

## **EMPLOYEE SATISFACTION AND INTERNAL SERVICE PERFORMANCE: SOME PRELIMINARY EVIDENCE**

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### **ABSTRACT**

This study draws on the service, quality, and job satisfaction literature to explore the relationship between employee satisfaction and internal service performance. The results reveal that employee satisfaction with coworkers is a determinant of several internal service performance variables. Managerial implications are provided.

### **INTRODUCTION**

In today's competitive business climate, many successful firms positively differentiate themselves from their rivals in terms of service delivery. The "quality revolution" has spread through manufacturing and service industries as customers have begun to demand more and better levels of performance. As Fornell (1996) posits, the first determinant of overall customer satisfaction is perceived service quality, which is the served market's evaluation of recent consumption experiences. Service quality is expected to have a direct and positive effect on overall customer satisfaction (Zeithaml and Bitner 1996, Chapter 5).

Many companies now have accepted the challenge of improving quality and recently have begun extensive total quality management (TQM) programs as a means of maximizing many organizational goals, including improved service quality and customer satisfaction (Lam 1995; Zeithaml and Bitner 1996, pp. 33-34). However, when identifying the activities that are necessary for achieving this goal, companies often fail to realize just how important individual employee performance can be to this process. Heskett *et al.*'s (1994) "service-profit chain," recognizes service as a seamless process that includes intraorganizational service relationships as well as interorganizational relationships. The internal component of this chain may be referred to as internal service performance.

Much literature in sales force performance has dealt with the linkage between employee satisfaction and performance (cf. Bagozzi 1978; Walker, Churchill, and Ford 1977), yet this area largely has been overlooked in the context of service firm differentiation. The organization that can foster an environment of internal customer satisfaction will also increase its ability to produce high levels of service provider performance, thus leading to a higher likelihood that external customer expectations for service will be met or exceeded (Berry and Parasuraman 1991). The study reported here examined one facet of creating this advantage by examining the presence of employee satisfaction with coworkers and its impact on internal service performance.

The industry selected for this exploratory study is health care. Organizations in this industry are becoming especially sensitized to service capabilities due to the increasing organizational complexities and multiple constituencies (e.g., insurance carriers, health maintenance organizations, hospitals/clinic administrators, patients, etc.). Since many providers recognize the need for effective internal service, the health care industry provides an attractive venue for the study of relationships between employee satisfaction and internal service performance.

The remainder of the article is divided into three major sections. First, a very brief overview of the concepts of employee satisfaction and internal service performance is presented, leading to our research question. Second, the methodology employed in the study is described, including the sample, procedure, measures, and analysis. Finally, a discussion of the results is provided.

## **Employee Satisfaction and Internal Service Performance**

Hallowell, Schlesinger and Zornitsky (1996) have asserted that although different researchers approach internal service quality from different perspectives, they all share a fundamental underlying belief that organizations attempting to deliver high service quality to their external customers must begin by serving the needs of their internal customers. This is becoming even more important in the health care industry, as many institutions move toward a patient-focused care approach to the delivery of health services. Frequently, patient-focused care involves the utilization of a work group or team (cross-trained caregivers) that decentralizes health services and moves providers closer to the patient (Bolon 1997).

Romano (1993) has made the connection between employee satisfaction and customer satisfaction. Many service businesses are discovering a high correlation between happy employees and long-term organizational success. Other research has demonstrated that employees who are empowered and satisfied with their jobs are more enthusiastic about serving external customers, with the end result of quicker responsiveness to customer needs and increased customer satisfaction. (Berry 1995; Bowen and Lawler 1992). A key component of a firm's service delivery strategy to external customers should be a focus on internal service performance (Hallowell, Schlesinger and Zornitsky 1996; Zeithaml and Bitner 1996).

Internal service performance focuses on how an organization members serve other organization members as part of the internal service-profit chain (Heskett *et al.* 1994). As the metaphor goes, a chain is only as strong as its weakest link. So it is crucial that the needs, wants, and concerns of internal customers are addressed with same level of vigor as external customers of the firm. Organizational units should provide a high level of service quality to internal customers for some of the same reasons they provide it to external customers---more effective performance, lower waste, and lower costs (Marshall, Baker and Finn 1998).

Various scholars have proposed that improvements in internal service quality should also be expected to produce improved external service quality (Bowen 1996; Hart 1995; Heskett *et al.* 1994; Vandermerwe and Gilbert 1989). Research indicates that these key "links" in the internal service-profit chain are important in determining whether or not the firm will reach its desired levels of external service quality and customer satisfaction. For example, Bowen (1996) has provided evidence that satisfaction levels in internal and external markets are correlated, establishing an important link between assurance that employees provide high levels of internal service performance and the attainment of high levels of external customer satisfaction.

Employee job satisfaction has been studied in a variety of contexts, including satisfaction with work, supervision, pay, promotions, and coworkers (Smith, Kendall and Hulin 1969). Because the central tenet of internal customership involves a two-way service exchange between organizational members, it would appear that satisfaction with coworkers is quite germane to the context of internal service performance (for an analogous argument within the domain of professional selling, see Churchill, Ford, and Walker [1974]). As such, our investigation examines one aspect of employee job satisfaction – the relationship of satisfaction with coworkers to internal service performance. This leads to the following research question: Does employee satisfaction with coworkers lead to higher levels of internal service performance?

## **METHODOLOGY**

### **Sample**

The participants in the study were drawn from four different areas of a major university-affiliated health care clinic in the southeastern United States. This business is heavily service-oriented and, because of the inherent complexities of the service and the multiple constituencies involved, we believed that internal customership would be important to the overall service delivery system. In particular, health care providers were deemed an appropriate group due to our desire to gain information from individuals who crossed organizational boundaries and were responsible for other people---thus, they clearly would have many opportunities to act as internal service providers within their organization (Nixon *et al.*, 1998).

The data for this study were obtained using a questionnaire mailed to 120 staff members of the clinic. Of the 120 contacted, 71 (59 percent) agreed to participate in the study. Of those who agreed, six were eliminated from the analysis because of unanswered questions on the survey, resulting a final sample of 65 respondents.

The four areas of the health care clinic represented within the sample are as follows: Clinical (nursing, ancillary support, unit secretary, clinic coordinator), 14 participants (20.29%); Clerical (appointment scheduling, medical records, referral tracking, personnel), 29 participants (42.03%); Patient Financial Services (registration, front desk, financial specialist), 15 participants (21.74%); and Other (clinic budget/finance, facilities, call center, telecommunications, administration), 11 participants (15.94%). Participants' mean employment tenure with the organization was 6.2 years, with a standard deviation of 5.8. The participants were judged to be representative of the clinic staff in terms of demographics and job tenure.

## Procedure

Data collection began by mailing an introductory letter and brief description of the study to the potential participants. Each mailing included a cover letter that detailed the clinic's administrative sponsorship. Cover letters requested each respondent to accurately and completely fill out the questionnaires, assured them of anonymity and confidentiality, and emphasized the voluntary nature of participation. Completed questionnaires were returned directly to the researchers, thus bypassing clinic administrators. Approximately three weeks after the first set of letters and questionnaires went out, reminder letters and questionnaires were sent to the same group. By the end of the fourth week, all questionnaires that were forthcoming had been received by the researchers.

## Measures

The survey instrument was comprised of six measures that were operationalized by twenty-six items. Five of the measures were selected because of their efficacy when used in prior internal customer service research. Each has been reported in the literature as a means of assessing the effectiveness of internal service performance. The five measures are customer orientation, internal service performance, tender loving care (TLC), responsiveness, and problem-solving. Because of the exploratory nature of the study, it was deemed important to examine internal service performance from a variety of perspectives. A sixth measure, job satisfaction with co-workers, was employed as a predictor of the various internal service performance measures.

The scale items used in the study and the item-to-total correlation coefficients for each scale are presented in [Table 1](#). The empirical precedent for these measures and scale items is documented in the following section.

## Precedents For Selected Measures

*Customer Orientation* (Brady and Cronin 1997). The three items used to measure customer orientation were adapted from a revised SOCO scale (Saxe and Weitz 1982). They measure an individual's customer orientation toward his/her internal customers by assessing their efforts to recognize their internal customers' goals and assist them in attaining these goals.

*Internal Service Performance* (Brady and Cronin 1997). The seven items measure the extent to which an organizational member performs his/her job responsibilities quickly, accurately, completely, and with the intent of satisfying other internal customers.

*TLC* (Marshall, Baker and Finn 1998). These three items measure the respectful treatment of coworkers. This dimension includes being treated in a friendly manner, being treated like an important and valued customer, and exhibiting courtesy.

*Responsiveness* (Marshall, Wiener and Miller 1992). These six items measure the responsiveness behaviors organizational members may display while striving to satisfy their internal customers. This dimension is composed of an employee's timely response to an internal customer's needs or requests.

*Problem-Solving* (Marshall, Baker and Finn 1998). These three items measure the problem-solving behaviors organizational members may display while striving to satisfy their internal customers. The components include having sufficient knowledge to answer users' questions, working with others to develop better solutions to problems, and generally keeping things running smoothly for users.

*Job Satisfaction with Coworkers* (Churchill, Ford and Walker 1974). These four items measure the level of satisfaction that employees received from working in conjunction their respective coworkers. The components include coworkers' degrees of possessing a pleasant attitude, being unselfish and friendly, and also the propensity of coworkers to assist one another when needed.

## Analysis

The analysis consisted of correlation and regression. These statistical methods are appropriate when examining the types of relationships presented in the research question. [Table 1](#) provides descriptive statistics for the scales utilized in the study.

Cronbach's alpha was used to assess the reliability of the scales included in the instrument. The internal consistency property of each scale was adequate. Also, item-to-total correlations were run for each scale. These measures support the psychometric properties of the scales as adequate. Therefore, it was determined that each scale was able to be used in the research.

[Table 2](#) portrays the correlation matrix for each scale. The five measures of internal service performance were highly inter-correlated. This was expected because they are viewed as different ways of assessing the effectiveness of internal service performance.

Separate regression analyses were run using *Job Satisfaction with Coworkers* as the independent variable and *Customer Orientation*, *Internal Service Performance*, *TLC*, *Responsiveness*, and *Problem-Solving* as dependent variables. The results of this analysis are depicted in [Table 3](#). *Satisfaction with Coworkers* was found to be significant in predicting *Internal Service Performance*, *TLC*, and *Responsiveness*. It did not predict *Customer Orientation* or *Problem-Solving*. As [Table 3](#) shows, the p-values for the non-significant relationships were .065 and .078, respectively.

## DISCUSSION

Results reveal a positive correlation between *Satisfaction with Coworkers* and several of the indicators of internal service performance. This result is consistent with the prior literature in the sales area linking satisfaction with coworkers and higher levels of performance (cf. Churchill, Ford and Walker 1974). The two scales for which *Satisfaction with Coworkers* was not predictive, *Customer Orientation* and *Problem-Solving*, have some commonalities. Both deal with helping coworkers achieve their goals and solve their problems on the job. Perhaps it can be inferred that although the respondents clearly were willing to work hard to maintain positive, productivity-enhancing relationships with their internal customers, they may have believed that providing instructive problem-solving to these internal customers was beyond their purview. Classically, it would be expected that the types of coaching implied by some on the items in *Customer Orientation* and *Problem-Solving* would be the responsibility of direct supervisors. It is also noteworthy that although the results were not statistically significant at the .05 level, they were clearly in the direction expected.

Overall, in order to create an environment that fosters high levels of internal customer service, managers should be sensitive to ways to increase employee satisfaction with their coworkers. This goal may be accomplished by nurturing an environment of congeniality and support. Importantly, the power to foster such an environment lies not only in the hands of the managers, but with all organization members. This point needs to be communicated to all organization members. It is critical that the organization link these desired environmental elements to the goals of internal service performance through a team approach and goal-sharing among all areas within an organization. Once employees understand the capability of internal service performance to contribute to external customer satisfaction, an environment that fosters high levels of internal service can become a rallying point for the whole organization.

Howard (1996) posits that satisfaction with coworkers influences internal work motivation. Hence, the social interactions one has with coworkers may be key motivators for individuals. This could result from the workers' sense of togetherness. If this is true, it is especially important that organizations as a whole, and more specifically managers, ensure that employees continue to work together as much as possible and maintain their level of interaction. This can keep workers' internal work motivation high, which in turn leads to employees with high general job satisfaction. The result should be employees who are better able and more willing to deliver increased levels of external service quality.

Managers who are committed to providing high quality customer service must make every attempt to foster a climate of mutual trust and respect between and among coworkers (Bolon 1997). Rules, procedures, and equity in judgment should be in place to ensure expedient resolution of problems as they arise. It is imperative that management effectively communicate these processes in a timely manner to all organizational members. The more firms want to provide internal service performance, the more firms must take measures to assess and increase the satisfaction of their employees with their coworkers.

The aim of this study was to take a first look at possible antecedents to high levels of internal service performance. We continue to strive to understand the dynamics that impact firms in their endeavor to arrive at this objective. We believe that firms committed to utilizing service quality as a means of differentiating themselves from the competition should carefully examine their internal service environment. By creating and sustaining environments of employee satisfaction with their coworkers, firms can create an edge toward ensuring that they constantly deliver the internal service performance desired.

The present study is not without limitations. The first limitation is the relatively small sample size of respondents. This may have contributed to some findings being non-significant. Second, this research studied only health care workers in one organizational unit. Future studies should utilize other research settings. Third, no direct link to external customer service was measured. We believe that these limitations are minor given the exploratory nature of this research.

Future research should more explicitly explore the link between external customer service and high employee satisfaction and internal service performance. In particular, the conceptualization and findings from Heskett, Sasser, and Schlesinger (1997) incorporating employee loyalty into the satisfaction/performance relationships should be included in future studies. We believe that this stream of research can be highly valuable to organizations, because customers are expecting and demanding more and better levels of service. Highly competitive markets require that customers be satisfied by their purchases or they will go elsewhere (Rice 1990; Rust, Zahorik and Keiningham 1995).

**Table 1.**  
**Means and Standard Deviations**

Scale	Mean	S. D.
Customer Orientation	6.35	1.03
<b>Internal Service Performance</b>	<b>5.89</b>	<b>0.97</b>
TLC	6.56	0.98
Problem-Solving	6.17	0.92
Responsiveness	6.08	1.01
Satisfaction w/Coworkers	5.50	1.09

**Table 2.**  
**Correlation Matrix**

	C/orientation	Performance	TLC	Problem-Solving	Responsiveness	Job Sat.
C/orientation	1.00	0.85	0.83	0.82	0.85	0.23
Performance	0.85	1.00	0.75	0.85	0.90	0.25
TLC	0.83	0.75	1.00	0.82	0.79	0.26
Problem-Solving	0.82	0.85	0.82	1.00	0.85	0.23
Responsiveness	0.85	0.90	0.79	0.85	1.00	0.29
Job Satisfaction	0.23	0.25	0.26	0.23	0.29	1.00

**Table 3.**  
**Results of Regression Analysis**

Scale	Prob>F
Customer Orientation	0.065
Internal Service Performance	0.039
TLC	0.039
Problem-Solving	0.078
Responsiveness	0.023

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