of interest, according to prespecified rules (Aaker et al., 2016:224). By assigning numbers to variables, people are able to see what is ordinarily invisible (Babin & Zikmund, 2015:324). For the purpose of measurement for the study, a rating scale format was required. The two main types of scales used in quantitative research studies are referred to as categorical and metric scales (Burns et al., 2016:305).

- **Categorical scales**

Categorical scales are broken down into nominal and ordinal scales and the main objective of these scales is to provide a distinct category (Maduku, 2015:14). A nominal scale makes use of a figurative labelling system, in which numbers apply only as labels to identify objects such as 'male' or 'female'. An ordinal scale is a ranking scale, which makes use of numbers to represent the degree to which objects possess certain characteristics (Burns et al., 2016:305-306).

- **Metric scales**

Metric scales are divided into interval and ratio scales and the objective of these scales is to use numbers or labels with an underlying measurement field. An interval scale makes use of numbers to emphasise that numerically, equal distances on the scale indicate equal values in the characteristic being measured (Maduku, 2015:140). A ratio scale retains all the properties of the previous scales mentioned, but in addition to that, it possesses an absolute zero point (Burns et al., 2016:305-306). Table 6.4 provides an overview of the different scale types including their description, marketing application and the corresponding statistical analysis.

**Table 6.4: Types of scales and their characteristics**

Type of scale	Types of attitudes scale	Rules for assigning numbers	Marketing application	Statistical tests
<b>Nominal</b>	Dichotomous 'yes' or 'no' scale; 'buy' or 'not buy' scale	Objects are either identical or different	Classification (by gender, geographic area, social class)	Percentages, chi-square
<b>Ordinal</b>	Comparative, rank order, itemised, category, paired comparison	Objects are greater or smaller	Rankings (preference, class standing)	Percentile, median, rank order, correlation, Friedman ANOVA
<b>Interval</b>	Likert, Thurstone, Stapel, associative, semantic differential	Intervals between adjacent objects are equal	Index numbers, temperature, scales, attitude measures	Mean, standard deviation, product moment correlations/T-tests, ANOVA, regression, factor analysis
<b>Ratio</b>	Certain scales with special instructions such as constant sum scale	There is a meaningful zero, so comparison of absolute magnitudes between objects is possible	Sales, income, units produced, costs, age	Geometric and harmonic mean, coefficient of variation

Source: Aaker et al. (2016:225)

The study made use of a combination of categorical and metric scales, in the sense that both nominal and interval scales were employed. A nominal scale was used to measure the demographics of respondents such as gender, nationality, income and the bank that the respondent works for as outlined in section 1 of the questionnaire (refer to Appendix 2). The nominal scale was used, as respondents were requested to classify which group they belonged to, for example male or female. An interval scale in the form of a labelled Likert scale was used to measure the attitudes and perceptions of participants within retail banks in Oman, which formed the main part of the questionnaire (sections 2, 3 and 4 of the questionnaire, refer to Appendix 2a). A Likert scale was used as it compels participants to specify the level to which they agree or disagree with a series of statements pertaining to the construct. In this way, the researcher could assess the attitudes of respondents towards the internal marketing mix, service quality and customer satisfaction. Each scale is made up of five response categories ranging from 1= strongly disagree, to 5= strongly agree



(Babin & Zikmund, 2015:356). Table 6.5 provides an overview of the scales deployed for each section.

**Table 6.5: Summary of scales used in each section**

Section	Scale or construct	Metric scale
Section 1	Demographic section	Nominal
Section 2	Internal marketing section	Interval
Section 3	Service quality	Interval
Section 4	Customer satisfaction	Interval

Source: Author's own construct

## ii) Operationalisation of the scales or constructs

Since a descriptive design requires previous knowledge of the subject in order to formulate the hypotheses, the literature provided in the study served as the guideline in the development of the scale or constructs and items in the questionnaire. The literature provided clarity as to what needed to be measured, and which variables required inclusion in the study. Sekaran and Bougie (2016:200) refer to the operationalisation of scales as the process in which abstract concepts are reduced in order to make them measurable in a tangible way. In other words, it relates to how scales or constructs used in the study can be broken down to make them more measurable. The constructs and items pertaining to these constructs used in the study were predominately adopted and adapted from previous studies in order to improve reliability (Bryman, 2016:168). The questionnaire was also reviewed by the Statistical Consultation Services of UJ (STATCON) so as to ensure no major issues existed in the constructs. Furthermore, a pilot test was conducted as part of the process to further refine the items (refer to section 6.3.4.5) The next section provides an overview of the different sections laid out in the questionnaire, as well as an overview as to how the scales were operationalised. The sections, constructs and items discussed next pertain to the final version of the questionnaire.

- Demographic section

The objective of this section was to gather information about the participants. Statements regarding the participant's age, gender, number of years employed and nationality (the population is made up of Omani and expat employees from various countries around the world) were included. Furthermore, the participants were asked at which bank they were employed.

- Section 1: Internal marketing

This section included all aspects relating to the internal marketing theory explored in Chapter 3. Existing internal marketing mix scales from previous studies were adopted and adapted for use in this section. This section made use of a five-point interval Likert scale ranging from 1= strongly disagree to 5=strongly agree, to measure the internal marketing mix of product, price, promotion, people, process, physical evidence, internal performance management, internal purpose, internal political power and internal procurement. An interval scale was used and response categories were labelled. Section 2 of the questionnaire consisted of ten subcategories, totalling 53 statements pertaining to the internal marketing mix. A more detailed breakdown of this is presented next.

- a) The internal product subscale contained five statements concerning the employees' job and included the measurement of training development, career advancement opportunities, role fit and how passionate the employees were about their work. The internal product subscale is an adapted scale from a previous study by Burin (2011:404).

**Table 6.6: An overview of how the internal product subscale was operationalised, the measurement items for this construct, and the sources**

INTERNAL PRODUCT		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	My organisation fulfils my development needs.	Burin (2011:404)
	There are opportunities to advance my career in my organisation.	
	I am provided with support such as coaching to perform my job better.	
	The skills I have match the job I am doing.	
	I am passionate about the work I do.	

Source: Author's own construct

- b) The internal price subscale consisted of six statements relating to the financial rewards employees receive in return for their time, knowledge and experience, the sacrifice employees make to work for the organisation, the opportunity and psychological costs, and work-life balance. Internal price is an adapted subscale based on previous studies conducted by Burin (2011:404), Reynolds-De Bruin (2014:293) and the US Office of Personnel Management (2017).

**Table 6.7: An overview of how the internal price subscale was operationalised, the measurement items for this construct and the sources**

INTERNAL PRICE		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	Financial rewards (such as bonuses) are granted based on how well employees perform their jobs.	US Office of Personnel Management (2017); Reynolds - De Bruin (2014:293); Burin (2011:403-406).
	I am getting paid market value for the job that I do.	
	Employees are recognised for providing high quality services to customers.	
	The sacrifices I make at work are worth it to me.	
	By working for this organisation, I am satisfied that I have not missed out on opportunities elsewhere.	
	I have enough time during my day to complete my workload.	

Source: Author's own construct

- c) The internal promotion subscale was made up of four statements regarding Internal communication and the modes of communication. The internal promotion subscale was adopted from a study conducted by Burin (2011:405).

**Table 6.8: An overview of how the internal promotion subscale was operationalised, the measurement items for this construct and the sources**

INTERNAL PROMOTION		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	The importance of the customer is frequently communicated to me by leadership.	Burin (2011:405)
	I know what the long-term objectives of my organisation are.	
	Print materials (such as posters, newsletters, etc) are used to communicate with me.	
	Events (such as roadshows) are often used to communicate with me.	

Source: Author's own construct

- d) The internal people subscale was made up of six statements relating to leadership style and the relationship with supervisors and co-workers. The internal people subscale was adapted from Reynolds-De Bruin (2014:297) and Burin (2011:403).

**Table 6.9: An overview of how the internal people subscale was operationalised, the measurement items for this construct, and the sources**

INTERNAL PEOPLE		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	My manager cares about my needs.	Reynolds-De Bruin (2014:195); Burin (2011:253)
	My manager involves me when making decisions.	
	My manager communicates openly.	
	My manager acts fairly.	
	I share the same moral values as my colleagues.	
	My colleagues treat me with respect.	

Source: Author's own construct

- e) The internal process subscale consisted of four statements relating to the significance of existing and improved process. The internal process subscale was adopted from the US Office of Personnel Management (2017).

**Table 6.10: An overview of how the internal process subscale was operationalised, the measurement items for this construct and the sources**

INTERNAL PROCESS		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	I am provided with supportive processes/procedures to help me do my job better.	US Office of Personnel Management (2017)
	New ways of doing tasks at work make my job easier.	
	Automated processes make service delivery between departments easier.	
	My experience with my organisation's processes (such as HR) is satisfactory.	

Source: Author's own construct

- f) The internal physical evidence subscale consisted of six statements concerning the layout and attractiveness of the internal environment and marketing material. The internal physical evidence subscale was adapted from studies conducted by Reynolds-De Bruin (2014:298), the US Office of Personnel Management (2017); and Burin (2011:407).

**Table 6.11: An overview of how the internal physical evidence subscale was operationalised, the measurement items for this construct, and the sources**

INTERNAL PHYSICAL EVIDENCE		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	The décor in my office is attractive and pleasing.	US Office of Personnel Management (2017); Reynolds-De Bruin (2014); Burin (2011:407)
	The facilities at my workplace enable social interaction between colleagues.	
	Employees in my organisation look professional.	
	The marketing material used by my organisation (brochures, stationary, etc) is professional.	
	The layout of my office encourages the sharing of information.	
	Physical conditions (such as noise level, odours, temperature, lighting, etc.) within my environment allow me to perform well.	

Source: Author's own construct

- g) The internal performance management subscale consisted of six statements concerning the importance of clear deliverables, the ability to track performance and the significance of performance feedback. The internal performance management subscale was adapted from studies conducted by Sharma, Sharma and Agarwal (2016:246) and the US Office of Personnel Management (2012).

**Table 6.12: An overview of how the internal performance management subscale was operationalised, the measurement items for this construct, and the sources**

INTERNAL PERFORMANCE MANAGEMENT		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	I understand what is expected of me to meet my KPIs (key performance indicators).	US Office of Personnel Management (2017); Sharma et al. (2016a:246)
	I am provided with regular feedback about how I am performing.	
	During the year my areas of improvement are pointed out to me.	
	Discussions with my direct manager about my performance are worthwhile.	
	I am provided with tools to track my own performance.	
	My annual performance review is an accurate assessment of my performance during the year.	

Source: Author's own construct

- h) The internal purpose subscale consisted of five statements relating to meaning at work and the support of social causes. The internal purpose subscale was adopted from a study conducted by Steger, Dik and Duffy (2012:9).

**Table 6.13: An overview of how the internal purpose scale was operationalised, the measurement items for this construct, and the sources**

INTERNAL PURPOSE		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	I have found a meaningful career in my organisation.	Steger, Dik and Duffy (2012:9)
	The work I do serves a higher purpose.	
	I feel proud to belong to this organisation.	
	The work I do is important.	
	My organisation encourages employees to participate in social causes (such as walk for cancer, blood donation, beach clean ups, etc).	

Source: Author's own construct

- i) The internal political subscale consisted of four statements concerning political power within the organisation in the form of *wasta*. The internal political subscale was adopted from studies conducted by Alwerthan (2016:57-58) and Karatepe (2013:103-104).

**Table 6.14: An overview of how the internal political power subscale was operationalised, the measurement items for this construct, and the sources**

INTERNAL POLITICAL POWER		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	I benefit from <i>wasta</i> in my professional life.	Alwerthan (2016:57-58); Karatepe (2013:103-104)
	<i>Wasta</i> has made my life easier.	
	I get a lot of things done through my <i>wasta</i> connections within my organisation.	
	Performance as opposed to favouritism ( <i>wasta</i> ) determines who gets ahead in my bank.	

Source: Author's own construct

- j) The internal procurement subscale consisted of six statements concerning the recruitment and selection of talented employees into the organisation. The internal procurement scale was adopted from studies conducted by Demo et al. (2017) and the US Office of Personnel Management (2017).

**Table 6.15: An overview of how the internal procurement subscale was operationalised, the measurement items for this construct, and the sources**

INTERNAL PROCUREMENT		
Objective	Statement	Source
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.	My organisation makes use of both online and offline recruitment practices.	Demo et al. (2017); US Office of Personnel Management (2017)
	My department/branch is able to recruit people with the right skills.	
	Interviews in my organisation are conducted by well-trained interviewers.	
	Assessment tools (such as assessment tests) are used well to help select people in my organisation.	
	My organisation has a competitive selection process to ensure that competent people are attracted into the bank.	
	Top talent is attracted into my organisation through a Graduate Development Programme.	

Source: Author's own construct

- Section 2: Service quality

This section contained aspects relating to service quality theory. A five-point Likert scale ranging from 1= strongly disagree to 5=strongly agree was used to measure the five various elements. An interval scale was used and the response categories were labelled. An existing satisfaction scale was adopted from Mohd-Shariff (2013).

**Table 6.16: An overview of how service quality scale was operationalised, the measurement items for this construct, and the sources**

SERVICE QUALITY		
Objective	Statement	Source
To measure employees of retail banks in Oman's perceived ability to deliver service quality to retail customers.	I provide services to my customers as promised.	Mohd-Shariff (2013)
	I respond quickly to customer requests.	
	My customers believe I am knowledgeable.	
	I am friendly when dealing with customers.	
	I understand my customers' needs.	

Source: Author's own construct

- Section 3: Customer satisfaction

This section addressed customer satisfaction as perceived by employees. An existing customer satisfaction scale from the study of Anaza (2010:140) was adapted for the study. This section made use of a five-point Likert scale ranging from 1= strongly disagree to 5=strongly agree to measure the five statements of the construct. An interval scale was used and the response categories were labelled.

**Table 6.17: An overview of how the customer satisfaction scale was operationalised, the measurement items for this construct, and sources**

CUSTOMER SATISFACTION		
Objective	Statement	Source
To measure employees of retail banks in Oman's perceived ability to deliver customer satisfaction to retail customers.	I believe my customers are satisfied with the overall quality of services provided by my bank.	Anaza (2010:140)
	I believe my customers are satisfied with the professional service I provide to them.	
	I believe my customers will recommend my bank to family and friends.	
	I deliver on the expectations of my customers to enhance their customer satisfaction experience.	
	I provide personalised attention to customers to strengthen their customer satisfaction.	

Source: Author's own construct



#### **6.3.4.5 Pretesting and the Arabic translation correction problems**

Once the questionnaire had been designed, a pre-test was required to assess the questions before they were translated into Arabic and once the Arabic translation was complete a further pretest was required (refer to Phase 2 of this section for the Arabic translation process). The process occurred over three phases.

##### **i) Phase 1: Pretest with HR managers from participating banks**

A pretest involves the administering of a questionnaire to a limited number of potential participants in order to detect any design flaws (Bryman, 2016:263). Iacobucci and Churchill (2015:224) suggest that pretesting should be carried out with a personal interview initially in order for the researcher to determine if anything is unclear, to record the time taken to complete the survey, and to determine the suitability of the questions posed. Burns et al. (2016:354) propose a sample size of five to ten respondents to be regarded as adequate for pretesting purposes. Personal interviews were conducted with participants from each of the bank's managers (five participant managers) and no problems regarding the questionnaire were identified. Following this process, the questionnaire could be translated into Arabic.

##### **ii) Phase 2: Arabic translation and testing**

The researcher made use of a professional translator to translate the questionnaire from English into Arabic. The researcher then sat with the head of communications from NBO and the HR director from Bank Nizwa to ensure that the translation was correct. Each item of the questionnaire was explored individually. The head of communications from NBO or HR director from Bank Nizwa would read the Arabic version of the question and then translate it back into English, so that the researcher could assess whether the statement translated correctly and the meaning of each statement remained intact. A number of changes were required due to the meaning of some statements being lost in translation or poor Arabic words being used. For instance, the English version of a question read "I am encouraged to communicate with upper management when necessary" where in Arabic the word "excitement" instead of encouraged had initially been used, as these two words are similar in the Arabic language. This word required changing, as it altered the meaning of the statement, and it differed from the English version. In some other instances, older classical Arabic words had been used that the youth no longer used due to the evolution of the Arabic language and the establishment of an "Omani" dialect. As a result, more relevant language (referring to the language that is more widely used by the Omani population) was

used in these instances Three drafts of the Arabic questionnaire were required until it was at a level deemed acceptable by all stakeholders (viz. HR directors and managers of the participating banks). Once completed, the questionnaire was again tested with the initial five HR managers to ensure that the English adequately matched the Arabic. They were satisfied with the translation and the questionnaire was then piloted with a larger sample of people in order to test for reliability.

### iii) Phase 3: Piloting of the questionnaire

The questionnaire was then piloted with 30 customer-facing employees from one conventional bank (Bank B) and from one Islamic bank (Bank E). The data was sent through to an external consultant in order to test for reliability. The results of the analysis indicated that three statements overall required removal due to poor reliability scores. As a result, the internal promotion scale was reduced from five items to four items, the internal process scale was reduced from five to four items and the internal political scale was reduced from five to four items. Overall the questionnaire received positive feedback and good reliability scores, no further modifications were required. Table 6.18 provides an overview of the Cronbach's alpha scores from the pilot study, both before and after items were removed.

**Table 6.18: Reliability scores for the pilot study**

Construct	Sub-scale	Cronbach's alpha score	Cronbach's alpha score after items removed
Internal marketing mix	Internal product	0.763	
	Internal price	0.809	
	Internal promotion	0.759	0.811
	Internal people	0.866	
	Internal process	0.651	0.717
	Internal physical evidence	0.865	
	Internal performance management	0.927	
	Internal purpose	0.769	
	Internal political power	0.707	0.812
	Internal procurement	0.928	
Service quality		0.948	
Customer satisfaction		0.821	

Source: Author's own construct

#### **6.3.4.6 Questionnaire validity and reliability (also refer to section 6.3.6)**

The following section discusses questionnaire validity and reliability in greater depth.

##### **i) Validity**

Validity refers to the degree to which a research instrument measures what it is supposed to measure, and the degree to which accurate predications can be made from measures. (Saunders, Lewis & Thornhill, 2015:430). Furthermore, it entails the subjective concurrence that a research instrument replicates the theory being measured (Malhotra et al., 2017:286). In other words, validity considers the extent to which questions cover the relevant items in the study. In determining validity, the researcher adopted or adapted scales and scale items from previous studies. The questionnaire was reviewed by STATCON alongside key stakeholders within each bank. This, together with the pre-test of the questionnaire, ensured that the questionnaire was relevant and applicable to the objectives of the study. Determining measurement validity is an essential prerequisite for the pure interpretation of relationships between variables and a necessary measure for the achievement of the research objectives (Mohajan, 2017:14,18). The structural relationship between the internal marketing mix, service quality and customer satisfaction will be ambiguous in the absence of evidence confirming the measurement integrity of scales. Confirmatory factor analysis was used to assess the validity of the instrument, and is discussed in more detail in section 6.3.6.4.

##### **ii) Reliability**

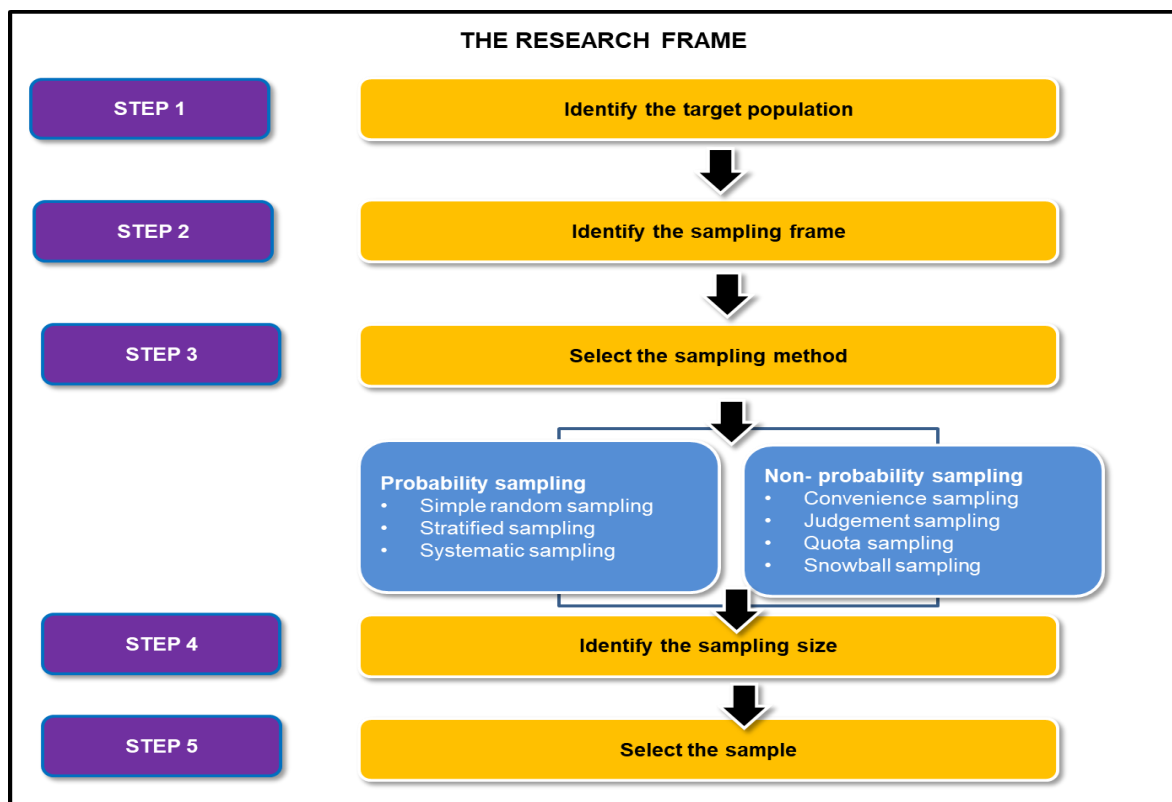
Reliability refers to the measure of the instrument's internal consistency (Miller, 2018:73). Internal consistency can generally be measured through two different approaches, namely the Cronbach's alpha technique and the split-half test (Hair et al., 2017:157). Split-half tests entail the division of scale items into halves, where scores for the halves are correlated against one another. Cronbach's alpha includes the average of all split-half measures as a result of splitting the scale item. In assessing the extent to which these individual items correlate collectively to the scale, the internal consistency or reliability of the scale can be ascertained (Miller, 2018:73; Saunders, 2015:157; Malhorta, 2010:285).

Reliability was evaluated by using Cronbach's alpha ( $\alpha$ ) coefficients and composite reliability scores to determine the degree to which all items in the measuring instrument were measuring the same characteristic, and therefore a single unidimensional latent construct. Cronbach's alpha also ensures that the set of variables is consistent in measuring what they were supposed to measure (Iacobucci & Churchill, 2015:259; Saunders,

2015:430). Cronbach's alpha values vary in value from 0, meaning no consistency, to 1, meaning complete consistency. Cronbach's alpha and composite reliability values of 0.8 or higher are considered as high reliability; those between 0.70 and 0.80 are regarded as having good reliability, values between 0.60 and 0.70 are fair, and coefficients lower than 0.60 are considered weak (Miller, 2018:73, Saunders, 2015:430). The Cronbach's alpha and composite reliability scores are presented in more detail in Chapter 7 (refer to section 7.5.3)

#### 6.3.4.7 The sampling plan and design

Once the questionnaire had been designed, a sampling plan was required in terms of the participants from whom the data would be collected. Researchers can either collect data from every member of the population through a census approach, or they can collect data from a smaller portion of the population referred to as a sample (Miller, 2018:73). Sampling refers to the selection of a small number of participants from a larger defined target population with the intention of gathering information from this group so that judgements can be made about the larger population (Iacobucci & Churchill, 2015:326). The sampling plan or research frame relates to the process of collecting participants or objects to be surveyed as presented in Figure 6.3 (Silver et al., 2016:154).



**Figure 6.3: The sampling plan or research frame**

Source: Silver et al. (2016:154)

**i) Step 1: Identify the target population**

The target population is defined as the total number of cases that conform to predetermined specifications (Iacobucci & Churchill, 2015:283). The important element of the group is that it shares a common set of characteristics (Hair et al., 2017:131). Furthermore, the target population must be defined in terms of elements, geographical boundaries and time. The simpler the definition of the target population, the higher the incidence, the less costly and easier it is to find the right sample (Silver et al., 2016:155). **For the purpose of the study the target population comprise retail banking employees from both Islamic and conventional national retail banks operating in Oman.**

**ii) Step 2: Identify the sampling frame**

The sampling frame is similar to the target population and refers to the list of elements from which the sample is drawn (Babin & Zikmund, 2015:391). Sampling is defined as the selection of a small number of participants from a larger defined target population, with the expectation that the information collected from the small group will provide inferences concerning the larger group (Solomon et al., 2018:119). Initially, three conventional Omani retail banks and four Islamic banks were selected to partake in the study, however **only two of the conventional banks (Bank A and bank B) and three of the Islamic banks (Bank C, Bank D and Bank E) opted to participate.** The process for selecting these banks is discussed in more detail in the next step of this section.

**iii) Step 3: Select the sampling method**

Sampling methods are classified into two distinct groups, namely: probability, and non-probability sampling. Probability sampling implies that all elements in a population have a known chance of being selected (Aaker et al., 2016:309). When applying probability sampling, a sampling frame is required and information about sampling units is needed before the sampling process begins. Probability sampling techniques include simple random sampling, systematic sampling, stratified sampling, multistage sampling, and cluster sampling. Non-probability sampling on the other hand, entails the selection of elements in which the elements have no known or predetermined chance of being selected (Sekaran & Bougie, 2016:245). In this way the method may be considered a bit random. Non-probability techniques include judgement sampling, convenience sampling, quota sampling and snowball sampling (Burns et al., 2016:369). **The study made use of non-probability sampling and the sampling process was conducted over three phases. Phase one entailed the use of judgement sampling to select the participating banks. Phase two made use of quota sampling to identify the type of employees for survey**

**purposes and thus the sampling frame. Phase three made use of a census approach to survey employees in the sampling frame.**

- Phase 1: Judgement sampling to select the participating banks

Judgement sampling was applied to select the sampling frame. Judgement sampling occurs when participants, in this case the Islamic and conventional banks of Oman, are selected according to the researcher's belief that they will meet the requirements of the study (Hair et al., 2017:351). Initially three conventional Omani retail banks were selected to partake in the study. These three banks were selected as the conventional banks, since collectively they own the majority of the retail banking market share in Oman (65,7%) and inferences could be made about the larger population. One of the banks, however, needed to pull out of the study due to a potential merger with another bank. This left Bank A and Bank B as the remaining banks, but since together they own 52% of the retail banking market, these two banks were considered to be sufficient to represent the conventional banking population in Oman (refer to Table 1.1 in Chapter 1, section 1.2). The Islamic banks initially included four banks. One bank withdrew from the study for undisclosed reasons. The Islamic banking market in Oman is still considered to be small (owning 11.9% of total banking assets) and the three banks remaining (Bank C, Bank D and Bank E) collectively own the majority of the Islamic banking market share in Oman. **The sampling frame for the study was therefore made up of customer-facing retail banking branch employees from Bank A, Bank B, Bank C, Bank D and Bank E.** The researcher considered these banks to be representative of the retail banking population given their size, market share, income and sustainability (refer to Table 1.1 in Chapter 1, section 1.2).

- Phase 2: Quota sampling

The next phase was focused on the identification of the samples to be surveyed from the participating banks (Hair et al., 2017:308). The sampling frame consisted of retail banking branch employees at the customer front line from Bank A, Bank B, Bank C, Bank D and Bank E. Quota sampling was applied to identify employees for survey purposes. Quota sampling designs are well-known and widely applied methods, particularly in fields such as market research. In quota sampling, the aim is to identify respondents who match the population, typically in terms of readily available characteristics (Silver et al., 2016:157). In this instance, employees needed to meet the specified quota in terms of being customer frontline retail banking branch employees. Through this approach, the researcher was able to ensure that appropriate subgroups of the banking population were included for survey purposes (Hair et al., 2017:362). The number of customer-facing employees per bank is

presented in Table 6.19. The HR directors of each bank arranged for lists of their branch customer-facing employees to be drawn up, and a census approach was applied for survey purposes given the smaller population of employees at the customer interface.

- Phase 3: Census approach

A census is defined as a research method that includes data from each and every member of the defined population (Hair et al., 2017:351). **A census approach was used to survey the sample frame**, given that the customer-facing branch employee population in the selected banks is relatively small (refer to Table 6.19) and each of these employees could be contacted with ease at a low cost. Retail banks in Oman often experience low response rates when it comes to surveys, and a census approach enabled the researcher to obtain a larger sample size. An online survey was conducted with the conventional banks and a combination of an online survey and person-administered surveys was conducted for the Islamic banks.

#### iv) Step 4: Select the sample size

Once the sampling method has been decided on, the next step in the process is to determine the sample size. The size of the sample selected is dependent on factors such as the nature of the research, the number of variables in the proposed model, the nature of the analysis, incidence rates, resource restrictions, as well as the sample sizes used in similar studies (Malhorta et al., 2017:407; Sekaran & Bougie, 2016:246). Since SEM was used as the method for statistical analysis, this informed the choice of sample size. SEM is defined as multivariate analysis used to determine the relationship between latent variables with either a confirmatory or hypotheses-testing objective (Hair et al., 2014:566). SEM usually requires larger sample sizes in order to acquire statistical power, meaning that there is a high probability of rejecting a false null hypothesis (up to an 80% chance). Accomplishing statistical power is essential as it impacts the significance of the conclusions drawn from the results (Riedl, Kaufmann & Gaeckler, 2014:208). Since structural equation modelling and confirmatory factor analysis were used in the study, the minimum sample should be at least five times the number of items analysed. The maximum sample size should be ten times the number of items analysed (Hair et al., 2017:102). The measurement instrument in the study contained 64 items to be analysed, therefore the minimum required sample had to be 320, and the maximum 640. In order to obtain the required sample size, a census approach was used, and all customer-facing employees from the participating banks were included in the study (refer to Table 6.19).

**Table 6.19: Breakdown sample for the study: Customer-facing retail banking employees per bank**

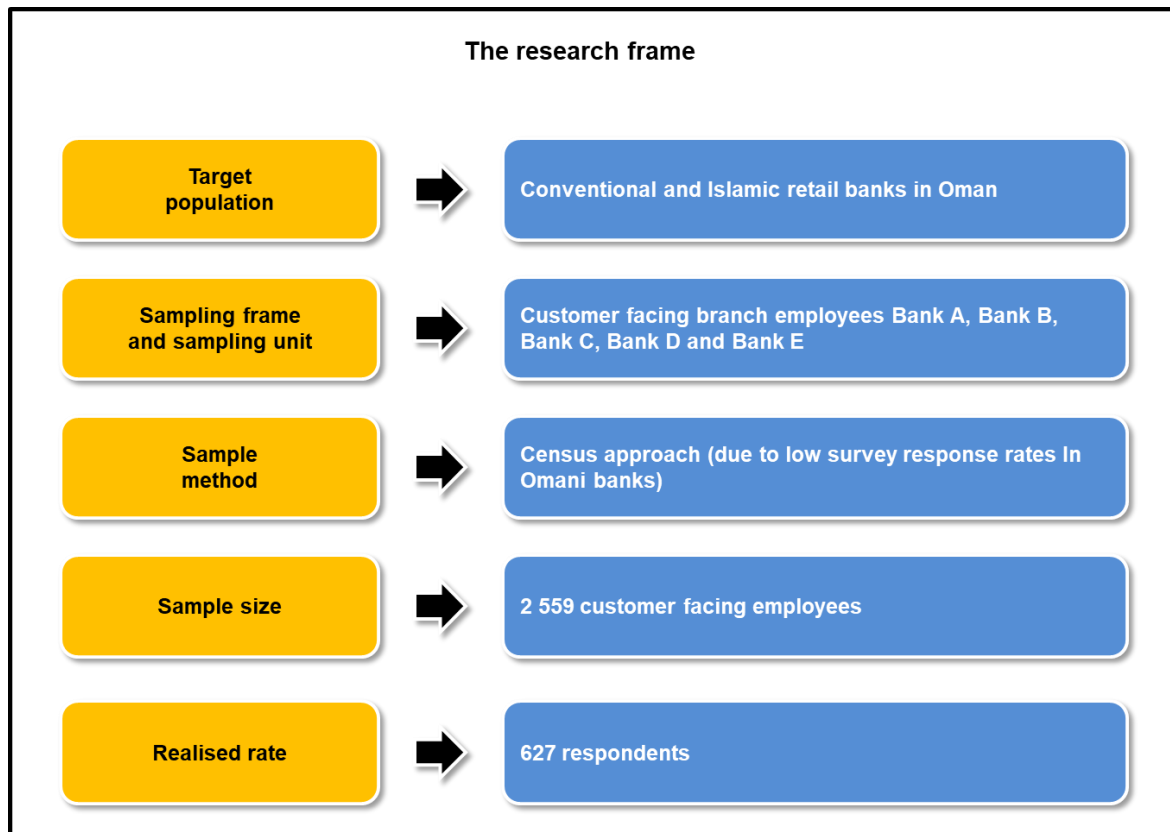
Conventional versus Islamic banks	Bank	Customer facing retail banking employees
Conventional banks	Bank A	1456
	Bank B	780
	<b>Total</b>	<b>2236</b>
Islamic banks	Bank C	140
	Bank D	220
	Bank E	150
	<b>Total</b>	<b>510</b>

Source: Author's own construct

**v) Step 5: Selecting the sample**

With the previous steps completed, the next step is to select the sample, which should be conducted in an effective and professional manner (Silver et al., 2016:166). The rationale for applying a census approach was due to the fact that survey response rates in Oman are not generally strong. Satisfactory participation rates are rarely achieved when it comes to internal surveys such as engagement surveys (Al-Zadjali, 2017). With a smaller selected sample size, it would have been difficult to obtain an appropriate sample size for SEM purposes, and the banks did not have capacity to manage employee participation in the study. A total of 539 surveys were opened for completion via Survey Monkey and a total of 474 were completed. In terms of the person-administered surveys, a total of 153 were distributed and all were returned completed, due to the researcher being present to ensure that all surveys were completed correctly. **A total response sample size of 627 was achieved, where 355 was achieved for conventional banking and 272 for Islamic banking**, which was considered acceptable for multigroup analysis. The final sampling plan for the study is presented in Figure 6.4.





**Figure 6.4: The research frame/plan for the study**

Source: Author's own construct

### 6.3.5 Data collection

Data collection requires fieldwork and the **researcher gathered data through both an electronic survey and a person-administered questionnaires** for the reasons provided next.

#### 6.3.5.1 Electronic survey

Initially, the researcher intended to make use of the consulting services of the University of Johannesburg (STATCON) to assist in hosting the survey. However, since the questionnaire required Arabic translation, STATCON was not able to host the survey as their system was not able to cater for the Arabic version and translation of the questionnaire. The researcher therefore made use of Survey Monkey to host the survey directly and two surveys were set up, one in English and another in Arabic. The results came directly through to the researcher. This approach also allowed the researcher more control over the follow-up process, enabling the researcher to track responses and provide regular updates to banks so that they could follow up with employees on their side. The researcher worked

directly with the HR director of each bank and the HR team identified customer-facing branch participants. The survey was distributed via an email link to the identified participants. For the Islamic banks, a combination of online and a person-administered survey was used. The person-administered survey is discussed next.

#### **6.3.5.2 Person-administered survey**

Due to limited email access in some of the Islamic branches, a person-administered survey was required. The person-administered surveys carried out with Bank C, Bank D and Bank E were conducted by the researcher at the employees' place of work. The researcher met with groups of employees and presented employees with a questionnaire and clearly defined the objectives of the study. Furthermore, the researcher was present to clarify any areas of ambiguity and to check that the questionnaire had been completed correctly in full.

#### **6.3.5.3 Non-sampling errors and non-response errors**

Non-sampling errors refer to those errors committed by the interviewer or errors made by the participant. Non-response errors refer to the occurrence of errors due to participants not wanting to complete the survey due to time or interest constraints. In order to overcome non-sampling-based errors and non-response errors, the researcher implemented the following measures:

- The final questionnaire used in the survey was well drafted, with clearly written instructions and the translation was checked and rechecked.
- In order to reduce non-sampling errors, the researcher conducted the person-based questionnaires personally. The questionnaires were handed out to participants to complete and the researcher was present to check that all questionnaires were successfully completed. In some instances, respondents had ticked two statements within the same question, where the researcher was able to validate which response was correct and the questionnaire could be updated accordingly.
- In order to reduce errors when administering the electronic survey, controls were built into Survey Monkey. Respondents were restricted from answering two statements within the same question. The system would not allow employees to select two options from one question, for example they could not select "agree" and "neutral", but instead were forced to choose one of the two. Furthermore, in order to prevent questions being

missed, the system would not allow respondents to progress to the next question until the previous question had been answered.

- Given that responses came directly through to the researcher and did not go through the HR department of the participating banks, response bias could be reduced. This was due to the fact that employees felt safer to answer questions honestly and anonymity could be maintained as no ID or personal information was required.
- The researcher provided frequent updates and prompts in order to reduce non-response error, where every three days the researcher would provide an update in terms of how many responses had been received from each bank. In addition to this, the researcher would provide motivational messages to encourage a greater response rate.
- The survey started in the middle of May 2018, but occurred over Ramadan, which is the Islamic holy month during which Muslims fast, and the workday is reduced as a result. This was not ideal for the survey and severely impacted on the non-response error. In order to address this limitation, the survey duration was extended to the end of June 2018. The researcher worked closely with the HR teams of the banks and these teams followed up with employees on a regular basis to ensure the completion of the survey.

#### **6.3.5.4 The cover letter**

A cover letter was provided as the first page of the survey. The objective of the cover letter was to outline the study purpose and objectives and motivate employees to participate in the study. Because the target population would not have time to read a lengthy email, the most important information was placed in the beginning of the email. The researcher's contact details were provided and the participants were urged to contact the researcher, should further clarity be required. The cover letter also contained aspects of their anonymity, the confidentiality of their responses, and their right to pull out of their study at any time they wished.

#### **6.3.5.5 Ethical considerations**

Maduku (2015:164) suggests that many ethical issues apply to research, such as the participants' right to privacy and their right to be informed about the purpose of the research, the need for confidentiality and honesty, as well as the requirement for objectivity when reporting the data. Sekaran and Bougie (2016:162) propose that the following ethical principles be adhered to when conducting research:

- any information provided by participants must be kept confidential;
- personal, sensitive and intrusive information should not be solicited from respondents;
- the self-esteem and self-respect of a participant should never be violated;
- participation in the survey is voluntary, respondents should never be forced to participate;
- there should be no distortion in the reporting of data.

The researcher adhered to the ethical considerations required for the research by taking the following measures into consideration when the empirical research was conducted:

- a cover letter was sent out with the survey link explaining the objectives of the study and confirming that the responses would be treated with confidentiality;
- participants were invited to participate of their own free will with no harm if they did not participate or withdrew from the study;
- contact details of both the researcher and the study supervisor were provided should participants have any questions or concerns; and
- an ethics clearance application was submitted to the University of Johannesburg's College of Business and Economics (CBE) Research Ethics Committee in conjunction with a consent letter signed by each bank agreeing to participate in the study.

#### **6.3.5.6 Data coding**

Initially, the Arabic and English version of the questionnaire was merged into one spreadsheet and mirrored one another (the English version was on the right side of the page and the Arabic version on the left side of the page). Codes were then applied to each section and item. For example, A1 referred to the bank name and Bank Muscat represented Number 1, NBO was represented by Number 2 and so on. Internal product was coded as PRD; and the first statement of the internal product construct was named PRD 1 and coded as such on both the English and Arabic version. Once all the sections and items had been coded, the questionnaire could be separated. All the data from both the English and Arabic versions was collated as per the coding used. The researcher entered the data from the person-administered surveys manually as per the coding specified. Each questionnaire was numbered and entered into a spreadsheet. The researcher worked with the HR manager from NBO to do a random check in terms of correlating questionnaires, with the data entered into the spreadsheet in accordance with its numbering so as to ensure that no errors had been made. The data from Survey Monkey was extracted for the Arabic version and the

English version of the questionnaire, and the data from these two versions was then converged into one spreadsheet as per the coding. The data was then added to the master spreadsheet, which already contained the manual capture. The data was now ready for analysis.

### **6.3.6 Data analysis**

Once the data had been collected, the focus of the research process shifted to the analysis of the data. Data analysis refers to the process of interpreting and comprehending the data that has been gathered. It involves the identification of patterns, and the summarisation of significant details revealed in the study (Babin & Zikmund, 2015:68). The following section discusses the **statistical analysis used in the study namely, reliability, validity, confirmatory factor analysis, SEM and comparative analysis in more detail.**

#### **6.3.6.1 Testing for normality and kurtosis**

Before the in-depth analysis was conducted, it was important to check that the assumptions related to different methods of analysis were not violated. An assumption refers to the circumstances that need to be present so as to ensure that the statistical tests that the researcher is attempting to perform, are viable (Field, 2017:65). The assumptions checked in the study include normality, detection of outliers and the linearity of the model. When data is normally distributed, it reflects a bell-shaped curve, depicting the highest frequency of scores in the middles of the curve, and smaller frequencies towards the extremes on either side of the curve (Pallant, 2016:61). Normality is violated when the variation from the normal distribution is high (Hair et al., 2014:69). In order to assess normality, an evaluation of the skewness and kurtosis of the data is required. Skewness refers to the symmetry of the distribution, whilst kurtosis refers to the flatness or peakedness of the distribution in relation to the normal distribution (Field, 2017:172; Hair et al., 2014:69). As per the central limit theorem, when a large sample size is used (more than 160), as is the case with the study at hand (n=627), then normality really matters and should not pose a problem to the analysis (Field, 2017:172).

#### **6.3.6.2 Descriptive statistics**

Descriptive statistics are used to describe the characteristics of the data set (Malhotra et al., 2017:504). Descriptive statistics were used to describe the demographics of the sample, inclusive of nationality, employing bank, age range and number of years with employer.

Descriptive statistics were also used to gauge participants' opinions in terms of the degree to which they perceived the internal marketing mix elements to be implemented within their respective banks. Furthermore, they were used to assess employees' views in terms of their ability to deliver service quality and customer satisfaction. This allowed the researcher to achieve the first three objectives of the study (refer to Table 6.2). SPSS was used to perform descriptive statistics, specifically frequency distributions. Frequency distributions were used with the intention of counting the number of responses linked with the different values of the variable within a particular data set (Malhorta et al., 2017:504). The mean and standard deviations were used as these are the two most commonly used descriptives. The mean relates to the arithmetic average, which is considered to be the most common measure of central tendency. The standard deviation is described as the average distance of the distribution values from the mean (Zikmund et al., 2016:415). Descriptive statistics are required to understand central tendency and distributions in the sample responses, as well as the demographic make-up of the sample (Hair et al., 2017:264). To meet the primary objective of the study, inferential statistics were needed to measure the research hypotheses formulated for the study. In order to be valuable, research must be considered to be valid, reliable and generalisable. The reliability of the measuring instrument is discussed in the following section.

#### **6.3.6.3 Reliability**

As discussed in section 6.3.4.6 of this chapter, reliability is regarded as a sign of the instrument's internal consistency. The rationale for using internal consistency is to investigate the correlations between the individual scale items and to assess how well these items measured the construct. Cronbach's alpha scores were used. Refer to Chapter 7, section 7.5.2 for the presentation of the results. Values of 0.8 or higher are considered to have high reliability, those between 0.70 and 0.80 are regarded as having good reliability, values between 0.60 and 0.70 are fair, and coefficients lower than 0.60 are questionable (Hair et al., 2017:78).

#### **6.3.6.4 Validity**

The validity of the measurement instrument was tested through factor analysis. Factor analysis is defined as a technique that statistically identifies a reduced number of factors from a larger number of measured variables. The factors themselves are not measured, but instead, are identified by forming a variate using the measured variables (Babin & Zikmund, 2015:629). Factor analysis is mainly used to create a questionnaire able to measure the

principle variable. It assists in understanding the structure of a set of variables and it reduces a data set to a more controllable size, whilst still maintaining and ensuring its feasibility (Field, 2017:628; Pallant, 2016:189-190). Field (2017:628-629) states that the existence of groups of correlation coefficients between subsets of variables implies that those variables could be measuring parts of the same central element. For this reason, result correlation coefficients are converted into factor loadings or weights that are attached to factors showing commonality. Factor analysis can either be defined as Exploratory Factor Analysis (EFA) or a Confirmatory Factor Analysis (CFA). For the purpose of the study, an EFA was not conducted, the study applied a forced CFA, since the constructs developed were supported by theory and validated through existing scales. Confirmatory factor analysis (CFA), was used to measure the contribution of each scale item and to test or confirm whether the theoretical measurement model is valid (Hair et al., 2014:707).

#### **i) Confirmatory Factor Analysis (CFA)**

CFA assesses the contribution of each scale item and how well each scale measures the construct. The scales are integrated into the valuation of the relationships between exogenous and endogenous constructs in the structural framework (Hair et al., 2017:20). Constructs have already been defined from the literature and these constructs are grouped to a latent variable or factor of interest. In order for CFA to be successful, the researcher must theorise the number of constructs in the conceptual model and theorise which constructs should load onto which factors before the CFA is performed. In this way, the CFA allows the researcher to either confirm or reject the theoretical predictions. The literature provided in the study formed the foundation from which items in the questionnaire were selected and grouped into ten independent variables (the internal marketing mix elements), an intervening variable (service quality), and a dependent variable (customer satisfaction). The CFA process loaded the predetermined constructs so as to determine whether the loading of the measured constructs conformed to what was expected, based on the literature developed in the study. This suggests that the internal marketing mix elements influence service quality and in turn customer satisfaction within Omani retail banks. The results of the CFA are presented in Chapter 7, section 7.5.1.

#### **6.3.6.5 Structural Equation Modelling (SEM)**

SEM is a multivariate statistical technique for building and testing statistical models that explore the plausibility of behavioural and other models that are implied by empirical designs (Shumacker & Lomax, 2013:2). Tarka (2017) defines SEM as a multivariate statistical technique used to explain relationships among variables. SEM presents a

sequence of structural equations and relationships, which are modelled graphically to provide a more meaningful conceptualisation of the theory being explored (Maduku, 2015:168; Byrne, 2012:3). It is distinguished by two principle components, i.e. the structural or path model, which relates independently to dependent variables; and the measurement model or confirmatory factor analysis, which allows the researcher to use several variables for a single independent or dependent variable (Tarka, 2017). In path diagrams, the directly observed variables are enclosed by rectangles, while latent variables are enclosed by circles or ellipses. A straight, single-headed arrow indicates a direct causal effect of one variable on another, while a curved double-headed arrow indicates a bivariate correlation between two exogenous (independent) variables. Endogenous variables are variables that are dependent in at least one equation, while exogenous variables are those that are not dependent variables in any equation (Conradie, 2012:290).

The conceptual framework in the study included independent (exogenous) variables in the form of 10 internal marketing mix elements and dependent (endogenous) variables in the form of service quality and customer satisfaction. It is deduced that a dependent variable will be affected by a change in the independent variable (Hair et al., 2014:20). Due to the complexity of the hypothesised framework in the study, the researcher made the decision that structural equation modelling (SEM) would be appropriate for the data analysis. The reasons for this decision being that SEM works well when testing models, based on well-developed theoretical models (Little, 2013:111). SEM has the ability to represent the unobserved indicators and to account for measurement errors (Maduku, 2015:169). SEM was performed in order to determine the goodness-of-fit for the proposed conceptual model in this study and to examine a series of interrelated dependence relationships simultaneously. The measurement model used for this testing is discussed next.

#### **6.3.6.6 Measurement model analysis (employing the CFA technique)**

The purpose of the measurement model is providing an experiential representation of the primary hypothetical construct (Holtzman, 2014). By testing the measurement model (framework), the researcher can evaluate the contribution of each scale item and assess how well the scale measures the concept (reliability) in the CFA. The scales can be used to make inferences about the relationships between exogenous (independent) variables (10 internal marketing mix elements) and endogenous or dependent variables (service quality and customer satisfaction) in the structural model (Hair et al., 2017:20). Therefore, in contrast to other multivariate techniques, SEM allows the researcher both to assess measurement properties, and to test for key theoretical relationships with one technique



(Holtzman, 2014). Any relationship between two latent variables would be ambiguous if the integrity of the measures has not first been confirmed. SEM therefore takes a confirmatory approach to the analysis of structural theory. All tests of SEM need sets of parameters which test a logical order that increases restrictions in every step and in doing so, improves goodness-of-fit (Suhr, 2018).

Hair et al. (2014:664) states that goodness-of-fit indicates the consistency of variances and covariances in the data within the structural model. Once a specified model has been theorised, model fit compares the theory to reality by investigating the similarity of the estimated covariance theory to reality (Issok, 2016:152). There are a number of goodness-of-fit measures which can be classified into three categories, namely: absolute fit indices, incremental fit indices, and parsimony fit indices. Absolute fit indices assess how well the model specified by the researcher reproduces the observed data. Indices generally include the x-squared static, Chi-square test. The goodness-of-fit index (GFI), the Root Mean Square Error of Approximation (RMSEA), the Chi-square test of model fit (CFI/TLI) and Standardised Root Mean Square Residual (SRMR). Incremental fit indices investigate how well the theorised model fits relative to some other baseline model. An example of incremental indices includes the normed fit index (NFI), the Tucker-Lewis Index (TLI) and the Comparative Fit Index (CFI). The TLI and CFI are the most commonly used incremental indices. Parsimony fit indices are utilised to provide information about which model among competing models is the best, considering fit relative to complexity. Examples of parsimony indices include the adjusted goodness-of-fit index and the Parsimony Normed Fit Index (PNFI), the Adjusted Goodness of Fit (AGFI) and the Parsimony Closeness of Fit (PCLOSE) (Suhr, 2018; Issok, 2016:152; Hair et al., 2014:580). There is no standard rule in terms of the goodness-of-fit model, but it is suggested that researchers use at least one absolute, one incremental index and one parsimony index in addition to the basic measure of  $\chi^2/df$  (Hair et al., 2014:589). Table 6.20 provides an overview of the goodness-to-fit indices suggested for the study.

**Table 6.20: An overview of goodness-of-fit indices suggested for the study**

Measure	Index	Acceptable fit
<b>Absolute index</b>	Normed chi-square	$\chi^2/df \leq 3$
	Goodness of fit index (GFI)	GFI > 0.90
	Root mean square error of approximation (RMSEA)	RMSEA < 0.07
	Standardised root mean square residual	SRMR $\leq$ 0.05
<b>Incremental Index</b>	Comparative fit index (CFI)	CFI > 0.90
	Tucker- Lewis Index (TLI)	TLI > 0.90
	Normed fit (NFI)	NFI > 0.90
<b>Parsimony</b>	Adjusted goodness of fit (AGFI)	AGFI > 0.80
	Parsimony normed fit (PNFI)	PNFI > 0.90
	Closeness of fit (PCLOSE)	PCLOSE > 0.05

Source: Issok (2016:152)

To complete the assessment and validate the model's fit, at least one of the fit indices in each category outlined in Table 6.21 was included in the analysis. The results of this are presented in Chapter 7, section 7.5.1.

The measurement model was assessed for convergent and discriminatory validity. Convergent validity refers to the degree to which the multiple items share a high proportion of variance and is an additional way of validating internal consistency since highly reliable scales usually hold convergent validity (Babin & Zikmund, 2015:337). The convergent validity of the measurement model was assessed using standardised factor loadings, construct reliability (CR) and average variance extracted (AVE). A standardised factor loading of at least 0.5, a CR of at least 0.7 and AVE of a minimum of 0.5 are perceived to be acceptable to secure construct validity (Hair et al., 2017:167). Discriminant validity refers to the degree to which scales do not correlate with other scales, in other words, it reflects how unique and distinct a scale is (Issok, 2016:136). Discriminant validity was measured by comparing the square root of the AVE with the correlation of other constructs. To determine discriminant validity, the square root of the AVE estimates should be larger than the correlation estimate with other constructs (Babin & Zikmund, 2015:337). The results for convergent and discriminant validity are discussed in Chapter 7, section 7.5.3.

#### **6.3.6.7 Structural model analysis and hypothesis testing**

Once the measurement model has been validated using the CFA, the structural model can then be specified. A structural model relates to a set of one or more dependent relationships linking the hypothesised constructs (Hair et al., 2014:60). The process of specifying the structural models involves the assignment of relationships from one construct to another as defined in the theory (Issok, 2016:153). All the hypothesised relationships are specified in the structural model. The path diagram provides a pictorial description of all the relationships (Figure 7.2, section 7.6, Chapter 7). Assessing the structural model involves assessing the goodness-of-fit (using the same indices used in the measurement model) and exploring individual parameter approximations that represent each hypothesis (Maduku, 2015:171). Estimated parameters of 0.5 or higher are considered to be good parameters and can be used with other parameters to accept or reject a hypothesis (Hair et al., 2014:677). Next, the path coefficients of the latent endogenous and exogenous constructs were estimated. Finally, the overall coefficient of determination ( $R^2$ ), was calculated to conclude the overall explanation of the variance. The coefficient of determination  $R^2$ , verifies the percentage of the variation in endogenous constructs (service quality and customer satisfaction) that can be explained by variations in the exogenous constructs (internal product, internal price, internal promotion, internal people, internal process, internal physical evidence, internal performance management, internal purpose, internal political power and procurement). This coefficient can vary between 0 and 1. The results of the hypotheses testing are presented in Chapter 7, section 7.6.1.

#### **6.3.6.8 Multiple group analysis**

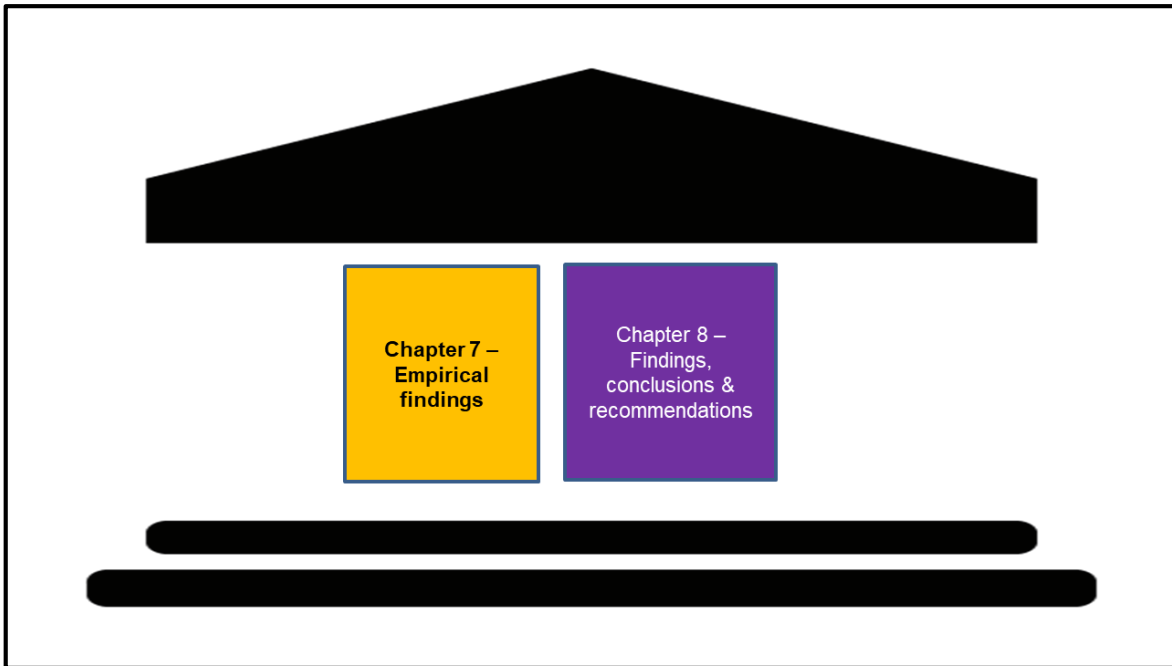
One of the objectives of the study is to determine whether conventional banking and Islamic banking can be fit into the same conceptual model. In order to determine this, equivalence measures were utilised. This required the establishment of an equal pattern baseline with the same parameters for the two groups. By using structural invariance by regression weight, constraints can be forced on the regression paths, so that regression weights are equal across conventional and Islamic banking (Garson, 2015:242). When parameters are restrained, this forces equality across groups. The Chi-square test will be used to compare the two models. If the two models are not significantly different, it can be surmised that the structural model is unchanged and both conventional banking and Islamic banking can fit into the same conceptual model (Hoyle, 2014:96). The multigroup analysis results are presented in Chapter 7, section 7.7.7.

## **6.4 CONCLUSION**

Chapter 6 discussed the empirical component of the study. The objective of the chapter was to delineate the research methodology employed so as to achieve the research objectives of the study. The study made use of a positivist paradigm where quantitative data was collected through a survey targeted at customer-facing branch employees in retail banks in Oman. A census approach was applied to both the conventional and Islamic banks and ethical considerations were taken into consideration during the data collection process. Data collection included an online survey for conventional banking and a combination of an online survey and a person-administered survey for Islamic banking. The final sample size comprised of 627 responses. A variety of data analysis techniques was used in the research, where the main statistical technique used to test the hypotheses comprised of SEM. Chapter 7 presents and discusses the results obtained from the analysis.

## CHAPTER 7

### EMPIRICAL FINDINGS



#### 7.1 INTRODUCTION

Chapter 6 focused on the methodology applied in this study. A survey involving 627 customer-facing retail banking employees from both Islamic and conventional banks provided empirical data for statistical analysis and hypothesis testing. This chapter presents and discusses the results of the statistical data analysis. The chapter commences by presenting the descriptive statistics. The chapter continues with some preliminary analyses prior to testing the hypotheses formulated in the conceptual model. These preliminary analyses include descriptive statistics, confirmatory factor analysis, reliability and validity tests. Thereafter, the results of the SEM, with which the hypotheses were tested, are presented and discussed. The chapter also presents a multigroup analysis in exploring whether any differences exist between the conventional and Islamic banking models.

## **7.2 DISCUSSION OF THE PRIMARY RESEARCH OBJECTIVES AND HYPOTHESES**

As established in Chapter 1 (section 1.4.1), the primary objective of the study is:

**To determine the interrelationships between internal marketing and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers overall, and for Islamic and conventional banking respectively.**

### **7.2.1 The secondary objectives**

The following secondary objectives have been determined for the study at hand:

1. To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.
2. To measure employees of retail banks in Oman's perceived ability to deliver service quality to retail customers.
3. To measure employees of retail banks in Oman's perceived ability to deliver customer satisfaction to retail customers.
4. To determine the interrelationships between perceived internal marketing implementation and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers in Oman.
5. To determine the influence of service quality on customer satisfaction in retail banks in Oman.
6. To ascertain the validity of the conceptual model across conventional and Islamic banking.

### **7.2.2 Hypotheses**

Based on the above objectives, the following hypotheses have been put forward as indicated in Chapter 1 (refer to section 1.5.4 -1.5.5), Chapter 5 (refer to section 5.3) and Chapter 6 (refer to section 6.3.3).

**Table 7.1: Hypotheses formulated for the study**

Number	Hypotheses
H1 (a)	There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (a)	There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (b)	There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (b)	There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (c)	There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (c)	There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (d)	There is a significant positive relationship between the internal people element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (d)	There is a significant positive relationship between the internal people element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (e)	There is a significant positive relationship between the internal process element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (e)	There is a significant positive relationship between the internal process element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (f)	There is a significant positive relationship between the internal physical evidence element of the service marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.

Number	Hypotheses
H2 (f)	There is a significant positive relationship between the internal physical evidence element of the service marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (g)	There is a significant positive relationship between the internal performance management element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (g)	There is a significant positive relationship between the internal performance management element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (h)	There is a significant positive relationship between the internal purpose element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (h)	There is a significant positive relationship between the internal purpose element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (i)	There is a significant positive relationship between the internal political power element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (i)	There is a significant positive relationship between the internal political power element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H1 (j)	There is a significant positive relationship between the internal procurement element of the contemporary marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman.
H2 (j)	There is a significant positive relationship between the internal procurement element of the contemporary marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman.
H3	There is a significant positive relationship between service quality and customer satisfaction.
H4	The relationships proposed in the conceptual model indicate different regression weights for conventional and Islamic retail banks in Oman.

Source: Author's own construct



### 7.3 DESCRIPTIVE STATISTICAL RESULTS

The following sections provide a descriptive exposition of the degree to which the internal marketing elements are implemented and the degree to which employees perceive themselves to have the ability to deliver service quality and customer satisfaction. This section aims to provide results pertaining to secondary objectives 1, 2 and 3, as outlined in section 7.2.1.

#### 7.3.1 Realisation rate

As discussed in Chapter 6, section 6.3.4.7, a census approach was applied to both the conventional banking and to the Islamic banking sample. Two of the largest conventional banks and three of the largest Islamic banks participated in the study. A realisation rate of 355 respondents was realised for conventional banking (56,6%) and 272 respondents were realised for Islamic banking (43,4%), achieving a total realisation rate of 627 respondents. In order to provide anonymity and confidentiality in terms of the individual banks' participation rates, the banks are referred to as Bank A, Bank B, Bank C, Bank D and Bank E. Bank B had the highest number of respondents achieving 224 respondents in total (35.7%). Table 7.2. provides a breakdown of the individual results.

**Table 7.2: Realisation rate of participants**

Items	Description	Frequency	Percentage
<b>Conventional banks</b>	Bank A	131	20.9
	Bank B	224	35.7
	<b>Total</b>	<b>355</b>	<b>56.6</b>
<b>Islamic banks</b>	Bank C	92	14.7
	Bank D	61	9.7
	Bank E	119	19.0
	<b>Total</b>	<b>272</b>	<b>43.4</b>
<b>Overall realisation rate</b>	<b>Total</b>	<b>627</b>	<b>100</b>

Source: Author's own construct

The following section provides an overview of the demographic profile of participants.

### 7.3.2 Demographic profile

The demographic composition of the participants is summarised in Table 7.3. In particular the age, gender, nationality and previous work experience of the participants are reported.

**Table 7.3: Demographic information for Omani retail bank employees**

Items	Description	Frequency	Percentage
Age	18-25	43	6.9
	26-30	154	24.6
	31-35	162	25.8
	36-40	126	20.1
	41-45	77	12.3
	46-50	43	6.8
	51-55	15	2.4
	56-60	5	0.8
	61-65	1	0.2
	65 and above	1	0.1
	<b>Total</b>	<b>627</b>	<b>100</b>
Gender	Male	257	41.0
	Female	370	59.0
	<b>Total</b>	<b>627</b>	<b>100</b>
Nationality	Omani	562	89.5
	Expatriate	65	10.5
	<b>Total</b>	<b>627</b>	<b>100</b>
Years in bank	1-5	272	43.5
	6-10	152	24.3
	11-15	83	13.2
	16-20	41	6.4
	20 and above	79	12.6
	<b>Total</b>	<b>627</b>	<b>100</b>

Source: Author's own construct

It is evident from Table 7.2 that the majority of Omani retail banking employees are between the ages of 31-35 (25,8%, n= 627) and female (59.0%, n=627). Most participants were Omani nationals (89,5%, n=627). The majority of participants have between 1-5 years' experience within their respective bank (43,4%, n=627).

#### **7.4 THE EXTENT TO WHICH EMPLOYEES BELIEVE THE INTERNAL MARKETING MIX IS IMPLEMENTED IN THEIR BANK AND THEIR PERCEIVED ABILITY TO DELIVER SERVICE QUALITY AND CUSTOMER SATISFACTION**

The following sections provide a descriptive exposition of the extent to which employees perceive the internal marketing mix elements to be implemented in their bank as an employer, their perceived ability to deliver service quality, and their perceived ability to deliver customer satisfaction. Both individual item scores and summary scores were included in this section for comprehensiveness and transparency of results. This section aims to provide results pertaining to secondary objectives 1 and 3, as discussed in section 7.2.1.

##### **7.4.1 The extent to which employees perceive the internal marketing mix to be implemented in their bank**

Section 2 of the questionnaire tested the extent to which employees perceive the internal marketing mix to be present within their organisation. The section was broken down into subsections for: internal product (5 items), internal price (6 items), internal promotion (4 items); internal people (6 items), internal process (4 items), internal physical evidence (6 items); internal performance management (6 items), internal purpose (5 items), internal political power (4 items), and internal procurement (6 items). It is important to note that for the remainder of the chapter, in certain sections abbreviations are used to reflect the constructs. These abbreviations are indicated in Table 7.4.

**Table 7.4: Construct abbreviations**

CODE	TERM
PRD	Internal product
PRI	Internal price
PRO	Internal promotion
PEO	Internal people
PRC	Internal process
PHY	Internal physical evidence
PRM	Internal performance management
PUR	Internal purpose
POW	Internal political power
PCR	Internal procurement
SQ	Service quality
SAT	Customer satisfaction

Source: Author's own construct

In total, section 2 presented participants with 53 statements and they were asked to rate their agreement or disagreement with each statement. A five-point interval Likert scale was used in which **1 signalled 'strongly disagree' and 5 signalled 'strongly agree'**. Table 7.3 indicates the mean and standard deviation for each item. The scales were computed in order to calculate the overall mean and standard deviation scores. Overall, the highest level of agreement was with the internal purpose construct (mean= 4.14; standard deviation= 0.64). Employees disagreed most with statements pertaining to internal political power (referring to control over *wasta*) (mean=2.54; standard deviation=0.99) (refer to section 7.4.1.1). The overall construct means are discussed in more detail at the end of this section.

**Table 7.5: Descriptive statistics for the internal marketing mix**

Code	Item	Mean score	Standard deviation
<b>Internal product</b>			
PRD 1	My organisation fulfils my development needs.	3.83	0.90
PRD 2	There are opportunities to advance my career in my organisation.	3.71	0.99
PRD 3	I am provided with support such as coaching to perform my job better.	3.91	0.91
PRD 4	The skills I have match the job I am doing.	4.02	0.97
PRD 5	I am passionate about the work I do.	4.15	0.93

Code	Item	Mean score	Standard deviation
<b>Overall mean score</b>		<b>3.93</b>	<b>0.73</b>
<b>Internal price</b>			
PRI 1	Financial rewards (such as bonuses) are granted based on how well employees perform their jobs.	3.51	1.15
PRI 2	I am getting paid market value for the job that I do.	3.06	1.21
PRI 3	Employees are recognised for providing high quality services to customers.	3.53	1.11
PRI 4	The sacrifices I make at work are worth it to me.	3.64	1.03
PRI 5	By working for this organisation, I am satisfied that I have not missed out on opportunities elsewhere.	3.53	1.11
PRI 6	I have enough time during my day to complete my workload.	3.80	0.96
<b>Overall mean score</b>		<b>3.51</b>	<b>0.82</b>
<b>Internal promotion</b>			
PRO 1	The importance of the customer is frequently communicated to me by leadership.	4.16	0.85
PRO 2	I know what the long-term objectives of my organisation are.	4.09	0.85
PRO 3	Print materials (such as posters, newsletters. etc) are used to communicate with me.	3.69	0.97
PRO 4	Events (such as roadshows) are often used to communicate with me.	3.44	1.00
<b>Overall mean score</b>		<b>3.84</b>	<b>0.69</b>
<b>Internal people</b>			
PEO 1	My manager cares about my needs.	3.89	1.04
PEO 2	My manager involves me when making decisions.	3.94	0.96
PEO 3	My manager communicates openly with me.	4.11	0.95
PEO 4	My manager acts fairly.	3.93	1.03
PEO 5	I share the same moral values as my colleagues.	4.37	0.77
PEO 6	My colleagues treat me with respect.	4.43	0.70
<b>Overall mean score</b>		<b>4.11</b>	<b>0.75</b>
<b>Internal process</b>			
PRC 1	I am provided with supportive processes/procedures to help me do my job better.	3.85	0.88

Code	Item	Mean score	Standard deviation
PRC 2	New ways of doing tasks at work make my job easier.	3.85	0.91
PRC 3	Automated processes make service delivery between departments easier.	3.93	0.94
PRC 4	My experience with my organisation's processes (such as HR) is satisfactory.	3.65	1.00
<b>Overall mean score</b>		<b>3.82</b>	<b>0.74</b>
<b>Internal physical evidence</b>			
PHY 1	The décor in my office is attractive and pleasing.	3.74	1.07
PHY 2	Employees in my organisation look professional.	3.93	0.83
PHY 3	The marketing material used by my organisation (brochures, stationary, etc) is professional.	3.90	0.87
PHY 4	The layout of my office encourages the sharing of information.	3.73	1.00
PHY 5	Physical conditions (such as noise levels, odours, temperature, lighting, etc) within my environment allow me to perform well.	3.57	1.11
PHY 6	The facilities at my workplace enable social interaction between colleagues.	4.03	0.81
<b>Overall mean score</b>		<b>3.82</b>	<b>0.76</b>
<b>Internal performance management</b>			
PRM 1	I understand what is expected of me to meet my KPIs (key performance indicators).	4.12	0.81
PRM 2	I am provided with regular feedback about how I am performing.	3.88	0.91
PRM 3	During the year my areas of improvement are pointed out to me.	3.97	0.91
PRM 4	Discussions with my direct manager about my performance are worthwhile.	4.14	0.83
PRM 5	I am provided with tools to track my own performance.	3.77	0.97
PRM 6	My annual performance review is an accurate assessment of my performance during the year.	3.65	1.08
<b>Overall mean score</b>		<b>3.92</b>	<b>0.75</b>
<b>Internal purpose</b>			

Code	Item	Mean score	Standard deviation
PUR 1	I have found a meaningful career in my organisation.	3.83	0.91
PUR 2	The work I do serves a higher purpose.	4.11	0.78
PUR 3	I feel proud to belong to this organisation.	4.20	0.84
PUR 4	The work I do is important.	4.39	0.69
PUR 5	My organisation encourages employees to participate in social causes (such as walk for cancer, blood donation, beach clean-ups, etc).	4.19	0.89
<b>Overall mean score</b>		<b>4.14</b>	<b>0.64</b>
<b>Internal political power</b>			
POW 1	I benefit from <i>wasta</i> in my professional life.	2.23	1.19
POW 2	<i>Wasta</i> has made my life easier.	2.17	1.19
POW 3	I get a lot of things done through my <i>wasta</i> connections within my organisation.	2.80	1.30
POW 4	Performance as opposed to favouritism ( <i>wasta</i> ) determines who gets ahead in my bank.	2.96	1.28
<b>Overall mean score</b>		<b>2.54</b>	<b>0.99</b>
<b>Internal procurement</b>			
PCR 1	My organisation makes use of both online and offline recruitment practices.	3.58	1.01
PCR 2	My department/branch is able to recruit people with the right skills.	3.54	1.05
PCR 3	Interviews in my organisation are conducted by well-trained interviewers.	3.71	0.91
PCR 4	Assessment tools (such as assessment tests) are used well to help select people in my organisation.	3.74	0.85
PCR 5	My organisation has a competitive selection process to ensure that competent people are attracted into the bank.	3.74	0.89
PCR 6	Top talent is attracted into my organisation through a Graduate Development Programme.	3.68	0.95
<b>Overall mean score</b>		<b>3.66</b>	<b>0.78</b>

Source: Author's own construct

A mean score of 4 and above indicates that employees agree with statements, implying that the internal marketing mix elements are implemented within the banks. A mean score of between 3 and 4 indicates that respondents are leaning towards agreement with the

statement, but are more neutral towards the statement. A score of between 3 and 2 indicates that employees are leaning towards disagreement with the statements. Scores less than 2 confirm disagreement with statements, implying that the element is not implemented within the bank. Although the elements may be implemented, the approach may be weak or entirely incorrect and the elements may have no impact at all. The objective in this phase was to establish if respondents perceived the elements to be in place within their bank. The following section provides a breakdown and discussion of each individual internal marketing mix element and the perceived extent to which they are implemented within Omani retail banks.

#### **7.4.1.1 The perception of the extent to which the internal product (PRD) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement in terms of the extent to which the internal product is implemented within their organisation. The internal product relates to the employee's job and covers the aspects of learning and development, role fit, empowerment and career advancement. The overall mean score for internal product was 3.93 with a standard deviation of 0.73, implying that respondents tend to agree with statements pertaining to the internal product element. The highest level of agreement pertained to the statement 'I am passionate about the work I do' (PRD 5) (mean=4.15; standard deviation = 0.93), implying that respondents tend to agree that they are passionate about their work. The lowest level of agreement was with statement 'There are opportunities to advance my career in my organisation' (PRD 2) (mean = 3.71; standard deviation= 0.99), implying that respondents do not fully agree that career advancement opportunities exist within their bank and may not have career development plans in place.

- **Main finding 1:** Overall, banking respondents tend to agree that that the internal product is implemented within retail banks (mean=3.93, standard deviation=0.73).
- **Main finding 2:** Omani banking respondents indicated their highest level of agreement pertaining to the following item: "I am passionate about the work I do (mean=4.15; standard deviation=0.93).
- **Main finding 3:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: "There are opportunities to advance my career in my organisation" (mean= 3.71 and standard deviation=0.99).



#### **7.4.1.2 The perception of the extent to which the internal price (PRI) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement in terms of the extent to which the internal price is implemented within their organisation. The internal price relates to the overall benefit employees receive to work for the organisation and considers the rewards and recognition as well as the costs employees pay to work for the organisation. The overall mean score for internal price was 3.51, with a standard deviation of 0.82, indicating that respondents are leaning towards agreement with statements pertaining to the internal price element, implying that the overall price of working for the organisation is neither high nor low. The highest level of agreement was with the statement, "I have enough time during my day to complete my work load" (PRI 6) (mean=3.80; standard deviation=1.21). This implies that respondents tend to agree that they have enough time in their day to complete their tasks. The lowest level of agreement was with the statement "I am getting paid market value for the job that I do" (PRI 2) (mean=3.06 and standard deviation=1.21), implying that respondents do not fully agree that they are paid market value for the job they do.

- **Main finding 4:** Overall, Omani banking respondents tend to agree with the statement pertaining to the internal price element, implying that this element is partially implemented within retail banks (mean=3.51, standard deviation=0.82).
- **Main finding 5:** Omani banking respondents indicated their highest levels of agreement pertaining to the following item: "I have enough time during my day to complete my workload" (mean=3.80; standard deviation=0.96).
- **Main finding 6:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: "I am getting paid market value for the job that I do" (mean=3.06 and standard deviation=1.21).

#### **7.4.1.3 The perception of the extent to which the internal promotion (PRO) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement in terms of the extent to which the internal promotion element is implemented within their organisation. The internal promotion element relates to internal communication and how the organisational objectives and information are communicated to employees so that they are better able to serve customers well. The overall mean score for internal promotion was 3.84 with a standard

deviation of 0.69, suggesting that respondents tend to agree with statements pertaining to the internal promotion element, implying that respondents are communicated with through various channels. The highest level of agreement was with the statement, “The importance of the customer is frequently communicated to me by leadership” (PRO 1) (mean=4.16; standard deviation=0.85), implying that respondents agree that leadership frequently communicates the importance of the customer to them. The lowest level of agreement was with the statement, “Events (such as roadshows) are often used to communicate with me” (PRO 4) (mean=3.44 and standard deviation=1.0), indicating that respondents neither agree nor disagree with the fact that events such as roadshows are used as a main channel of communication.

- **Main finding 7:** Overall, Omani banking respondents tend to agree with statements related to the internal promotion element, implying this element is partially implemented within retail banks (mean=3.84, standard deviation=0.69).
- **Main finding 8:** Omani banking respondents indicated their highest levels of agreement pertaining to the following item: “The importance of the customer is frequently communicated to me by leadership” (mean=4.16; standard deviation=0.85).
- **Main finding 9:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: “Events (such as roadshows) are often used to communicate with me” (mean=3.44 and standard deviation=1.0).

#### **7.4.1.4 The perception of the extent to which the internal people (PEO) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement in terms of the extent to which the internal people element is implemented within their organisation. The internal people element relates to relationships with direct managers and co-workers. The overall mean score for internal people was 4.11, with a standard deviation of 0.75, signifying that respondents agree that the internal people element is implemented in their bank. This means that relationships with direct managers and co-workers are perceived to be good. The highest level of agreement was with the statement, “My colleagues treat me with respect” (PEO 6) (mean=4.43; standard deviation=0.70), implying that respondents agree that co-workers treat one another with respect. The lowest level of agreement pertained to

the statement, "My manager cares about my needs" (mean=3.89 and standard deviation =1.04) (PEO 1).

- **Main finding 10:** Overall, Omani banking respondents agree with statements relating to the internal people element, suggesting that this element is implemented within retail banks (mean=4.11; standard deviation=0.75).
- **Main finding 11:** Omani banking respondents indicated their highest levels of agreement pertaining to the following item: "My colleagues treat me with respect" (mean=4.43; standard deviation=0.70).
- **Main finding 12:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: "My manager cares about my needs" (mean=3.89 and standard deviation=1.04).

#### **7.4.1.5 The perception of the extent to which the internal process (PRC) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement in terms of the extent to which the internal process element is implemented within their organisation. The internal process element relates to the presence of visible, automated processes, which are improved on a continual basis. The overall mean score for internal process was 3.82, with a standard deviation of 0.74, indicating that respondents tend to agree with statements relating to the internal process element. This implies that respondents are provided with supportive processes, which are partly automated, and that respondents look for ways to improve process on a continual basis. The highest level of agreement pertained to the statement "Automated processes make service delivery between departments easier" (PRC 3) (mean=3.93; standard deviation=0.94), which implies that respondents tend to agree that automated processes make service delivery easier. The lowest level of agreement pertained to the statement "My experience with my organisations processes (such as HR) is satisfactory" (PRC 4) (mean=3.65 and standard deviation=1.00), indicates that respondents are leaning towards agreement that the experience with organisational processes is satisfactory. For example, the HR process may not always be clearly understood, and is not considered efficient in some instances. This implies that employees would not be able to provide the level of internal service quality and customer satisfaction

expected by their internal customers, which will have an impact on external service quality and customer satisfaction.

- **Main finding 13:** Overall, Omani banking respondents tend to agree with statements related to the internal process element, suggesting that it is partially implemented within retail banks (mean=3.82; standard deviation=0.74).
- **Main finding 14:** Omani banking respondents indicated their highest levels of agreement pertaining to the following item: “Automated processes make service delivery between departments easier” (mean=3.93; standard deviation=0.94).
- **Main finding 15:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: “My experience with my organisation’s processes (such as HR) is satisfactory” (mean=3.65 and standard deviation=1.00).

#### **7.4.1.6 The perception of the extent to which the internal physical evidence (PHY) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement in terms of the extent to which the internal physical evidence element is implemented within their organisation. The internal physical evidence element relates to the presence of an aesthetically pleasing, safe environment in which the office layout is set up to support collaborative relationships. The overall mean score for internal physical evidence was 3.82, with a standard deviation of 0.74 suggesting that employees tend to agree with statements to the internal physical environment, implying that respondents are provided with physically appealing work environments which facilitate collaboration. The highest level of agreement was with the statement “The facilities at my workplace enable social interaction between colleagues (PHY 6) (mean=4.03; standard deviation=0.81), indicating that respondents agree that the set-up of the office environment facilitates social interaction between respondents. This implies that break-away areas are in place, whereby respondents can obtain a coffee or lunch break and interact socially with colleagues. However, the statement with the lowest level of agreement was, “Physical conditions (such as the noise levels, odours, temperature, lighting, etc) within my work environment allow me to perform well” (mean=3.57, standard deviation=1.11), implying that respondents are leaning towards agreement that the office space is aesthetically pleasing. In some instances branches require refurbishment. The branch layout can be quite cumbersome, in some respects. Employees may not be able to

access certain areas of the branch easily, specifically if the branch is spread across floors which makes it difficult to interact with other employees and to share information.

- **Main finding 16:** Overall, Omani banking respondents tend to agree with statements pertaining to the internal physical evidence element, implying that this element is partially implemented within retail banks (mean=3.82; standard deviation=0.74).
- **Main finding 17:** Omani banking respondents indicated their highest levels of agreement pertaining to the following item: “The facilities at my workplace enable social interaction between colleagues (mean=4.03; standard deviation=0.81).
- **Main finding 18:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: “Physical conditions (such as the noise levels, odours, temperature, lighting, etc) within my work environment allow me to perform well” (mean=3.57, standard deviation=1.11).

#### **7.4.1.7 The perception of the extent to which the internal performance management (PRM) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement in terms of the extent to which the internal performance management element is implemented within their organisation. The internal performance element relates to the annual performance appraisal, regular monthly one-on-one performance feedback, clear KPIs and tools to track performance so that employees understand how well they are performing on a regular basis. The overall mean score for internal performance management was 3.92, with a standard deviation of 0.75. This indicates that respondents tend towards agreement with the statements relating to the internal performance element, implying that respondents are provided with some form of performance management practice. The highest level of agreement was with the statement “Discussions with my direct manager about my performance are worthwhile” (PRM 4) (mean=4.14; standard deviation=0.83), implying that respondents agree that performance discussions with managers are very worthwhile and add value to respondents. The lowest level of agreement was with the item, “My annual performance appraisal is an accurate assessment of my performance during the year” (PRM 5) (mean=3.65 and standard deviation=1.08), indicating that respondents do not fully agree that their performance appraisal is an accurate reflection of their performance.

- **Main finding 19:** Overall, Omani banking respondents tend to agree with statements related to the internal performance management element, suggesting that this is partially implemented within retail banks (mean=3.92; standard deviation=0.75).
- **Main finding 20:** Omani banking respondents indicated their highest levels of agreement pertaining to the following item: “Discussions with my direct manager about my performance are worthwhile” (mean=4.14; standard deviation=0.83).
- **Main finding 21:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: “My annual performance appraisal is an accurate assessment of my performance during the year” (mean=3.65 and standard deviation =1.08).

#### **7.4.1.8 The perception of the extent to which the internal purpose (PUR) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement in terms of the extent to which the internal purpose element is implemented within their organisation. The internal purpose element relates to the connection between individual purpose and the organisational purpose, and the extent to which organisations contribute to a purpose greater than profit (through CSR initiatives), which creates greater meaning at work. The overall mean score for internal purpose was 4.14, with a standard deviation of 0.64, indicating that the majority of respondents agree with statements relating to internal purpose, implying that the organisation is perceived to be a purpose-driven organisation and thus the internal purpose element is implemented within their organisation. The highest level of agreement was with the statement, “The work I do is important” (PUR 4) (mean=4.39; standard deviation=0.69), indicating that the majority of respondents agree their work to be important. The lowest level of agreement was with the statement, “I have found a meaningful career in my organisation” (PUR 1) (mean=3.83 and standard deviation=0.91), implying that the majority of respondents do not agree fully that they have found a meaningful career within their organisation.

- **Main finding 22:** Overall, Omani banking respondents are in agreement with statements relating to the internal purpose element, implying that this element is implemented within retail banks (mean=4.14; standard deviation= 0.64).

- **Main finding 23:** Omani banking respondents indicated their highest levels of agreement pertaining to the following item: “The work I do is important (mean=4.39; standard deviation=0.69).
- **Main finding 24:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: “I have found a meaningful career in my organisation” (mean=3.83 and standard deviation=0.91).

#### **7.4.1.9 The perception of the extent to which the internal political power (POW) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement over the extent to which the internal political power element is implemented within their organisation. The internal political power element relates to the control of *wasta* within Omani banks, referring to a form of favouritism which can impact performance, motivation and the delivery of service quality. The overall mean score for internal political power was 2.54, with a standard deviation of 0.99, suggesting that respondents are leaning towards disagreement with statements pertaining to the internal political element. This implies that respondents do not perceive the influences of *wasta* to be controlled, which could negatively impact their performance. This means that respondents perceive favouritism to exist within the organisation, which results in feelings of unfairness and dissatisfaction. The highest level of agreement was with the item, “Performance as opposed to favouritism determines who gets ahead in my bank” (POW 4) (mean=2.96; standard deviation=1.28), implying that the majority of respondents are leaning towards disagreement that performance as opposed to favouritism determines who gets ahead. This is a clear indication that perceptions of favouritism exist in the organisation, which has a negative impact on respondents’ ability to deliver service quality and customer satisfaction. The lowest level of agreement was with the statement “*Wasta* has made my life easier” (POW 2) (mean=2.17 and standard deviation =1.19), indicating that the majority of respondents do not agree that *wasta* has made their life easier.

- **Main finding 25:** Overall, Omani banking respondents lean towards disagreement with statements relating to the internal political power element (meaning control of *wasta*) (mean=2.54; standard deviation=0.99).

- **Main finding 26:** Omani banking respondents indicated their highest levels of agreement pertaining to the following item: “Performance as opposed to favouritism determines who gets ahead in my bank (mean=2.96; standard deviation= 1.28).
- **Main finding 27:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: “*Wasta* has made my life easier” (mean=2.17 and standard deviation =1.19).

#### **7.4.1.10 The perception of the extent to which the Internal procurement (PCR) is implemented in Omani retail banks**

Respondents were requested to indicate their level of agreement in terms of the extent to which the internal procurement element is implemented within their organisation. The internal procurement element relates to the recruitment and selection practices employed to attract talented employees into the bank, thereby ensuring that customer-orientated employees are employed into the right positions and are a good fit for the organisational culture, which will facilitate collaboration and the sharing of knowledge. The overall mean score for internal procurement was 3.66, with a standard deviation of 0.78, indicating that respondents are leaning towards agreement with statements pertaining to the internal procurement element, and implying that the recruitment and selection of talented respondents are partially implemented within Omani retail banks. The highest level of agreement was with the item (PCR 4) “Assessment tools (such as assessment tests) are used well to help select people in my organisation” (mean=3.74; standard deviation=0.85), and “My organisation has a competitive selection process to ensure that competent people are attracted into the bank” (PCR 5) (mean=3.74; standard deviation=0.89), implying that respondents tend to agree that competitive selection processes and assessment tools are used in the selection of respondents. The lowest level of agreement was with the item, “My department/branch is able to recruit people with the right skills” (PCR 2) (mean=3.54 and standard deviation=1.05), indicating that respondents neither agree nor disagree that their departments are recruiting the right people with the right skills as effectively as they could be. This could be as a result of *wasta-based* appointments or as a result of inefficient recruitment and selection practices and skills. It could also be due to inefficient HR processes. Departments may not have a good understanding of what talent is required both currently and, in the future, to support the broader organisational objectives.



- **Main finding 28:** Overall, Omani banking respondents are leaning towards agreement with statements pertaining to the internal procurement, suggesting that the element is partially implemented within retail banks (mean=3.66; standard deviation=0.78).
- **Main finding 29:** Omani banking respondents indicated their highest levels of agreement pertaining to the following items:
  - “Assessment tools (such as assessment tests) are used well to help select people in my organisation” (mean=3.74; standard deviation=0.85).
  - “My organisation has a competitive selection process to ensure that competent people are attracted into the bank” (mean=3.74; standard deviation=0.89).
- **Main finding 30:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: “My department/branch is able to recruit people with the right skills” (mean=3.54 and standard deviation=1.05).

#### 7.4.1.11 Overall Scores for the internal marketing mix

Table 7.6 provides a summary of the overall means and standard deviations for the internal marketing mix construct.

**Table 7.6: Overall mean and standard deviation scores for the internal marketing mix**

Section 2 – INTERNAL MARKETING MIX		
Construct	Mean	Standard Deviation
Internal product	3.93	0.73
Internal price	3.51	0.82
Internal promotion	3.84	0.69
Internal people	4.11	0.75
Internal process	3.82	0.76
Internal physical evidence	3.82	0.74
Internal performance management	3.92	0.75
Internal purpose	4.14	0.64
Internal political power	2.54	0.99
Internal procurement	3.66	0.78
<b>Total</b>	<b>3.73</b>	<b>0.77</b>

Source: Author's own construct

From Table 7.6, the internal marketing mix is perceived to be partially implemented within retail banks in Oman (mean=3.73; standard deviation=0.77). Employees agree most with statements relating to internal purpose, suggesting that it is the most strongly implemented element (mean=4.14; standard deviation=0.64). Employees disagreed most with statements pertaining to internal political power (referring to control over *wasta*) suggesting that it is not perceived to be implemented within Omani retail banks (mean=2.54; standard deviation=0.99).

- **Main finding 31:** The internal marketing mix elements are perceived to be partially implemented in retail banks in Oman (mean=3.37; standard deviation=0.77).
- **Main finding 32:** The strongest level of agreement is that the internal purpose implemented element is implemented within Omani retail banks (mean=4.14; standard deviation=0.64)
- **Main finding 33:** The highest level of disagreement is with internal political power (referring to control over *wasta*) which is not perceived to be implemented within Omani retail banks (mean=2.54; standard deviation =0.99).

It can therefore be concluded that the internal marketing mix elements are partially implemented within Omani retail banks. The next section addresses the second objective of the study relating to the extent to which employees believe they have the ability to deliver service quality.

#### **7.4.2 The extent to which employees perceive they are enabled to deliver service quality (SQU)**

Section 3 of the questionnaire tested the extent to which Omani banking employees perceive that they are enabled to deliver on service quality within their organisation. A series of five statements was presented to participants, and participants were asked to rate their level of agreement with each statement. A five-point interval Likert scale was used where **1** signalled ‘strongly disagree’ and **5** signalled ‘strongly agree’. Table 7.7 indicates the mean and standard deviation for each item.

**Table 7.7: Descriptive statistics for service quality**

Code	Section 3 – SERVICE QUALITY	Mean score	Standard deviation
SQU 1	I provide services to my customers as promised.	4.51	0.64
SQU 2	I respond quickly to customer requests.	4.51	0.65
SQU 3	My customers believe I am knowledgeable.	4.48	0.66
SQU 4	I am friendly when dealing with customers.	4.56	0.64
SQU 5	I understand my customers' needs.	4.56	0.62
	<b>Overall score for service quality</b>	<b>4.53</b>	<b>0.55</b>

Source: Author's own construct

A mean score of 4 and above indicates employees agree with statements implying they perceive themselves as able to deliver service quality. A mean score of between 3 and 4 indicates that respondents neither agree nor disagree with the statement. A score of between 3 and 2 indicates that respondents are leaning towards disagreement with statements. Scores less than 2 confirm disagreement with statements, indicating that respondents do not perceive themselves as able to deliver service quality. Service quality relates to the ability of respondents to provide empathy, responsiveness, reliability and assurance to customers. The overall mean score for service quality was 4.53, with a standard deviation of 0.55, implying that respondents agree with statements relating to service quality and believe that they are able to provide customers with high levels of service quality. The highest level of agreement was with the statement, "I am friendly when dealing with customers" (SQU 4) (mean=4.56; standard deviation=0.64) and "I understand my customers' needs" (SQU 5) (mean=4.56; standard deviation=0.62), indicating that respondents agree that they are friendly when dealing with customers and understand their customers' needs well. The lowest level of agreement was with the item, "My customers believe I am knowledgeable" (SQU 3) (mean= 4.48; standard deviation=0.66), suggesting that respondents agree that customers perceive respondents to be knowledgeable, but not necessarily as knowledgeable as they would like them to be. In addition to employee opinion, the researcher also obtained data from customers in order to assess customer perception of service quality delivery. The results are reported in Appendix 3 in the appendices.

- **Main finding 34:** Overall, Omani banking respondents agree with statements relating to their ability to deliver service quality to retail banking customers in Oman (mean=4.53; standard deviation=0.55).
- **Main finding 35:** Omani banking respondents indicated their highest levels of agreement pertaining to the following items:
  - “I am friendly when dealing with customers” (mean=4.56; standard deviation=0.64).
  - “I understand my customers’ needs” (mean=4.56; standard deviation= 0.62).
- **Main finding 36:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: “My customers believe I am knowledgeable” (mean= 4.48 and standard deviation=0.66).

#### 7.4.3 The extent to which employees perceive they are enabled to provide customer satisfaction (SAT)

Section 4 of the questionnaire tested the extent to which Omani banking employees perceive that they are enabled to deliver customer satisfaction within their organisation. A series of five statements was presented to participants and participants were asked to rate their level of agreement with each statement. A five-point interval Likert scale was used, where **1** signalled ‘strongly disagree’ and **5** signalled ‘strongly agree’. Table 7.8 indicates the mean and standard deviation for each item.

**Table 7.8: Descriptive statistics for customer satisfaction**

Code	Section 4 – CUSTOMER SATISFACTION	Mean	Standard Deviation
SAT 1	I believe my customers are satisfied with the overall quality of services provided by my bank.	3.91	0.91
SAT 2	I believe my customers are satisfied with the professional service I provide to them.	4.32	0.69
SAT 3	I believe my customers will recommend my bank to family and friends.	4.06	0.84
SAT 4	I deliver on the expectations of my customers to enhance their customer satisfaction experience.	4.24	0.71
SAT 5	I provide personalised attention to customers to strengthen their customer satisfaction.	4.33	0.64
	<b>Overall score for customer satisfaction</b>	<b>4.17</b>	<b>0.62</b>

Source: Author’s own construct

Customer satisfaction refers to the extent to which employees believe they have the ability to provide customer satisfaction through personalised attention, resulting in positive word-of-mouth and recommendations. A mean score of 4 and above indicates that respondents agree with statements pertaining to customer satisfaction, implying that they have the perceived ability to deliver customer satisfaction. A mean score of between 3 and 4 indicates that respondents neither agree nor disagree with the statement, but are leaning towards agreement with the statement. A score of between 3 and 2 indicates that respondents are leaning towards disagreement with statements. Scores less than 2 confirm disagreement with the statements, indicating that respondents perceive themselves as unable to deliver customer satisfaction. The overall mean score for customer satisfaction was 4.17 and the standard deviation was 0.62, implying that the majority of respondents agree with the statements that they have the ability to provide customer satisfaction. The highest level of agreement was with the statement, "I provide personalised attention to customers to strengthen their customer satisfaction" (SAT 5) (mean= 4.33; standard deviation=0.64), implying that the majority of respondents agree that they provide personalised attention to their customers. The lowest level of agreement was with the statement, "I believe my customers are satisfied with the overall quality of services provided by my bank" (SAT 1) (mean=3.91; standard deviation=0.91), implying that the majority of respondents do not fully agree that customers are satisfied with their level of overall service quality. In addition to employee opinion, the researcher also obtained data from customers in order to assess customer perception of satisfaction. The results are reported in Appendix 3 in the appendices.

- **Main finding 37:** Overall, Omani banking respondents agree with statements pertaining to their ability to deliver customer satisfaction to retail banking customers (mean=4.17; standard deviation=0.62).
- **Main finding 38:** Omani banking respondents indicated their highest level of agreement pertaining to the following item: "I provide personalised attention to customers to strengthen their customer satisfaction" (mean=4.33; standard deviation=0.64).
- **Main finding 39:** Omani banking respondents indicated their lowest level of agreement pertaining to the following item: "I believe my customers are satisfied with

the overall quality of services provided by my bank” (mean=3.91; standard deviation=0.91).

In summary of section 7.4, the discussion above provides a view of the extent to which respondents believe the internal marketing mix to be implemented in their banks, as well as their perceived ability to deliver service quality and customer satisfaction. The results however, do not relate to how effectively these elements are implemented or to the presence of any relationships between the internal marketing mix elements, service quality and customer satisfaction, as they currently stand. For this reason, further exploration was required. The fourth objective of the study was to determine the interrelationships between perceived internal marketing implementation and employees’ perceived ability to deliver service quality and customer satisfaction to retail banking customers in Oman. In order to achieve this objective, a deeper investigation was required into the relationships between the variables and the proposed model fit using SEM. The first step in this process was to assess the measurement model using confirmatory factor analysis (CFA). Previously validated existing scales were used to secure a forced CFA. Hence, an EFA was not conducted, since the proposed model in the study contains three constructs (ten sub-constructs) supported by theory. For this reason, a forced CFA was done. Confirmatory factor analysis (CFA) was used to measure the contribution of each scale item and to test or confirm whether the theoretical measurement model is valid (Hair et al., 2014:707).

## **7.5 CONFIRMATORY FACTOR ANALYSIS (CFA)**

As positioned in Chapter 6, section 6.3.6.4, confirmatory factor analysis (CFA) was used to measure and confirm the validity of the theoretical measurement model (Hair et al., 2014:707). AMOS graphics version 25 was used to perform the CFA. The following section discusses the model fit, reliability and validity of constructs.

### **7.5.1 Model fit indices**

Chapter 6, section 6.3.6.6 outlined the six most common indices used to assess model fit, namely Normed Chi-square, Root Mean Square Error of Approximation (RMSEA), Normed Fit Index (NFI), Comparative Fit Index (CFI), Tucker- Lewis Index (TLI), Goodness of Fit Index (GFI) and the Adjusted Goodness of Fit Index (AGFI). These indices are illustrated in Table 7.9, providing a summary of the most common thresholds used in this regard. This section discusses model fit in more detail.

**Table 7.9: Model fit indices of the initial model**

Index	Acceptable fit	Initial measurement model
<b>Normed Chi-square</b>	$\chi^2/df: \leq 3$ good 3-5 acceptable < 5 bad	3.062
<b>Root Mean Square Error of Approximation (RMSEA)</b>	RMSEA < 0.05 good 0.06-1 acceptable < 1 bad	0.057
<b>Normed Fit Index (NFI)</b>	NFI >0.90 good 0.80-0.90 acceptable < 0.80 bad	0.784
<b>Comparative Fit Index (CFI)</b>	CFI > 0.90	0.843
<b>Tucker- Lewis Index (TLI)</b>	TLI >0.90 good 0.80-0.90 acceptable < 0.80 bad	0.832
<b>Goodness of Fit Index (GFI)</b>	GFI >0.90 good 0.80-0.90 acceptable < 0.80 bad	0.752
<b>Adjusted Goodness of Fit Index (AGFI)</b>	AGFI >0.80	0.726

Source: Issok (2016:166); Kline (2011)

These cut-offs were utilised throughout the SEM analysis in this study. The first step of SEM consists of constructing the measurement model. The initial models showed a Chi-square ( $\chi^2$ ) equal to 6325,306, its p-value= 0.000 (significant) and its df=2066. Although the initial model showed a significant Chi-square, the NFI (0.784), the CFI (0.843), the GFI (0.752) and the AGFI (0.726) showed weak levels of acceptance. Hence, the initial model showed unsatisfactory fit indices and validity concerns, suggesting that the model required further examination before model fit could be concluded. In order to improve the model, fit, a close diagnosis of the standardised residual covariance matrix was performed. As suggested by Hair et al. (2014), all items with high standardised residual covariance coefficients (above 2.5) ought to be considered for deletion. Furthermore, missing inter-item correlations were detected and retrieved, using the IBM AMOS function “modification indices” (Hair et al., 2014). Some of the missing inter-item correlations contributing to poor model fit were added, depending on the significance of their impact on the model fit indices. As a result of the addition of the inter-item correlations as well as the deletion of items with high standardised residual values, the measurement error was reduced and the internal consistency of items improved (Issok, 2016:166). This in turn, enhanced the model fit. The refinement process

of the measurement model guided the decision to remove problematic items in order to improve model fit indices. As a result, the following items were removed from further analysis: **PRD4, PRD5, PRI4, PRI6, PRO3, PRO4, PEO5, PEO6, PRC3, PHY2, PHY6, PRM6, PCR1, PUR4, PUR5, POW3, POW4, POW5, PCR 2, SAT1, SAT3.**

The model was respecified in order to enhance the model fit indices. Table 7.10 shows the measurement model after the respecification of the indices.

**Table 7.10: Model fit indices of the refined model**

Index	Acceptable fit	Initial measurement model
<b>Normed Chi-square</b>	$\chi^2/df$ : $\leq 3$ good 3-5 acceptable < 5 bad	2.499
<b>Root Mean Square Error of Approximation (RMSEA)</b>	RMSEA < 0.05 good 0.06-1 acceptable < 1 bad	0.048
<b>Normed Fit Index (NFI)</b>	NFI > 0.90 good 0.80-0.90 acceptable < 0.80 bad	0.901
<b>Comparative Fit Index (CFI)</b>	CFI > 0.90	0.939
<b>Tucker- Lewis Index (TLI)</b>	TLI > 0.90 good 0.80-0.90 acceptable < 0.80 bad	0.930
<b>Goodness of Fit Index (GFI)</b>	GFI > 0.90 good 0.80-0.90 acceptable < 0.80 bad	0.879
<b>Adjusted Goodness of Fit Index (AGFI)</b>	AGFI > 0.80	0.854

Source: Author's own construct

The final measurement model indicates a significant and lower Chi-square ( $\chi^2=1839,300$ ;  $p\text{-value}=0.000$ ;  $df=751$ ). This implies that the refined version of the model has been improved. The model also showed satisfactory model fit indices in the sense that each index met the threshold requirements. As a result of better model fit, further analyses could be conducted and univariate normality could be assessed next.



### 7.5.2 Univariate normality – testing for skewness and kurtosis

The following section presents the results for the test of univariate normality. Generally, the value for skewness ranges from values of less than -2, and less than +2 are considered acceptable to prove normal univariate distribution (Maduku, 2015:200; George & Mallery, 2010). For kurtosis, acceptable values range from -7 to +7 (Pallant, 2016:61-62;). Table 7.11 provides the skewness and kurtosis coefficients for all the items retained in the final model.

**Table 7.11: Skewness and Kurtosis values for all items**

Items	Skewness	Kurtosis
<b>Internal Marketing Mix</b>		
PRD1	-0.745	0.382
PRD2	-0.677	-0.011
PRD3	-0.820	0.435
PRI1	-0.568	-0.525
PRI2	-0.148	-0.957
PRI3	-0.626	-0.287
PRI5	-0.634	-0.320
PRO1	-1.236	2.061
PRO2	-1.141	1.902
PEO1	-1.020	0.577
PEO2	-0.973	0.648
PEO3	-1.210	1.395
PEO4	-1.031	0.699
PRC1	-0.892	0.892
PRC2	-0.853	0.605
PRC4	-0.742	0.182
PHY1	-0.875	0.277
PHY3	-0.907	1.136
PHY4	-0.922	0.585
PHY5	-0.812	-0.021
PRM1	-1.011	1.480
PRM2	-0.832	0.607
PRM3	-1.003	1.112
PRM4	-1.171	1.971
PRM5	-0.704	0.065

Items	Skewness	Kurtosis
PCR3	-0.799	0.516
PCR4	-0.664	0.525
PCR5	-0.597	0.344
PCR6	-0.646	0.304
POW1	0.750	-0.351
POW2	0.854	-0.181
PUR1	-0.833	0.612
PUR2	-1,165	2,515
PUR3	-1.335	2.658
<b>Service Quality</b>		
SQU1	-1.491	4.095
SQU2	-1.579	4.492
SQU3	-1.554	4.472
SQU4	-1.800	5.404
SQU5	-1.720	5.148
<b>Customer satisfaction</b>		
SAT2	-1.044	2.153
SAT4	-0.947	1.884
SAT5	-0.807	1.631

Source: Author's own construct

Skewness values ranged from -1,800 to 0,854 and kurtosis values ranged from -0,957 – 5,404. Hence, skewness and kurtosis values are within the acceptable ranges specified. Furthermore, Field (2017:172) stipulates that for sample sizes over 167, such as the one used in the study ( $n=627$ ), the central limit theorem stipulates that the assumption of normality has a negligible effect on the data analysis results. The results confirm that the items used to measure the internal marketing construct (internal product, internal price, internal place, internal promotion, internal people, internal process, internal physical evidence, internal performance management, internal purpose, internal political power and internal procurement), the service quality construct, and customer satisfaction all have an acceptable level of skewness and kurtosis. Based on the central limit theorem (Field, 2017:172), the distribution of the data obtained in the study was considered to be normal for SEM analysis. The next step was to assess the reliability and validity of the constructs used in the study.

### 7.5.3 Reliability and validity of the constructs

The following section provides an overview of the research instrument's reliability and validity. From a reliability perspective, the Cronbach's alpha and composite reliability scores (CR) were investigated (refer to Table 7.12). From a validity perspective, both convergent and discriminate validity were assessed. From a convergent validity perspective, the factor loadings, significance levels and AVE scores were investigated (refer to Table 7.12). From a discriminant validity perspective, the correlation scores and AVEs were assessed (refer to Table 7.13).

**Table 7.12: Summary of reliability and validity measures**

Construct	Items	Factor loadings	Corrected Item-Total correlation	P-value	Cronbach's Alpha	CR	AVE	Final numbers of items and (Initials)
<b>EXOGENEOUS FACTORS – INTERNAL MARKETING MIX</b>								
Internal product	PRD1	0.85	0.73	0.01	0.849	0.844	0.644	3(5)
	PRD2	0.81	0.74	0.01				
	PRD3	0.73	0.68	0.01				
Internal price	PRI1	0.76	0.68	0.01	0.825	0.820	0.533	4(6)
	PRI2	0.67	0.64	0.01				
	PRI3	0.73	0.66	0.01				
	PRI5	0.76	0.62	0.01				
Internal promotion	PRO1	0.68	0.54	0.01	0.698	0.691	0.529	2(4)
	PRO2	0.77	0.54	0.01				
Internal people	PEO1	0.92	0.87	0.01	0.938	0.937	0.789	4(6)
	PEO2	0.87	0.83	0.01				
	PEO3	0.88	0.85	0.01				
	PEO4	0.88	0.85	0.01				
Internal process	PRC1	0.80	0.70	0.01	0.803	0.801	0.573	3(4)
	PRC2	0.72	0.64	0.01				
	PRC4	0.74	0.60	0.01				
Internal physical evidence	PHY1	0.73	0.65	0.01	0.820	0.823	0.539	4(6)
	PHY3	0.72	0.60	0.01				
	PHY4	0.81	0.72	0.01				
	PHY5	0.67	0.60	0.01				
Internal performance management	PRM1	0.71	0.66	0.01	0.885	0.884	0.605	5(6)
	PRM2	0.82	0.78	0.01				
	PRM3	0.85	0.79	0.01				
	PRM4	0.75	0.69	0.01				
	PRM5	0.75	0.70	0.01				

Construct	Items	Factor loadings	Corrected Item-Total correlation	P-value	Cronbach's Alpha	CR	AVE	Final numbers of items and (Initials)
Internal purpose	PUR1	0.81	0.69	0.01	0.807	0.801	0.574	3(5)
	PUR2	0.70	0.64	0.01				
	PUR3	0.76	0.65	0.01				
Political power	POW1	0.95	0.87	0.01	0.933	0.934	0.875	2(5)
	POW2	0.92	0.87	0.01				
Internal procurement	PCR3	0.82	0.76	0.01	0.905	0.908	0.713	4(6)
	PCR4	0.87	0.81	0.01				
	PCR5	0.89	0.83	0.01				
	PCR6	0.79	0.73	0.01				
Construct	Items	Factor loadings	Corrected Item-Total correlation	P-value	Cronbach's Alpha	CR	AVE	Final numbers of items and (Initials)
<b>ENDOGENEOUS FACTORS – SERVICE QUALITY AND CUSTOMER SATISFACTION</b>								
Service quality	SQU1	0.84	0.76	0.01	0.909	0.914	0.680	5(5)
	SQU2	0.80	0.76	0.01				
	SQU3	0.80	0.76	0.01				
	SQU4	0.84	0.77	0.01				
	SQU5	0.84	0.79	0.01				
Customer satisfaction	SAT2	0.77	0.70	0.01	0.855	0.854	0.661	3(5)
	SAT4	0.87	0.78	0.01				
	SAT5	0.80	0.71	0.01				

Source: Author's own construct

Section 6.3.6.3 provided an overview of the reliability or the internal consistency of the measuring instrument. Reliability can be corroborated by the computation of Cronbach's alpha correlation coefficients. Composite reliability (CR) also provided robust insights into reliability analysis. The cut-off value of both the Cronbach's alpha and composite reliability is 0.7, although 0.6 is sometimes permissible in social sciences (Field, 2017). Values between 0.8 and 0.95 are considered to have very high levels of reliability. Table 7.12 displays the Cronbach's alphas scores and composite reliability scores for the study. The Cronbach's alpha scores varied between 0.698 and 0.938 and composite reliability scores for the internal marketing mix varied between 0.691 and 0.937. The lowest score was internal promotion ( $\alpha=0.698$ ;  $CR=0.691$ ), which was considered permissible and all other scores considered good. Cronbach's alpha and CR scores for service quality ( $\alpha=0.909$ ;  $CR=0.914$ ) and customer satisfaction ( $\alpha=0.855$ ;  $CR=0.854$ ) reflected high levels of reliability. As inferred by Table 7.12 collectively, all the measurement scales reported good

levels of internal consistency or reliability, as measured by Cronbach's alpha coefficient and composite reliability (CR). Once reliability had been assessed, the next step was to determine the validity of the constructs used in the model.

The validity of the constructs used in this study's model was assessed by investigating convergent and discriminant validity. Convergent validity ensures that the indicators of the construct share a high percentage of variance in common. The assessment of convergent validity entails an investigation into the factor loadings and average variance extracted (AVE) (Hair et al., 2014: 618). Discriminant validity assesses the uniqueness of each construct and compares the square root of the AVE estimates with the highest inter-construct correlation of the specific construct. As per Table 7.13, the factor loadings and AVE scores from all items retained in the model after refinement, are presented. The internal marketing mix elements represent the exogenous constructs and service quality and customer satisfaction represent the latent endogenous constructs. The factor loadings for each item should be significant. In other words, standardised factor loadings should be at a value of 0.5 or higher (refer to Chapter 6, section 6.3.6.6). The significance of the factor loadings also confirms the construct validity of the measuring instrument, because in essence, validity is the degree to which the research instrument measures what it is supposed to measure (refer to section 6.3.6.4). Table 7.13 reveals that all items pertaining to the exogeneous constructs (internal marketing mix), hold factor loading values of above the 0.5 thresholds as stipulated by Hair et al. (2014:618). This suggests convergent validity. The AVE was also calculated as an additional assessment of convergent validity. The AVE scores represented in Table 7.13 indicate values exceeding the 0.5 thresholds, confirming the convergent validity of the exogeneous constructs i.e., internal marketing scales (Hair et al., 2014:618). The factor loadings for the endogenous constructs namely, service quality and customer satisfaction, are all above the 0.5 cut-off. Furthermore, the AVE scores exceed the 0.5 thresholds, thus confirming convergent validity for the service quality and customer satisfaction scales (Hair et al., 2014:618). Hence, the CFA confirms the factor structure on the constructs, where the CFA is also essential in confirming the discriminant validity of the constructs as discussed next.

Discriminant validity assesses how distinct or unique one construct is from the other constructs used in the model. Malhotra et al. (2017) suggest that discriminant validity be assessed through a comparison of the square root of the AVE estimates and the highest interconstruct correlation of the specific construct. The square root of the AVE is expected to be higher than the shared variance between the constructs (Hair et al., 2014:620). Table 7.13 provides an overview of the results.

**Table 7.13: Correlation and square root of AVEs Matrix**

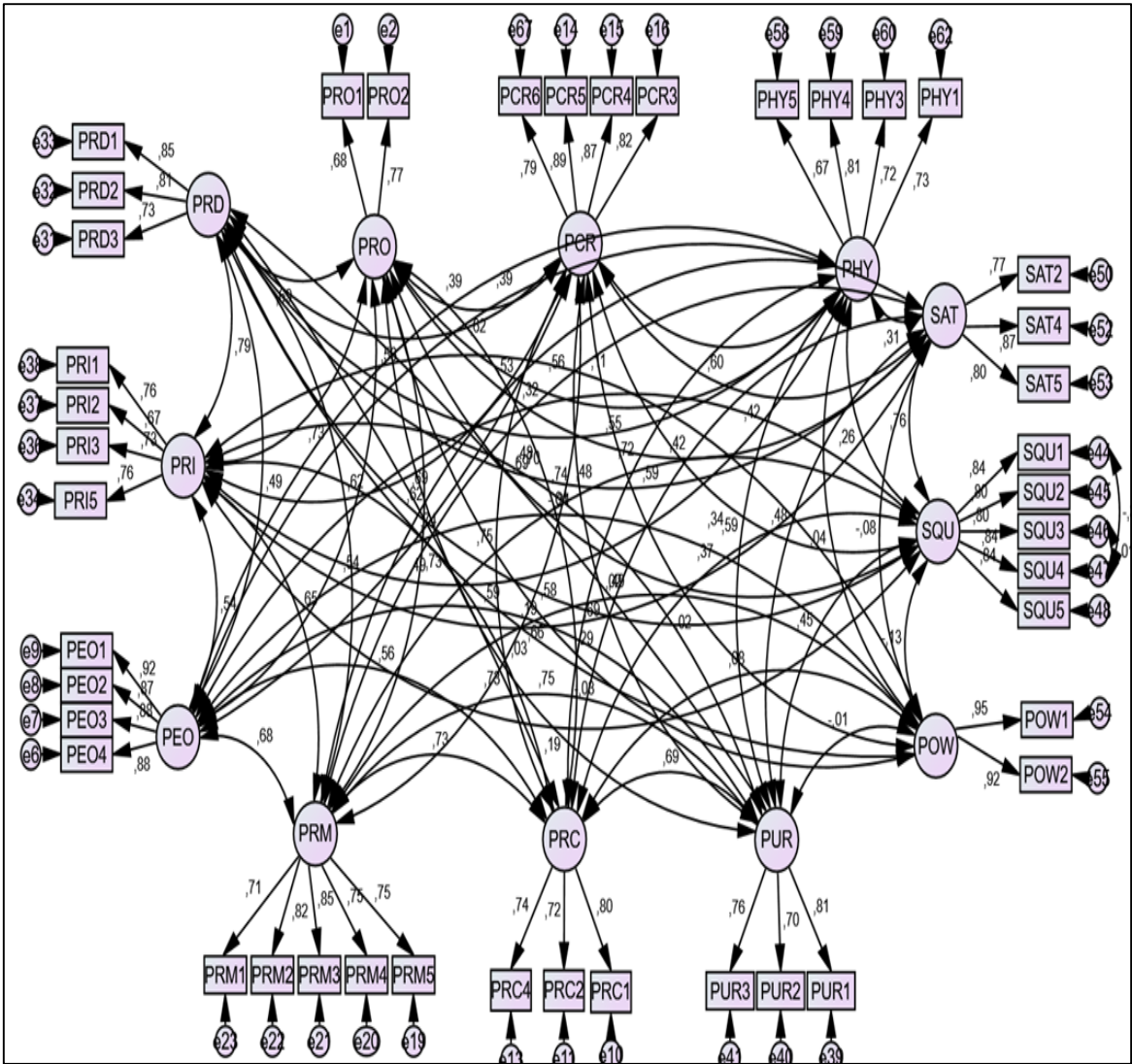
	POW	PRO	PEO	PRC	PCR	PRM	PRD	PRI	PUR	SQU	SAT	PHY
POW	<b>0.936</b>											
PRO	-0.030	<b>0.727</b>										
PEO	-0.011	0.535	<b>0.888</b>									
PRC	0.075	0.737	0.556	<b>0.757</b>								
PCR	0.018	0.619	0.487	0.748	<b>0.844</b>							
PRM	0.016	0.733	0.680	0.727	0.657	<b>0.778</b>						
PRD	0.033	0.689	0.490	0.693	0.562	0.622	<b>0.802</b>					
PRI	0.111	0.729	0.537	0.739	0.624	0.653	0.794	<b>0.730</b>				
PUR	-0.010	0.727	0.592	0.688	0.688	0.748	0.689	0.702	<b>0.758</b>			
SQU	-0.128	0.490	0.319	0.366	0.335	0.476	0.185	0.191	0.455	<b>0.825</b>		
SAT	-0.083	0.587	0.387	0.419	0.417	0.560	0.306	0.292	0.484	0.755	<b>0.813</b>	
PHY	0.039	0.554	0.394	0.722	0.604	0.533	0.475	0.582	0.588	0.263	0.307	<b>0.734</b>

Source: Author's own construct

Inferences from the results presented in Table 7.13 show that the square root of all the AVEs for internal product, internal people, internal process, internal physical evidence, internal performance management, internal purpose, internal political power, internal procurement, service quality and customer satisfaction are greater than their correlations with other constructs. The internal price construct and the internal promotion element, however, show a discriminant validity concern in the final measurement model, which could pose a limitation to the study. The traditional marketing mix (product, price, promotion and place) are regarded as the cornerstone of any marketing activity. These elements are consistent with one another and add up to a harmonious, integrated whole, allowing for internal customer needs to be met (Carter & Yeo, 2017:243; Salman et al., 2017:50). Furthermore, these elements are intricately and sensitively related to one another other. Internal price and internal promotion are related to one another in that price is made up of recognition and the psychological costs of working for the organisation, internal promotion is made up of internal communication, promoting the internal products, services and the celebration of good performance. Hence, recognition plays into internal promotion and internal price. Through meaningful communications and the establishment of emotional links between the employee and the brand, the psychological costs and opportunity costs of working for the organisation are reduced. Hence, there is an interplay between internal price and internal promotion, although each of these elements is both dependent and unique in their own right. Each element must reinforce and enhance the other elements in order to create a satisfactory internal customer experience (Singh, 2018). A change in one

element may impact the other elements. Given the interdependent nature of the traditional mix and expected overlap between these variables, these two elements were retained in the study as they were. They form the basis of the traditional marketing mix and are both proven to be strong predictors of service quality (Burin, Roberts-Lombard & Klopper, 2015:46).

In summary, although the discriminant validity of the internal price and internal promotion scales could not be ascertained, the final measurement model is considered to be reliable and valid. Since the confirmatory factor analysis (CFA) provided satisfactory results (refer to section 7.5.1), the structural model could then be assessed. Figure 7.1 provides a representation of the final measurement model.

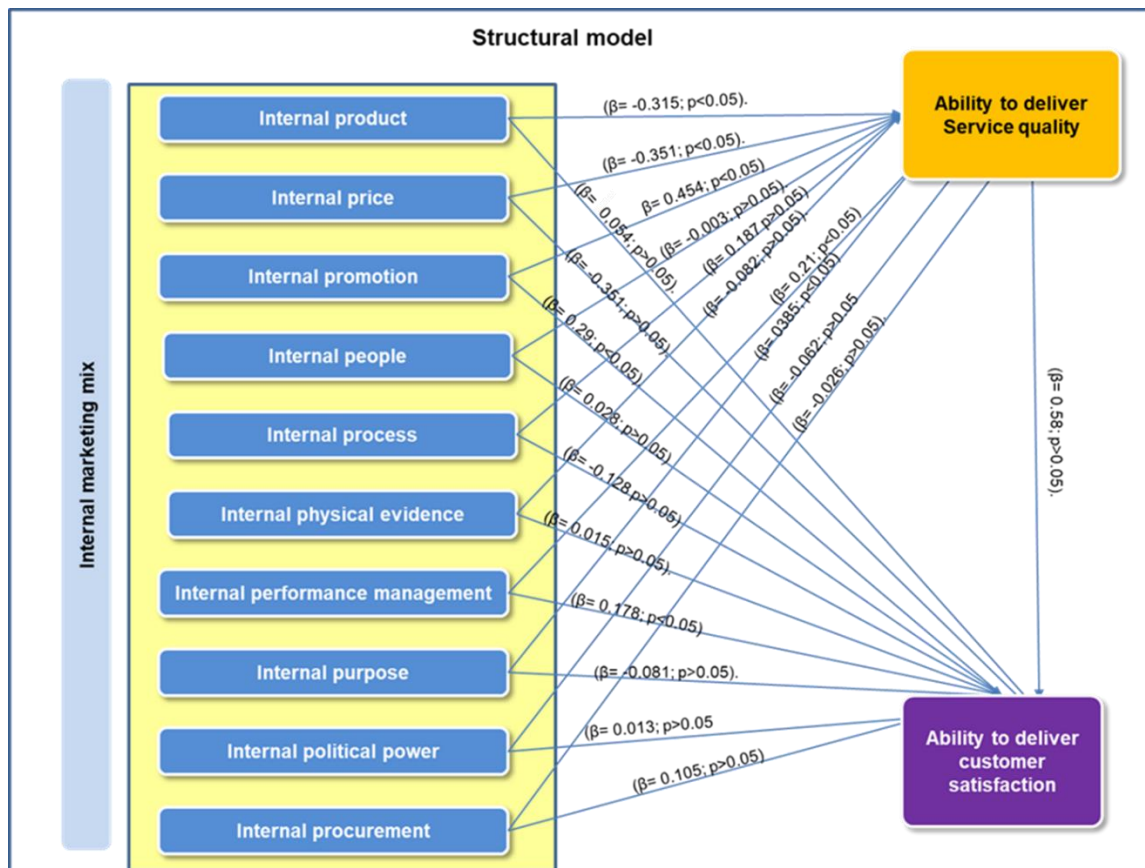


**Figure 7.1: Final measurement model**

Source: Author's own construct

## 7.6 THE STRUCTURAL MODEL

Once the measurement model had been formulated (presented in Figure 7.1), the structural model was developed. The purpose of the structural model is to test the hypotheses stipulated in the introduction (refer to section 7.2.2). The structural model indicates the dependence of interrelationships between variables referred to as the path estimates. The transition from the measurement model to the structural model is conducted by replacing the correlation values between constructs (double-headed arrows) with path estimate values (single-headed arrows). The structural model was tested using the maximum likelihood approach performed with AMOS 25. Figure 7.2 depicts the structural model of this study.



**Figure 7.2: The structural model**  
Source: Author's own construct

The structural model displayed satisfactory fit indices:  $\chi^2=1839,300$ ; p-value= 0.000; df= 75; CMIN/DF=2,449; GFI = 0.958; AGFI= 0.879; TLI = 0.930; CFI = 0.939, NFI = 0.901, RMSEA = 0.048). It can therefore be concluded that the structural model fits the data in a satisfactory



manner. Thus, the structural model could be used with confidence to test the research hypotheses of the study.

### 7.6.1 Hypotheses Testing

The following section explores the results of the hypotheses testing using SEM. The path significance of each relationship in the model as well as the variance obtained ( $R^2$ ), was estimated and the results were presented in Table 7.14.

**Table 7.14: Regression weights and hypothesised conclusions**

Dependent variable		Independent variable	<i>t-value</i>	<i>p-value</i>	Path estimates	Hypotheses	Variance Explained ( $R^2$ )
SQU	<---	PRD	-3.466	0.01	-0.315	Rejected (because of the negative value)	0.422
	<---	PRI	-3.443	0.01	-0.351	Rejected (because of the negative value)	
	<---	PRO	4.098	0.01	0.454	Accepted	
	<---	PEO	-0.058	0.954	-0.003	Rejected	
	<---	PRC	1.565	0.118	0.187	Rejected	
	<---	PHY	-1.132	0.258	-0.082	Rejected	
	<---	PRM	2.347	0.019	0.21	Accepted	
	<---	PUR	3.93	0.01	0.385	Accepted	
	<---	POW	-1.562	0.118	-0.062	Rejected	
	<---	PCR	-0.37	0.712	-0.026	Rejected	
SAT	<---	PRD	0.698	0.485	0.054	Rejected	0.651
	<---	PRI	-1.467	0.142	-0.129	Rejected	
	<---	PRO	2.975	0.003	0.29	Accepted	
	<---	PEO	0.598	0.55	0.028	Rejected	
	<---	PRC	-1.268	0.205	-0.128	Rejected	
	<---	PHY	0.244	0.807	0.015	Rejected	
	<---	PRM	2.401	0.016	0.178	Accepted	
	<---	PUR	-0.957	0.339	-0.081	Rejected	
	<---	POW	0.388	0.698	0.013	Rejected	
	<---	PCR	1.753	0.08	0.105	Rejected	
	<---	SQU	10.724	0.01	0.58	Accepted	

(Significance level  $p < \text{or} = 0.05$ )

Source: Author's own construct

According to Table 7.14, the independent variables (internal marketing mix elements) explain 42.2% of the variance of service quality ( $R^2=0.422$ ). The internal marketing mix together with the intervening variable, namely service quality, explains 65.1% of the variance of customer satisfaction ( $R^2=0.651$ ). This indicates that the model explains more than half of the variance of customer satisfaction and nearly half of service quality. Each of the relationships, as portrayed in Figure 7.2 is discussed in more detail.

#### **7.6.1.1 Employees' perceived ability to deliver service quality and customer satisfaction through the traditional internal marketing mix elements**

This section provides a detailed overview of the employees' perceived ability to deliver service quality through the traditional internal marketing mix elements (internal product, internal price and internal promotion).

##### **i) Employees' perceived ability to deliver service quality and customer satisfaction through the internal product element**

Hypothesis H<sub>1</sub> (a) posits that if retail banks in Oman provided training and development opportunities to employees, as well as provided career advancement plans and ensure a good role fit, employees would be equipped and enabled to provide superior levels of service quality. The following hypothesis was put forward: H<sub>1</sub> (a): There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 show that there is a significant relationship between internal product and employees' perceived ability to deliver service quality, but the relationship is negative ( $\beta = -0.315$ ;  $p < 0.05$ ). Thus, the hypothesis is partially accepted.

Hypothesis H<sub>2</sub> (a) posits that if retail banks in Oman provide training and development opportunities to employees, provide career advancement opportunities and ensure a good role fit, employees will be enabled to provide higher levels of customer satisfaction. The following hypothesis was put forward, namely, H<sub>2</sub> (a): There is a significant positive relationship between the internal product element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 show that there is a non-significant positive relationship between internal product and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.054$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

- **Main finding 40:** Hypothesis H<sub>1</sub> (a) is partially accepted, indicating that there is a significant but negative relationship between internal product and employees' perceived ability to deliver service quality ( $\beta = -0.315$ ;  $p < 0.05$ ).
- **Main finding 41:** Hypothesis H<sub>2</sub> (a) is rejected, indicating that there is a non-significant positive relationship between internal product and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.054$ ;  $p > 0.05$ ).

## ii) **Employees' perceived ability to deliver service quality and customer satisfaction through the internal price element**

Hypothesis H<sub>1</sub> (b) posits that if retail banks in Oman create value for employees through the balancing of rewards with the costs of working for the organisation, employees will be enabled and motivated to provide superior levels of service quality. The following hypothesis was put forward, H<sub>1</sub> (b): There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 show that there is a significant relationship between internal price and employees' perceived ability to deliver service quality, but the relationship is negative ( $\beta = -0.351$ ;  $p < 0.05$ ). Thus, the hypothesis is partially accepted.

Hypothesis H<sub>2</sub> (b) posits that if retail banks in Oman create value for employees through the balancing of rewards with the costs of working for the organisation, employees will feel more satisfied and enabled to provide higher levels of customer satisfaction. The following hypothesis was put forward, H<sub>2</sub> (b): There is a significant positive relationship between the internal price element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 denote that there is a non-significant negative relationship between internal price and employees' perceived ability to deliver customer satisfaction ( $\beta = -0.129$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

- **Main finding 42:** Hypothesis H<sub>1</sub> (b) is partially accepted, indicating that there is a significant but negative relationship between internal price and employees' perceived ability to deliver service quality ( $\beta = -0.351$ ;  $p < 0.05$ ).

- **Main finding 43:** Hypothesis H<sub>2</sub> (b) is rejected, indicating that there is non-significant negative relationship between internal price and employees' perceived ability to deliver customer satisfaction ( $\beta = -0.129$ ;  $p > 0.05$ ).

### iii) **Employees' perceived ability to deliver service quality and customer satisfaction through the internal promotion element**

Hypothesis H<sub>1</sub> (c) suggests that if retail banks in Oman communicate their vision and objectives with employees and communicate relevant information on a regular basis through effective channels of communication, employees will be better enabled to deliver superior levels of service quality. The following hypothesis was put forward: H<sub>1</sub> (c): There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 show that there is a significant positive relationship between internal promotion and employees' perceived ability to deliver service quality ( $\beta = 0.454$ ;  $p < 0.05$ ). Thus, the hypothesis is accepted.

Hypothesis H<sub>2</sub> (c) posits that if retail banks in Oman communicate their vision and objectives with employees and communicate relevant information on a regular basis through effective channels of communication, employees will feel more satisfied and motivated to deliver higher levels of customer satisfaction. The following hypothesis was put forward: H<sub>2</sub> (c): There is a significant positive relationship between the internal promotion element of the traditional marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 signify that there is a significant positive relationship between internal promotion and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.29$ ;  $p < 0.05$ ). Thus, the hypothesis is accepted.

- **Main finding 44:** Hypothesis H<sub>1</sub> (c) is accepted, indicating that there is a significant positive relationship between internal promotion and employees' perceived ability to deliver service quality ( $\beta = 0.454$ ;  $p < 0.05$ ).
- **Main finding 45:** Hypothesis H<sub>2</sub> (c) is accepted, indicating that there is a significant positive relationship between internal promotion and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.29$ ;  $p < 0.05$ ).

### **7.6.1.2 Employees' perceived ability to deliver service quality and customer satisfaction through the services internal marketing mix elements**

The following section considers the relationship between the services internal marketing mix (internal people, internal process and internal physical evidence), service quality and customer satisfaction.

#### **i) Employees' perceived ability to deliver service quality and customer satisfaction through the internal people element**

The Hypothesis H<sub>1</sub> (d) proposes that if employees of banks in Oman develop supportive relationships with direct managers and co-workers, they will feel supported and enabled to deliver superior levels of service quality. The following hypothesis was put forward: H<sub>1</sub> (d): There is a significant positive relationship between the internal people element of the services marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 show that there is a non-significant, negative relationship between internal people and employees' perceived ability to deliver service quality ( $\beta = -0.003$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

Hypothesis H<sub>2</sub> (d) suggests that if employees of banks in Oman develop supportive relationships with direct managers and co-workers, they will experience higher levels of satisfaction and feel motivated to deliver superior levels of customer satisfaction. The following hypothesis was put forward: H<sub>2</sub> (d): There is a significant positive relationship between the internal people element of the services marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 revealed that there is a non-significant, positive relationship between internal people and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.028$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

- **Main finding 46:** Hypothesis H<sub>1</sub> (d) is rejected, indicating that there is a non-significant negative relationship between internal people and employees' perceived ability to deliver service quality ( $\beta = -0.003$ ;  $p > 0.05$ ).
- **Main finding 47:** Hypothesis H<sub>2</sub> (d) is rejected, indicating that there is a non-significant positive relationship between internal people and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.028$ ;  $p > 0.05$ ).

**ii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal process element**

Hypothesis H<sub>1</sub> (e) posits that if process were mapped, visible and constantly re-engineered to improve service delivery, employees would be enabled to provide higher levels of service quality. The following hypothesis was put forward: H<sub>1</sub> (e): There is a significant positive relationship between the internal process element of the services marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 show that there is a non-significant positive relationship between internal process and employees' perceived ability to deliver service quality ( $\beta = 0.187$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

Hypothesis H<sub>2</sub> (e) suggests that if process were mapped, visible and constantly re-engineered, employees experience higher levels of satisfaction and are motivated to provide higher levels of customer satisfaction. The following hypothesis was put forward: H<sub>2</sub> (e): There is a significant positive relationship between the internal process element of the services marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 show that there is a non-significant, negative relationship between internal process and employees' perceived ability to deliver customer satisfaction ( $\beta = -0.128$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

- **Main finding 48:** The hypothesis H<sub>1</sub> (e) is rejected, indicating that there is a non-significant positive relationship between internal process and employees' perceived ability to deliver service quality ( $\beta = 0.187$   $p > 0.05$ ).
- **Main finding 49:** The hypothesis H<sub>2</sub> (e) is rejected, indicating that there is a non-significant negative relationship between internal process and employees' perceived ability to deliver customer satisfaction ( $\beta = -0.128$   $p > 0.05$ ).

**iii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal physical evidence element**

The Hypothesis H<sub>1</sub> (f) suggests that if employees were provided with an aesthetically pleasing environment in which work space is set out to facilitate collaboration, employees are better enabled to deliver superior levels of service quality. The following hypothesis was put forward: H<sub>1</sub> (f): There is a significant positive relationship between the internal physical evidence element of the services marketing mix and the perceived ability of employees to deliver service quality at retail banks in Oman. The results of the hypothesis testing

displayed in Table 7.14 show that there is a non-significant negative relationship between internal physical evidence and employees' perceived ability to deliver service quality ( $\beta = -0.082$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

Hypothesis H2 (f) proposes that if employees were provided with an aesthetically pleasing environment in which work space is set out to facilitate collaboration, employees experience higher levels of satisfaction which motivates them to provide higher levels of customer satisfaction. The following hypothesis was put forward: H2 (f): There is a significant positive relationship between the internal physical evidence element of the services marketing mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 denote that there is a non-significant, positive relationship between internal physical evidence and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.015$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

- **Main finding 50:** Hypothesis H1 (f) is rejected, indicating that there is a non-significant negative relationship between internal physical evidence and employees' perceived ability to deliver service quality ( $\beta = -0.082$ ;  $p > 0.05$ ).
- **Main finding 51:** Hypothesis H2 (f) is rejected, indicating that there is a non-significant positive relationship between internal physical evidence and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.015$ ;  $p > 0.05$ ).

#### **7.6.1.3 Employees' perceived ability to deliver service quality and customer satisfaction through the contemporary internal marketing mix elements**

The following section focuses on the relationships between the contemporary internal marketing mix elements (internal performance management, internal purpose, internal political power and internal procurement), service quality and customer satisfaction.

##### **i) Employees' perceived ability to deliver service quality and customer satisfaction through the internal performance management element**

Hypothesis H1 (g) posits that if employees were provided with clear KPIs, monthly feedback and visible performance metrics, this enables employees to perform better, thereby improving service quality. The following hypothesis was put forward: H1 (g): There is a significant positive relationship between the internal performance management element of the contemporary mix and the perceived ability of employees to deliver service quality at

retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 reveal a significant positive relationship between internal performance management and employees' perceived ability to deliver service quality ( $\beta=0.21$ ;  $p<0.05$ ). Thus, the hypothesis is accepted.

Hypothesis H2 (g) proposes that if employees were provided with clear KPIs, monthly feedback and visible performance metrics, this results in greater levels of satisfaction which motivates employees to deliver higher levels of customer satisfaction. The following hypothesis was put forward: H2 (g): There is a significant positive relationship between the internal performance management element of the contemporary mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 indicate that there is a significant, positive relationship between internal performance management and employees' perceived ability to deliver customer satisfaction ( $\beta=0.178$ ;  $p<0.05$ ). Thus, the hypothesis is accepted.

- **Main finding 52:** Hypothesis H1 (g) is accepted, indicating that there is a significant positive relationship between internal performance management and employees' perceived ability to deliver service quality ( $\beta=0.21$ ;  $p<0.05$ ).
- **Main finding 53:** Hypothesis H2 (g) is accepted, indicating that there is a significant positive relationship between internal performance management and employees' perceived ability to deliver customer satisfaction ( $\beta=0.178$ ;  $p<0.05$ ).

## ii) **Employees' perceived ability to deliver service quality and customer satisfaction through the internal purpose element**

Hypothesis H1 (h) suggests that when employee purpose is aligned with the organisational purpose, employees experience meaning at work and through a greater awareness of the 'bigger picture', they are enabled to deliver higher levels of service quality. The following hypothesis was put forward: H1 (h): There is a significant positive relationship between the internal purpose element of the contemporary mix and the perceived ability of employees to deliver service quality at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 denote a significant positive relationship between internal purpose and employees' perceived ability to deliver service quality ( $\beta= 0.385$ ;  $p<0.05$ ). Thus, the hypothesis is accepted.

Hypothesis H1 (h) posits that when employee purpose is aligned with the organisational purpose, employees experience meaning at work, which results in higher levels of



satisfaction which motivate employees to go above and beyond to satisfy customers. The following hypothesis was put forward: H<sub>2</sub> (h): There is a significant positive relationship between the internal purpose element of the contemporary mix and the perceived ability of employees to deliver customer at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 reveal a non-significant, negative relationship between internal purpose and employees' perceived ability to deliver customer satisfaction ( $\beta = -0.081$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

- **Main finding 54:** Hypothesis H<sub>1</sub> (h) is accepted, indicating that there is a significant positive relationship between internal purpose and employees' perceived ability to deliver service quality ( $\beta = 0.385$ ;  $p < 0.05$ ).
- **Main finding 55:** Hypothesis H<sub>2</sub> (h) is rejected, indicating that there is a non-significant negative relationship between internal purpose and employees' perceived ability to deliver customer satisfaction ( $\beta = -0.081$ ;  $p > 0.05$ ).

### iii) **Employees' perceived ability to deliver service quality and customer satisfaction through the internal political power element**

Hypothesis H<sub>1</sub>(i) suggests that when *wasta* is controlled and recruitment and promotional decisions are based on performance and not favouritism, the right employees are operating in the positions at the right levels, which enables the delivery of superior service quality. The following hypothesis was put forward: H<sub>1</sub> (i): There is a significant positive relationship between the internal political power element of the contemporary mix and the perceived ability of employees to deliver service quality at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 imply that there is a non-significant negative relationship between internal political power and employees' perceived ability to deliver service quality ( $\beta = -0.062$ ;  $p > 0.05$ ). Thus, the hypothesis is rejected.

Hypothesis H<sub>1</sub> (i) posits that when *wasta* is controlled and recruitment and promotional decisions are based on performance and not favouritism, employees experience higher levels of satisfaction which motivates them to provide greater levels of customer satisfaction. The following hypothesis was put forward: H<sub>1</sub> (i): There is a significant positive relationship between the internal political power element of the contemporary mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 reveal a positive relationship between internal political power and employees' perceived ability to deliver customer satisfaction, but the

relationship is not statistically significant ( $\beta=0.013$ ;  $p>0.05$ ). Thus, the hypothesis is rejected.

- **Main finding 56:** Hypothesis H<sub>1</sub> (i) is rejected, indicating that there is a non-significant negative relationship between internal political power and employees' perceived ability to deliver service quality ( $\beta= -0.062$ ;  $p>0.05$ ).
- **Main finding 57:** Hypothesis H<sub>2</sub> (i) is rejected, indicating that there is a non-significant positive relationship between internal political power and employees' perceived ability to deliver customer satisfaction ( $\beta=0.013$ ;  $p>0.05$ ).

#### **iv) Employees' perceived ability to deliver service quality and customer satisfaction through the internal procurement element**

The Hypothesis H<sub>1</sub> (j) posits that when customer-orientated employees are recruited into the bank making use of effective selective tests, the internal value chain is strengthened, enabling employees to deliver higher levels of service quality. The following hypothesis was put forward: H<sub>1</sub> (j): There is a significant positive relationship between the internal procurement element of the contemporary mix and the perceived ability of employees to deliver service quality at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 show that there is a non-significant, negative relationship between internal procurement and employees' perceived ability to deliver service quality ( $\beta= -0.026$ ;  $p>0.05$ ). Thus, the hypothesis is rejected.

Hypothesis H<sub>1</sub> (j) posits that when customer-orientated employees are recruited into the bank making use of effective selective tests, the internal value chain is strengthened, resulting in stronger internal relationships. This results in higher levels of satisfaction which motivates employees to provide higher levels of customer satisfaction. The following hypothesis was put forward, H<sub>1</sub> (j): There is a significant positive relationship between the internal procurement element of the contemporary mix and the perceived ability of employees to deliver customer satisfaction at retail banks in Oman. The results of the hypothesis testing displayed in Table 7.14 show that there is positive relationship between internal procurement and employees' perceived ability to deliver customer satisfaction, but the relationship is not statistically significant ( $\beta=0.105$ ;  $p>0.05$ ). Thus, the hypothesis is rejected.

- **Main finding 58:** Hypothesis H<sub>1</sub> (j) is rejected, indicating that there is a non-significant negative relationship between internal procurement and employees' perceived ability to deliver service quality ( $\beta = -0.026$ ;  $p > 0.05$ ).
- **Main finding 59:** Hypothesis H<sub>2</sub> (j) is rejected, indicating that there is a non-significant positive relationship between internal procurement and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.105$ ;  $p > 0.05$ ).

#### 7.6.1.4 Relationship between employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction

Hypothesis H<sub>3</sub> posits that service quality is considered to be the primary driver of customer satisfaction, where higher levels of service quality therefore result in higher levels of customer satisfaction. The following hypothesis was put forward: H<sub>3</sub>: There is a significant positive relationship between service quality and customer satisfaction. The results of the hypothesis testing displayed in Table 7.14 confirm that there is a significant positive relationship between employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.58$ ;  $p < 0.05$ ). Thus, the hypothesis is accepted. Further analysis was additionally conducted, in order to assess the mediation effect of service quality on customer satisfaction. The mediation analysis was conducted using Amos 25. A bootstrapping exercise using 2 000 bootstrapping samples was performed, using a bias-corrected interval level of 95%. The indirect mediation effects, the direct mediation effects and the total mediation effects are presented in Table 7.15. The total effect is the sum of the direct and indirect effects.

**Table 7.15: Mediation analysis**

Construct	Indirect effect		Direct effect		Total effects		Mediation
	Effect	p-value	Effect	p-value	Effect	p-value	
PRD	-0,18	0,00	0,05	0,56	-0,13	0,23	Total Mediation
PRI	-0,20	0,00	-0,13	0,24	-0,33	0,00	Total Mediation
PRO	0,26	0,00	0,29	0,01	0,55	0,00	Partial mediation
PEO	0,00	0,98	0,03	0,58	0,03	0,66	No Mediation
PRC	0,11	0,16	-0,13	0,32	-0,02	0,96	No Mediation
PHY	-0,05	0,27	0,02	0,87	-0,03	0,72	No Mediation
PRM	0,12	0,04	0,18	0,08	0,30	0,02	Total Mediation
PUR	0,22	0,01	-0,08	0,43	0,14	0,25	Total Mediation
POW	-0,04	0,25	0,01	0,79	-0,02	0,53	No Mediation
PCR	-0,02	0,70	0,11	0,21	0,09	0,38	No Mediation

(significance level  $p < \text{or} = 0.05$ )

Source: Author's own construct

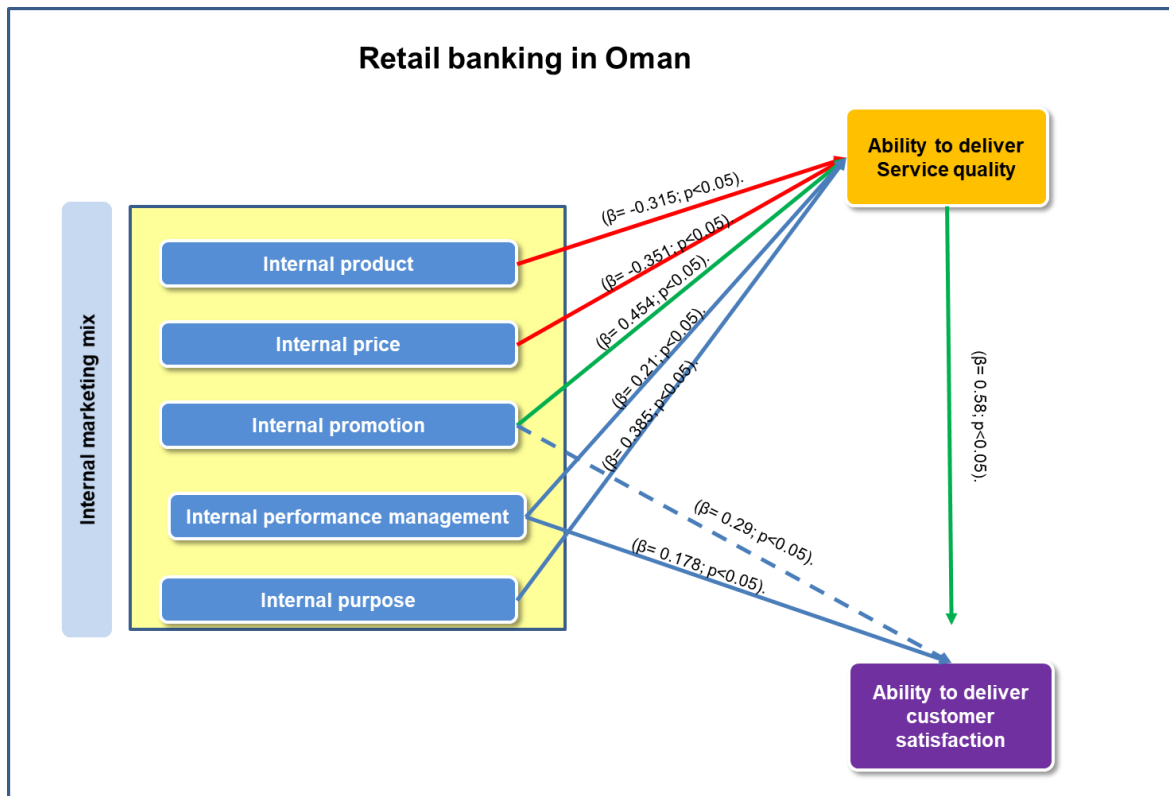
A mediation effect exists when the indirect effect is statistically significant ( $p < 0.05$ ). Partial mediation occurs when the direct and indirect effects are significant. Total mediation occurs when the direct effect is not significant ( $p > 0.05$ ), but the indirect effect is significant ( $p < 0.05$ ). As per Table 7.15, service quality does not have a mediation effect on customer satisfaction for the subconstructs of internal people ( $\beta = 0.00$ ;  $p > 0.98$ ), internal process ( $\beta = 0.11$ ;  $p > 0.05$ ), internal physical evidence ( $\beta = -0.05$ ;  $p > 0.05$ ), internal political power ( $\beta = -0.04$ ;  $p > 0.05$ ) and internal procurement ( $\beta = -0.02$ ;  $p > 0.05$ ).

The results indicate that service quality has a partial mediation effect on customer satisfaction for the internal promotion construct. The Table indicates that the mediator, in this case, service quality, has an indirect effect on the direct relationship between internal promotion and customer satisfaction ( $\beta = 0.26$ ;  $p < 0.05$ ). The direct effect of internal promotion on customer satisfaction is also significant ( $\beta = 0.29$ ;  $p < 0.05$ ). The results therefore indicate that there is a partial mediation. In other words, whilst internal promotion has a positive and direct effect on customer satisfaction, this effect is increased (almost doubled) when service quality performs as the intervening variable.

Additionally, a total mediation effect of service quality on customer satisfaction was found for the subconstructs of internal product, internal price, internal performance management and internal purpose. The results revealed that the indirect effects of internal product ( $\beta = -0.18$ ;  $p < 0.05$ ), internal price ( $\beta = -0.20$ ;  $p < 0.05$ ), internal performance management ( $\beta = 0.12$ ;  $p\text{-value} < 0.05$ ) and internal purpose ( $\beta = 0.22$ ;  $p\text{-value} < 0.05$ ) on customer satisfaction, are significant. However, the direct effects of internal product ( $\beta = 0.05$ ;  $p\text{-value} < 0.05$ ), internal price ( $\beta = -0.13$ ;  $p\text{-value} > 0.05$ ), internal performance management ( $\beta = 0.18$ ;  $p\text{-value} > 0.05$ ) and internal purpose ( $\beta = 0.08$ ;  $p\text{-value} > 0.05$ ) on customer satisfaction are not significant in the mediation analysis. It is important to note however, that the SEM results showed a direct relationship between internal performance management and customer satisfaction. However, when service quality is incorporated as the intervening variable, mediation analysis confirms that this relationship between internal performance management and customer satisfaction becomes non-significant. Hence, the influence on internal product, internal price, internal performance management and internal purpose on customer satisfaction only occurs when service quality is integrated into the model as the intervening variable.

- **Main finding 60:** The hypothesis H<sub>3</sub> is accepted, indicating that there is a significant positive relationship between employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction ( $\beta=0.58$ ;  $p<0.05$ ).
- **Main finding 61:** Service quality has no mediation effect on customer satisfaction through the subconstructs of internal people, internal process, internal physical evidence, internal political power and internal procurement.
- **Main finding 62:** Service quality has a partial mediation effect on customer satisfaction through internal promotion.
- **Main finding 63:** Service quality has a total mediation effect on customer satisfaction through internal product, internal price, internal performance management and internal purpose.

In summary of the above discussion, Figure 7.3 provides a presentation of the significant relationships between internal marketing, service quality and customer satisfaction as discussed in the previous section. Blue arrows indicate significant positive relationships, red arrows indicate significant negative relationships, and the green arrows indicate which elements have the strongest regression scores. All solid lines linking internal marketing mix elements to employees' ability to deliver service quality indicate a total mediation effect of service quality on customer satisfaction. The dotted line linking internal promotion to the ability to deliver customer satisfaction, indicates a partial mediation effect of service quality on customer satisfaction, meaning that internal promotion influences customer satisfaction both directly, and through service quality as the intervening variable.



**Figure 7.3: Significant relationships between internal marketing, service quality and customer satisfaction**

Source: Author's own construct

The SEM results presented in section 7.6.1 and in Figure 7.3 show that only internal purpose, internal promotion and performance management have a positive effect on the ability to deliver service quality. It can be deduced from the results that promotion has the strongest positive regression score. Conversely, the subconstructs of internal price and internal product have a statistically significant, but negative effect on employees' perceived ability to deliver service quality. Furthermore, the subconstructs of internal process, internal people, internal physical evidence, internal procurement and internal political power appeared to have non-significant effects on employees' perceived ability to deliver service quality. Concerning the effect of the predictors on employees' perceived ability to deliver customer satisfaction, the SEM results revealed that only internal promotion, internal performance management and employees' perceived ability to deliver service quality have a positive and statistically significant impact on employees' perceived ability to deliver customer satisfaction. Service quality has the strongest regression score and is therefore considered to be the strongest influencer of customer satisfaction. All the other predictors (internal product, internal price, internal people, internal process, internal physical evidence, internal procurement and internal political power) do not significantly affect employees' perceived ability to deliver customer satisfaction. Furthermore, the internal marketing mix

elements of internal product, internal price, internal performance management and internal purpose displayed in the conceptual model (refer to Figure 7.3) induce a total mediation effect of service quality on satisfaction. The internal promotion element produces a partial mediation effect of service quality on customer satisfaction. Hence, service quality is the intervening variable in the conceptual model.

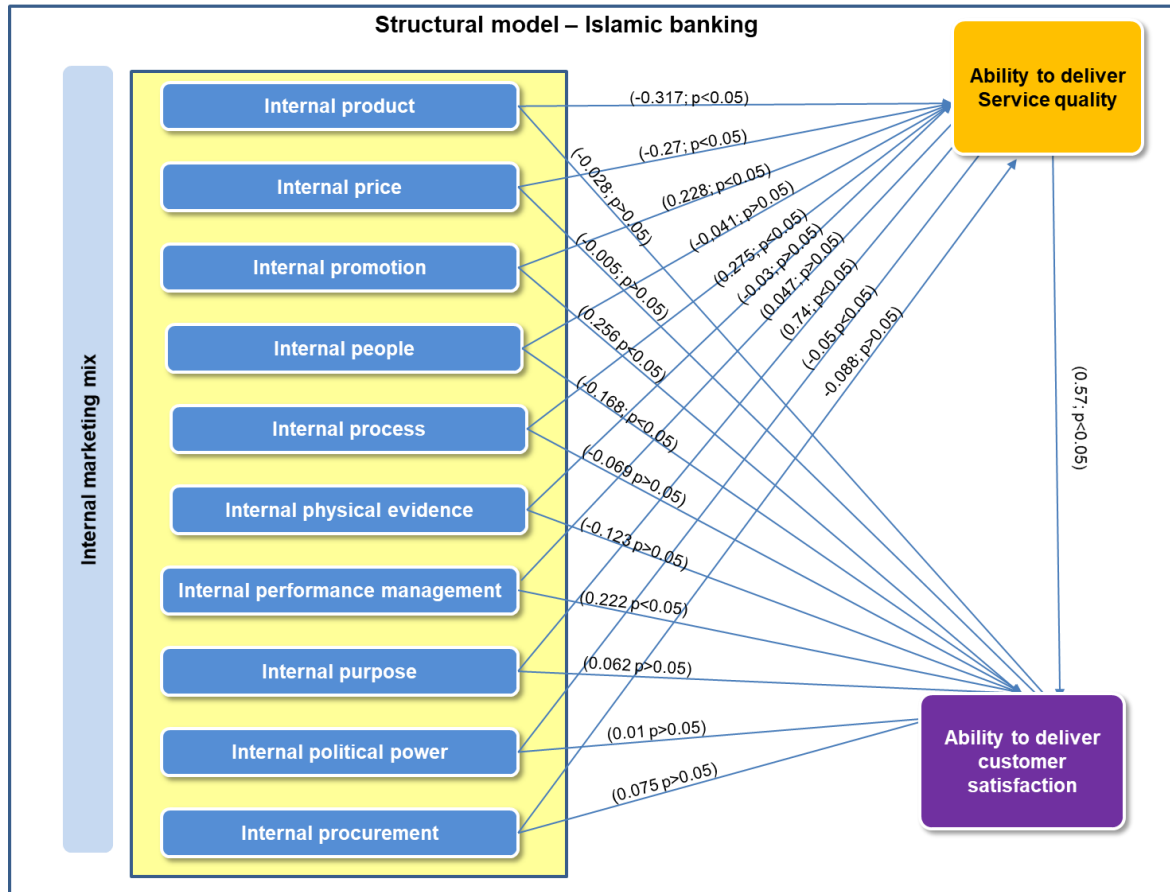
- **Main finding 64:** Employees' perceived ability to deliver service quality is positively impacted by internal promotion, internal performance management and internal purpose.
- **Main finding 65:** The internal promotion element has the strongest effect on employees' perceived ability to deliver service quality.
- **Main finding 66:** Internal product and internal price have a significant, but negative effect on employees' perceived ability to deliver service quality.
- **Main finding 67:** Employees' perceived ability to deliver customer satisfaction is positively impacted by internal promotion, internal performance management and service quality.
- **Main finding 68:** Employees' perceived ability to deliver service quality has the strongest effect on employees' perceived ability to deliver customer satisfaction.
- **Main finding 69:** Only internal promotion and internal performance management influence both employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction.

## 7.7 MULTIGROUP ANALYSIS

Once the structural model had been established, the study extended the SEM analysis further in order to assess the structural model for each banking group, namely conventional banking and Islamic banking, and to make comparisons in order to determine whether any differences exist. The following sections focus on the model for each banking group and then a discussion is provided on the differences between the banking groups. The next section discusses the findings of the Islamic banking model.

### 7.7.1 Islamic banking model

The Islamic banking model indicates the dependence of interrelationships between the internal marketing mix, service quality and customer satisfaction as depicted in Figure 7.4.



**Figure 7.4: The Islamic banking model**

Source: Author's own construct

The SEM findings related to the interrelationships between the internal marketing mix elements, service quality and customer satisfaction are depicted in Figure 7.4, and are discussed in more detail next.



#### **7.7.1.1 Employees' perceived ability to deliver service quality and customer satisfaction through the traditional marketing mix elements within Islamic banking**

The section provides a detailed overview of the employees' perceived ability to deliver service quality and customer satisfaction through the traditional internal marketing mix elements (internal product, internal price and internal promotion) within Islamic banking.

##### **i) Employees' perceived ability to deliver service quality and customer satisfaction through the internal product element within Islamic banking**

Within the Islamic banking model (refer to Figure 7.4), the results show that internal product has a significant but negative relationship with employees' perceived ability to deliver service quality ( $\beta = -0.317$ ;  $p < 0.05$ ). Furthermore, the relationship between internal product and employees' perceived ability to deliver customer satisfaction, is revealed to be negative, but non-significant ( $\beta = -0.028$ ;  $p > 0.05$ ).

- **Main finding 70:** There is significantly negative relationship between internal product and employees' perceived ability to deliver service quality in Islamic banking ( $\beta = -0.317$ ;  $p < 0.05$ ).
- **Main finding 71:** There is a non-significant negative relationship between internal product and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = -0.028$ ;  $p > 0.05$ ).

##### **ii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal price element within Islamic banking**

It can be observed from the results that a significant, but negative relationship exists between internal price and employees' perceived ability to deliver service quality within Islamic banking ( $\beta = -0.27$ ;  $p < 0.05$ ). The relationship between internal price and employees' perceived ability to deliver customer satisfaction is considered to be negative, but non-significant ( $\beta = -0.005$ ;  $p > 0.05$ ).

- **Main finding 72:** There is significantly negative relationship between internal price and employees' perceived ability to deliver service quality in Islamic banking ( $\beta = -0.27$ ;  $p < 0.05$ ).

- **Main finding 73:** There is a non-significant negative relationship between internal price and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = -0.028$ ;  $p > 0.05$ ).

**iii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal promotion element within Islamic banking**

The findings show that a significant and statistically positive relationship exists between internal promotion and employees' perceived ability to deliver service quality within Islamic banking ( $\beta = 0.228$ ;  $p < 0.05$ ). Additionally, the relationship between internal promotion and employees' perceived ability to deliver customer satisfaction is considered to be significant and positive ( $\beta = 0.256$ ;  $p < 0.05$ ).

- **Main finding 74:** There is significantly positive relationship between internal promotion and employees' perceived ability to deliver service quality in Islamic banking ( $\beta = 0.228$ ;  $p < 0.05$ ).
- **Main finding 75:** There is a significantly positive relationship between internal promotion and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = 0.256$ ;  $p < 0.05$ ).

**7.7.1.2 Employees' perceived ability to deliver service quality and customer satisfaction through the services marketing mix elements within Islamic banking**

The following section considers the relationship between the services internal marketing mix (internal people, internal process and internal physical evidence), service quality and customer satisfaction within Islamic banking.

**i) Employees' perceived ability to deliver service quality and customer satisfaction through the internal people element within Islamic banking**

According to the results, a non-significant and negative relationship exists between internal people and employees' perceived ability to deliver service quality within Islamic banking ( $\beta = -0.041$ ;  $p > 0.05$ ). The relationship however, between internal people and employees' perceived ability to deliver customer satisfaction, is considered to be significant and but negative ( $\beta = -0.168$ ;  $p < 0.05$ ).

- **Main finding 76:** There is a non-significant and negative relationship between internal people and employees' perceived ability to deliver service quality in Islamic banking ( $-0.041$ ;  $p > 0.05$ ).
- **Main finding 77:** There is a significantly negative relationship between internal people and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = -0.168$ ;  $p < 0.05$ ).

**ii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal process element within Islamic banking**

The results conclude that a significantly positive relationship exists between internal process and employees' perceived ability to deliver service quality within Islamic banking ( $\beta = 0.275$ ;  $p < 0.05$ ). The relationship however, between internal process and employees' perceived ability to deliver customer satisfaction is considered to be non-significant and negative ( $\beta = -0.069$ ;  $p > 0.05$ ).

- **Main finding 78:** There is significantly positive relationship between internal process and employees' perceived ability to deliver service quality in Islamic banking ( $0.275$ ;  $p < 0.05$ ).
- **Main finding 79:** There is a non-significant negative relationship between internal process and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = -0.069$ ;  $p > 0.05$ ).

**iii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal physical element within Islamic banking**

The findings indicate that a non-significant negative relationship exists between internal physical evidence and employees' perceived ability to deliver service quality within Islamic banking ( $\beta = -0.03$ ;  $p > 0.05$ ). Furthermore, the results show that the relationship between internal physical evidence and employees' perceived ability to deliver customer satisfaction is considered to be non-significant and negative ( $\beta = -0.123$ ;  $p > 0.05$ ).

- **Main finding 80:** There is a non-significant negative relationship between internal physical evidence and employees' perceived ability to deliver service quality in Islamic banking ( $\beta = -0.03$ ;  $p > 0.05$ ).

- **Main finding 81:** There is a non-significant negative relationship between internal physical evidence and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = -0.123$ ;  $p > 0.05$ ).

#### **7.7.1.3 Employees' perceived ability to deliver service quality and customer satisfaction through the contemporary marketing mix elements within Islamic banking**

The following section considers the relationship between the contemporary internal marketing mix (internal performance management, internal political power, internal purpose and internal procurement), service quality and customer satisfaction within Islamic banking.

##### **i) Employees' perceived ability to deliver service quality and customer satisfaction through the internal performance management element within Islamic banking**

It can be concluded from the findings that a non-significant positive relationship exists between internal performance management and employees' perceived ability to deliver service quality ( $\beta = 0.047$ ;  $p > 0.05$ ). However, the relationship between internal performance management and employees' perceived ability to deliver customer satisfaction is regarded as significantly positive ( $\beta = 0.222$ ;  $p < 0.05$ ).

- **Main finding 82:** There is a non-significant positive relationship between internal performance management and employees' perceived ability to deliver service quality in Islamic banking ( $\beta = 0.047$ ;  $p > 0.05$ ).
- **Main finding 83:** There is a significantly positive relationship between internal performance management and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = 0.222$ ;  $p < 0.05$ ).

##### **ii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal purpose element within Islamic banking**

The findings propose that a significantly positive relationship exists between internal purpose and employees' perceived ability to deliver service quality ( $\beta = 0.74$ ;  $p < 0.05$ ). However, the relationship between internal purpose and employees' perceived ability to deliver customer satisfaction is considered to be non-significant, yet positive ( $\beta = 0.062$ ;  $p > 0.05$ ).

- **Main finding 84:** There is significantly positive relationship between internal purpose and employees' perceived ability to deliver service quality in Islamic banking ( $\beta = 0.74$ ;  $p < 0.05$ ).
- **Main finding 85:** There is a positive, but non-significant relationship between internal purpose and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = 0.062$ ;  $p > 0.05$ ).

**iii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal political power element within Islamic banking**

A significant, but negative relationship has been found between internal political power and employees' perceived ability to deliver service quality ( $\beta = -0.05$ ,  $p < 0.05$ ). Conversely, the relationship between internal political power and employees' perceived ability to deliver customer satisfaction is considered to be non-significant, but positive ( $\beta = 0.01$ ;  $p > 0.05$ ).

- **Main finding 86:** There is significantly negative relationship between internal political power and employees' perceived ability to deliver service quality in Islamic banking ( $\beta = -0.05$ ;  $p < 0.05$ ).
- **Main finding 87:** There is a non-significant positive relationship between internal political power and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = 0.01$ ;  $p > 0.05$ ).

**iv) Employees' perceived ability to deliver service quality and customer satisfaction through the internal procurement element within Islamic banking**

A non-significant negative relationship was confirmed between internal procurement and employees' perceived ability to deliver service quality ( $\beta = -0.088$ ,  $p > 0.05$ ). Furthermore, a non-significant positive relationship was found between internal procurement and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.075$ ;  $p > 0.05$ ).

- **Main finding 88:** There is a non-significant negative relationship between internal procurement and employees' perceived ability to deliver service quality in Islamic banking ( $\beta = -0.088$ ;  $p > 0.05$ ).

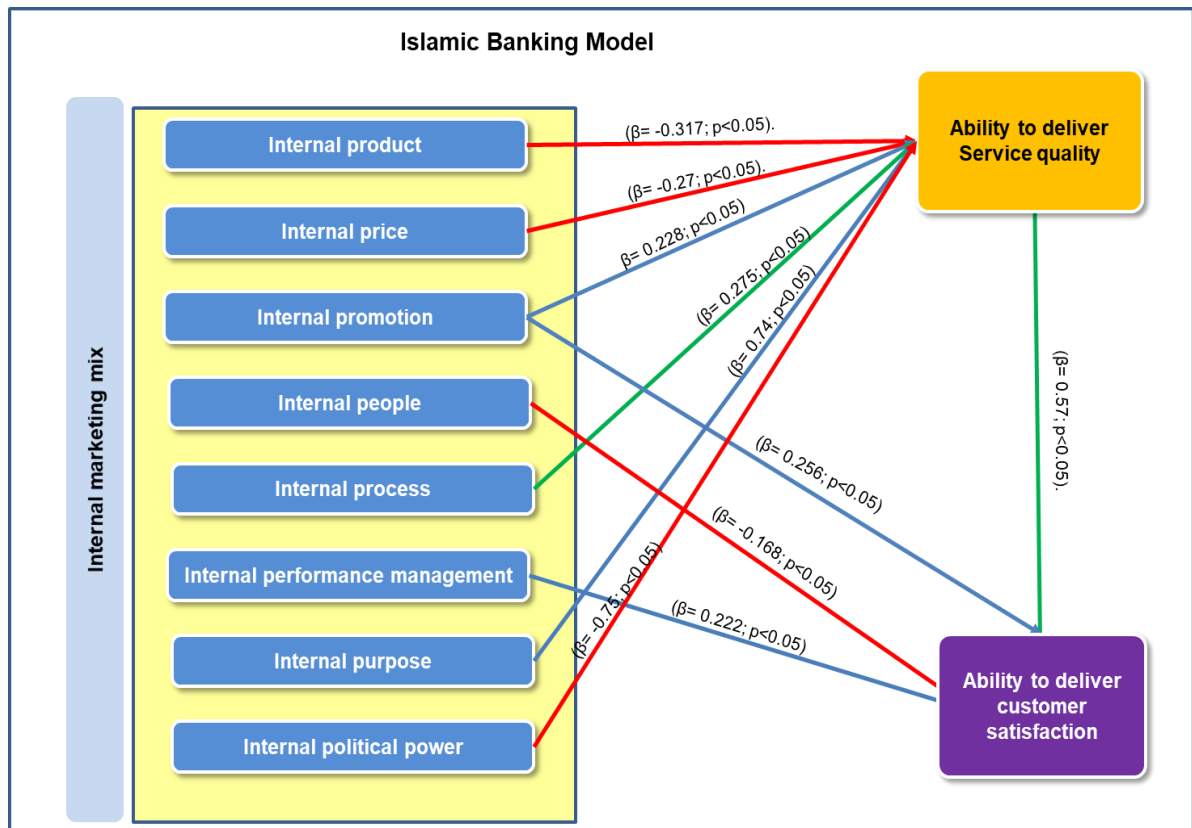
- **Main finding 89:** There is a non-significant positive relationship between internal procurement and employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = 0.075$ ;  $p > 0.05$ ).

#### **7.7.1.4 The relationship between employees' perceived ability to deliver service quality and employees perceived ability to deliver customer satisfaction in Islamic banking**

A significantly positive relationship was found between employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.57$ ;  $p < 0.05$ ) within Islamic banking. Since there are no statistical differences between service quality and customer satisfaction across the two banking groups (refer to section 7.7.3), no further mediation analysis was done for Islamic banking.

- **Main finding 90:** There is a significantly positive relationship between employees' perceived ability to deliver service quality and employees perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = 0.57$ ;  $p < 0.05$ ).

Figure 7.5 provides a summary of the significant relationships found between the exogeneous variables (the internal marketing mix) and the endogenous variables (service quality and customer satisfaction) in the Islamic banking model.



**Figure 7.5: Significant relationships between internal marketing, service quality and customer satisfaction in the Islamic banking model**

Source: Author's own construct

In the model (Figure 7.5), blue arrows refer to significant positive relationships between variables, the red arrows refer to significant negative relationships between variables and the green arrows indicate the strongest relationships between variables in the model. The SEM results show that only internal promotion, internal process and internal purpose have a positive effect on employees' perceived ability to deliver service quality in Islamic banking. This can be derived from the results that internal process has the strongest positive regression score. Conversely, the subconstructs of internal product, internal price and internal political power have a statistically significant, but negative effect on employees' perceived ability to deliver service quality in Islamic banking. Furthermore, the subconstructs of internal people, internal physical evidence, internal performance management and internal procurement, appeared to have non-significant effects on employees' perceived ability to deliver service quality ( $p > 0.05$ ). Concerning the effect of the predictors on employees' perceived ability to deliver customer satisfaction, the SEM results revealed that only internal promotion, internal performance management and service quality have a positive and statistically significant impact on employees' perceived ability to deliver customer satisfaction in Islamic banking. Service quality has the strongest regression score

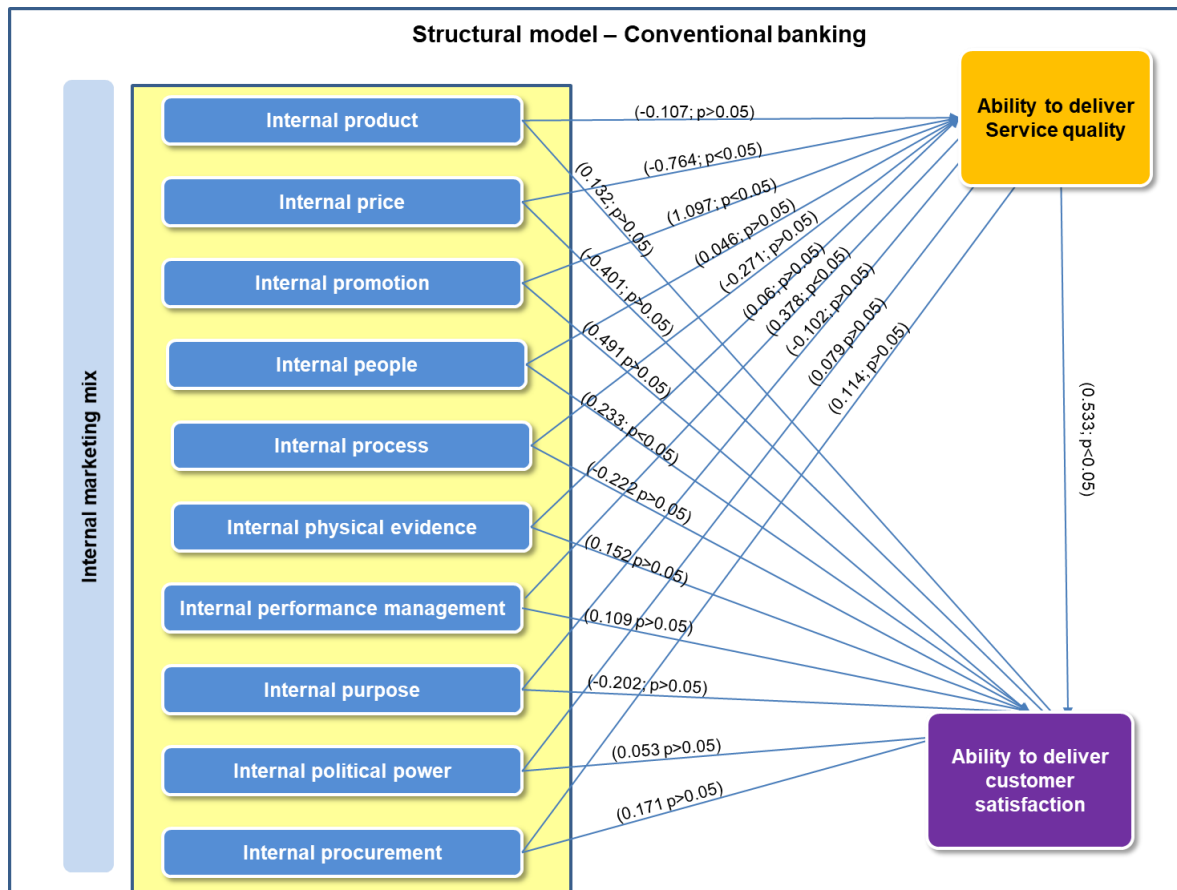
and is therefore considered to be the strongest influencer of customer satisfaction. All the other predictors (internal product, internal price, internal people, internal physical evidence, internal purpose, internal political power and internal procurement) do not significantly affect employees' perceived ability to deliver customer satisfaction in Islamic banking. The next section presents the main findings discovered in the Islamic banking model.

- **Main finding 91:** Employees' perceived ability to deliver service quality in Islamic banking is positively impacted by internal promotion, internal performance management and internal purpose.
- **Main finding 92:** The internal process element has the strongest effect on employees' perceived ability to deliver service quality in Islamic banking.
- **Main finding 93:** internal product, internal price and internal political power have a significant, but negative effect on employees' perceived ability to deliver service quality in Islamic banking.
- **Main finding 94:** Employees' perceived ability to deliver customer satisfaction in Islamic banking is positively impacted by internal promotion, internal performance management and service quality.
- **Main finding 95:** Employees' perceived ability to deliver service quality has the strongest effect on employees perceived ability to deliver customer satisfaction.
- **Main finding 96:** Only internal promotion influences both employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction in Islamic banking.

### **7.7.2 The conventional banking models**

The conventional banking model and interplay between the internal marketing mix elements, service quality and customer satisfaction are put forward next in Figure 7.6.





**Figure 7.6: The conventional banking model**

Source: Author's own construct

#### 7.7.2.1 Employees' perceived ability to deliver service quality and customer satisfaction through the traditional marketing mix elements within conventional banking

The section provides a detailed overview of the employees' perceived ability to deliver service quality and customer satisfaction through the traditional internal marketing mix elements (internal product, internal price and internal promotion) within conventional banking.

##### i) Employees' perceived ability to deliver service quality and customer satisfaction through the internal product element within conventional banking

Within the conventional banking model, the results show that internal product has a non-significant negative relationship with employees' perceived ability to deliver service quality ( $\beta = -0.107$ ;  $p > 0.05$ ). Furthermore, the relationship between internal product and employees'

perceived ability to deliver customer satisfaction is revealed to be positive but non-significant ( $\beta=0.132$ ;  $p>0.05$ ).

- **Main finding 97:** There is a non-significant negative relationship between internal product and employees' perceived ability to deliver service quality in conventional banking ( $\beta= -0.107$ ;  $p>0.05$ ).
- **Main finding 98:** There is a non-significant positive relationship between internal product and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta= 0.132$ ;  $p>0.05$ ).

**ii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal price element within conventional banking**

It can be observed from the results that a significant, but negative relationship exists between internal price and employees' perceived ability to deliver service quality within conventional banking ( $\beta= -0.764$ ;  $p<0.05$ ). The relationship between internal price and employees' perceived ability to deliver customer satisfaction is considered to be negative, but non-significant ( $\beta= -0.401$ ;  $p>0.05$ ).

- **Main finding 99:** There is a significantly negative relationship between internal price and employees' perceived ability to deliver service quality ( $\beta= -0.764$ ;  $p<0.05$ ).
- **Main finding 100:** There is a non-significant negative relationship between internal price and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta= -0.401$ ;  $p>0.05$ ).

**iii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal promotion element within conventional banking**

The findings show that a significant and statistically strong positive relationship exists between internal promotion and employees' perceived ability to deliver service quality within conventional banking ( $\beta=1.097$ ;  $p<0.05$ ). However, the relationship between internal promotion and employees' perceived ability to deliver customer satisfaction is considered to be non-significant and positive ( $\beta=0.491$ ;  $p>0.05$ ).

- **Main finding 101:** There is a strong significantly positive relationship between internal promotion and employees' perceived ability to deliver service quality within conventional banking ( $\beta=1.097$ ;  $p<0.05$ ).
- **Main finding 102:** There is a non-significant and positive relationship between internal promotion and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta=0.491$ ;  $p>0.05$ ).

#### **7.7.2.2 Employees' perceived ability to deliver service quality and customer satisfaction through the services marketing mix elements within conventional banking**

The following section considers the relationship between the services internal marketing mix (internal people, internal process and internal physical evidence), service quality and customer satisfaction within conventional banking.

##### **i) Employees' perceived ability to deliver service quality and customer satisfaction through the internal people element within conventional banking**

According to the results, a non-significant and positive relationship exists between internal people and employees' perceived ability to deliver service quality within conventional banking ( $\beta=0.046$ ;  $p>0.05$ ). The relationship however, between internal people and employees perceived ability to deliver customer satisfaction is considered to be significant and positive ( $\beta=0.233$ ;  $p<0.05$ ).

- **Main finding 103:** There is a non-significant and positive relationship between internal people and employees' perceived ability to deliver service quality within conventional banking ( $\beta= 0.046$ ;  $p>0.05$ ).
- **Main finding 104:** There is a significant and positive relationship between internal people and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta=0.233$ ;  $p<0.05$ ).

##### **ii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal process element within conventional banking**

The results conclude that a non-significant negative relationship exists between internal process and employees' perceived ability to deliver service quality within conventional

banking ( $\beta = -0.271$ ;  $p > 0.05$ ). Additionally, the relationship between internal process and employees' perceived ability to deliver customer satisfaction is considered to be non-significant and negative ( $\beta = -0.222$ ;  $p > 0.05$ ).

- **Main finding 105:** There is a non-significant negative relationship between internal process and employees' perceived ability to deliver service quality within conventional banking ( $\beta = -0.271$ ;  $p > 0.05$ ).
- **Main finding 106:** There is a non-significant negative relationship between internal process and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta = -0.222$ ;  $p > 0.05$ ).

**iii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal physical element within conventional banking**

The findings indicate that a non-significant positive relationship exists between internal physical evidence and employees' perceived ability to deliver service quality within conventional banking ( $\beta = 0.06$ ;  $p > 0.05$ ). Furthermore, the results show that the relationship between internal physical evidence and employees' perceived ability to deliver customer satisfaction is considered to be non-significant and positive ( $\beta = 0.152$ ;  $p > 0.05$ ).

- **Main finding 107:** There is a non-significant positive relationship between internal physical evidence and employees' perceived ability to deliver service quality within conventional banking ( $\beta = 0.06$ ;  $p > 0.05$ ).
- **Main finding 108:** There is a non-significant positive relationship between internal physical evidence and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta = 0.152$ ;  $p > 0.05$ ).

**7.7.2.3 Employees' perceived ability to deliver service quality and customer satisfaction through the contemporary marketing mix elements within conventional banking**

The following section considers the relationship between the contemporary internal marketing mix (internal performance management, internal purpose, internal political power and internal procurement), service quality, and customer satisfaction within conventional banking.

**i) Employees' perceived ability to deliver service quality and customer satisfaction through the internal performance management element within conventional banking**

It can be concluded from the findings that a significantly positive relationship exists between internal performance management and employees' perceived ability to deliver service quality in conventional banking ( $\beta=0.378$ ;  $p<0.05$ ). However, the relationship between internal performance management and employees' perceived ability to deliver customer satisfaction is regarded as non-significant, but positive ( $\beta=0.109$ ;  $p>0.05$ ).

- **Main finding 109:** There is a significantly positive relationship between internal performance management and employees' perceived ability to deliver service quality in conventional banking ( $\beta=0.378$ ;  $p<0.05$ ).
- **Main finding 110:** There is a non-significant positive relationship between internal performance management and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta=0.109$ ;  $p>0.05$ ).

**ii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal purpose element within conventional banking**

The findings propose that a non-significant negative relationship exists between internal purpose and employees' perceived ability to deliver service quality ( $\beta= -0.102$ ;  $p>0.05$ ). Furthermore, the relationship between internal purpose and employees' perceived ability to deliver customer satisfaction is considered to be non-significant and negative ( $\beta= -0.202$ ;  $p>0.05$ ) in conventional banking.

- **Main finding 111:** There is a non-significant negative relationship between internal purpose and employees' perceived ability to deliver service quality in conventional banking ( $\beta= -0.102$ ;  $p>0.05$ ).
- **Main finding 112:** There is a non-significant negative relationship between internal purpose and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta= -0.202$ ;  $p>0.05$ ).

**iii) Employees' perceived ability to deliver service quality and customer satisfaction through the internal political power element within conventional banking**

A non-significant positive relationship has been found between internal political power and employees' perceived ability to deliver service quality ( $\beta=0.079$ ;  $p>0.05$ ). Additionally, the relationship between internal political power and employees' perceived ability to deliver customer satisfaction is considered to be non-significant and positive ( $\beta=0.053$ ;  $p>0.05$ ) in conventional banking.

- **Main finding 113:** There is a non-significant positive relationship between internal political power and employees' perceived ability to deliver service quality in conventional banking ( $\beta=0.079$ ;  $p>0.05$ ).
- **Main finding 114:** There is a non-significant positive relationship between internal political power and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta=0.053$ ;  $p>0.05$ ).

**iv) Employees' perceived ability to deliver service quality and customer satisfaction through the internal procurement element within conventional banking**

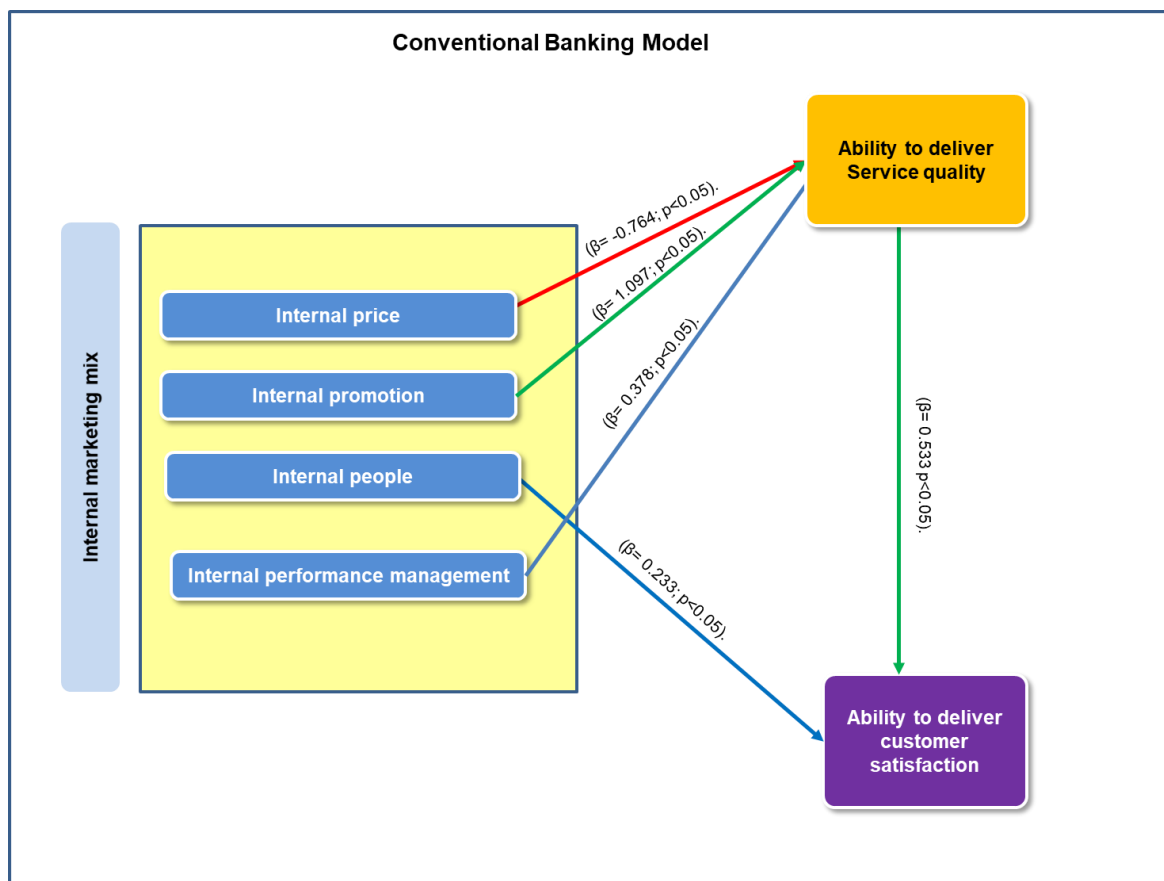
A non-significant positive relationship was confirmed between internal procurement and employees' perceived ability to deliver service quality ( $\beta=0.114$ ;  $p>0.05$ ). Furthermore, a non-significant positive relationship was found between internal procurement and employees' perceived ability to deliver customer satisfaction ( $\beta=0.171$ ;  $p>0.05$ ) in conventional banking.

- **Main finding 115:** There is a non-significant positive relationship between internal procurement and employees' perceived ability to deliver service quality in conventional banking ( $\beta=0.114$ ;  $p>0.05$ ).
- **Main finding 116:** There is a non-significant positive relationship between internal procurement and employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta=0.171$ ;  $p>0.05$ ).

#### 7.7.2.4 The relationship between service quality and customer satisfaction in conventional banking

A significantly positive relationship was found between employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction ( $\beta=0.533$ ;  $p<0.05$ ) in conventional banking. Since there are no statistical differences between service quality and customer satisfaction across the two banking groups (refer to section 7.7.3), no further mediation analysis was done for Islamic banking.

Figure 7.7 provides a summary of the significant relationships found between the exogenous variables (the internal marketing mix) and the endogenous variables (service quality and customer satisfaction) in the conventional banking model.



**Figure 7.7: Significant relationships between internal marketing, service quality and customer satisfaction in the conventional banking model**

Source: Author's own construct

In Figure 7.7, blue arrows refer to significant positive relationship between variables, the red arrows refer to significant negative relationships between variables, and the green arrows indicate the strongest relationships between variables in the model. The results indicate that internal promotion and internal performance management positively impact employees' perceived ability to deliver service quality in conventional banking. Internal promotion shows the strongest regression score and is therefore considered to be the strongest influencer of employees' perceived ability to deliver service quality. The results also revealed that internal price has a statistically significant, but negative effect on employees' perceived ability to deliver service quality in conventional banking. The elements of internal product, internal people, internal process, internal physical evidence, internal performance management, internal purpose, internal political power and internal procurement do not have a significant impact on employees' perceived ability to deliver service quality in conventional banking. In addition to this, internal people and service quality are considered to have a statistically positive influence on employees' perceived ability to deliver customer satisfaction. Service quality has the strongest regression score and is considered to be the strongest influencer of customer satisfaction. All the other predictors (internal product, internal price, internal promotion, internal process, internal physical evidence, internal performance management, internal purpose, internal political power and internal procurement) do not significantly affect employees' perceived ability to deliver customer satisfaction in conventional banking. The next section presents the key main findings discovered in the conventional banking model.

- **Main finding 117:** Employees' perceived ability to deliver service quality in conventional banking is positively impacted by internal promotion and internal performance management.
- **Main finding 118:** The internal promotion element has the strongest effect on employees' perceived ability to deliver service quality in conventional banking.
- **Main finding 119:** Internal price has a significant but negative affect on employees' perceived ability to deliver service quality in conventional banking.
- **Main finding 120:** Employees' perceived ability to deliver customer satisfaction in conventional banking is positively impacted by internal people and employees' perceived ability to deliver service quality.



- **Main finding 121:** Employees' perceived ability to deliver service quality has the strongest effect on employees' perceived ability to deliver customer satisfaction in conventional banking.

### **7.7.3 Comparison between the conventional banking and Islamic banking models**

Once the Islamic and conventional banking models had been constructed, multigroup analysis could be conducted in order to test whether the results in conventional and Islamic banking were significantly different. A multigroup difference analysis was conducted using IBM AMOS. The groups involved 272 employees from Islamic banks and 355 employees from conventional banks in Oman. Measurement invariance by means of a Chi-square difference ( $\Delta\chi^2$ ) test between the constrained (whereby paths are controlled to be equal across groups) and unconstrained model (whereby paths could differ between the two groups), was used to achieve this. The test indicated that there is a significant difference between the Islamic banking model and the conventional banking model ( $\chi^2= 3464.19$ ;  $df=1553$ ;  $p\text{-value}<0.05$ ). A path-by-path analysis was then conducted to investigate which of the relationships differed across the two banking groups. The results are presented in Table 7.16. The Table shows that the interconstruct relationships highlighted in blue vary according to the bank type ( $p<0.05$ ).

**Table 7.16: Chi-square difference tests between Islamic and conventional banking**

Relationships			$\chi^2$	Df	$\Delta\chi^2$	P-value
SQU	<---	PRD	3307.601	1503	1.841	>0.05
	<---	PRI	3306.597	1503	0.837	>0.05
	<---	<b>PRO</b>	<b>3313.247</b>	<b>1503</b>	<b>7.487</b>	<b>&lt;0.05</b>
	<---	PEO	3306.289	1503	0.529	>0.05
	<---	<b>PRC</b>	<b>3309.785</b>	<b>1503</b>	<b>4.025</b>	<b>&lt;0.05</b>
	<---	PHY	3305.994	1503	0.234	>0.05
	<---	PRM	3307.14	1503	1.38	>0.05
	<---	<b>PUR</b>	<b>3331.613</b>	<b>1503</b>	<b>25.853</b>	<b>&lt;0.05</b>
	<---	<b>POW</b>	<b>3309.809</b>	<b>1503</b>	<b>4.049</b>	<b>&lt;0.05</b>
	<---	PCR	3307.259	1503	1.499	>0.05
SAT	<---	PRD	3306.66	1503	0.9	>0.05
	<---	PRI	3308.128	1503	2.368	>0.05
	<---	PRO	3306.356	1503	0.596	>0.05
	<---	<b>PEO</b>	<b>3310.923</b>	<b>1503</b>	<b>5.163</b>	<b>&lt;0.05</b>
	<---	PRC	3305.907	1503	0.147	>0.05
	<---	<b>PHY</b>	<b>3309.655</b>	<b>1503</b>	<b>3.895</b>	<b>&lt;0.05</b>
	<---	PRM	3306.863	1503	1.103	>0.05
	<---	PUR	3307.023	1503	1.263	>0.05
	<---	POW	3305.819	1503	0.059	>0.05
	<---	PCR	3306.136	1503	0.376	>0.05
	<---	SQU	3305.803	1503	0.043	>0.05

Significance level ( $p < \text{or} = 0.05$ )

Source: Author's own construct

Table 7.16 shows that statistical differences do exist between Islamic banking and conventional banking. The following section discusses this in more detail.

### 7.7.3.1 Statistical differences between the internal marketing mix and employees' perceived ability to deliver service quality

The findings in Table 7.16 indicate that no significant differences exist between Islamic and conventional banking with regard to the following relationships: The relationship between internal product and employees' perceived ability to deliver service quality; between internal price and employees' perceived ability to deliver service quality; between internal people and employees' perceived ability to deliver service quality; between internal physical evidence and employees' perceived ability to deliver service quality; between internal performance management and employees' perceived ability to deliver service quality.

Statistically significant differences do however exist between Islamic and conventional banking in the following relationships: between internal promotion and employees' perceived ability to deliver service quality; between internal process and employees' perceived ability to deliver service quality; between internal purpose and employees' perceived ability to deliver service quality; and between internal political power and employees' perceived ability to deliver service quality.

#### **7.7.3.2 Statistical differences between the internal marketing mix, employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction**

Table 7.16 concludes that no significant differences exist between Islamic and conventional banking with regard to the following relationships: the relationship between internal product and employees' perceived ability to deliver customer satisfaction; between internal price and employees' perceived ability to deliver customer satisfaction; between internal promotion and employees' perceived ability to deliver customer satisfaction; between internal process and employees' perceived ability to deliver customer satisfaction; between internal performance management and employees' perceived ability to deliver customer satisfaction; between internal procurement and employees' perceived ability to deliver customer satisfaction; between internal political power and employees' perceived ability to deliver customer satisfaction; between internal purpose and employees' perceived ability to deliver customer satisfaction. Furthermore, there is no statistical difference between employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction between the Islamic and conventional banking models.

Statistically significant differences do however exist between Islamic and conventional banking in the following relationships: between internal people and employees' perceived ability to deliver customer satisfaction, and between internal physical evidence and employees' perceived ability to deliver customer satisfaction. Further analysis was required to assess how these relationships differ in strength across the two banking groups as outlined in Table 7.17.

**Table 7.17: Comparison of relationships between conventional and Islamic banking**

Relationships			Islamic Banking		Conventional Banking	
			<i>p-value</i>	Path estimate	<i>p-value</i>	Path estimate
<b>SQU</b>	<---	<b>PRO</b>	<b>0.04</b>	0.228	<b>0.01</b>	<b>1.097</b>
	<---	<b>PRC</b>	<b>0.05</b>	0.275	0.41	-0.271
	<---	<b>PUR</b>	<b>0.01</b>	<b>0.74</b>	0.62	-0.102
	<---	<b>POW</b>	<b>0.01</b>	<b>-0.049</b>	0.33	0.079
<b>SAT</b>	<---	<b>PEO</b>	<b>0.01</b>	<b>-0.168</b>	<b>0.01</b>	<b>0.233</b>
	<---	<b>PHY</b>	0.16	-0.123	0.20	0.152

(significance level  $p < \text{or} = 0.05$ )

Source: Author's own construct

In Table 7.17, relationships portrayed in black and unhighlighted, represent statistically non-significant relationships. Relationships highlighted in blue indicate significantly positive relationships and those highlighted in red indicate significant, but negative relationships between the constructs. The results of Table 7.15 and 7.16 are discussed in more detail next.

### 7.7.3.3 Comparison of relationship strength between Islamic and conventional banking

The following section discusses the relationship strength between the internal marketing mix elements, service quality and customer satisfaction as per the significant differences identified in Table 7.17.

#### i) The relationship between internal promotion and employees' perceived ability to deliver service quality

The path from internal promotion to employees' perceived ability to deliver service quality is significantly different between conventional and Islamic banking ( $\Delta x^2 = 7.487$ ,  $p < 0.01$ ). The results confirm that internal promotion has a statistically significant positive relationship with employees' perceived ability to deliver service quality in Islamic banking ( $\beta = 0.228$ ;  $p < 0.05$ ). Internal promotion also has a statistically significant positive relationship with employees' perceived ability to deliver service quality within conventional banks, but the relationship in conventional banking is significantly stronger than in Islamic banking ( $\beta = 1.097$ ;  $p < 0.05$ ).

- **Main finding 122:** The influence of internal promotion on employees' ability to deliver service quality is significantly different between conventional and Islamic banking ( $\Delta x^2 = 7.487$ ;  $p < 0.01$ ).
- **Main finding 123:** Internal promotion has a significantly positive relationship with employees' perceived ability to deliver service quality in Islamic banking ( $\beta = 0.228$ ;  $p < 0.05$ ).
- **Main finding 124:** Internal promotion has a significantly positive relationship with employees' perceived ability to deliver service quality in conventional banking. The relationship in conventional banking is much stronger than in Islamic banking ( $\beta = 1.097$ ;  $p < 0.05$ ).

**ii) The relationship between internal process and employees' perceived ability to deliver service quality**

The path from internal process to employees' perceived ability to deliver service quality is significantly different between conventional and Islamic banking ( $\Delta x^2 = 4.025$ ;  $p < 0.05$ ). From the results it is evident that internal process has a statistically significant and positive relationship with employees' perceived ability to deliver service quality in Islamic banking ( $\beta = 0.275$ ;  $p = 0.05$ ). However, the relationship between internal process and employees' perceived ability to deliver service quality in conventional banking is statistically non-significant and negative ( $\beta = -0.271$ ;  $p > 0.05$ ).

- **Main finding 125:** The influence of internal process on employees' ability to deliver service quality is significantly different between conventional and Islamic banking ( $\Delta x^2 = 4.025$ ;  $p < 0.05$ ).
- **Main finding 126:** Internal process has a significantly positive relationship with employees' perceived ability to deliver service quality in Islamic banking ( $\beta = 0.275$ ;  $p = 0.05$ ).
- **Main finding 127:** Internal process has a non-significant negative relationship with employees' perceived ability to deliver service quality in conventional banking ( $\beta = -0.271$ ;  $p > 0.05$ ).

**iii) The relationship between internal purpose and employees' perceived ability to deliver service quality**

The path from internal purpose to employees' perceived ability to deliver service quality is significantly different between conventional and Islamic banking ( $\Delta x^2 = 25.853$ ;  $p < 0.05$ ). It is evident from the results that internal purpose has a statistically significant positive relationship with employees' perceived ability to deliver service quality in Islamic banking ( $\beta = 0.74$ ;  $p < 0.05$ ). However, the relationship between internal purpose and employees' perceived ability to deliver service quality within conventional banks is negative and statistically non-significant ( $\beta = -0.102$ ;  $p > 0.05$ ).

- **Main finding 128:** The influence of internal purpose on employees' ability to deliver service quality is significantly different between conventional and Islamic banking ( $\Delta x^2 = 25.853$ ;  $p < 0.01$ ).
- **Main finding 129:** Internal purpose has a significant positive relationship with employees' perceived ability to deliver service quality in Islamic banking ( $\beta = 0.74$ ;  $p < 0.05$ ).
- **Main finding 130:** Internal purpose has a non-significant negative relationship with employees' perceived ability to deliver service quality in conventional banking ( $\beta = -0.102$ ;  $p > 0.05$ ).

**iv) The relationship between internal political power and employees' perceived ability to deliver service quality**

The path from internal political power to employees' perceived ability to deliver service quality is significantly different between conventional and Islamic banking ( $\Delta x^2 = 4.049$ ;  $p < 0.05$ ). Internal political power has a statistically significant, but negative relationship with employees' perceived ability to deliver service quality in Islamic banking ( $\beta = -0.049$ ;  $p < 0.05$ ). However, the relationship between internal political power and employees' perceived ability to deliver service quality in conventional banking is positive, but statistically non-significant ( $\beta = 0.079$ ;  $p > 0.05$ ).

- **Main finding 131:** The influence of internal political power on employees' ability to deliver service quality is significantly different between conventional and Islamic banking ( $\Delta x^2 = 4.049$ ;  $p < 0.05$ ).

- **Main finding 132:** Internal political power has a significantly negative relationship with employees' perceived ability to deliver service quality in Islamic banking ( $\beta = -0.049$ ;  $p < 0.05$ ).
- **Main finding 133:** Internal political power has a non-significant positive relationship with employees' perceived ability to deliver service quality in conventional banks ( $\beta = 0.079$ ;  $p > 0.05$ ).

**v) The relationship between internal people and employees' perceived ability to deliver customer satisfaction**

The path from internal people to employees' perceived ability to deliver customer satisfaction is significantly different between conventional and Islamic banking ( $\Delta x^2 = 5.163$ ;  $p < 0.05$ ). The results revealed that internal people has a statistically significant negative relationship with employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = -0.168$ ;  $p < 0.05$ ). However, the relationship between internal people and employees' perceived ability to deliver customer satisfaction is positive and statistically significant in conventional banking ( $\beta = 0.233$ ;  $p < 0.05$ ).

- **Main finding 134:** The influence of internal people on employees' ability to deliver customer satisfaction is significantly different between conventional and Islamic banking ( $\Delta x^2 = 5.163$ ;  $p < 0.05$ ).
- **Main finding 135:** Internal people has a significantly negative relationship with employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta = -0.168$ ;  $p < 0.05$ ).
- **Main finding 136:** Internal people has a significantly positive relationship with employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta = 0.233$ ;  $p < 0.05$ ).

**vi) The relationship between internal physical evidence and employees' perceived ability to deliver customer satisfaction**

The path from physical evidence to employees' perceived ability to deliver customer satisfaction is significantly different between conventional and Islamic banking ( $\Delta x^2 = 3.895$ ;  $p < 0.05$ ). From the results it is evident that internal physical evidence has a statistically non-significant relationship with both Islamic and conventional banking ( $p > 0.05$ ). However, the

relationship between internal physical evidence and employees' perceived ability to deliver customer satisfaction is negative in Islamic banking ( $\beta=-0.123$ ;  $p>0.05$ ), but positive in conventional banking ( $\beta=0.152$ ;  $p>0.05$ ).

- **Main finding 137:** The influence of internal physical evidence on employees' ability to deliver customer satisfaction is significantly different between conventional and Islamic banking ( $\Delta\chi^2 = 3.895$ ;  $p < 0.05$ ).
- **Main finding 138:** Internal physical evidence has a non-significant negative relationship with employees' perceived ability to deliver customer satisfaction in Islamic banking ( $\beta=-0.123$ ;  $p>0.05$ ).
- **Main finding 139:** internal physical evidence has a non-significant positive relationship with employees' perceived ability to deliver customer satisfaction in conventional banking ( $\beta=0.152$ ;  $p>0.05$ ).
- **Main finding 140:** Overall, internal promotion is the only element to consistently impact employees' perceived ability to deliver service quality across the retail banking, conventional and Islamic banking models.
- **Main finding 141:** Overall, service quality consistently impacts customer satisfaction across the retail banking, conventional and Islamic banking models.

## **7.8 FINAL SUMMARY OF RESEARCH OBJECTIVES, HYPOTHESES AND RESULTS**

The final section provides a summary of the secondary research objectives, the results of which are presented in Table 7.18.



**Table 7.18: Summary of objectives, hypotheses and results**

Objective	Nr	Hypotheses	Main findings	Results
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements	1	N/A	1-33	Employees perceive the internal marketing mix elements to be partially implemented in retail banks in Oman
To measure employees of retail banks in Oman's perceived ability to deliver service quality to retail customers	2	N/A	34-36	Employees perceive themselves able to deliver service quality to retail bank customers
To measure employees of retail banks in Oman's perceived ability to deliver customer satisfaction to retail customers	3		37-39	Employees perceive themselves able to deliver customer satisfaction to retail bank customers
To determine the interrelationships between perceived internal marketing implementation and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers in Oman	4	40 -59		
		H1 (a): internal product → service quality	40	Partially accepted
		H1 (b): internal product → customer satisfaction	41	Rejected
		H2 (a): internal price → service quality	42	Partially accepted
		H2 (b): internal price → customer satisfaction	43	Rejected
		H1 (c): internal promotion → service quality	44	Accepted
		H2 (c): internal promotion → customer satisfaction	45	Accepted
		H1 (d): internal people → service quality	46	Rejected
		H2 (d): internal people → customer satisfaction	47	Rejected
		H1 (e): internal process → service quality	48	Rejected
		H2 (e): internal process → customer satisfaction	49	Rejected

Objective	Nr	Hypotheses	Main findings	Results
		H1 (f): physical evidence → service quality	50	Rejected
		H2 (f): physical evidence → customer satisfaction	51	Rejected
		H1 (g): performance management → service quality	52	Accepted
		H2 (g): performance management → customer satisfaction	53	Accepted
		H1(h): internal purpose → service quality	54	Accepted
		H2 (h): internal purpose → customer satisfaction	55	Rejected
		H1 (i): political power → service quality	56	Rejected
		H2 (i): political power → customer satisfaction	57	Rejected
		H1 (j): internal procurement → service quality	58	Rejected
		H2 (j): internal procurement → customer satisfaction	59	Rejected
To determine the relationship between service quality and customer satisfaction	5	H3: There is a significant positive relationship between service quality and customer satisfaction	60-63	Accepted
To ascertain whether differences exist across conventional and Islamic banking	6	H4: The relationships as proposed in the internal marketing, perceived ability to deliver customer satisfaction and service quality model do not indicate similar regression weights for conventional and Islamic retail banks in Oman	122-141	Accepted

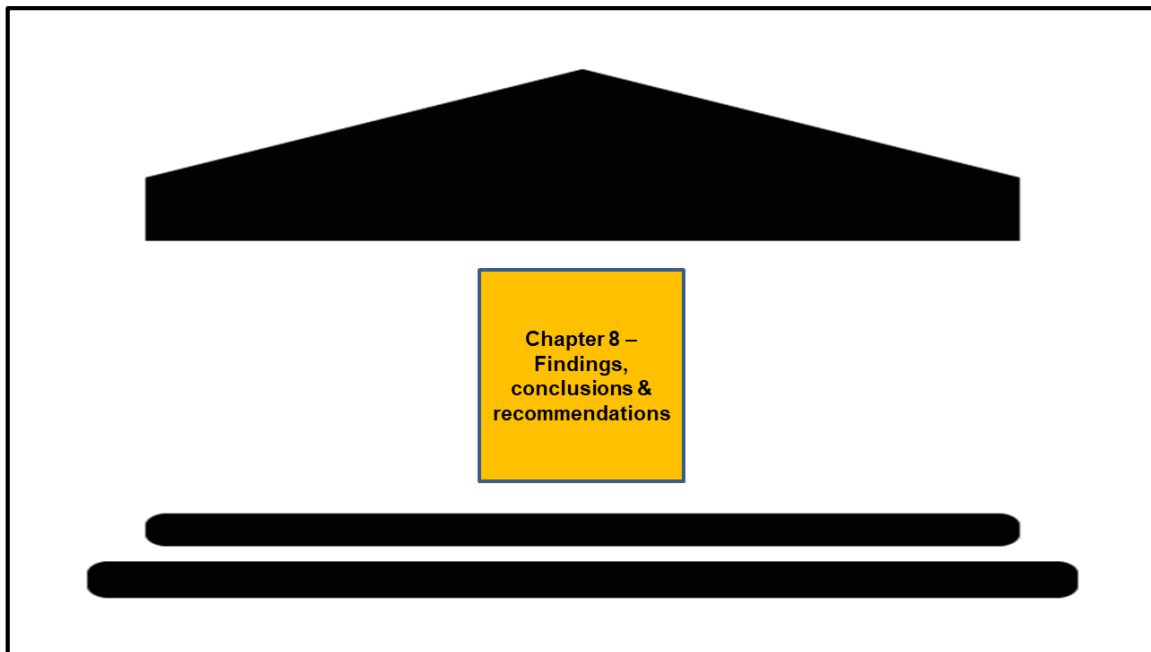
## 7.9 CONCLUSION

Chapter 7 presented, interpreted and discussed the results obtained from the statistical analysis of the study's data using SPSS and AMOS 25. The chapter opened with a discussion of the descriptive statistics, which comprised of demographic information and the mean and standard deviation scores for the constructs. Reliability and validity were

further assessed through the CFA. The CFA reported satisfactory fit indices with valid and reliable scales deemed appropriate for conducting the structural model. The structural model showed acceptable fit indices and provided support for several hypotheses. The internal marketing mix elements explained up to 42% of service quality, while 65% of customer satisfaction was explained by service quality. Internal promotion, internal performance and internal purpose were considered to be enablers of service quality. Internal promotion and internal performance management were identified as enablers of customer satisfaction. The elements of internal product and internal price currently have a significant negative influence on service quality. Mediation analysis conducted in order to assess the influence of service quality on customer satisfaction revealed that internal product, internal price, internal performance and internal purpose produce a total mediation effect of service quality on customer satisfaction. This implies that these elements influence customer satisfaction indirectly through service quality. Internal promotion produces a partial mediation effect of service quality on customer satisfaction, implying that with service quality as an intervening variable, the influence of internal promotion on customer satisfaction is doubled. The chapter closed with a multigroup analysis to assess if differences exist between the two banking groups. The multigroup analysis showed that differences do exist between conventional and Islamic banking. Specifically with regard to the influence of internal promotion, internal purpose and internal political power on service quality, which differs across the two banking groups. Additionally, the influence of internal people and internal physical evidence on customer satisfaction differs across the two banking groups. The next chapter discusses the conclusions and recommendations as a result of the analysis.

## CHAPTER 8

### FINDINGS, CONCLUSIONS AND RECOMMENDATIONS



#### 8.1 INTRODUCTION

Chapter 7 presented the results of the study whilst Chapter 8 provides a summary of the research undertaken. This chapter focuses on how the primary and secondary research objectives are realised, and presents the recommendations drawn from the conclusions of the research. These insights will provide retail banks in Oman with suggestions as to how service quality and customer satisfaction initiatives can be improved through the implementation of an internal marketing programme focused on the results of the model developed from the findings of the study.

#### 8.2 OVERVIEW OF THE STUDY

Chapter 1 provided an outline of the study. Discussions were provided on the theories underlying internal marketing, namely, the Relationship Management Theory and the Social Exchange Theory. This was followed by a discussion on the internal marketing concept, the elements of the internal marketing mix (internal product, internal price, internal promotion, internal people, internal process, internal physical evidence, internal performance management, internal purpose, internal political power and internal procurement), and the concepts of service quality and customer satisfaction. A theoretical framework was provided (Chapter 1, section 1.5.5, Figure 1.1), which represented the relationship between the

internal marketing mix, service quality and customer satisfaction. These concepts were identified and explained in detail in Chapters 2, 3 and 4. The conceptual model used for the study was presented and discussed in Chapter 5. The conceptual framework of the study is based on the premise that the internal marketing mix elements are enablers of service quality and customer satisfaction and thus, play a key role in the enablement of employees to provide superior levels of service quality and customer satisfaction (Abu Saleh et al., 2017:880; Harrington et al., 2017:554; Hur et al., 2015:72). The research methodology used in this study was detailed in Chapter 6, which highlighted that a positivist research philosophy was taken and a descriptive research design was employed making use of a survey as the data collection method. A census approach was applied to the study and a sample size of 627 respondents was realised. Chapter 7 discussed the results obtained from the empirical research from the perspective that when employees are provided with the various internal marketing mix elements, they are enabled to provide superior service quality to customers, resulting in higher levels of customer satisfaction (refer to regression results Chapter 7, section 7.6). The findings showed that service quality is influenced by internal product, internal price, internal promotion, internal performance management and internal purpose. Customer satisfaction is influenced by internal promotion and internal performance management. Service quality was found to influence customer satisfaction and differences were observed between the two banking groups (conventional and Islamic banking). The subsequent sections of this chapter focus on providing recommendations and guidelines to Omani retail banks for each secondary objective in order to achieve the primary objective of: Determining the interrelationships between internal marketing and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers overall, and for Islamic and conventional banking respectively.

### **8.3 CONCLUSIONS AND RECOMMENDATIONS FOR SECONDARY OBJECTIVES**

In today's highly competitive market, Omani retail banks have come to recognise that employee satisfaction and the retention of talented employees who are motivated to go above and beyond to deliver superior levels of service quality, could provide the competitive edge needed to succeed in the market (Marques et al., 2018:37-38). Further to this, by enabling employees through internal marketing strategies, stronger internal capabilities can be established, which are difficult to replicate by competitors. Internal marketing strategies have been found to have a positive impact on internal and external service quality, as employees recognise their own importance in the achievement of these objectives (Bailey et al., 2016:283; Sharma et al., 2016a:775; Enkhmandakh et al., 2014:4). Furthermore,

studies show that when superior levels of service quality have been provided to customers, they experience higher levels of customer satisfaction as a result. The following section summarises the findings and conclusions drawn for the research objectives of the study, and provides recommendations to retail banks to improve the relationship between internal marketing, service quality and customer satisfaction.

### 8.3.1 Secondary Objective 1

**To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements.**

The study measured the extent to which respondents perceive the internal marketing mix elements to be implemented in their bank. Results for this objective showed that employees perceive that the internal marketing mix elements are partially implemented in Omani retail banks (overall mean score: 3.73, Chapter 7, section 7.4.1.11). Although respondents tend to agree that the internal marketing mix elements are implemented in their banks, the findings from the hypothesis testing suggest that the elements are implemented individually, devoid of a formal internal marketing programme and are not operating effectively (refer to Chapter 7, section 7.4.1). This is supported by feedback from Omani banking stakeholders who suggest that although the elements exist in some instances, there is a lack of understanding as to what internal marketing is and the requirement for an internal marketing strategy (Al Muhairi, 2018; Al Zadjali, 2018; Loots 2017). It can be concluded that although the internal marketing mix elements are partially implemented, they are operating individually and are not performing effectively as a system of interdependent variables. Thus, Secondary Objective 1 has been achieved.

A number of enhancements must be made in order to strengthen the presence and performance of the internal marketing mix elements. This can be achieved through an integrated formal internal marketing programme in which each of the internal marketing elements are understood and utilised as enablers of service quality and customer satisfaction. The following recommendations are put forward:

- **Recommendation 1:** Retail banks in Oman should focus on the development and implementation of a formal internal marketing strategy, in which the internal marketing mix elements are used as a value proposition of interdependent variables to better enable employees to deliver higher levels of service quality and customer satisfaction.

Since it is not practical for the banks to implement all elements at the same time, focus must be placed on those elements with the strongest influence initially. The model positioned in Figure 7.3, section 7.6.1 of Chapter 7, can be used to guide this.

- **Recommendation 2:** Since service quality is the intervening variable and strongly influences customer satisfaction, attention should be given to the internal marketing mix elements which are considered to be the strongest enablers of service quality, namely: internal product, internal price, internal promotion, internal performance management and internal purpose. In this way, these elements will impact customer satisfaction through the mediating role of service quality.
- **Recommendation 3:** Banks should start with internal product (refer to recommendation 7-15) and internal price, since these two have a negative relationship with service quality which must be reversed as a matter of urgency (refer to recommendations 16-21). Then focus should be turned to internal promotion (refer to recommendations 22-28), internal performance management (recommendations 29-32) and then to internal purpose (recommendations 33-34), as these elements are viewed as enablers of service quality, but need enhancement to strengthen their impact.
- **Recommendation 4:** Once the listed recommendations have been implemented and improvements are evident, attention can be turned to the remaining elements of internal people, internal process, internal physical evidence, internal political power and internal procurement. Enhancements to these elements should be made as per the recommendations A1 - A17, presented in Appendix 4.

### 8.3.2 Secondary Objectives 2 and 3

**Secondary Objective 2: To measure employees of retail banks in Oman's perceived ability to deliver service quality to retail customers.**

**Secondary Objective 3: To measure employees of retail banks in Oman's perceived ability to deliver customer satisfaction to retail customers.**

Since the study found a clear relationship between service quality and customer satisfaction, the findings, conclusions and recommendations for both secondary objectives

2 and 3 will be discussed in this section. Results for secondary objective 2 showed that employees perceive themselves as able to provide service quality to customers (mean=4.53, Chapter 7, section 7.4.2). The secondary objective in terms of measuring employees of retail banks in Oman's perceived ability to deliver service quality to retail customers, has therefore been achieved. Results for secondary objective 3 showed that employees perceive themselves as able to provide customer satisfaction to customers (mean=4.17, Chapter 7, section 7.4.3). The secondary objective in terms of measuring employees of retail banks in Oman's perceived ability to deliver customer satisfaction to retail customers, has therefore been achieved.

As per Chapter 1, 1.3 previous studies conducted around employee perceptions of their ability to deliver service quality and customer satisfaction, show mixed results. These studies indicated that in some instances, employees are not able to accurately assess themselves, in other instances perceptions are either in line with customer perception or employees degrade or overrate their ability to provide service quality and customer satisfaction. In order to validate whether employee perceptions are in line with customer expectations, an additional piece of research was conducted above and beyond the scope of the study in order to assess customer perception of service quality and customer satisfaction (refer to Appendix 3). The results show that there is a gap between employees' perception of their ability to deliver service quality and customer perception of the service performance. The overall mean score for employees' perceived ability to deliver service quality was 4.53 (indicating agreement with statements), whilst the mean score for customer perception emerged as 2.87 (leaning towards disagreement with statements), showing a significant difference between the employee and customer perceptions. The results also revealed a gap between employees' perception of their ability to deliver customer satisfaction and customer perception of employees' ability to deliver customer satisfaction (refer to Appendix 3). The overall mean score for employees' perceived ability to deliver customer satisfaction was 4.17, whilst the mean score for customer perception emerged as 2.52, showing a significant difference between employee and customer perceptions. The results of the study are consistent with the findings of Al-Abanneh (2016:192), Kusluvan et al. (2010), Wei and Yan (2010) and Ekinci and Dawes (2009), which conclude that employees have an overinflated view of their ability to deliver service quality and customer satisfaction.

The overinflated view of their ability to deliver service quality and customer satisfaction could be due to a number of reasons, namely: emotional labour, personality traits, or cultural influences (Dedeoglu & Demirel, 2015 :141). Emotional labour occurs when



employees are required to induce or suppress personal feelings in order to sustain the outward appearance expected in the situation (Moreo, 2016:2). In order to achieve this, employees take on 'surface acting' which is characterised by the employees' efforts to display the emotions mandated by the position. However, the employee does not actually feel the emotions in this instance. As a result, employees lose their objective point of view and pretend to have performed better than their actual performance. In addition to this, employees may have different service quality perceptions due to personality traits. Individuals with high self-efficacy beliefs have excessive overconfidence and may exaggerate their real performance. Employees with an external locus of control may not perceive their own service delivery as negative, thinking that the problems with service stem from other factors outside of themselves or their span of control (Dedeoglu & Demirer, 2015:141). Some authors have questioned the reliability of self-evaluation in this regard (Graves, Lalla & Young, 2017:240-241; Chen et al., 2008:5-7; Davis et al., 2006:1094). However, accurate self-assessment of professional capabilities specifically in the service industry, is now seen as essential for success (Koorneef et al., 2018). According to research in emotional intelligence, effective employees are continually looking at where they are not performing optimally, and how improvements can be made. This has become a key competency in high performance organisations focused on customer centricity, internal market orientation and continuous improvement. It is essential that employees understand their gaps and enable themselves as individuals first, so that they are able to work more effectively as a team and deliver on the strategic objectives such as service quality and customer satisfaction (Kannaiah & Shanti, 2015:151). This builds on the work of Scheider and Bowen (1985), Bitner, Booms and Mohr (1994) and Brady and Cronin (2001) who state that employees involved in the service encounter must be able to evaluate distinct facets of service quality in a shared service experience, assess their current ability, and identify what enablers are required within their internal environment to induce improvements (Alexiandou et al., 2017:1433). Budhawar and Mellahi (2016:109) found in a study conducted on HR practices in Oman that poor performance is due to a lack of ability and bad work ethic due to a lack of enablers within the internal environment to induce motivation and satisfaction. Hence, in order to close the gap between employee perception and customer perception, the following recommendations are put forward.

- **Recommendation 5: Provide a safe environment for self-evaluation:** Retail banks must close the gap between customer perception and employee perception by ensuring that employees feel safe to provide an accurate self-assessment of their performance. In order to achieve this, the implementation of the internal performance element (refer to section iv) and the internal people element (refer to Appendix 4) is required.

Implementation of the internal performance element ensures that performance is more visible, employees feel comfortable to provide honest feedback through a one-on-one monthly meeting with their supervisor, and are enabled to reflect on where they are not performing as well as they could. The focus should be on employee development as opposed to the judgement of performance (refer to recommendations 29-32). Through the implementation of the internal people element, managers will move away from directing employees to coaching employees producing a more supportive environment. Furthermore, through the internal people element managers will model self-reflective behaviours which will further enhance the improvement of this within the organisational culture (refer to recommendations A1-A4 in Appendix 4).

**Recommendation 6: Implement a formal internal marketing strategy:** In order to address ability issues, it is essential that enablers, such as the internal marketing mix elements are provided within the internal environment. The recommendation therefore, is to implement a formal internal marketing strategy focused on the internal marketing mix elements that have significant relationships with service quality first, namely: internal product, internal price, internal promotion, internal performance management, and internal purpose (refer to recommendations 7-34). Once results have been achieved, banks can introduce improvement measures for those elements which are currently not having a significant effect on service quality. Refer to Appendix 4.

### 8.3.3 Secondary Objective 4

**To determine the interrelationships between perceived internal marketing implementation and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers in Oman.**

The study highlighted that Oman is considered to be a frontier market with a limited understanding of internal marketing (refer to Chapter 1, section 1.3). No studies have been conducted in Oman or in the GCC region, all research and theory on internal marketing has been developed in more Western, mature markets, based on market efficiency and effectiveness. Although the theories could work well in the Omani market, there must be an understanding that the theories are being applied to a somewhat inefficient, localised market. Since Oman is a late mover in internal marketing strategy, the internal marketing mix elements are in a different stage of their life cycle, compared to developed markets. Since the theory development and hypotheses have been based on existing theory

developed predominately in Western, mature markets, it is understandable therefore that overall, thirteen hypotheses have been rejected, two partially accepted, and seven hypotheses accepted. The findings of the research validated that significant relationships exist between employees' perceived ability to deliver service quality and the following internal marketing mix elements; internal product, internal price, internal promotion, internal performance management and internal purpose. Furthermore, significant relationships exist between employees' perceived ability to deliver customer satisfaction and the following internal marketing mix elements: internal promotion and internal performance management (refer to Chapter 7, section, 7.6.1). The following section discusses the findings and conclusions of the final model and presents recommendations on how Omani retail banks can improve the performance of the model.

#### **8.3.3.1 The significant relationships between the internal marketing mix elements and employees' ability to deliver service quality**

The significant relationships between the internal marketing mix elements and service quality identified in the model pertain to the relationships between: service quality and internal product, internal price, internal promotion, internal performance management, and internal purpose. This section discusses the findings and conclusions drawn from the empirical results presented in Chapter 7, section 7.6.1.1-7.6.1.3, and presents recommendations as to how further improvements can be made.

##### **i) The relationship between the perceived implementation of internal product and employees' perceived ability to deliver service quality**

Although respondents tend to agree that the internal product element is implemented within their bank (mean=3.93, Main finding: 1, Chapter 7, section 7.4.1.1), when considered as part of the model presented for the study, the testing of H<sub>1</sub>(a) concerning the relationship between internal product and employees' perceived ability to deliver service quality, revealed a significant negative relationship ( $\beta = -0.315$ ;  $p < 0.05$ ) (Main finding 40, section 7.6.1.1). The results are concerning, since internal product comprises the components of learning and development, role fit and career advancement, and the results suggest that the current design of these initiatives is having a negative impact on service quality. This could be a result of:

- Learning and development as a component of internal product is vital, as it serves as both a tool for attracting talented employees, and as a way of improving

employees' skills and abilities so that they are able to perform their jobs well (refer to Chapter 3, section 3.5.2.1). The findings however are contradictory to prior research which suggests that through learning and development programmes employees are provided with a better understanding of both internal and external customer needs and requirements, and how best to satisfy these needs resulting in higher levels of both internal and external service quality. The negative relationship between internal product and service quality is mainly due to the fact that Oman is a frontier economy. A focus had not been put on learning and development programmes or career advancement plans until recently. As a result, Oman is further down the experience curve when it comes to designing, implementing and evaluating training programmes. There are still many weaknesses within learning and development programmes across Oman, specifically in that training is not aligned to vision, objectives, jobs or other HR processes, thereby hindering training efforts (Budhwar & Mellahi, 2016:105; Rajasekar & Khan, 2013:46). Furthermore, with the introduction of Omanisation (refer to Chapter 2, section 2.2.2.3), all human resource and training manager positions have been fully Omanised, meaning that the expat subject matter experts, who were employed to coach and train their Omani counterparts, have been made redundant. In some instances, this step was taken before these HR and training manager employees had gained the expertise or qualifications to fully take on these roles, hence resulting in knowledge and competency gaps. Thus, the training strategy is not as advanced as it needs to be.

- Employees who experience a good degree of job fit, are more satisfied, are able to use different skills and develop personally and professionally, resulting in more productive employees (refer to Chapter 3, section 3.5.2.1). The findings are not in line with previous studies conducted around role fit and internal and external service quality, which indicates that a significantly positive relationship exists between role fit and service quality.
- Career advancement as an essential part of internal product emphasising that when opportunities for advancement exist, employees feel valued by the organisation and become more engaged with the organisation and more motivated to perform well (refer to Chapter 3, section 3.5.2.1). The findings of the study are contradictory to prior research suggesting that retail banks in Oman therefore need to pay attention to career advancement improvement. In the past, employees in Omani retail banks were provided with automatic promotional opportunities every three years, meaning

that advancement was based on the time employed with an organisation, as opposed to performance. Over the past five years, retail banks have been moving over to performance-based advancement. The communication of these changes may not have been clear, as employees do still not have clarity about the advancement criteria and what is expected from them, creating a sense that advancement opportunities may not exist in some instances (Al Mughairi, 2018; Al Zadjali, 2018; Chang, 2018; Fisk, 2018; Loots, 2017). Since Omani HR practices are still catching up to the more mature westernised market, most banks do not provide employees with formal career advancement plans, outlining how they are able to progress, and what development is required from them which would create a greater sense of certainty (Al Mughairi, 2018; Al Zadjali, 2018; Chang, 2018; Fisk, 2018; Loots, 2017).

The main conclusion drawn is that the internal product (comprising of learning and development, role fit and career advancement), as it currently stands, prevents employees from delivering service quality. It is essential therefore that Omani retail banks focus on ways to strengthen internal product as an enabler of service quality and reverse the negative relationship therewith. This is essential, since internal product influences customer satisfaction indirectly through service quality as the intervening variable (refer to Chapter 7, section 7.6.1.4). For this reason, the following recommendations are made:

- **Recommendation 7: Assess training needs and develop personal development plans:** Retail banks in Oman ought to assess where the service quality gaps exist and where competency gaps exist as per the competency framework (refer to recommendation A14, Appendix 4). Gaps can be identified through a 360° view in which the employee, peers and the supervisor provide input into the employee's performance and ability to deliver service quality. Once the gaps are understood, training needs can be assessed and a personal development plan can be developed for each employee, in conjunction with their supervisor and HR representative.
- **Recommendation 8: Make use of role-play interventions:** Within the branch network, practical training such as role-play type of training, is the most beneficial. Some banks have mock branches in which service encounters with customers can be simulated so that employees are able to develop deep acting skills. When deep acting skills are established, employees develop stronger levels of emotional stability and grow in confidence.

- **Recommendation 9: Provide training in Arabic:** It is important that Arabic trainers are utilised to avoid any misconception or incorrect application of service techniques and behaviours, as Omani employees may not understand training content when delivered in English.
- **Recommendation 10: Leaders to train and mentor:** The quality of trainers is essential to the success of training, and there should be a focus on utilising leaders as trainers and mentors. Bezuidenhout (2018) suggests that banks should revert back to basics, for example, front-line supervisors should be trained and coached by directors of key business units (such as finance, HR, operations, etc), ideally two days a month. The supervisors are required to then take the learning back to their teams.
- **Recommendation 11: Improve training evaluation and feedback:** Employees in Oman retail banks do not seem comfortable with providing formal training evaluation feedback through a survey type approach and as result, do not provide accurate feedback on poor trainers. For this reason, after a training session has been completed, an HR manager or stakeholder from the training department could hold a 15-minute discussion in terms of what was good and what requires improvement with the training. Employees do not perceive a discussion format to be formal feedback and speak more openly as a result.
- **Recommendation 12: On the job coaching and feedback:** Al Mughairi (2018) suggests that after role-play interventions, employees should be followed up through a mystery shopping type approach. Someone could play a disgruntled customer and assess how the employee dealt with the situation, if learnings were applied, and immediate feedback and coaching could be provided. The same applies to the call centre. Someone could phone in and assess whether the employee is applying the training techniques recently learnt and if not, ascertain why not.
- **Recommendation 13: Executive coaching:** In order to develop stronger participative and inspirational leadership, executive coaching should be provided to all senior managers looking after customer-facing staff. Coaching should be an integral part of an internal market-orientated culture. A 360° view assessment ought to be conducted for each leader and one-on-one coaching sessions should be implemented. One-on-one coaching sessions with each leader would help improve performance through the identification of blind spots and strategies on how to tackle obstacles better (Mackay, 2017). Further benefits include, effective communication and feedback, since leaders

become better communicators and more skilled at providing quality feedback to their subordinates, which results in the improved delivery of service quality and customer satisfaction (aligning with both internal promotion and internal performance management) (Humphreys, 2018).

- **Recommendation 14: Assessment of role fit for promotional purposes:** Before promotions are made, retail banks should conduct competency assessments (as per the competency framework suggested in recommendation A14 in Appendix 4), to assess whether employees do in fact possess the desired competencies required for upward or lateral promotions and positions (Schneider, 2018). This aligns with the internal procurement element (refer to section A4.5 in Appendix 4). In this way, retail banks are also able to assist employees in the assessment of their skills and competencies so that they are able to make the improvements needed.
- **Recommendation 15: Provision of career advancement plans:** Retail banks in Oman must provide comprehensive career plans for employees, which include a clear career path of what positions they should be able to move into from a promotional perspective, and which positions they would be able to move into from a lateral move perspective. Furthermore, employees must be empowered to take charge of their own careers, in that way, they have input and can manage their own development and progression. Employees want to know that they have a future in the bank and that they are an important part of its “cause”. If a career plan is provided which is closely linked to the personal development plan and employees have input into this, they feel valued and cared for, which translates into higher levels of service quality and customer satisfaction (Merchant, 2017; Scales, 2017).

## **ii) The relationship between perceived implementation of the internal price element and the perceived ability of employees to deliver service quality**

Respondents are leaning towards agreement that the internal price element is implemented within their bank (mean=3.51, Main finding 4, Chapter 7, section 7.4.1.2). However, when considered as part of the model presented for the study, the testing of H<sub>1</sub>(a), concerning the relationship between internal price and employees' perceived ability to deliver service quality, revealed a significant negative relationship ( $\beta = -0.351$ ;  $p < 0.05$ ) (Main finding 42, section 7.6.1.1). The findings are not aligned with the theory supporting internal price, in which prior research validated internal price as an enabler of employees' perceived ability to deliver service quality. Internal price comprises reward and the costs borne by employees

to work for the organisation. Previous research exploring the relationship between reward and internal and external service quality shows a positive relationship between these variables, indicating that when rewards are in place, employees feel encouraged to share knowledge and serve customers well (Wang, 2018; Susanti et al., 2015; Elsalem & Alshurideh, 2012) (refer to Chapter 4, section 4.4.2.1). Similarly, research conducted in the field of employees' psychological costs and their correlation with internal and external service quality, reveals that a positive relationship exists when costs are managed effectively (Makherjee, 2018; Susanti et al., 2015).

Reasons for the negative relationship between internal price and service quality are mainly due to the fact that Oman is still considered to be a developing country and reward frameworks are not as advanced as the Western world, which brings about a number of challenges. For example, rewards are not linked to service quality objectives and in some instances, because KPIs are not clear and specific metrics are not in place, reward is not clearly aligned to performance and in some instances, may be perceived to be unfair. Pay increases are generally subjected to a standard 3% incremental increase which does serve as a motivator to perform well (Chang, 2018; Budhwar & Mellahi, 2016: 110). Some incentives are not paid on time due to manual processes, and these time delays create feelings of distrust. As a result, employees develop negative attitudes, they are not focused on service delivery and may become careless, which results in a negative customer experience. Additionally, rewards are paid out once a year after the year-end appraisal and are sometimes perceived to be based on the performance of the last few months as opposed to the entire year (Al Mughairi, 2018; Al Zadjali, 2018; Fisk, 2018; Loots, 2017). Furthermore, employees may be required to gain new knowledge and skills which requires sacrifices to be made, resulting in increased stress and feelings of dissatisfaction (Conradie & Roberts-Lombard, 2014:). Loots (2017) and Katsuri (2017) indicated that retail banking employees in Oman may feel drained and need to apply more energy to the learning of tasks or to the focus on service when the costs are not balanced with attractive rewards. Medlar-Liraz and Guttman (2015:212) support these views with their research findings which propose that when costs are high, employees become negative and even hostile, which is emotionally draining and costly and hinders the delivery of service excellence. Furthermore, Budhwar and Mellahi (2016:100) found that young Omanis tend to avoid the private sector due to work-life balance concerns. Since Oman is a collectivist society with a strong emphasis on community and family, Omanis, specifically female Omanis (making up 59% of the study), still need to perform their social obligations towards their family and extended family. When these costs are balanced through family-friendly practices, attractive reward systems and balanced through the other internal marketing elements, employees



experience greater levels of satisfaction. As per the Social Exchange and the Relationship Marketing Theory, employees reciprocate through the delivery of service quality and customer satisfaction.

The main conclusion is that internal price is not an enabler of service quality. It is currently having a negative impact on service quality, and influences customer satisfaction indirectly through service quality as the intervening variable (refer to Chapter 7, section 7.6.1.4). Since the psychological and opportunity costs are controlled through all the other internal marketing mix elements, only one recommendation has been made for this.

- **Recommendation 16: Link reward to performance:** Employee performance can be directly measured through the quality management system, using critical to quality measures such as turnaround times, error rates and courtesy (Okoth, 2014:5) (refer to recommendation 31, section iv). When rewards are directly linked to the achievement of specific metrics which are visible and updated daily, it creates a sense of fairness and consistency. Furthermore, when improvements have been made resulting in a cost saving to the organisation, employees could be rewarded by way of a percentage of the realised cost benefit, in order to motivate employees to adopt continuous improvement practices.
- **Recommendation 17: Reward more frequently:** Further suggestions have been made that banks should not wait until the end of the year to reward employees, more frequent rewards throughout the year such as quarterly rewards, would have a more beneficial effect (Bezuidenhout, 2018).
- **Recommendation 18: Profit-sharing scheme:** Retail banks could adopt profit-sharing schemes, such as employees sharing ownership programmes. One option could involve the adoption of a phantom share option scheme. A phantom share option scheme is a cash bonus scheme, however, rather than simply issuing a 'standard' bonus/incentive to employees each year based on individual and organisational performance, the organisation issues an 'option' to the employee in the same way as it would under listed shares. The difference is that, instead of being an option to acquire shares at a certain price, the option is about a cash bonus based on the organisation's long-term performance (Meeuwenoord, 2014:22). Since the phantom shares are linked to organisational performance, specifically to service quality and customer satisfaction, the organisation is able to ensure that all future bonuses are linked to an actual increase in the organisation's value (Bezuidenhout, 2018).

- **Recommendation 19: Balance between individual and team-based rewards:** Given the collectivist nature of the Oman market and the objectives of an internally market-orientated culture, specifically with regard to the sharing of knowledge, a balance between individual and team rewards should be maintained. Previous research findings on team versus individual rewards show that team-based evaluation and reward systems outperform individual-based rewards for a large number of team situations (Ladley, Wilkinson & Young, 2015:2424; Chan, Li & Pierce, 2014:1967-1968). Individual performance also improves as a result of team performance (Ladley et al., 2015:2424). Banks could provide team KPIs and provide visible team metrics in order to stimulate greater team performance. Rewarding employees for collective behaviour and showing care for employees can enhance group-level social capital. This in turn, enhances employees' satisfaction and gets employees to work together, solve unique problems and share information (Reynolds-De Bruin, 2014:231). It is therefore important for banks to investigate further into how the right balance of team and individual reward can be achieved in order to improve overall organisational performance.
  
- **Recommendation 20: Recognise excellence:** Schlechter, Thompson and Bussin (2015:293) found that organisations may lose out on talented employees if non-financial rewards are not included or emphasised as part of a job offering. Neuroscience shows that recognition has the largest impact on trust when it occurs immediately after a goal has been met, when it comes from peers, and when it is public. Public recognition through monthly or quarterly award ceremonies not only uses the power of the crowd to celebrate success, but also inspires others to aim for excellence (Zak, 2017:88). The recognition of top performers in weekly or monthly meetings, becomes key. A wall or notice board could be used in the office in which employees and management can thank employees for a job well done. The CEO could personally send out a thank you card to employees who have gone above and beyond, in order to serve customers well.
  
- **Recommendation 21: Provide family-friendly practices:** Family-friendly practice could include onsite childcare, which caters for some of the social challenges experienced, and communicates to employees that they and their families are cared for (Budhwar & Mellahi, 2016:100).

### **iii) The relationship between the perceived implementation of the internal promotion element and the perceived ability of employees to deliver service quality**

The majority of respondents tend to agree that the internal promotion element is in place in their bank (mean=3.84, Main finding: 7, Chapter 7, section 7.4.1.3) as roadshows as a communication channel (mean=3.44, Chapter 7, section 7.4.1.3). When mixed with the other internal marketing mix elements through SEM, the results showed that a significant positive relationship exists between the internal promotion element and employees' perceived ability to deliver service quality ( $\beta = 0.454$ ;  $p < 0.05$ , Main finding: 44, Chapter 7, section 7.6.1.1). The findings support previous studies conducted by Quaratino and Mazzei (2018:186,192), Longo and Narduzzo, (2017:294-295), Al-Tokhais (2016:118), Proctor (2014:41) and Imankhan and Charakdar (2013:2352) which show that internal communication and the channels used influence employees' attitudes and behavioural intentions, which in turn influence internal service quality and external service quality (refer to Chapter 4, section 4.4.2.1). Improved communication strengthens internal relations and knowledge sharing, enabling cooperation across departments for the benefit of the collective, and ultimately securing an improvement in internal service quality and external service quality (refer to Chapter 5, section 5.3.4.3).

The main conclusion is that internal promotion is an enabler of service quality, and furthermore, this element was deemed the strongest enabler of service quality in the study. Since internal promotion is regarded as the strongest enabler of service quality, this element must be enhanced. Furthermore, internal promotion influences customer satisfaction directly and indirectly through service quality as the intervening variable, therefore, any improvements to internal promotion will have a magnified effect on customer satisfaction. Recommendations and strategies to improve internal promotion as an enabler of service quality are put forward next.

- **Recommendation 22: Communicate a strong purpose, vision and values:** The first step is to develop and communicate the organisational purpose, as the development of the organisational purpose forms part of internal purpose (refer to recommendation 30, section v). Management may spend considerable time communicating through speeches or newsletters, but if the majority of employees do not identify with the message, it is a sign that they are not able to make the link between their work and the organisation's purpose. For this reason, the purpose must be communicated well. The next step is to develop a compelling five-year vision that employees can buy into. Given the rapid changes in banking, a five-year vision may be more practical and easier for

employees to buy-into than a longer-term vision. In order to be truly compelling, the vision should appeal to the five sources of meaning which stem from how the vision will affect the individuals themselves, their teams, customers, shareholders and society (Nautin, 2014:138). Once the purpose and vision are clearly defined, then the values can either be aligned or completely overhauled in order to align with the purpose. These become the mirror against which all actions and behaviours are reflected (Lategan, 2018). In this way, a strong vision framework can be created to guide the organisation, and provide clarity on the strategic direction and objectives. Involving selected employees from all levels across the organisation in this process, in conjunction with the leadership team, creates greater buy-in and support for the initiative. Furthermore, higher levels of emotional connection and ownership can be achieved through this, which compels employees to strive for higher levels of service quality and customer satisfaction (Al-Ismaili, 2018).

➤ **Recommendation 23: Establish a strong induction and orientation**

**programme:** Induction and orientation comprise the supportive introductory stage for new employees to settle quickly into their job and become active as soon as possible (Foot & Hook, 2011, 211). Induction is used to connect new employees (hearts and minds) to their organisation. Within the induction programme, the purpose, vision and values should be clearly communicated to employees, information needs to be provided about the organisation, their department, dress code and any other pertinent information required. The induction programme has direct influences on the quality of customer service, as it has been proven that only well-inducted newcomers are able to provide superior customer service (Thao, 2015:42). It is also important that the employee is orientated into the organisation through a formal orientation programme. A buddy system generally works well in which a colleague may be selected to buddy up with the new person in order to provide basic information, answer questions, and take the new employee on a guided tour. In this way they are formally introduced to their co-workers and are immediately engaged in the organisation's culture and customs, which helps facilitate the transition of the employee (Thao, 2015:15).

➤ **Recommendation 24: Research, communication and response to employee**

**needs:** The first step is to develop an understanding of employee needs through focus group sessions, and then to communicate these results openly across the organisation in terms of the most important needs that will be addressed by the organisation. Furthermore, it is important to involve employees in the generation of solutions to meet these needs so that any solutions implemented are both relevant and meaningful to

employees. It may be necessary to segment the internal market in terms of better understanding employee needs. The demographic data for example revealed that over 50% of employees in Omani retail banks are between the ages of 26 and 37, indicating that the majority of employees are regarded as Millennials, born between the years of 1981 and 1997. Each generation comes with its own distinct characteristics and it is important for organisations to understand this, so that communication can be better enhanced. Millennials place a strong focus on values and high importance on openness, equality, community and purpose.

- **Recommendation 25: Make use of social platforms to include and engage all employees:** Social platforms, such as 'Facebook at work' and 'Yamma' enable the establishment of social communities and communities of practice in which employees across the entire organisation can be linked. Since the branches often feel disconnected from the rest of the organisation, social platforms provide the means to connect people, share success stories, encourage, and share knowledge across the bank (Attasi, 2017). It is important however that prior to deploying these networks, a policy is developed which clearly defines the purpose of the social network. Furthermore, analytical tools should be implemented in order to monitor and analyse qualitative and quantitative data obtained from activities pertaining to the social network. Guidance on appropriate conversations and the facilitation of meaningful collaboration can be established by way of a feedback mechanism to ensure that the retail bank's objectives have been met.
- **Recommendation 26: Make use of 'advergAMES':** 'AdvergAMES' is another medium, in which Omani retail banks can communicate new products and services to employees. 'AdvergAMES' is a digital game created for the brand with the aim of conveying internal advertising messages. This secures greater social interaction within the organisation allowing employees to compete, collaborate or connect through this online platform (Conde-Pumpido, 2014:25, 50). These advertisements create awareness for employees and therefore the messages communicated through these 'advergAMES' must be clear, as employees need to communicate the promises made in the 'advergAMES' to customers (refer to Chapter 3, section 3.5.1)
- **Recommendation 27: Make use of events and roadshows:** Face-to-face communication is regarded as the most powerful form of communication as it provides a channel for two-way communication and connects employees with the leaders of the organisation and their co-workers from other areas. Quarterly town hall meetings across

each region should be conducted in order to communicate performance against the main organisational objectives, link performance back to purpose, recognise internal and external service quality excellence, celebrate success, inform employees on any key issues and inspire and motivate employees to aspire for the attainment of performance excellence, service quality and customer satisfaction (refer to Chapter 3, section 3.5.2.1).

- **Recommendation 28: Make use of visual channels:** Most employees do not read emails or written communications, mainly due to clutter (Al-Mughairi, 2018). To reduce clutter, electronic newsletters could be used with headlines provided so that employees can select headlines which are relevant or interesting to them and as a result, do not have to read through everything else. Video or TV is recognised as a far more effective way of communicating in Oman (Al-Mughairi, 2018). Videos could be used to communicate key messages through social media platforms such as 'Facebook at work'. Banks, like Standard Bank of South Africa make use of a TV channel called "Blue wave", in which every Thursday morning at 8h30, all employees gather in common areas to watch a half an hour broadcast of key messages, perhaps watch an interview with the CEO, hear about the latest results, celebrate successes across the bank, and share interesting stories. It provides a great way for all employees to be informed in a creative and engaging way and it stimulates conversation amongst viewers. In this way, all employees are hearing key messages at the same time. Internal communication facilitates an internal market orientation which communicates the message of "live the brand", and employees understand what is meant by this. Internal communication is further addressed through the internal people element and the internal performance element. The internal people element addresses the relationship between the supervisor and the employee and the importance of involving employees in decisions and listening to their concerns (refer to recommendations A1-A4, Appendix 4). Internal performance management enhances communication through the daily team production meetings and better interdepartmental communication (refer to recommendation 28, section iv).

#### **iv) The relationship between the internal performance management element of the contemporary mix and the perceived ability of employees to deliver service quality**

Respondents tend to agree that the internal performance management element is implemented in their bank (mean=3.92, Main finding 19, Chapter 7, section 7.4.1.7). The results of the study, linking to hypothesis H<sub>1(g)</sub> indicate that internal performance

management is an enabler of service quality ( $\beta = 0.21$ ;  $p < 0.05$ , Main finding 52, Chapter 7 section 7.6.1.3). Although both significant and positive, the strength of the relationship between internal performance management and employees' perceived ability to deliver service quality is considered mild. This implies that improvements are required in performance management, in order to strengthen the impact of this element on service quality. The findings support previous studies conducted by Makherjee (2018) and Umamaheswari (2014), in which research proved that a positive relationship exists between performance management and internal service quality, which results in external service quality (refer to Chapter 4, section 4.4.2.1). When employees understand the organisational objectives, performance measures are aligned and consistent with organisational objectives and employees are provided with regular feedback, they feel psychologically safe within the organisation (Lovelock & Wirtz, 2016:301-302).

Reasons as to why a mild relationship exists between performance management and service quality could be due to a perceived misalignment between employees' roles and KPIs and a lack of regular performance feedback. The broader organisational objectives and departmental objectives are not clearly communicated to employees, and employees do not have clarity on how their roles relate to these. In many instances, KPIs have not been updated for over five years, creating further misalignment with organisational objectives. There seems to be very little discussion on employee expectations with regard to KPIs, and employees are often not held accountable against these. Due to a lack of performance feedback throughout the year, employees are often surprised with appraisal scores, which creates trust issues and higher levels of uncertainty, resulting in dissatisfaction (Al Mughairi, 2018; Loots, 2017). This dissatisfaction may be passed onto customers, resulting in poor customer experiences. In some instances, supervisors may be hesitant to provide critical feedback so as not to hurt employees' feelings or create bad relationships with employees. In other instances, managers/supervisors may be providing overinflated positive feedback to employees to encourage and motivate them. The feedback however, is not a true reflection of performance, which results in employees believing they are doing a good job when in fact they are not (Al Mughairi, 2018; Al Zadjali, 2018; Chang, 2018; Fisk, 2018; Loots, 2017). Budhwar and Mellahi (2016:107) suggest that the current performance management process is judgemental and done for narrow administrative purposes. The judgemental approach explains why many managers are uncomfortable with this process, since Oman's culture represents a dislike of confrontation, which can be emotionally draining for managers. Therefore, the avoidance of providing negative feedback in some cases, makes performance appraisals unreliable. Furthermore, Budhwar and Mellahi (2016:107) stipulate that it is essential that employees are able to self-evaluate. However,

few organisations apply this and employees may not feel safe to provide an accurate self-evaluation for fear of forced distribution, which leads to feelings of discrimination and dissatisfaction.

It can be concluded that although a positive and significant relationship exists between the independent and dependent variable, the relationship is not considered to be strong. This means that improvements must be made to the internal performance management element. These improvements will have an indirect impact on customer satisfaction through service quality as an intervening variable (refer to Chapter 7, section 7.6.1.4). Recommendations and strategies to support the improvement of this element are addressed next.

- **Recommendation 29: Alignment of job descriptions and KPIs to organisational objectives:** Employees need to know exactly what it is that they are expected to do and deliver. Employees should understand the bank's strategy and what role they play in delivering on promises made to both internal and external customers. For this reason, employees need clear job descriptions, specifying the functional responsibilities of the job and the competencies required for the job. The job description must be linked to the employees' KPIs, which are also linked to the organisational objectives (service quality should be a core objective). Furthermore, KPIs need to be assignable (specific, measurable, realistic and time-based) and employees should be aware of how their deliverables contribute to the bank's overall performance as this can enhance satisfaction levels.
- **Recommendation 30: Monthly one-on-one performance feedback:** An annual performance appraisal is not enough. A monthly performance feedback session should be set up between every employee and their direct supervisor or manager. In this session, the employee's performance relative to the achievement of their KPIs should be reflected on. Employees should provide a self-assessment in terms of what they feel they are doing well and not doing well, and communicate where they require support. The direct manager may provide his/her assessment of the employee's performance and together they discuss how improvements can be made and reinforce the accountability of the employee in this regard. Managers may also provide positive feedback and recognition, and encourage employees where necessary. Personal development and career development plans can be reflected on and updated, and managers can reinforce the importance of the employee's job in relation to the broader organisational objectives. When monthly feedback is provided, employees have an understanding of how they are performing throughout the year, which motivates



employees to maximise their chance of earning positive feedback through the delivery of service excellence and customer satisfaction (Tricomi & De Pasque, 2017:175).

- **Recommendation 31: Place a focus on quality management systems:** As part of creating an internal market-orientated culture, it is essential that banks place a focus on quality management systems which are grounded on process, procedures and responsibility for achieving the desired outcomes. This element has strong ties with the internal process element of the mix. Only through the application of the process and assignment of responsibility, can positive outcomes such as superior service quality and customer satisfaction be affected. Quality management systems, such as TQM and Lean Management, suggest that the first step is to understand both internal and external customer needs and requirements, which can be facilitated through 'voice of customer' sessions. Once the customer needs have been identified, they must be translated into 'critical to quality' measures, such as, turnaround times, error rates and carry overs. These measures must then be displayed visually and openly within the workplace and updated daily for employees and management to see. In this way, nothing is hidden and all employees are aware of key performance measures. Furthermore, each team should conduct a daily production meeting, which takes place around their team's visual board, where the metrics are updated daily and employees discuss what is going well, what is not going well, and how as a team they can solve the problems. In this way, continuous improvement can be achieved and service quality improved on an ongoing basis, resulting in more positive customer experiences.
  
- **Recommendation 32: Provide simple problem-solving techniques to employees:** Branch employees should be trained in basic problem-solving skills, focused on root cause analysis and problem solving. In this way, branch employees are empowered to reduce the level of standardisation in front-desk operations, and use their discretion to make better service decisions, resulting in stronger levels of internal and external service. This provides employees with a greater level of power since they are enabled to think about their jobs, and solve their own problems for the greater good of the customers. As per the Internal Marketing and the Social Exchange Theory, this results in positive attitudes and increased levels of both employee and customer satisfaction.

**v) The relationship between the perceived implementation of the internal purpose element and the perceived ability of employees to deliver service quality**

The majority of respondents agree that the internal purpose element is implemented in their bank (mean=4.14, Main finding: 22, Chapter 7, section 7.4.1.8). The study concludes that internal purpose is a key enabler of employees' perceived ability to deliver service quality ( $\beta = 0.385$ ;  $p < 0.05$ , Main finding: 54, Chapter 7, section 7.6.1.3). The strength of the relationship is considered to be moderate and improvements can be made to enhance the effectiveness of the internal purpose element. The study is in line with a previous study conducted by Nsour (2013:32), exploring the impact of internal purpose on internal service quality and external service quality. (refer to Chapter 4, section 4.4.2.1). Organisations with a strong purpose, develop a strong foundation for their service strategy, specifically if all customer activities and processes are aligned to this in order to create value for both internal and external customers. In this way, employees are supported in their understanding of the big picture and how their jobs achieve the organisational purpose, which in turn allows them to make improvements to their service quality (refer to Chapter 5, section 5.3.4.8).

If employees understand the organisational purpose and the importance of their job in the achievement of the purpose, and have clear KPIs aligned with this, they feel part of something bigger than themselves and strive to contribute to service excellence and customer satisfaction. Furthermore, it is essential for banks to pay more attention to this element and involve employees in CSR initiatives. Employees are currently not as involved as they could be. CSR is recognised as a powerful anecdote of employee satisfaction and commitment, and employees feel proud to be part of social causes and feel proud to link their identity with that of the organisation (refer to Chapter 3, section 3.5.2.3). It can therefore be concluded, that internal purpose is an enabler of service quality, but this element requires strengthening. Based on the findings, the following recommendations are put forward:

- **Recommendation 33: Development of a strong purpose:** The first step should be to understand or formulate a strong purpose as this informs the brand philosophy of the organisation. Purpose workshops could be set up with the leadership team, as well as with selected employees across the bank in order to establish a clearly defined purpose, and ensure that the vision and objectives are aligned with this. This purpose then needs to be constantly communicated through town hall events and engagements with the leadership team. Supervisors should also constantly link employee performance back to purpose during performance feedback sessions. When employees understand the purpose and how they contribute to this, it creates meaning at work, which translates

into higher levels of service quality and customer satisfaction (refer to Chapter 5, section, 5.3.4.8).

- **Recommendation 34: Enhance CSR initiatives:** CSR has proven to have a positive impact on service-orientated behaviours and loyalty, as it promotes positive emotions in employees (Sarraz, 2018:3). For this reason, retail banks in Oman should focus on CSR programmes through the sponsorship of social causes, such as breast cancer, blood drives, beach clean-ups and economic development. Various initiatives could be selected on a quarterly basis. Further to this, banks should encourage their employees to volunteer their time and skills and participate in these initiatives which could be linked to team-building events. In this way, employees connect to the organisation on an emotional level and feel proud of the bank for which they work, which results in greater meaning, improved performance and the achievement of service quality and customer satisfaction objectives.

#### **8.3.3.2 The significant relationships between the internal marketing mix elements and employees' ability to deliver customer satisfaction**

The significant relationships between the internal marketing mix elements and customer satisfaction identified in the model pertain to the relationships between employees' perceived ability to deliver customer satisfaction and internal promotion and performance management. This section discusses the findings and conclusions drawn from the empirical results presented in Chapter 7, section 7.6.1.1 and 7.6.1.3. and presents recommendations as to how further improvements can be made.

##### **i) The relationship between the perceived implementation of the internal promotion element and the perceived ability of employees to deliver customer satisfaction**

The empirical findings linked to hypothesis H<sub>2</sub>(c) show that a significant positive relationship exists between the internal promotion element and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.29$ ;  $p < 0.05$ , Main finding: 45, Chapter 7, section 7.6.1.1). The findings support previous research findings which suggest that internal promotional practices strongly influence employee satisfaction and performance in delivering the brand promise, resulting in customer satisfaction (Sriyothin, 2016:285; Jun & Cai, 2010:220) (refer to Chapter 5, section 5.3.5.3). Internal promotion aids the sharing of information and knowledge which ensures the adherence to shared goals and the strengthening of congenial relationships between employees. This in turn, drives an internal environment

based on trust and openness, which results in greater levels of employee satisfaction and customer enthusiasm. As a consequence, a superior customer experience can be obtained, resulting in superior levels of customer satisfaction (refer to Chapter 5, section 5.3.5.3). Additional findings from the study indicate that internal promotion generates a partial mediation effect of service quality on customer satisfaction. This means that internal promotion is an enabler of customer satisfaction, and in addition to this, internal promotion influences customer satisfaction indirectly through service quality as the intervening variable.

- **Recommendation 35:** In order to further enhance the impact of internal promotion on customer satisfaction, attention must be given to the recommendations 22-28 made in section 8.3.3.1. In this regard, banks must communicate a strong sense of purpose, vision and values, establish strong induction and orientation programmes, research, communicate and respond to employee needs, make use of social media, introduce advergames, make use of events such as roadshows, and make use of visual channels in order to bolster the influence of internal promotion on service quality (further detail on how to implement these recommendations is provided in recommendations 22-28). In this way, internal promotion will improve service quality which will in turn improve customer satisfaction.

## ii) **The relationship between the perceived implementation of the internal performance management element and the perceived ability of employees to deliver customer satisfaction**

The results of the study linking to H<sub>2</sub>(g) showed that internal performance management is an enabler of customer satisfaction ( $\beta = 0.178$ ;  $p < 0.05$ , Main finding: 53, Chapter 7, section 7.6.1.3). The findings support the theory, which confirms that if performance measurement systems and practices are improved, it enhances employee engagement levels. Enhanced engagement levels impact employee performance as a result, leading to a positive impact on customer satisfaction (refer to Chapter 5, section 5.3.5.7). The results of the mediation analysis also showed that internal performance management yields a total mediation effect of service quality on customer satisfaction (refer to Chapter 7, section 7.6.1.4). This means that, although internal performance management revealed a direct relationship with customer satisfaction through SEM, when service quality is integrated into the model as the intervening variable, this relationship becomes non-significant. This implies that internal performance management can only influence customer satisfaction through service quality as the intervening variable. It can thus be concluded from the hypothesis testing that internal

performance management is an enabler of customer satisfaction. The findings are in line with previous studies conducted by Makherjee (2018) and Umamaheswari (2014). However, as per the mediation analysis, internal performance management influences customer satisfaction indirectly through service quality as the intervening variable. It is essential, therefore, that the relationship between internal performance management and service quality is enhanced.

- **Recommendation 36:** Banks must focus on the improvement of internal performance management in order to enhance service quality, as per the recommendations made in section 8.3.3.1, referring to recommendations 29-32. Banks must align job descriptions to KPIs and organisational objectives, provide monthly performance feedback, focus on quality management systems such Lean Management and provide simple problem-solving skills (details on how to implement these are provided in recommendations 29-32). Through this approach, internal performance management will strengthen employee ability to deliver service quality, which will in turn enhance customer satisfaction.

### **8.3.3.3 The non-significant relationships between the internal marketing mix elements and employees' ability to deliver service quality and customer satisfaction**

This section discusses the findings and conclusions drawn from the empirical results presented in Chapter 7, section 7.6.1.1-7.6.1.3. Due to the non-significant nature of these relationships, recommendations for the improvement of these particular elements have been put forward in Appendix 4.

- The empirical results for H<sub>2</sub>(a) revealed a positive but non-significant relationship between internal product and employees' perceived ability to deliver customer satisfaction ( $\beta = 0,054$ ;  $p > 0.05$ , Main finding 41, Chapter 7, section 7.6.1.1). These findings were in contradiction to research related to the components of internal product namely: learning development, role fit, and career advancement opportunities, implying that Oman as a frontier economy, is further down the experience curve than initially expected (Scales, 2018; Kaya & Ceylan, 2014:179; Umamaheswari, 2014:714). The main conclusion drawn is that internal product is not an enabler of customer satisfaction. Additional findings from the study indicate that internal product generates a total mediation effect of service quality on customer satisfaction, concluding that internal product influences customer satisfaction indirectly through service quality as the intervening variable. These findings are

consistent with previous studies conducted by Susanti et al. (2015) and Elsalem and Aishurideh (2012). Since internal product currently exhibits a negative relationship with service quality, it is imperative that this relationship be reversed, since internal product can only influence customer satisfaction through service quality as the intervening variable. Recommendations for the improvement of internal product as an enabler of service quality were made in section 8.3.3.1, of this chapter, refer to recommendations 7-15. Through higher levels of service quality, higher levels of customer satisfaction can be achieved.

- Regarding the relationship between internal price and employees' perceived ability to deliver customer satisfaction, hypothesis H<sub>2</sub>(b) denotes a non-significant negative relationship between these variables ( $\beta = -0.129$ ;  $p > 0.05$ , Main finding 43, Chapter 7, section 7.6.1.1). The main conclusion being that internal price is not an enabler of customer satisfaction. This finding was also contradictory to theory which validated that reward and the balancing of employee costs result in higher levels of employee satisfaction, which drives higher levels of customer satisfaction (Bakotić, 2016:120; Medlar-Liraz and Guttman, 2015:212) (refer to Chapter 5, section 5.3.2). The study also showed that internal price produces a total mediation effect of service quality on customer satisfaction, meaning that internal price influences service quality, and service quality in turn influences customer satisfaction. The findings are in line with previous studies conducted by Wang (2018), Sharma et al. (2016a) and Susanti et al. (2015). It is critical that the negative relationship between internal price and service quality be reversed, since internal price can only influence customer satisfaction through service quality as the intervening variable. Recommendations to improve internal price as an enabler of service quality were put forward in section, 8.3.3.1 of this chapter (refer to recommendations 16-21).
- Although the majority of employees agreed that the internal people element is implemented within their bank (mean= 4.11, Main finding 10, section 7.4.1.4), this element is not performing effectively within the Omani banks surveyed. The testing of the hypothesis, H<sub>1</sub>(d) relating to the relationship between internal people and employees' perceived ability to deliver service quality revealed a non-significant negative relationship ( $\beta = -0.003$ ;  $p > 0.05$ , Main finding 46, Chapter 7, section 7.6.1.2). Furthermore, the results of the hypothesis, H<sub>2</sub>(d) referring to the relationship between internal people and employees' perceived ability to deliver customer satisfaction revealed a positive, but non-significant relationship between the variables ( $\beta = 0.028$ ;  $p > 0.05$ , Main finding: 47, Chapter 7, section 7.6.1.2).

Concluding that, internal people, referring to relationships with supervisors and co-workers as it currently exists is not an enabler of employees' ability to deliver service quality or customer satisfaction. The results are not consistent with previous studies, which reflect that the relationships with co-workers and supervisors are strong enablers of service quality and customer satisfaction (Ugaddan & Park, 2017:274; Sturman & Park, 2016:6; Babalola; 2016:937, 941). Recommendations have been put forward in Appendix 4 (refer to recommendations A1-A4).

- Although respondents tend to agree that the internal process element is implemented in their bank (mean=3.82, Main finding 13, Chapter 7, section 7.4.1.5), the results of the study relating to H<sub>1</sub>(e) indicate that there is a positive, but non-significant relationship between internal process and employees' perceived ability to deliver service quality ( $\beta=0.187$   $p>0.05$ , Main finding 48, Chapter 7, section 7.6.1.2). Furthermore, the testing of the hypothesis H<sub>2</sub>(e) referring to the relationship between internal process and customer satisfaction revealed a negative and non-significant relationship ( $\beta= -0.128$   $p>0.05$ , Main finding 49, Chapter 7, section 7.6.1.2). The conclusion can be reached that internal process is not an enabler of service quality, nor of customer satisfaction. This is contradictory to the theory, which shows that effective, well designed processes are crucial for both internal and external service quality, resulting in customer satisfaction (Camgöz-Akdağ, Imer & Ergin, 2016:958, Peronja, 2015:9,19; Nazeer et al. 2014; Umamaheswari, 2014) (refer to Chapter 4, section 4.4.2.1). Recommendations to bolster the impact of internal process on service quality and customer satisfaction are put forward in Appendix 4 (see recommendations A5-A8).
- The majority of respondents tend to agree that the internal physical element is implemented in their bank (mean=3.82, Main finding 16, Chapter 7, section 7.4.1.6). The results however, relating to hypothesis H<sub>1</sub>(f) show a non-significant negative relationship between internal physical evidence and employees' perceived ability to deliver service quality ( $\beta= -0.082$ ;  $p>0.05$ , Main finding 50, Chapter 7, section 7.6.1.2). When the relationship between internal physical evidence and customer satisfaction was assessed as per H<sub>2</sub>(f), the results showed a non-significant, positive relationship between internal physical evidence and customer satisfaction ( $\beta=0.015$ ;  $p>0.05$ , Main finding: 51, Chapter 7, section 7.6.1.2). The conclusion is that the employees' work environment relating to the space, office layout, equipment temperature, look and feel, is not enabling employees' ability to deliver service quality or customer satisfaction. This is contradictory to previous findings in which

office space layout, the aesthetic features and characteristics within the space have a positive influence on both service quality and customer satisfaction (Wang, 2018; Chadburn et al., 2017:68-69; Elsalem & Alshurideh, 2012). Recommendations for the improvement of this element have been put forward in Appendix 4 (refer to recommendations A9-A12).

- The majority of respondents tend to disagree that the internal political power is implemented in their bank (mean=2.54, Main finding 25, Chapter 7, section 7.4.1.9). The testing of the hypothesis H<sub>1</sub>(i) referring to the relationship between internal political power and employees' perceived ability to deliver service quality, revealed a non-significant, negative relationship ( $\beta = -0.062$ ;  $p > 0.05$ , Main finding 56, Chapter 7, section 7.6.1.3), when blended with the other internal marketing elements through SEM. Furthermore, the findings relating to H<sub>2</sub>(i) indicate that internal political power is not an enabler of customer satisfaction ( $\beta = -0.013$ ;  $p > 0.05$ , Main finding 57, Chapter 7, section 7.6.1.3). Hence, it can be concluded, that internal political power is neither an enabler of service quality, nor of customer satisfaction. The results contradict theory, which states that if *wasta* is not controlled, employees may become resentful of perceived *wasta* placements or promotions, resulting in higher levels of dissatisfaction and a lack of trust (refer to Chapter 4, section 4.4.2.1). The consequence of this, is that organisations are not able to meet their organisational objectives such as customer satisfaction (Al Ali, 2018; Farmer, 2015:16-17,24). Recommendations to intensify the influence of internal political power on service quality are put forward in Appendix 4 (refer to recommendation A13).
- Respondents are leaning towards agreement that the internal procurement element is implemented in Omani retail banks (mean= 3.66, Main finding 28, Chapter 7, section 7.4.1.10). However, this element as it currently stands is not performing well. The results relating to H<sub>1</sub> (j) uncovered a non-significant, negative relationship between internal procurement and employees' perceived ability to deliver service quality ( $\beta = -0.026$ ;  $p > 0.05$ , Main finding 58, Chapter 7, section 7.6.1.3). Additionally, internal procurement relating to hypothesis H<sub>2</sub> (j) is not considered to be a significant enabler of employees' ability to deliver customer satisfaction, reflecting a positive, but non-significant relationship ( $\beta = 0.105$ ;  $p > 0.05$ , Main finding 59, Chapter 7, section 7.6.1.3). The main conclusion is that the internal procurement element relating to the recruitment and selection of customer-orientated employees, is not considered to be an enabler of employees' ability to deliver service quality when mixed with the other internal marketing mix elements in SEM. This implies that



enhancements must be made to this element. A prior study conducted by Nsour (2013:32), indicates that internal procurement should be a significant enabler of service quality and customer satisfaction (refer to Chapter 4, section 4.4.2.1). Recommendations to reinforce the influence of internal procurement on service quality have been put forward in Appendix 4 (refer to A14-14).

As per the discussion in this section, Secondary Objective 4 pertaining to the determination of the interrelationships between the internal marketing mix elements, service quality and customer satisfaction, has been achieved.

#### **8.3.4 Secondary Objective 5**

**To determine the influence of service quality on customer satisfaction in retail banks in Oman.**

The SEM results confirmed that a statistically significant and positive relationship exists between employees' perceived ability to deliver service quality and employees' perceived ability to deliver customer satisfaction ( $\beta = 0.58$ ;  $p < 0.05$ , refer to Chapter 7, section 7.6.1.4). According to the SEM results, employees' perceived the ability to deliver service quality is related to the following five predictors: internal product, internal price, internal promotion, internal performance management, and internal purpose. Further mediation analysis was conducted in order to ascertain the mediation effect of service quality on customer satisfaction for each of the internal marketing elements. The following conclusions can be made:

- Service quality does not have a mediation effect on customer satisfaction for the subconstructs of internal people, internal process, internal physical evidence, internal political power and internal procurement.
- Service quality has a partial mediation effect on customer satisfaction for the internal promotion construct. This implies that whilst internal promotion has a positive and direct effect on customer satisfaction, this effect is increased (almost doubled) when service quality performs as the intervening variable.
- A total mediation effect of service quality on customer satisfaction was found for the subconstructs of internal product, internal price, internal performance management and internal purpose. Hence, the influence on internal product, internal price, internal performance management and internal purpose on customer satisfaction only occurs when service quality is integrated into the model as the intervening

variable. This means that these elements, when implemented correctly, bring about higher levels of assurance, reliability, empathy and responsiveness (SERVQUAL dimensions).

Thus, as improvements are made to internal product, internal price, internal promotion, internal performance management and internal purpose, service quality is enhanced and customer satisfaction is improved as a result. The secondary objective in terms of determining the influence of service quality on customer satisfaction in retail banks in Oman has thus been achieved. The results support previous research linking service quality to customer satisfaction (Gera, 2018; Kaura, 2017; Rubogora, 2017; Awoke, 2015; Selvakumar, 2015; Banerjee & Sah, 2012; Shanka, 2012; Munusamy et al. 2010). The conclusion is that superior levels of service quality result in higher levels of customer satisfaction (Izogo & Ogba, 2014:253; Mohd- Shariff et al., 2013:36-37). In order to enhance the relationship between service quality and customer satisfaction further, the following recommendation has been made:

- **Recommendation 37:** Focus should be placed on the improvement of the internal marketing mix elements that produce a total mediation effect of service quality on customer satisfaction, namely, internal product, internal price, internal performance management and internal purpose. Refer to recommendations 7-34 made in section 8.3.3.1 of this chapter. Through the implementation of these recommendations, service quality will be improved, which will in turn positively influence customer satisfaction. Furthermore, attention must also be given to the internal promotion element, since this variable influences customer satisfaction both directly and indirectly through service quality. In order to achieve this, recommendations 22-28 ought to be focused on. As per the discussion in this section, Secondary Objective 5 in terms of determining the influence of service quality on customer satisfaction, has been achieved.

### 8.3.5 Secondary Objective 6

**To ascertain the validity of the conceptual model across conventional and Islamic banking.**

The study also measured the extent to which differences may exist between Islamic and conventional banking as part of the multigroup analysis. The following chapter discusses

the findings and conclusions drawn from the results presented in Chapter 7, section 7.7.3, and recommendations are made for each banking group.

#### **8.3.5.1 Statistical differences between internal marketing and employees' perceived ability to deliver service quality across Islamic and conventional banking**

The findings of the study showed that statistically significant differences do exist between Islamic and conventional banking, when assessing the internal marketing mix as enablers of service quality. Significant differences can be found in the following internal marketing elements, namely internal promotion ( $\Delta X^2 = 7.847$ ;  $p < 0.05$ ), internal process ( $\Delta X^2 = 4.025$ ;  $p < 0.05$ ), internal purpose ( $\Delta X^2 = 25.853$ ;  $p < 0.05$ ), and internal political power ( $\Delta X^2 = 4.049$ ;  $p < 0.05$ ), and on their influence on service quality across conventional and Islamic banking (refer to Chapter 7, section 7.7.3).

- **Internal promotion** has a stronger relationship with service quality in conventional banking ( $\beta = 1.097$ ;  $p < 0.05$ ) than in Islamic banking ( $\beta = 0.228$ ;  $p < 0.05$ ), which is mainly due to the maturity stage of conventional banking. Since Islamic banks in Oman are still young (established in 2012), their communication strategies are neither as established, nor as strong as the conventional banks (Fisk, 2017).
- **Internal process** is viewed as a strong enabler of service quality in Islamic banks ( $\beta = 0.275$ ;  $p < 0.05$ ), but not in conventional banking ( $\beta = -0.271$ ;  $p > 0.05$ ). This is mainly due to compliance with Sharia Law. Sharia law specifies clear process and standards in order to create a transparent and consistent experience for customers. Clear standard operating procedures are firmly in place across the value chain and employees receive extensive training on this. Furthermore, the process and procedures are automated and consistently improved ensuring that enhanced service quality is a priority. Within conventional banking, processes are outdated, manual, are not clearly laid out, and checklists are not in place to ensure higher levels of reliability. Furthermore, employees are not empowered to move beyond the process needed in order to serve customers well, which results in feelings of dissatisfaction for both the employee and the customer. A high degree of process improvement and automation is required in conventional banking (Al Zadjali, 2018; Chang, 2018; Loots, 2017).

- **Internal purpose** is deemed an enabler of service quality in Islamic banking ( $\beta = 0.74$ ;  $p < 0.05$ ), but not in conventional banking ( $\beta = -0.102$ ;  $p > 0.05$ ) due the influence of Sharia law. Employees working within Islamic banking display strong levels of pride. There tends to be a stronger focus on linking objectives to the economic objectives of the country, which further links employee purpose to the organisational purpose and an understanding that they are contributing to something greater than themselves. This creates more meaning at work and higher levels of ownership. Employees feel proud to be able to support individuals and businesses through their banking services, as it contributes to a stronger economy and they feel more motivated to provide higher levels of service quality. There also tends to be a deeper focus on the reliability and assurance dimensions of service quality, in that when home loans are taken, the Islamic bank provides the service of inspecting the property beforehand to ensure that everything is up to standard. This creates greater feelings of security for their customers and communicates that “we stand with our customers” (Al Mughairi, 2018; Al Zadjali, 2018).
- In addition to this, the negative impact of **internal political power** (*wasta*) on service quality is stronger in Islamic banking ( $\beta = -0.049$ ;  $p > 0.05$ ) than in conventional banking ( $\beta = 0.079$ ;  $p < 0.05$ ), possibly due to more hierarchy in the organisational structure and performance metrics not as established as they are in conventional banking. This results in perceived favouritism, which impacts feelings of dissatisfaction. When the Islamic banks were first established, managers brought in employees from various other banks, mainly as a result of their relationships with these individuals. This has resulted in teething issues and a number of internal conflicts, due to personal relationships and perceived favouritism (Al Zadjali, 2018; Loots, 2017).

It can therefore be concluded that differences do exist in the influence of the internal marketing mix elements, namely: internal promotion, internal process, internal purpose, and internal political power between the two banking groups. Internal process and internal purpose are depicted as stronger enablers of service quality in Islamic banking, whilst internal promotion and internal political power have a weaker effect and an adverse effect in the case of Islamic banking, when compared to conventional banking. Internal purpose indicates the strongest difference between Islamic and conventional banking as an enabler of service quality, with this element having a stronger influence on Islamic banking than on conventional banking.

#### 8.3.5.2 Statistical differences between internal marketing and employees' perceived ability to deliver customer satisfaction across Islamic and conventional banking

Additionally, the results of the study proved that statistically significant differences exist between Islamic and conventional banking when investigating the impact of the internal marketing mix as enablers of customer satisfaction. Differences between Islamic banking and conventional banking exist with internal people ( $\Delta X^2 = 5.163$ ;  $p < 0.05$ ) and internal physical evidence ( $\Delta X^2 = 3.895$ ;  $p < 0.05$ ) as enablers of customer satisfaction.

**Internal people** is regarded as an enabler of customer satisfaction in conventional banking ( $\beta = 0.233$ ;  $p < 0.05$ ) but not in Islamic banking ( $\beta = -0.168$ ;  $p < 0.05$ ), as a result of the negative relationship between these variables. This is due to the infancy stage of Islamic banking in Oman. When the Islamic banks were first established (in 2012), managers were recruited from various other banks and each one came with his/her own management philosophy and leadership style. This resulted in a melting pot of leadership styles, philosophies and management processes. This has created many challenges from a uniformity and consistency point of view, and Islamic banks are still in the process of defining their structures, culture and leadership philosophies. From a co-worker perspective, since the conventional banks are far more established, teams and various departments have been working together for over a decade. As a result, these teams have established stronger working relationships, as well as processes to support the internal supply chain. Within the Islamic banks, teams are still going through the forming, storming and norming phases, but have not yet reached the team performance stage. For this reason, internal relationships and cross-functional integration are still weak, impacting service delivery and customer satisfaction (De Bruin, 2018).

**Internal physical evidence** has a positive relationship with customer satisfaction in conventional banking ( $\beta = 0.152$ ;  $p > 0.05$ ), but a negative relationship in Islamic banking ( $\beta = -0.123$ ;  $p > 0.05$ ). However, due to the non-significant nature of the relationships, internal physical evidence is not recognised as an enabler of customer satisfaction for either of the two banking groups. Islamic banks are still regarded as start-ups and were subjected to pressure by the Central Bank of Oman to achieve a break-even point over a three-year period, in accordance with the prospectus. Cost efficiency, has therefore been a major driver in Islamic banking. Due to a lack of funds, Islamic banks do not have the latest equipment in their internal

environment and systems. CRM systems are still under development and have not yet been fully integrated and in some instances, employees do not have access to email. These challenges compound how customers are serviced and as a result, determine their customer experience with these banks (De Bruin, 2018).

It can therefore be concluded that differences do exist in the influence of the internal marketing mix elements namely, internal people and internal physical evidence between the two banking groups. However, internal physical evidence is not regarded as an enabler of customer satisfaction in either Islamic or conventional banking. Based on the discussion in this section, the following recommendations have been put forward:

### **8.3.5.3 Recommendation for Islamic banks**

The following recommendation has been made for Islamic banking based on the above discussion.

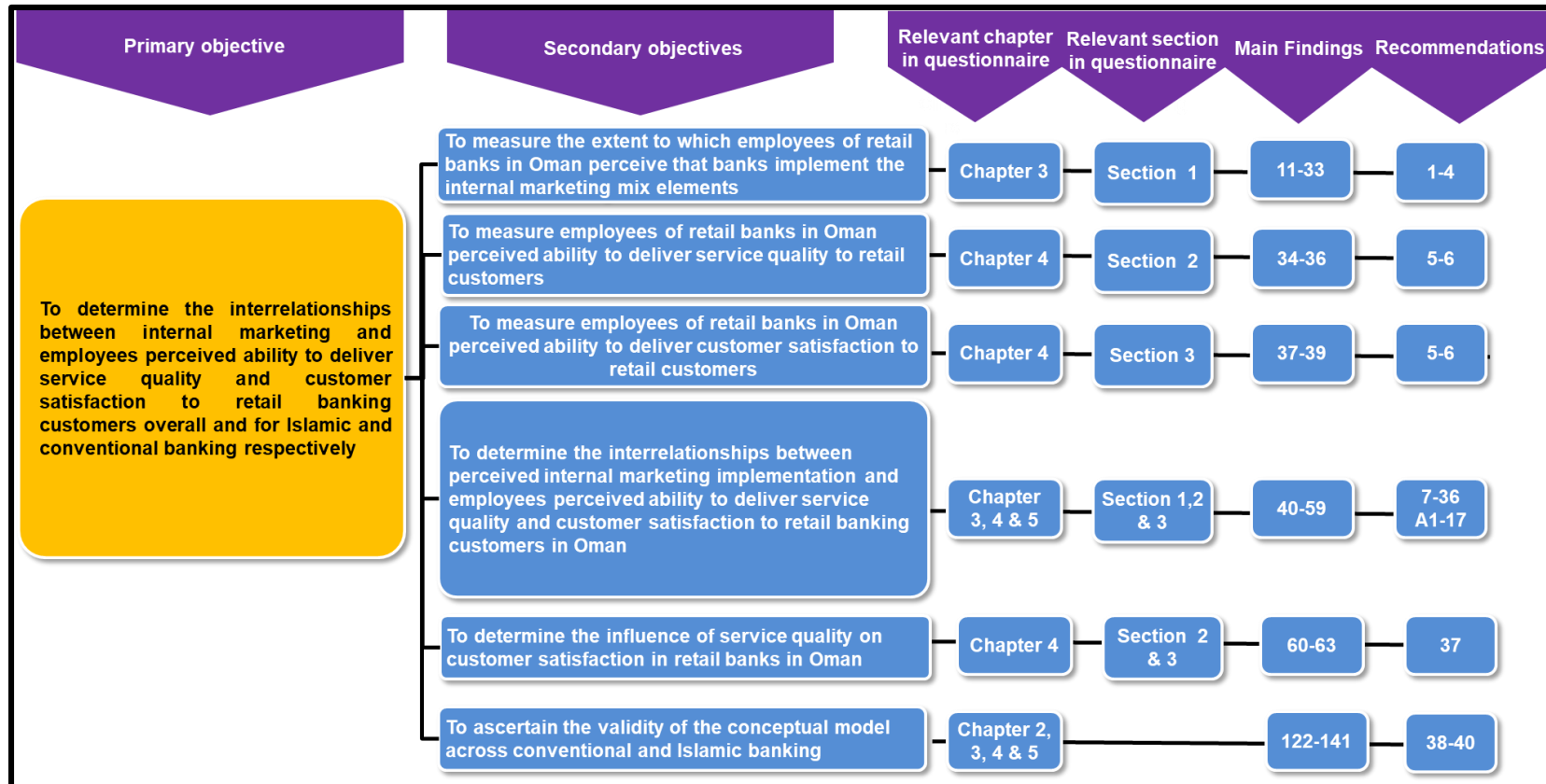
- **Recommendation 38:** The recommendation for Islamic banks is to focus on the recommendations 7-34 previously made in section 8.3.3.1, but with a stronger emphasis on the internal promotion element, in order to strengthen the effectiveness of this within Islamic banking. There must be a strongly communicated vision, and an induction and an orientation programme are required in order to assimilate employees into the culture faster. Employees' needs must be researched, understood and responded to, better use of social media platforms is required, advergames can be used, events such as roadshows or town hall meetings are required, and better use of visual channels should be made. The details in terms of how this can be done are laid out in recommendations 22-28.
- **Recommendation 39:** Internal political power is controlled through the other internal marketing elements and no further recommendations have been made for this element. More detailed recommendations for the implementation of internal people are provided in Appendix 4, and recommendations include the transitioning of managers from directing to coaching, leaders' role modelling should display the required behaviours, managers should link work to purpose, and greater involvement of employees in social events is to be encouraged (refer to recommendations A1-A4).

#### 8.3.5.4 Recommendation for conventional banks

The following recommendation has been put forward for conventional banking based on the above discussion.

- **Recommendation 40:** It is still recommended that the conventional banks follow the recommendations 7-34 for the final model put forward in section 8.3.3.1, but with a focus on internal process and internal people as well. Recommendations for internal process and internal people have been provided in Appendix 4. From an internal process perspective, customer-facing employees must be empowered, quality processes must be designed, the service recovery process ought to be strengthened, and there must be a focus on continuous improvement (details as to how these can be implemented are presented in Appendix 4, recommendations A5-A8). From an internal people perspective, managers must be transitioned from directing to coaching, leaders' role modelling should display the desired behaviours, managers must link work to purpose, and greater involvement of employees in social events is required (detail as to how these can be implemented are presented Appendix 4, recommendations A1-A4).

Secondary Objective 6, in terms of determining the validity of the conceptual model across conventional and Islamic banking, has therefore been achieved. Figure 8.1 provides a summary of the study structure in terms of the primary and secondary objectives, chapters in which the theory was developed, relevant sections in the questionnaire, main findings and recommendations.



**Figure 8.1: Summary of the study structure**

Source: Author's own construct



## **8.4 CONTRIBUTION TO THEORY AND INDUSTRY RESEARCH**

As positioned in Chapter 1, section 1.6, the study aimed to contribute to both theory and industry research. The following section discusses the contributions made to each of these fields

### **8.4.1 Academic and theoretical contribution**

The study makes an academic and theoretical contribution in the following ways. Firstly, it provides an alternative approach to the capture of service quality and customer satisfaction data through the use of employee opinion. The findings suggest that employees in Omani retail banks have an overinflated view of their ability to provide service quality and customer satisfaction. This builds onto the growing body of research conducted by Al-Abanneh (2016), Kus Ivan et al. (2010) and Wei and Yan (2010), who also found that employees tend to overinflate their abilities to deliver service quality.

Secondly, the internal marketing mix model is predominately a Western model which has been tested primarily in mature western markets. The 10 elements of the internal marketing mix are a new concept for frontier markets and for Oman specifically. This is the first time the 10 Ps, and in particular the new internal marketing Ps, have been tested for the enablement of service quality and customer satisfaction in Oman and in a frontier market. The findings suggested that Oman as a frontier market is a late mover in internal marketing strategy, and as a result some of the internal marketing mix elements are in a different stage of the lifecycle when compared with more mature markets. Hence, some of the internal marketing mix elements are not regarded as significant enablers of service quality and customer satisfaction at this point in time. Through the research and empirical testing, a model was developed that outlines the most important elements that influence employees' ability to deliver service quality and customer satisfaction. The most important internal marketing mix influencers of service quality were identified as internal product, internal price, internal promotion, internal performance management and internal purpose. It is important to note however, that internal product and internal price currently have a negative relationship with service quality. The most significant influencers of customer satisfaction were identified as internal promotion and internal performance management. The study also contributed by providing an understanding of which of these elements have the strongest relationship and influence on service quality and customer satisfaction. Internal promotion, emerged as the strongest influencer of both service quality and customer satisfaction.

Thirdly, the study validated that differences do exist between conventional and Islamic banking with regard to the influence of the internal marketing mix on employees' ability to deliver service quality and customer satisfaction. Two separate models were established for the two banking groups in terms of the relationships and strength of the relationships between the internal marketing mix, and the ability to deliver service quality and customer satisfaction. It was established that significant differences exist between Islamic and conventional banking with regard to the influence of internal promotion, internal process, internal purpose and internal political power on service quality, and the influence of internal people and internal physical evidence on customer satisfaction. These findings contribute to the Internal Marketing Theory, specifically in frontier economies and add to the growing literature on the influence of internal marketing within Islamic banking.

#### **8.4.2 Industry contribution**

Since Oman is a frontier market, the contribution of the study could also hold value for other frontier markets and emerging economies, such as South Africa. The study contributed in that it showed which internal marketing mix elements are regarded as enablers of service quality (internal promotion, internal performance management and internal purpose) and which are enablers of customer satisfaction (internal promotion and internal performance management). Furthermore, the research also showed how some of the internal marketing mix elements are not well established, and are not performing well as enablers of service quality (internal people, internal process, internal physical evidence, internal political power), or as enablers of customer satisfaction (Internal product, internal price, internal people, internal process, internal physical evidence, internal purpose, internal political power and internal procurement). The study highlights how a stronger understanding of these elements is needed in the Middle Eastern region and in frontier economies specifically. The internal marketing mix elements in general are currently neither operating as part of a formal programme, nor leveraging off one another in value adding ways. This could be the case in other frontier economies which could benefit from the insights provided in the study. The recommendations put forward are further contributions in terms of how the internal marketing mix elements can be enhanced as enablers of service quality and customer satisfaction through a formal internal marketing programme. As such these insights could be valuable for management practitioners.

Secondly, the study holds value for Islamic banks in frontier and emerging economies such as South Africa, which has the potential to position itself as a leading hub of Islamic finance on the African continent. An Islamic banking model was developed, highlighting which

internal marketing elements in particular influence service quality and customer satisfaction (internal product, internal price, internal promotion, internal people, internal process, internal performance management, internal purpose and internal political power) and where greater focus is required in order to enhance these elements as enablers of service quality and customer satisfaction. This model could strengthen the performance of Islamic banking in both frontier and emerging markets and contribute to the growth of Islamic banking, specifically across the MENA region. Enhancements to internal environments through well designed internal marketing programmes, are likely to gain acceptance and support in Islamic communities, due to the strong influence of Islam, and the alignment of internal marketing practices with Islamic values (such as equality, justice and trust). For instance, the generation, dissemination and response to internal intelligence by exploring what employees need, how they can be better enabled, and taking corrective measures to improve working conditions, atmosphere and other related issues, communicates the building of equality and trust. In this way, internal marketing serves as an Islamic-valued relationship management system that evolves into an external marketing and external relationship management system.

## **8.5 OVERALL SUMMARY OF THE STUDY**

The following section provides a summary of the study in terms of the secondary objectives, relevant hypotheses, new contributions made to theory and industry, challenges faced from an Omani retail banking perspective, and recommendations made (refer to Table 8.1).

**Table 8.1: Overall summary of the study**

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
To measure the extent to which employees of retail banks in Oman perceive that banks implement internal marketing mix elements	N/A	This is the first time this research has been conducted in Oman. Employees agree that the internal marketing mix is implemented. However, the internal marketing mix currently exists as stand-alone items and are not performing as effectively as they should be when regressed onto service quality and customer satisfaction	Employees do not understand the concept of internal marketing, nor the need to implement a formal internal marketing strategy in which the internal marketing mix variables make up the employee value proposition (EVP).	Focus on employee experience and the development of an empowering employee value proposition	1-4

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
<p>Secondary objective 2: To measure employees of retail banks in Oman's perceived ability to deliver service quality to retail customers.</p> <p>Secondary objective 3: To measure employees of retail banks in Oman's perceived ability to deliver service quality to retail customers.</p>	N/A	<ul style="list-style-type: none"> <li>This is the first time employee opinion has been used in Oman with regard to their ability to deliver service quality and customer satisfaction. Employees agree that they have the ability to deliver service quality and customer satisfaction, which represents an overinflated view from an employee perspective</li> <li>The findings provide insights for management practitioners in order to better understand employee perception of service quality, and to implement the suggested recommendations</li> </ul>	One of the biggest challenges to employee performance in Oman is the employees' lack of ability. Employees provided an overinflated view of their ability to deliver service quality, which is not in line with customer perceptions of their ability to deliver service quality	<ul style="list-style-type: none"> <li>Focus on the creation of safe environments built on trust, in which performance is visible and employees feel comfortable to provide an honest self-evaluation</li> <li>The focus needs to be on development as opposed to judgement of performance</li> <li>The implementation of the internal performance management element and the internal people element is required to enhance this. A formal internal marketing strategy is required to strengthen employee empowerment</li> </ul>	5-6

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
To determine the interrelationships between perceived internal marketing implementation and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers in Oman	H1 (a) H2 (a)	<ul style="list-style-type: none"> <li>The study concluded that internal product is neither considered to be an enabler of service quality, nor of customer satisfaction. This provides a unique contribution in that this finding has not been proven before within the Omani retail banking sector</li> <li>Furthermore, this finding has not been proven before for banks operating within frontier markets</li> <li>The study also proved that internal product displayed a negative relationship with service quality. This is the first time this has been proven within the Omani retail banking sector and within a frontier market</li> </ul>	<ul style="list-style-type: none"> <li>Ineffective training</li> <li>Inadequate evaluation of training</li> <li>Language barriers</li> <li>Multiple product training that overwhelms</li> <li>Lack of commitment to training and knowledge transfer</li> <li>Capacity issues when employees are out of office</li> <li>Poor knowledge of performance-based advancement</li> <li>Lack of career advancement plans</li> </ul>	<ul style="list-style-type: none"> <li>Assess training needs and develop personal training plans</li> <li>Make use of role-play interventions</li> <li>Provide training in Arabic</li> <li>Leaders are to train and mentor</li> <li>Improve training evaluation and feedback</li> <li>Provide on the job learning and coaching</li> <li>Provide executive coaching to leaders</li> <li>Use assessments for promotional decisions</li> <li>Provide career advancement plans</li> </ul>	7-15

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
	H1 (b) H2 (b)	<ul style="list-style-type: none"> <li>The study found that internal price is neither considered to be an enabler of service quality, nor of customer satisfaction. This provides a unique contribution in that this finding has not been proven before within the Omani retail banking sector</li> <li>Furthermore, this finding has not been proven before for banks operating within frontier markets</li> <li>The study also proved that internal price displayed a negative relationship with service quality. This is the first time this has been proven within the Omani retail banking sector and within a frontier market</li> </ul>	<ul style="list-style-type: none"> <li>Underdeveloped reward frameworks</li> <li>Rewards are not aligned to performance</li> <li>Incentives not paid on time</li> <li>Emotional labour costs</li> <li>Work-life balance issues due to collectivist culture</li> <li>Rewards not balanced with costs</li> </ul>	<ul style="list-style-type: none"> <li>Link reward to performance</li> <li>Reward more frequently</li> <li>Introduce profit-sharing scheme</li> <li>Balance between individual and team reward</li> <li>Recognise service quality and customer satisfaction excellence, and provide family-friendly practices</li> </ul>	16-21

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
	H1 (c) H2 (c)	<ul style="list-style-type: none"> <li>The study found that internal promotion is an enabler of service quality and customer satisfaction which contributes to the existing body of internal marketing research in this area</li> <li>This is the first time that internal promotion has been proven to be an enabler of service quality and customer satisfaction within the Omani retail banking sector</li> <li>Furthermore, it is the first time that internal promotion has been proven to be an enabler of service quality and customer satisfaction within a frontier market</li> </ul>	<ul style="list-style-type: none"> <li>Branches feel disconnected from head office and other branches</li> <li>There is a lack of alignment to the vision and objectives</li> <li>Branches may be bombarded with communications</li> </ul>	<ul style="list-style-type: none"> <li>Communicate a strong sense of purpose, vision and values</li> <li>Establish a strong induction and orientation programme</li> <li>Research, communicate and respond to employee needs</li> <li>Make use of social media platform</li> <li>Make use of advergames</li> <li>Make use of events such as roadshows</li> <li>Make use of visual channels</li> </ul>	22-28



Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
	H1 (d) H2 (d)	<ul style="list-style-type: none"> <li>The study at hand found that internal people is neither considered to be an enabler of service quality, nor of customer satisfaction.</li> <li>This provides a unique contribution in that this finding has not been proven before within the Omani retail banking sector</li> <li>Furthermore, this finding has not been proven before for banks operating within frontier markets</li> </ul>	<ul style="list-style-type: none"> <li>Trust issues as a result on clear performance feedback</li> <li>Lack of employee involvement in decision-making</li> <li>Decisions are often overturned resulting in uncertainty</li> <li>Leaders are not visible</li> <li>Empowerment is concentrated to the top levels of management</li> <li>Failure to link work to purpose</li> <li>Disconnect between internal customers and internal suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Transition of managers from directing to coaching/relationship management approach</li> <li>Leaders to role-model desired behaviours</li> <li>Link employees' work to purpose</li> <li>Engagement in more social events</li> </ul>	A1-A4 (Appendix 4)

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
	H1 (e) H2 (e)	<ul style="list-style-type: none"> <li>The study at hand found that internal process is not considered to be an enabler of service quality nor of customer satisfaction</li> <li>This provides a unique contribution in that this finding has not been proven before within the Omani retail banking sector</li> <li>Furthermore, this finding has not been proven before for banks operating within frontier markets</li> </ul>	<ul style="list-style-type: none"> <li>Manual process in conventional banks</li> <li>Processes are not mapped in conventional banks and in some instances are outdated</li> <li>Lack of empowerment for employees to move beyond the process</li> </ul>	<ul style="list-style-type: none"> <li>Empower customer-facing employees</li> <li>Design quality process</li> <li>Strengthen the service recovery process</li> <li>Focus on continuous improvement</li> </ul>	A5-A8 (Appendix 4)
	H1 (f) H2 (f)	<ul style="list-style-type: none"> <li>The study found that internal physical evidence is neither considered to be an enabler of service quality, nor of customer satisfaction</li> <li>This provides a unique contribution in that this finding has not been proven before within the Omani retail banking sector</li> <li>Furthermore, this finding has not been proven before for banks operating within frontier markets</li> </ul>	<ul style="list-style-type: none"> <li>Refurbishment of branches is needed in some areas</li> <li>The layout of branches is not effective</li> <li>Poor queue management due to branch layout</li> <li>Equipment is not working in some instances, and there is limited bandwidth</li> </ul>	<ul style="list-style-type: none"> <li>Consistent branding and refurbishment of branches</li> <li>Maintenance of equipment</li> <li>Focus on atmospherics</li> <li>Introduce green workplaces</li> </ul>	A9-A12 (Appendix 4)

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
	H1 (g) H2 (g)	<ul style="list-style-type: none"> <li>The study contributes in that this is the first time that internal performance management has been tested as part of the internal marketing mix</li> <li>The study found that internal performance management is an enabler of service quality and customer satisfaction, thereby contributing to the existing body of internal marketing research</li> <li>Internal performance management as an enabler of service quality and customer satisfaction has not been proven before within the Omani retail banking sector</li> <li>Furthermore, internal performance management as an enabler of service quality and customer satisfaction has not been proven before within a frontier market</li> </ul>	<ul style="list-style-type: none"> <li>Misalignment between role, KPIs and organisational objectives</li> <li>Appraisal conducted once a year is sufficient</li> <li>Supervisors hesitant to provide negative feedback to employees</li> <li>Employees not able or willing to accurately self-assess</li> </ul>	<ul style="list-style-type: none"> <li>Develop a strong customer and quality focus</li> <li>Align job descriptions to KPIs and organisational objectives</li> <li>Provide monthly performance feedback</li> <li>Focus on quality management systems such as Lean Management</li> <li>Provide simple problem-solving skills to employees</li> <li>Focus on management by fact</li> </ul>	29-32

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
	H1 (h) H2 (h)	<ul style="list-style-type: none"> <li>The study contributes in that this is the first time internal purpose has been tested as part of the internal marketing mix</li> <li>The study found that internal purpose is an enabler of service quality but not of customer satisfaction, thereby contributing to the existing body of internal market research in these areas</li> <li>The findings namely that internal purpose is an enabler of service quality but not of customer satisfaction, have not been proven before within the Omani retail banking sector</li> <li>Furthermore, the findings namely that internal purpose is an enabler of service quality but not of customer satisfaction, have not been proven before within a frontier market</li> </ul>	<ul style="list-style-type: none"> <li>Leaders do not link employees to the greater purpose</li> <li>Employees are not involved in CSR initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Develop a strong organisational purpose</li> <li>Enhance CSR and employee involvement with this</li> </ul>	33-34

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
	H1 (i) H2 (i)	<ul style="list-style-type: none"> <li>This study provides a unique contribution in that this is the first time that <i>wasta</i> is being tested as part of the internal marketing mix</li> <li>The study at hand found that internal political power is neither considered to be an enabler of service quality, nor of customer satisfaction. This finding has not been proven before within the Omani retail banking sector</li> <li>Furthermore, this finding has not been proven before for banks operating within frontier markets</li> </ul>	<i>Wasta</i> is used in selection and promotional decisions	This can be managed through the internal people and internal process element	A13 (Appendix 4)

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
	H1 (j) H2 (j)	<ul style="list-style-type: none"> <li>The study provides a unique contribution in that this is the first time that internal procurement has been tested as part of the internal marketing mix</li> <li>The study found that internal procurement is neither considered to be an enabler of service quality, nor of customer satisfaction.</li> <li>This finding has not been proven before within the Omani retail banking sector</li> <li>Furthermore, this finding has not been proven before for banks operating within frontier markets</li> </ul>	<ul style="list-style-type: none"> <li>Meeting of Omanisation targets</li> <li>Lack of proactive recruitment and employer-branding strategies</li> <li>Lack of well-trained interviewers</li> <li>Influence of negative stereotyping towards Omani employees</li> </ul>	<ul style="list-style-type: none"> <li>Develop strong competency frameworks</li> <li>Conduct competency-based interviews and train HR staff</li> <li>Make use of external specialists and assessment centres</li> <li>Develop a graduate development programme</li> </ul>	A14-A17 (Appendix 4)
To determine the influence of service quality on customer satisfaction	H3	The study contributes to existing service quality and customer satisfaction theory by proving that service quality has a significant impact on customer satisfaction within Omani retail banks, and is regarded as the mediating variable in the study		A focus on improvements to the internal marketing mix elements (specifically internal product, internal price, internal performance management and internal purpose), will have a positive influence on service quality, which will in turn have a positive influence on customer satisfaction	37

Secondary objective	Hypotheses	New Contribution	Challenges within Omani retail banks	Recommendations	No.
To ascertain the validity of the conceptual model across conventional and Islamic banking	H4	<ul style="list-style-type: none"> <li>The study contributes to theory and management practice by proving that differences do exist between Islamic and conventional banking in Oman in terms of the influence of the internal marketing mix elements as enablers of service quality and customer satisfaction</li> <li>A further contribution includes the development of an Islamic and conventional banking model. The Islamic banking model in particular, could hold value for the enhancement of Islamic banking performance</li> </ul>	Different internal marketing mix elements have a different level of influence on service quality and customer satisfaction across the two banking groups	A model has been developed for each banking group and suggestions made as to where to focus efforts initially (refer to recommendations 4-31)	39-40

Source: Author's own construct

## **8.6 LIMITATIONS OF THE STUDY**

Firstly, due to a lack of formal internal marketing research in conventional and Islamic banking in the Middle East and specifically within Oman, the study may lack in-depth industry information. Only two of the conventional banks and three Islamic banks participated in the study, therefore the results may not be representative of the entire retail banking market. Secondly, only employee opinion was formally measured in the current study. Employees provided an overinflated view of their ability to deliver service quality and customer satisfaction. Had employees provided a more honest perspective, the results may have differed, specifically in terms of the strength of the relationships. Thirdly, discriminant validity could not be assessed for internal price and internal promotion, these elements could be further refined in future. Fourthly, the study was limited to the banking industry in Oman.

## **8.7 FUTURE RESEARCH**

Future studies could include a larger study in Oman in which all the banks participate, which would increase the generalisability of the empirical results. Future studies could include a comparative study between employee and customer opinion with regard to the influence of the internal marketing mix elements on service quality and customer satisfaction. Additionally, the study can be extended to other service industries, such as telecommunication and insurance organisations in Oman. Further to this, the study could be extended to other geographical regions in the Middle East and beyond.

## **8.8 CONCLUDING REMARKS**

Internal marketing shows potential to serve as a universally successful model and if implemented correctly, could achieve the desired results of increased employee satisfaction, superior levels of service quality and customer satisfaction in Omani banks. The internal marketing practice in Omani banks can however not be supported without a solid understanding of internal marketing strategy and how the internal marketing mix elements serve as enablers of service quality and customer satisfaction, and whether these influences differ across conventional and Islamic banking. Hence, the primary objective of the study was put forward: To determine the interrelationships between internal marketing and employees' perceived ability to deliver service quality and customer satisfaction to retail banking customers overall, and for Islamic banking and conventional banking respectively.



To achieve the primary objective, the study has empirically tested the influence of the 10 internal marketing mix elements on employees' ability to deliver service quality and customer satisfaction. Furthermore, the study tested the influence of service quality on customer satisfaction and ascertained that differences do in fact exist between conventional and Islamic banking. The study contributes to both academic/theory and to industry research and practice in the following ways: This is the first time this research has been conducted in Oman and in a frontier economy, and it was found that employees do agree that the internal marketing mix elements are implemented. However, the internal marketing mix elements currently exist as stand-alone items and are not performing as effectively as they should be when regressed onto service quality and customer satisfaction. This is the first time that employee opinion has been used in Oman with regard to their ability to deliver service quality and customer satisfaction. The results reflect that employees agree that they have the ability to deliver service quality and customer satisfaction, which represents an overinflated view from an employee perspective. It was found that the existing body of internal marketing research on internal product, internal price, internal people, internal process, internal physical evidence, internal political power and internal procurement, does not apply to Oman as a frontier market. The findings concluded that these elements are neither enablers of service quality, nor of customer satisfaction within the Omani retail banking sector. Furthermore, both internal product and internal price showed negative relationships with employees' perceived ability to deliver service quality. The existing body of internal marketing research on the internal promotion and internal performance management elements, was found to be relevant to Oman as a frontier market. These elements are considered to be enablers of service quality and customer satisfaction, but still require greater development. The existing body of research on the internal purpose element applies partially to Oman in that internal purpose is regarded as an enabler to service quality, but not of customer satisfaction.

The research findings also concluded that service quality has a significant impact on customer satisfaction within Omani retail banks, and is regarded as the mediating variable in the final model. Furthermore, differences exist between Islamic and conventional banking in Oman in terms of the influence of the internal marketing mix elements as enablers of service quality and customer satisfaction. It was established that significant differences exist between Islamic and conventional banking with regard to the influence of internal promotion, internal process, internal purpose and internal political power on service quality, and the influence of internal people and internal physical evidence on customer satisfaction. Two models were developed, one for Islamic banking and the other for conventional banking. The Islamic banking model in particular could hold value for the enhancement of Islamic

banking performance, specifically within other frontier markets and within emerging markets such as South Africa.

Enhancements to internal environments through well-designed internal marketing programmes are likely to gain acceptance and support in Oman, due to the strong influence of Islam and the alignment of the internal marketing practice with Islamic values (such as equality, justice and trust). For instance, the generation, dissemination and response to internal intelligence by exploring what employees need, and how they can be better enabled by taking corrective measures to improve working conditions, atmosphere and other related issues, communicate the building of equality and trust. In this way internal marketing serves as an Islamic-valued relationship management system that evolves into an external marketing and external relationship management system. In this way, external customers can be better served, strong relationship can be established and sustained, and high levels of customer satisfaction can be achieved. Hence, the primary objective of the study has been achieved.

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## APPENDICES

### APPENDIX 1: DISCUSSION OF THE TERMINOLOGY

<b>Conventional banking</b>	This relates to banking services that are offered to individual customers through local branches of the bank. Examples of conventional banking services include checking and savings accounts, credit cards, lines of credit, mortgages etc. both personal and business customers (Financial Dictionary).
<b>Islamic banking</b>	A system of banking that only offers products that conform to Sharia or Islamic law (Ismail, Majid & Rahim, 2013:92).
<b>Islamic banking window</b>	In the Omani banking context, this refers to an affiliate of a conventional bank which is fully compliant with Sharia law (De Bruin, 2016).
<b>Internal marketing</b>	Internal marketing can be defined as a planned effort using a marketing-like approach to overcome organisational resistance, to change and to align, motivate, and inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through the process of creating motivated and customer-orientated employees (Ferrel & Hartline, 2008:324).
<b>Customer satisfaction</b>	Customer satisfaction is defined as the pleasant feeling customers have after experiencing a service (Anani, 2010:1).
<b>Service quality</b>	Service quality is defined as “the result of an evaluation process, which helps consumer compare his expectations with his perception of the service received (Malik et al., 2011:631).
<b>Sharia law</b>	The detailed system of religious laws that govern Muslim life based on the teachings of the Koran (Merriam-Webster Dictionary, 2014).

## APPENDIX 2:

## COVER LETTER AND QUESTIONNAIRES

### Appendix 2a:

### Cover letter

<p><b>The relationship between internal marketing, service quality and customer satisfaction</b></p> <hr/> <p>Dear valued employee,</p> <p>Our bank is participating in a PHD research study which is focused on how greater employee satisfaction through various internal elements in the organisation can lead to happier customers for banks in Oman. The research study is being conducted by a PHD student of the University of Johannesburg who through the study aims to prove the importance of employee satisfaction and enablement in the delivery service quality and customer satisfaction to customers.</p> <p>We invite you to participate by clicking on the following link:</p> <p><a href="https://www.research.net/r/OmanBankingSurvey">https://www.research.net/r/OmanBankingSurvey</a></p> <p>The survey will take less than 10 minutes to complete and will be open for the next two weeks.</p> <p>All the responses are anonymous and will go directly to the University of Johannesburg so your feedback will be kept strictly confidential.</p>	<p>كيف يؤدي تحسين رضا الموظفين إلى عملاء أكثر</p> <hr/> <p>الموظف العزيز، عزيزي الموظف،</p> <p>يشترك بنكنا في دراسة دكتوراة بحثية تركز على كيفية زيادة رضا موظفين البنوك في سلطنة عُمان والذي قد يؤدي إلى عملاء أكثر <u>سعادة</u>. <u>رضاءا</u></p> <p>يتم إجراء الدراسة البحثية من قبل أحد طلاب الدكتوراه بجامعة جوهانسبرج والذي يهدف من خلال الدراسة إلى إثبات أهمية رضا الموظف في جودة توصيل الخدمة للعملاء.</p> <p>ندعوك للمشاركة من خلال النقر على الرابط التالي:</p> <p><a href="https://www.research.net/r/OmanBankingSurvey">https://www.research.net/r/OmanBankingSurvey</a></p> <p>سيستغرق استطلاع الرأي أقل من 10 دقائق وسيكون متاحاً من الآن ولأسبوعين القادمين.</p> <p>ستكون كافة الردود مجهولة المصدر وستُرسل مباشرة إلى جامعة جوهانسبرج حتى تظل تعليقاتك سرية للغاية.</p> <p>نحن نشجعك على المشاركة حتى تتمكن ممّا من إضافة قيمة أكبر إلى مكان العمل بالإضافة إلى تحسين مستويات رضا العملاء.</p> <p>شكراً على مشاركتكم.</p> <p>مع تحياتنا</p> <p>(إسم) نيابةً عن جامعة جوهانسبرج</p>
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We encourage you to participate so that together we can add greater value to our work place plus improve our customer satisfaction levels.

Thank you for your participation.

If you have any queries, please contact the University of Johannesburg research team using the below contact details:

Ms. Leigh De Bruin ([leigh.de.bruin@gmail.com](mailto:leigh.de.bruin@gmail.com))

Prof. Mornay Roberts-Lombard

([mornayrl@uj.ac.za](mailto:mornayrl@uj.ac.za))

إذا كانت لديك أية استفسارات ، يرجى الاتصال بفريق البحث بجامعة جوهانسبرج بواسطة تفاصيل الاتصال المذكورة أدناه:

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## Appendix 2b:

## Employee questionnaire

INTERNAL MARKETING, SERVICE QUALITY AND CUSTOMER SATISFACTION QUESTIONNAIRE					
EMPLOYEE DEMOGRAPHICS					
Which bank do you work for?	Bank Muscat	Bank Dhofar	NBO	Alizz bank	Bank Nizwa
	Muzn	Meethaq		Masairah	
What is your gender?	Male		Female		
What is your nationality?	Omani		(E Expat		
What age bracket are you in?	18-25	26-30	31-35	36-40	41-45
	46-50	51-55	56-60	61 -65	65+
How many years have you worked for your bank?	1-5	6-10	11-15	16-20	20+
SECTION 1: INTERNAL MARKETING					
Please answer the following questions in terms of how much you agree with the statement (i.e.. 1 being you strongly disagree and 5 being you strongly agree)					
Internal product					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
My organisation fulfils my development needs	1	2	3	4	5
There are opportunities to advance my career in my organisation	1	2	3	4	5
I am provided with support such as coaching to perform my job better	1	2	3	4	5
The skills I have match the job I am doing	1	2	3	4	5
I am passionate about the work I do	1	2	3	4	5
Internal price					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Financial rewards(such as bonuses) are granted based on how well employees perform their jobs	1	2	3	4	5
I am getting paid market value for the job that I do	1	2	3	4	5

Employees are recognised for providing high quality services to customers	1	2	3	4	5
The sacrifices I make at work are worth it to me	1	2	3	4	5
By working for this organisation I am satisfied that I have not missed out on opportunities elsewhere	1	2	3	4	5
I have enough time during my day to complete my workload	1	2	3	4	5
<b>Internal promotion</b>					
<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
The importance of the customer is frequently communicated to me by leadership	1	2	3	4	5
I know what the long term objectives of my organisation are	1	2	3	4	5
Print materials (such as posters, newsletters etc) are used to communicate with me	1	2	3	4	5
Events (such as roadshows) are often used to communicate with me	1	2	3	4	5
<b>Internal people</b>					
<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
My manager cares about my needs	1	2	3	4	5
My manager involves me when making decisions	1	2	3	4	5
My manager communicates openly with me	1	2	3	4	5
My manager acts fairly	1	2	3	4	5
I share the same moral values as my colleagues	1	2	3	4	5
My colleagues treat me with respect	1	2	3	4	5
<b>Internal process</b>					
<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>

I am provided with supportive processes/procedures to help me do my job better	1	2	3	4	5
New ways of doing tasks at work make my job easier	1	2	3	4	5
Automated processes make service delivery between departments easier	1	2	3	4	5
My experience with my organisations processes (such as HR) is satisfactory	1	2	3	4	5
<b>Internal physical evidence</b>					
<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
The décor in my office is attractive and pleasing	1	2	3	4	5
Employees in my organisation look professional	1	2	3	4	5
The marketing material used by my organisation (brochures, stationary etc) is professional	1	2	3	4	5
The layout of my office encourages the sharing of information	1	2	3	4	5
Physical conditions (such as noise level, smells, temperature, lighting etc) within my environment allow me to perform well	1	2	3	4	5
The facilities at my workplace enables social interaction between colleagues	1	2	3	4	5
<b>Internal performance management</b>					
<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
I understand what is expected of me to meet my KPI's (key performance indicators)	1	2	3	4	5
I am provided with regular feedback about how I am performing	1	2	3	4	5
During the year my areas of improvement are pointed out to me	1	2	3	4	5

Discussions with my direct manager about my performance are worthwhile	1	2	3	4	5
I am provided with tools to track my own performance	1	2	3	4	5
My annual performance review is an accurate assessment of my performance during the year	1	2	3	4	5
<b>Internal procurement</b>					
<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
My organisation makes use of both online and offline recruitment practices	1	2	3	4	5
My department/branch is able to recruit people with the right skills	1	2	3	4	5
Interviews in my organisation are conducted by well-trained interviewers	1	2	3	4	5
Assessment tools (such as assessment tests) are used well to help select people in my organisation	1	2	3	4	5
My organisation has a competitive selection process to ensure that competent people are attracted into the bank	1	2	3	4	5
Top talent is attracted into my organisation through a Graduate Development Programme	1	2	3	4	5
<b>Internal political power</b>					
<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
I benefit from Wasta in my professional life	1	2	3	4	5
Wasta has made my life easier	1	2	3	4	5
I get a lot of things done through my Wasta connections within my organisation	1	2	3	4	5
Performance as opposed to favouritism (Wasta) determines who gets ahead in my bank	1	2	3	4	5

Internal purpose					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
I have found a meaningful career in my organisation	1	2	3	4	5
The work I do serves a higher purpose	1	2	3	4	5
I feel proud to belong to this organisation	1	2	3	4	5
The work I do is important	1	2	3	4	5
My organisation encourages employees to participate in social causes (such as walk for cancer, blood donation, beach clean up's etc)	1	2	3	4	5
<b>SECTION 2: SERVICE QUALITY</b>					
Please answer the following questions in terms of how much you agree with the statement (i.e.. 1 being you strongly disagree and 5 being you strongly agree)					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
I provide services to my customers as promised	1	2	3	4	5
I respond quickly to customer requests	1	2	3	4	5
My customers believe I am knowledgeable	1	2	3	4	5
I am friendly when dealing with customers	1	2	3	4	5
I understand my customers needs	1	2	3	4	5
<b>SECTION 3: CUSTOMER SATISFACTION</b>					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
I believe my customers are satisfied with the overall quality of services provided by my bank	1	2	3	4	5
I believe my customers are satisfied with the professional service I provide to them	1	2	3	4	5
I believe my customers will recommend my bank to family and friends	1	2	3	4	5



I deliver on the expectations of my customers to enhance their customer satisfaction experience	1	2	3	4	5
I provide personalised attention to customers to strengthen their customer satisfaction	1	2	3	4	5
<b>THANK YOU FOR YOUR VALUABLE CONTRIBUTION</b>					

## Appendix 2c:

## Customer questionnaire

SERVICE QUALITY AND CUSTOMER SATISFACTION QUESTIONNAIRE					
SECTION 1: CUSTOMER DEMOGRAPHICS					
Which bank do you bank with?	Bank Muscat	NBO	Bank Nizwa	Muzn	Meethaq
What nationality are you	Omani	Expatriate			
Current income	0-1500	1501-3000	3001-5500	5500 +	
Please answer the following questions in terms of how much you agree with the statement (i.e.. 1 being you strongly disagree and 5 being you strongly agree)					
SECTION 2: SERVICE QUALITY					
Please answer the following questions in terms of how much you agree with the statement (i.e.. 1 being you strongly agree and 5 being you strongly disagree)					
Statement	Strongly disagree	disagree	Neutral	Agree	Strongly agree
Employees at my bank provide service as promised	1	2	3	4	5
Employees at my bank respond quickly to my requests	1	2	3	4	5
Employees at my bank are knowledgeable	1	2	3	4	5
Employees at my bank are friendly when dealing with me	1	2	3	4	5
Employees at my bank understand my needs	1	2	3	4	5
SECTION 3: CUSTOMER SATISFACTION					
Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
In general, I am satisfied with the service offered by my bank	1	2	3	4	5
I am satisfied with the purchase experience of my bank (e.g. dealing with the employee at the bank during a transaction)	1	2	3	4	5
Dealing with this bank has exceeded my expectations	1	2	3	4	5
I will recommend my bank to family and friends	1	2	3	4	5
I am satisfied with the professional service provided by employees at my bank	1	2	3	4	5

## APPENDIX 3: CUSTOMER DATA ANALYSIS

Appendix 3 covers the customer data for customers' perception of employees' ability to deliver service quality and customers' perception of employees' ability to deliver customer satisfaction.

### Appendix 3.1: Customer perception of employees' ability to deliver service quality

Code	SERVICE QUALITY	Mean score	Standard deviation
CSQU 1	Employees at my bank provide service as promised	2.70	0.913
CSQU 2	Employees at my bank respond quickly to my requests	2.54	0.823
CSQU 3	Employees at my bank are knowledgeable	2.69	0.899
CSQU 4	Employees at my bank are friendly when dealing with me	3.68	0.684
CSQU 5	Employees at my bank understand my needs	2.72	0.892
	<b>Overall score for service quality</b>	<b>2.87</b>	<b>0.686</b>

### Appendix 3.2: Customer perception of employees' ability to deliver customer satisfaction

Code	CUSTOMER SATISFACTION	Mean score	Standard deviation
CSAT 1	In general, I am satisfied with the service offered by my bank	2.47	1.018
CSAT 2	I am satisfied with the purchase experience of my bank (e.g. dealing with the employee at the bank during a transaction)	2.60	0.943
CSAT 3	Dealing with this bank has exceeded my expectations	2.51	0.781
CSAT 4	I will recommend my bank to family and friends	2.47	0.857
CSAT 4	I am satisfied with the professional service provided by employees at my bank	2.55	0.872
	<b>Overall score for service quality</b>	<b>2.52</b>	<b>0.817</b>

## **APPENDIX 4: ADDITIONAL FINDINGS AND RECOMMENDATIONS FOR THE NON-SIGNIFICANT RELATIONSHIPS BETWEEN THE INTERNAL MARKETING MIX, SERVICE QUALITY AND CUSTOMER SATISFACTION**

The following section discusses the additional findings and recommendations made for the non-significant relationships between the internal marketing mix elements, service quality and customer satisfaction.

### **A 4.1: Additional findings and recommendations for the internal people element as an enabler of service quality and customer satisfaction**

Additional findings from an Oman retail banking perspective are discussed and recommendations have been put forward in order to strengthen the internal product element as an enabler of service quality and customer satisfaction.

When exploring the findings between internal people and ability to deliver service quality further, the researcher discovered that in some instance's managers do not provide honest and clear performance feedback in an attempt to protect or motivate employees. In some instances, in Omani retail banks, decision making is often done without the involvement of customer facing employees and it tends to take a long time which impacts the responsiveness dimension of service quality and impacts both internal and external service quality. In some instances, decisions are made and then overturned which results in feelings of uncertainty which impacts the assurance dimension and employees often need to double check things in case any changes have been made which could reduce customer confidence. Leaders are not perceived to be visible on the shop floor level in banks which results in a disconnect between employees and leaders. Empowerment seems to be concentrated at the top with low levels of perceived trust at the front line which further impacts employee's ability to deliver service quality. Furthermore, leaders do not seem to engage in storytelling and the linkage between the employees' job, the department and the organisations purpose. In addition to this there seems to be a disconnect between branch staff and head office staff, creating an "us" and "them" scenario. There is a sense that head office employees are not responsive to the calls and requests of branch staff, thereby impacting the responsiveness dimension of service quality. Often times calls remain unanswered or employees do not call back when promised resulting in internal customer frustration and the delivery of poor internal service quality, leading to poor external service

quality delivery (Al Mughairi, 2018; Al Zadjali, 2018; Bezuidenhout, Chang, 2018; Fisk, 2018; Loots, 2017). Since internal people has the potential to be a powerful enabler of service quality and customer satisfaction, this element must be addressed. Recommendations on strategies to improve internal people have been put forward.

- **Recommendation A1: Transition managers from directing to coaching/relationship management:** Tepret and Tuna (2015:675) advocate that participative leadership styles have proven links to employee satisfaction and outcomes such as service quality (Xu, 2017:156-157). Participative leadership style is recognised as the most effective style for internal marketing as a relationship management strategy (Asif, 2015:154). When employees and teams are able to participate in decision making, they feel more engaged as a result and more committed to the achievement of organisational objectives. Within this style leaders act as facilitators as opposed to dictators which encourages the flow of information sharing. Participative leaders also inspire employees to share concerns and look for ways to build onto ideas and suggestions. In this way stronger relationships can be built internally (Xu, 2017:156-157). The notion is to move managers away from directing to a role of coaching and relationship management. Table 8.2 below outlines how managers can transition from a directive management approach to a coaching/relationship management approach which is more centred around participative leadership.

**Table 8.2: Internal marketing view on supervisor/manager relationship with subordinates**

Action	Directive management	Coaching/ Relationship management
<b>Performance planning and appraisal</b>	Management dictates performance goals and plans. Management evaluates employee's performance	Management and employees develop employee goals and plan together. Employees evaluate their own performance
<b>Communication and information sharing</b>	Closed one-way communication. Restricted information sharing (tell employees only what they need to know)	Two-way joint problem solving. Extensive information sharing (open the books to employees)
<b>Decision making</b>	Management makes decisions and issues orders (follow the chain of command)	Management reaches consensus and builds joint understanding.
<b>Employee responsibility and involvement</b>	Responsibility limited to the job description. Low involvement	Employee participation, ownership and share of profits to maximise involvement
<b>Relationship development</b>	Management maintains impersonal relationships with employees (physical and psychological distance)	Management and employees enjoy a partnership

Source: Adapted from Asif (2015:155)

Hasel and Grover (2017:852) support that managers who employ more person-orientated, participative leadership styles are perceived to be high performers and are able to obtain a 17% increase in productivity when emotionally engaged with subordinates. Babalola (2016:936) proposes that a sense of empowerment, fuelled by the participation in decision making and better listening to employee concerns creates a stronger emotional attachment to the organisation and an increased motivation to achieve results such as customer satisfaction.

- **Recommendation A2: Leaders to role model behaviour:** The role model function of a leader should never be underestimated. Leaders who represent unethical role models, who use *wasta* to pursue their own goals over the collective will not be perceived to ethically acceptable and not affect positive outcomes among subordinates. Furthermore, ineffective leaders who do not “walk the talk” and model effective service quality behaviours will not be able to motivate subordinates to go and beyond to deliver service quality to customers. In an internal market orientated culture, leaders must focus on the development of relationships with their sub-ordinates founded on common values. When these values are demonstrated and modelled by the leader, it generates an automatic, unconscious trust which motivates subordinates to reciprocate with the same behaviours (Hasel & Grover, 2017: 853).
- **Recommendation A3: Link employees work to purpose:** Supervisors and managers frequently assume that employees know the significance of their job, however few managers set clear expectations and reiterate how valued the employees work is. Given the amount of time spent at work, employees want to know that their time and efforts are contributing to a bigger picture. Is an engagement study conducted in the U.S. 39% of employees indicated that understanding how their job contributes to the broader organisational objectives is very important to their satisfaction and engagement levels. (SHRM, 2017:33). It is important that managers and supervisors engage in these conversations with employees during a monthly feedback session (refer to the section on internal performance management, Chapter 8, section 8.3.3, iv).
- **Recommendation A4: Engage in more social events for employees:** Retail banks must create an environment that supports and encourages social interactions amongst employees in order to develop trust and deeper relationships. For this reason, social activities such as fun days, team lunches and team-building interventions are a necessity for this group in order to strengthen the social bonds. Higher levels of social

capital result in more informed and engaged employees which results in higher levels of satisfaction and loyalty towards the organisation (Zak, 2017:89; Ali & Haider, 2010:40). Furthermore, employees develop deeper working relationships and more positive attitudes towards one another resulting in higher levels of satisfaction and higher levels of work performance resulting in the achievement of goals such as service quality and customer satisfaction (Zak, 2017:89).

#### **A 4.2: Additional finding and recommendations for the internal process element as an enabler of service quality and customer satisfaction**

Additional findings from an Oman retail banking perspective are discussed and recommendations have been put forward in order to strengthen the internal process element as an enabler of service quality and customer satisfaction.

Due to Oman's position as a frontier market, Katsuri (2018) and Loots (2017) suggest that internal processes are not as effective as they could be specifically within conventional banking processes in Oman. These processes are still predominately manual, as a result turnaround times are slow and error rates exceed acceptable thresholds. Processes are not mapped and in some cases are unclear which results in employees delivering inconsistent customer experiences which frustrates customers. There are no checklists in place and data integrity may be comprised. Head office is often regarded as non-responsive due to unclear processes which further impacts customer facing employees' ability to serve customers well. Furthermore, employees are not empowered to move outside of the process in order to go beyond to serve customers well which results in further frustrations for both the employee and the customer (Chang, 2018; Katsuri, 2018; Loots, 2017). It is important therefore that internal process is enhanced. Recommendations and strategies to enhance internal process as an enabler to service quality and customer satisfaction are put forward next.

- **Recommendation A5: Empower customer-facing employees:** Customer-facing employees are empowered when they have the authority to make decisions that govern a service encounter with very little managerial input. When employees need to ask their managers for input it disrupts the co-creation of value, it reduces employees responsive and may impact perceived assurance as employees may not appear competent. Empowering customer-facing employees enables the transformation from task performers to problem solvers as decision-making is delegated from the higher levels to the lower levels, refer to the discussion on Lean management in internal performance

on how best to implement this through daily productivity meetings (Chapter 8, section 8.3.3, section iv). Furthermore, management are better enabled to support and coach customer-facing employees rather than directing and controlling (Smith, 2017:1821).

- **Recommendation A6: Design quality processes:** Effective service processes are deliberately designed to achieve certain outcomes for customers. Part of the approach is understanding and determining the processes through which the services will be delivered and with emphasis placed on the customer interface. The production system must be capable of generating consistent outcomes for both internal and external customers. Due to the unique characteristics of service, the customer is not able to inspect the final service outcome prior to delivery, meaning that employees and customers inspect the service simultaneously. For this reason, quality must be designed into all stages of the process in order to impact final performance. Service delivery processes both internal (such as the HR process) and external must be identified, mapped and should be made visible for employees to see, furthermore checklists should be provided to employees. Failure points must be identified and acceptable timeframes should be established in alignment with internal and external customer feedback in terms of their expectations as the service delivery system moves from conceptualisation to implementation (Smith et al., 2018:1822).
- **Recommendation A7: Strengthen the service recovery process:** Service recovery refers to the actions taken to ensure that an internal or external customer who experiences a service failure is satisfied with the outcome. Due to the human element involved with service delivery, service failures are inevitable. Establishing a strong service recovery process contributes to the quality management system and an internal market orientated culture in that systems are in place to enable employees to correct their mistakes. An employee's ability to correct a failure is dependent on the processes governing the recovery activity and the extent to which employees are empowered and willing to consider customer input. Service recovery is essential in restoring both internal and customer satisfaction and is therefore worthy of attention.
- **Recommendation A8: Focus on continuous improvement:** Continuous improvement refers to the ongoing efforts made by the organisation to identify and eliminate the root cause of problems. This involves the identifying, analysing and improvement of current processes in order to eliminate inconsistencies and improve organisational performance. Customer-facing employees are in close contact with customers as are internal suppliers with their internal customers. Both internal and



external customers provide immediate feedback about their experiences which allows for immediate enhancements to be made if tackled through the right channels (Lam, O'Donnell & Robertson, 2015: 202-203). In this way incremental changes in the service delivery system lead to significant long-term contributions, such as reduced waiting times and a more reliable service experiences (Smith et al., 2017:1822). Continuous improvement can be enhanced through the internal performance element with regard to the daily production meetings (refer to Chapter 8, section 8.3.3, section iv).

#### **A 4.3: Additional findings and recommendations for the internal physical evidence element as an enabler of service quality and customer satisfaction**

Additional findings from an Oman retail banking perspective are discussed and recommendations have been put forward in order to strengthen the internal physical element as an enabler of service quality and customer satisfaction.

Due to the emergent nature of the Omani market, many improvements need to be made in this area. In some instances, branches have not been refurbished for many years creating an inconsistent branding experience and employees left feeling uncared for. The layout of some branches is not efficient which results in long customer queues leading to customer frustration and dissatisfaction. In some instances, employees are unable to manage the issues due the physical layout of the branch. Some branches do not have sufficient equipment and equipment may not be working properly such as the card printing machines or copiers. Systems are often down and bandwidth limitations provide further service delivery challenges resulting in dissatisfied customers (Al Mughairi, 2018; Fisk, 2017; Loots, 2017). Improvements to office décor, layout of office space and office characteristics such as lighting, temperature, noise level etc could have an impact on both the employees' level of satisfaction and productivity thereby enabling employees to deliver superior levels of service quality and customer satisfaction (refer to Chapter 5, section 5.3.5.6). Recommendations and suggested strategies to enhance internal physical evidence as an enabler of service quality and customer satisfaction are discussed next.

- **Recommendation A9: Consistent branding:** Although an expensive exercise it is important that consistent branding is communicated across all branches and that branches are refurbished to reflect the image the bank wishes to project. Older branches which appear neglected communicate to both employees and customers that they are not cared for. In some instances, employees may not take pride in their appearance as a result which reflects negatively on the customers perception of service quality.

- **Recommendation A10: Maintenance of equipment:** Ensure that all equipment such as card printing machines, copiers etc are serviced regularly to ensure that interruptions are reduced.
  
- **Recommendation A11: Focus on atmospherics:** This refers to the physical cues in the branches that can stimulate a positive reaction from both customers and employees. These cues refer to the professional appearance of employees, the ambient scent, colours, lighting, background music, layout and design etc. Poon and Grohmann (2014:78) suggest that atmospherics induce a positive emotional response to the environment including unplanned purchases. Two of the most cost-effective ways to create a positive response in a branch is through ambient scent and music (Oktay, 2016:711). The significance of scent arises from the argument that scent is one of the most powerful human senses due to its strong physiological links to human emotion. Attractive scents stimulate positive responses and moods which could translate into positive perceptions of service quality and customer satisfaction. Poon and Grohmann (2014:78) suggest that vanilla and citrus flavoured scents put people at ease and stimulate feelings of comfort. Fang (2015:2163) purports that background music is a great way to stimulate a positive response from customers and employees alike. Music has proven emotional effects on people and the emotions lead to changes in attitudes and behaviour hence positive music can result in positive employee attitudes and behaviours which rub off onto customers (Poon & Grohmann, 2014:78). Studies in the field of workplace environments have shown that music affects the waiting time for customers. Fast paced music in particular seems to reduce customer waiting time. Background music referring to instrumental music with non-specific lyrics has the strongest emotional impact (Fang, 2015:2163). Given the culture of the environment Arabic background music could well. By knowing the effects of environmental stimuli, retail banks in Oman could use this as part of their internal marketing strategy to enhance both the employee and the customer experience.
  
- **Recommendation A12: Green work place:** A Harvard study found that the workplace design not only affects the professional life of employees but also impacts their well-being when at home. Researchers explored 10 high performing buildings across five US cities in order to determine the relationship between the internal physical environment and the productivity and well-being of employees. Their findings revealed that employees working in green offices obtained a 26% boost in cognition, there was a 30% reduction in absenteeism and employees reported a 6% improvement in sleep

quality (Gaskell, 2017). All of which translated into increased productivity and performance. A huge part of the 'green movement' has been the installation of green living walls in the office. These refer to vertical gardens against a wall in which plants are planted in close proximity to one another to create the effect of a wall. Plants filter work environments by absorbing carbon dioxide and expelling oxygen (Harbour, 2018). Air in a branch becomes polluted by chemicals leaching out of furniture and office equipment. If a green wall is included it could have a benefit for both employees and customers in that air quality would be improved. Green walls also provide a means of reducing energy costs by shading structures, absorbing sun rays and by providing thermal insulation (Stander, 2017; Lehman, 2014). In the summer months, green walls keep buildings cooler by reducing the amount of heat absorbed by traditional brick and concrete. A study conducted by the American psychological association found that plants in the office space improved overall productivity by at least 15% whilst also improving both employee satisfaction and customer satisfaction. Green walls communicate to employees and customers that the organisation cares about their health and experience whilst in the environment (Harbour, 2018).

#### **A 4.4: Additional findings and recommendations for the internal political power element as an enabler of service quality and customer satisfaction**

Additional findings from an Oman retail banking perspective are discussed and recommendations have been put forward in order to strengthen the internal political power element as an enabler of service quality and customer satisfaction. Pockets of *wasta* exist across the banks which are expected in some cases. If leveraged in a positive way, it can be beneficial as a networking practice. However, it is important that political influences are managed. In some instances, *wasta* is used in the selection and promotion of employees which creates feelings of unfairness and dissatisfaction (Loots, 2017). The following recommendations have been made to strengthen internal political power as an enabler of service quality and customer satisfaction.

**Recommendation A13. Control for *wasta* through the internal people and internal process element.** *Wasta* can be controlled through the internal people element and through the internal process elements (refer to recommendations A1-A4 and A5-A8). When leader's role model the desired behaviours and control the use of *wasta*, they demonstrate acceptable behaviours which positively affect employee outcomes such as improved service quality. *Wasta* can also be controlled through transparency in process and procedures, such as having clear HR processes in place for example if an employee has an issue he/she

must first address this with his/her line manager before this can be escalated to senior management or vacant positions must be advertised internally first in order to give a chance to internal employees before any individuals are recruited from outside (Al Mughairi, 2018; Chang, 2018). When employees are able to develop internal relationships and collaborate, there is no need to exercise *wasta* to get things done. Furthermore, when the process is clear and transparent there is no room for favouritism (Bezuidenhout, 2018).

#### **A 4.5 Additional findings and recommendations for the internal procurement element as an enabler of service quality and customer satisfaction**

Additional findings from an Oman retail banking perspective are discussed and recommendations have been put forward in order to strengthen the internal procurement element as an enabler of service quality and customer satisfaction. From a recruitment perspective some of the biggest challenges Omani retail banks face is the requirement to meet their Omanisation targets and a lack of qualified locals for professional jobs. Omani organisations in the past had a preference for the hiring on foreigners since they come more qualified, they are more diligent workers, easier to control and easier to terminate due to the two-year working contract. Due to Omanisation and limited resource pool of talented employees, the result is the recruitment of under-talented employees due to a limited resource pool (Budhwar & Mellahi, 2016:98). In addition to this a lack of proactive recruitment and employer branding strategies results in reactive recruitment. This can create performance issues specifically with regards to the delivery of service quality and customer satisfaction. Further to this the selection process is not effective within Omani organisations (Fisk, 2017). Budhwar & Mellahi, 2016:102) state that two concerns arise with current employee selection processes in Oman, the first is that there is lack of well-trained interviewers and selection experts and secondly there is a strong influence of negative stereotypes towards Omani employees based on different preferences and perceptions. In some instances, some family names may be preferred over others, bringing in the influence of *wasta*. The internal procurement element may be partially implemented in Omani retail banks but is currently not performing effectively as an enabler of either service quality or customer satisfaction. Enhancements are therefore required in order to improve the influence of this particular element. The following section provides strategies for the improvement of the internal procurement element as an enabler of service quality and customer satisfaction.

- **Recommendation A14: Develop a strong competency framework:** Retail banks in Oman must ensure that a solid competency framework is put in place from leadership

all the way down to ground staff. The competencies identified are those required by the bank to achieve its objectives, vision and purpose. Hence internal procurement links to internal promotion and internal purpose. From a service quality and customer satisfaction perspective core competencies required include emotional intelligence, customer service orientation, interpersonal communication and team player skills.

➤ **Recommendation A15: Competency based interviews and training of HR staff:**

Firstly, banks should select permanent HR employees who become specialists in recruitment and selection and thus are trained in this respect (Budhwar & Mellahi, 2016:102). Banks should make use of competency-based interviews in which potential candidates are asked to provide examples of where they have displayed the required competencies before. In this way the interviewer can assess whether the candidate has the adequate skills (Seshadri, 2018). Hennessey (2018) also proposes that panel interviews should be used in which co-workers from the department are provided with an opportunity to interview candidates in order to assess team fit and commonality of values.

➤ **Recommendation A16: Make use of external experts and assessment centres:** Due to the lack of skills within Omani banks to interview and select employees effectively, external specialists and the use of assessment centres could be an effective option (Budhwar & Mellahi, 2016:102). Assessment centres are an effective means in which banks are able to select employees according to the required competencies defined in the competency framework. Assessment centre tools include psychometric testing, general ability tests and emotional intelligence tests. For team leaders and managers, additional tests are included to test for leadership ability and strong communication skills such as case studies and presentations. SHRM (2017:34) states that communication is recognised as the most important skill to organisational success therefore recruitment and selection practice must factor this in. For C-suite level, full day assessments prove to be meaningful techniques in which candidates are observed in a group situation. A full picture of competencies and de-railers, referring to factors that affect employees under stress can be obtained. Furthermore, behavioural profiling tools such as SERVQUAL behaviour dimensions and the Organisational Citizenship behaviour model provide the means to assess candidate attitudes and behaviour (Begum et al., 2014:147). Once candidate have been selected, their competency gaps can then form the basis of their initial personal development plan, linking to internal product. In this way banks can ensure that talented, customer orientated employees are recruited into the organisation. This helps guarantee that employees are better able to function within

the value chain resulting in stronger internal relationships and higher levels of internal satisfaction and service (refer to Chapter 3, section 3.5.2.3).

- **Recommendation A17: Develop a strong graduate development programme:** As discussed in Chapter 3, section 3.5.2.3, graduate development programmes prove to be a successful recruitment approach for retail banks focused on the acquisition of top talent. Retail banks should focus on attracting top talent into their organisations through marketing activities conducted on university campuses. This provides banks with the opportunity to position themselves as an employer of choice and acquire talent early on. In this way talented employees can be acquired and developed through specialised training programmes which will further enhance service quality and customer satisfaction. In addition to this these employees can be developed to serve as powerful brand ambassadors.