Internal Marketing and Firm Performance in Hotel Businesses: The Role of Market Orientation

Gamze Coban [*] Duygu Eren

[*]Faculty of Tourism, Nevsehir Haci Bektas Veli University, 50300, Nevsehir, Turkey

This study was derived from Gamze Coban's PhD thesis entitled "The Role of Market Orientation in the Relationship between Internal Marketing and Firm Performance in Hotel Businesses: Case of Nevsehir" (2017, Thesis Supervisor: Duygu Eren)

Abstract

The purpose of this study is to determine the role (impact) of market orientation in (on) the relationship between internal marketing practices of 3- 4- and 5-star hotels in Nevşehir and firm performance. To test the determining factors of businesses' market orientation in various levels and to determine the strength and direction of the relationships between these factors and internal marketing dimensions are among the main purposes of this study. To examine the relationships between internal marketing and firm performance, internal marketing and market orientation, and market orientation and firm performance are the other purposes of the study. Data collected from 185 high rank and middle rank managers and department supervisors were tested through structural equation modeling and regression analyses. Findings indicate that there are direct positive relationships between market orientation and internal marketing (H_1), market orientation and firm performance (H_2), and internal marketing and firm performance (H_3). Another finding of the study is that market orientation has a mediating role in the relationship between internal marketing practices and firm performance (H_4).

Keywords: Market orientation, internal marketing, firm performance, internal customer, Nevsehir, hotel business

1. Introduction

Service industry employees are the first touch line of the businesses with the marketing environment. Many employees in service dominated businesses such as tourism perform market-oriented jobs. As a result, those employees who frequently contact with the customers could make an impact on customers' attitudes towards the firm (see e.g. Schneider & Bowen, 1985; Bitner, 1990; Hartline & Ferrell, 1996). Thus, satisfaction of the external customers is closely related with the motivation of employees who are considered as internal customers. In hotel businesses, production and consumption are simultaneous (Sasser & Arbeit, 1976), thus, coordination and cooperation among employees is more important. Avoiding service failure and keeping operations smooth depend mostly on contact employees (Grönroos, 1989; Hartline & Ferrell, 1996). For this reason, it is important for the businesses to understand the vital role of employees for the firm and put internal marketing applications into practice.

It is impossible to standardize customer behavior and it would not be very probable to exactly forecast those behavior (Grönroos, 1990). Thus, it is possible for the management to explain the employees how to interact with the customer and how to react in different situations to satisfy the customer by adopting a service oriented culture (see e.g. Grönroos, 1989; 1990; Hartline & Ferrell, 1996). The main goal of the firms is to make profit. Conducting their operations at first attempt and with minimum failure by motivating employees will enable them to reach this goal.

By the effective use of internal marketing dimensions within the firm, external customers are satisfied indirectly, this also means the adoption of market oriented approach for the firm (Grönroos, 1990; Conduit & Mavondo, 2001; Abzari, Ghorbani, & Madani, 2011; Zaman, Javaid, Arshad, & Bibi, 2012). Market orientation and internal marketing which are both, in the literature, found to have an impact on the firm success are complementary to each other. "...Market orientation and internal marketing are two interrelated concepts … " (Gounaris,Vassilikopoulou, & Chatzipanagiotou, 2010, p.1667). "Internal marketing is a management philosophy" (Grönroos, 1990, p.8) and has a significant role in the development of market orientation (Voola, Casimir, & Haugen, 2003; Abzari et al., 2011).

2. Literature Review

2.1. Market Orientation

Major contributions were made by Narver & Slater (1990) and Kohli & Jaworski (1990) to the literature related to the concept of market orientation which began to be discussed in marketing and strategic management studies in 1990s. While Narver & Slater (1990) regarded market orientation as an organizational culture to meet the customer needs and surpass the competitors, Kohli & Jaworski (1990) defined market orientation as collection of information about the market, sharing this information within the organization, and receiving feedback. There are various definitions of this concept from different views in the literature. The common point of these definitions is the notion that obtaining information about customers and competitors is the first step of market orientation (see e.g. Day & Wensley, 1988; Narver & Slater, 1990; Slater & Narver, 1994b; 2000; Martin, Martin, & Grbac, 1998; Harrison-Walker, 2001). Effective use of the obtained information about the customers and competitors within the firm depends on the success of coordination between the departments. Especially in service industries such as tourism, the firm success depends –

even more – on understanding the customers and meeting their wishes and needs. In other words, the information obtained should be used effectively.

2.2. Internal Marketing

There are some definitions of the concept of internal marketing which began to be discussed in the literature in 1970s (Varey & Lewis, 1999; Gounaris, 2006) and which emphasizes the significance of employees in the marketing of services. The term of internal marketing was first used by Berry, Hensel, & Burke (1976), then it was used by George (1977), Thompson et al. (1978), and Murray (1979) (Rafiq & Ahmed, 2000).

Sasser & Arbeit (1976) also mentioned internal marketing in their study indirectly and they stated that the employees should be considered as the most important customers of the firm especially in service firms. For this reason, a successful service firm should first be successful at 'selling' to its employees.

The definition of internal marketing made by Berry & Parasuraman (1991) is widely accepted. "Internal marketing is attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating employees as customers . . ." (Berry & Parasuraman, 1991, p. 151). The common point of the definitions of internal marketing in the literature is the notion that first the internal customers, namely employees, should be satisfied in order to satisfy customers.

2.3. Firm Performance

In today's competitive environment, firms should first evaluate their performances and analyze the factors affecting their performances in order to understand their current situation, improve their weak points, and make proper strategic decisions (Akman, Özkan, & Eriş, 2008). Performance is a wide subject that cannot be defined objectively (Lebas, 1995). Performance can be defined as the strategies applied by a firm and the outcomes of these applications (Porter, 1991). In other words, according to Porter (1991), firm performance means the level of firm's success and firm's success can be attained by gaining sustainable competitive advantage.

Based on the literature review, it has been discovered that there are two types of measure for firm performance, namely objective and subjective. The most frequently used objective performance measure is financial performance (Akman et al., 2008). However, considering firm performance by only financial aspect is not sufficient in an environment where the competition gets fiercer. In addition to financial performance, non-financial aspects (innovation, time, flexibility, quality, etc.) should also be considered in order to measure firm performance more realistically (Chin, Pun, & Lau, 2003; Usta, 2011). According to Kaplan & Norton (1996; 2001) non-financial measures help the managers more in determining and evaluating the changes in firm environment. Although financial performance measures are useful, firms are usually reluctant to share financial information. For lodging enterprises, financial measures consist of data such as occupancy rate, revenue per available room, and employee turnover rate which managers are quite reluctant to share. For this reason, subjective measures have been preferred in many studies.

2.4. Internal Marketing and Market Orientation

Abzari et al. (2011) indicates that successful businesses in rapidly growing and already large tourism industry pay attention to both customers and employees. The interactions between customers and employees are critical in service businesses (see eg. Anderson, Fornell, & Rust, 1997). Especially customer contact employees' attitudes and behaviors affect the perception of service by customers (See e.g. Schneider & Bowen, 1985; Bitner, 1990; Hartline & Ferrell, 1996), thus internal marketing gains more importance for the tourism industry (Eren & Güneren, 2014).

Internal marketing practices are considered as tools for market orientation (see eg. Conduit & Mavondo, 2001; Lings, 2004) and increasing employee satisfaction (Piercy, 1995). Internal marketing can also be recognized as a strategy for market orientation (Abzari et al., 2011) and one of the main antecedents of market orientation (see e.g. Lings, 2000; Lings & Greenley, 2009; Zaman et. al., 2011). Firms which adopt an internal marketing approach can align their market objectives with their internal capabilities, thus they can respond to changes in the external market much effectively (Gounaris, 2006).

In the relevant literature, there are various studies that indicate the relationship between internal marketing and market orientation (Voola et al., 2003; Lings, 2004; Kyriazopoulos, Yannacopoulos, Spyridakos, Siskos, & Grigoroudi, 2007). Number of empirical studies on internal marketing in tourism industry is quite insufficient. Based on the current studies, it could be stated that employees' organizational commitment and tendency to serve in a more customer orientated manner increase in the organizations in which internal marketing is applied. Therefore, internal marketing could contribute to the adoption of market orientation and increase of the firm performance indirectly.

H₁: In hotel businesses, there are direct positive relationships between market orientation and internal marketing practices.

2.5. Market Orientation and Firm Performance

Market orientation can be defined as an important strategy which contributes to a firm's gathering information about their current and future competitors and customers, creating value for the customers, gaining competitive advantage by using the information gathered, and surpassing the customer expectations (Karahan & Özçiftçi, 2008; Slater & Narver, 1994a). Market orientation is also

regarded as an element that gives superior firm performance (Han, Kim, & Srivastava, 1998) because firms try to understand and satisfy the customers in order to gain competitive advantage (Bayyurt, 2007).

Market orientation approach in a firm increases its ability to adapt to changing market conditions and this will increase the performance of the firm (see e.g. Day, 1994; Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990; Ruekert, 1992; Slater & Narver, 1994b). Market orientation has a positive impact on employee behavior thus enhances performance (Piercy, Harris, & Lane, 2002). Employees at all levels of the firm affect the market orientation activities (Gummesson, 1991; Martin et al., 1998). In short, market orientation is an important strategy that makes the firms successful because main goal of a firm is to earn a significant position in the market by ensuring customer satisfaction.

Based on the current studies, it can be claimed that market orientation has a positive impact on firm performance, employees, customers, and innovation (Narver & Slater, 1990; Deshpande, Farley, & Webster, 1993; Baker & Sinkula, 1999, Slater & Narver, 2000; Lukas & Ferrell, 2000; Harrison-Walker, 2001). The second hypothesis of the study was developed on this.

H₂: In hotel businesses, there are direct positive relationships between market orientation and firm performance.

2.6. Internal Marketing and Firm Performance

Internal marketing, which is complementary to external marketing (Gummesson, 2000), ensures customer satisfaction through employee satisfaction thus affects firm performance positively (see e.g. Drake, Gulman & Roberts, 2005). Internal marketing is a significant factor on business performance (Panigyrakis & Theodoridis, 2009). In the current literature, there are studies that indicate that internal marketing practices enhance firm success. Employees' display of their emotions has an impact on customers' evaluations of service quality through service encounters (Pugh, 2001) and this affects firm's overall success in service industry. In service industries, firm success is achieved through creating customer value and internal marketing is an approach which suggests that customer value can be created by satisfying the employees. If the employees are trained and awarded then these internal marketing practices affect the interaction with customers, namely with the external market, positively, thus these practices enhance firm performance (Opoku, Opuni, & Adjei, 2014).

The concept of internal marketing is emphasized especially in service industry (Conduit & Mavondo, 2001; Zaman et al., 2012) because employees directly interact with customers (Hartline & Ferrell, 1996; Donavan, Brown, & Mowen, 2004). There is a positive relationship between internal marketing and market orientation (Voola et al., 2003; Lings, 2004; Kyriazopoulos et al., 2007; Zaman et al., 2012).

H₃: In hotel businesses, there are direct positive relationships between internal marketing practices and firm performance.

2.7. Internal Marketing, Market orientation, and Firm performance

In the literature, some studies indicate positive relationships between market orientation and customer orientation, job satisfaction, firm performance, organizational commitment, internal marketing (Narver & Slater, 1990; Ruekert, 1992; Jaworski & Kohli, 1993; Siguaw, Brown, & Widing, 1994; Webb, Webster, & Krepapa, 2000; Lings, 2000; Slater & Narver, 2000; Piercy et al., 2002; Voola, Casimir, & Hugen, 2003; Jones, Bush, & Dacin, 2003; Qu & Ennew, 2003; Kaynak & Kara, 2004; Singh & Ranchhod, 2004; Zaman et. al., 2012) and between internal marketing and firm performance (Lings, 2000; Zaman et al., 2012).

Zaman et al. (2012) found that internal marketing had a significant impact on employees' commitment, market orientation, and profitability of the business. Lings (2004), in his study on internal marketing, reached to the result that there was a positive relationship between internal marketing and firm performance and also between market orientation and internal marketing. Lings and Greenley (2009) found positive relationships between market orientation and firm performance, employee satisfaction and market orientation, market orientation and customer satisfaction, internal marketing and market orientation, employee motivation and customer satisfaction, and customer satisfaction and financial performance. Webb et al. (2000) found positive relationships between market orientation and service quality, service quality and performance. Thus, it can be assumed that market orientation positively affects performance indirectly. In addition, authors found positive relationships between market orientation and customer satisfaction, customer satisfaction and performance. In this way, market orientation positively affects customer satisfaction, then customer satisfaction affects performance positively. Moreover, internal marketing reduces employees' dysfunctional behaviors such as invalid reporting (Ramaswami, 1996). Motivated employees can increase the firm performance by contributing to firm's market orientated attitude. Thus, hypothesis H₄ was developed.

H₄: In hotel businesses, market orientation has a mediating role in the relationship between internal marketing practices and firm performance.
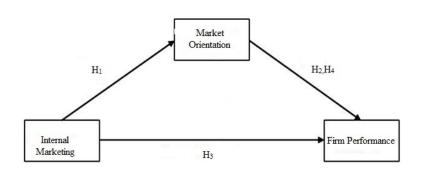
3. Methodology

Figure 1. Research Model

3.1. Sampling Design and Data Collection

Purposive sampling, a non-random sampling technique, was preferred as the sampling method of the research. Main population of the research consists of the middle and high rank managers and department supervisors of 3, 4, and 5-star hotels in Nevşehir (in the districts of Uçhisar, Ürgüp, Göreme, Ortahisar, Avanos, Kaymaklı, Kozaklı, and City Center). Data were collected through questionnaires which were applied to the respondents face to face in June 2016 through August 2016.

3.2. Measures

In this study, mediating role of market orientation in the relationship between internal marketing and firm performance is examined. The independent variable of the study is internal marketing. Foreman and Money (1995) emphasize that internal marketing is represented by vision, development, and rewards dimensions. Another variable of the study is market orientation. Narver and Slater (1990) indicate that market orientation consists of customer orientation, competitor orientation, and interfunctional coordination dimensions.
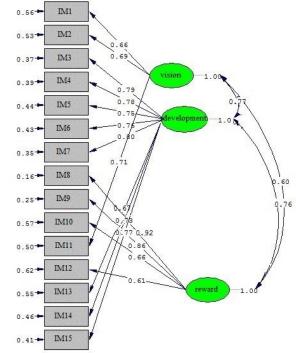
The dependent variable of the study is firm performance. Since the research was conducted on hotel businesses, occupancy rate, yearly revenue per available room, and employee turnover rate were measured as objective performance variables. However, respondents were, in general, reluctant to give information on these variables. For this reason, analyses and results presented in this paper are based on the subjective performance variables. The subjective performance dimension was measured in five dimensions, namely employees, consumers, financial, organizational, and social dimensions, developed by Eren (2007).

3.3. Reliability and Validity

Confirmatory factor analysis was conducted in order to discover whether the internal marketing, market orientation, and firm performance scales represent the same dimension structures with the original scales in this sample.

3.3.1. Findings on the validity of internal marketing scale (Confirmatory factor analysis)

As shown in Figure 2, 15 items in the scale were distributed to the dimensions as in the original scale in the result of confirmatory factor analysis.

Figure 2. Internal Marketing Scale First Level Confirmatory Factor Analysis (Standardized)

In the literature, the frequently used fit indices to test the validity of the model in confirmatory factor analysis (CFA) are comparative fit index (CFI), Goodness of Fit Index (GFI), adjusted goodness of fit index (AGFI), normed fit index (NFI), root mean square error of approximation (RMSEA), and standardized root mean square residual (SRMR) (Hu & Bentler, 1999; Schermelleh-Engel, Moosbrugger, Müller, 2003; Hair, Black, Babin, Anderson, 2014). Table 1 shows the most frequently used goodness of fit indices for model data fit.

Table 1. Goodness of fit values (MacCallum, Browne, & Sugawara, 1996; Hu & Bentler, 1999; Schermelleh-Engel et al., 2003; Hair et al., 2014)

Fit Indices	Good fit	Acceptable fit
RMSEA	$0 \leq$ RMSEA ≤ 0.05	$0.05 \leq$ RMSEA ≤ 0.10
SRMR	$0 \leq$ SRMR ≤ 0.05	$0.05 \leq$ SRMR ≤ 0.10
NFI	$0.95 \leq$ NFI ≤ 1.00	$0.90 \leq$ NFI ≤ 0.95
NNFI	$0.97 \leq$ NNFI ≤ 1.00	$0.95 \leq$ NNFI ≤ 0.97
CFI	$0.95 \leq$ CFI ≤ 1.00	$0.90 \leq$ CFI ≤ 0.95
GFI	$0.95 \leq$ GFI ≤ 1.00	$0.90 \leq$ GFI ≤ 0.95
AGFI	$0.90 \leq$ AGFI ≤ 1.00	$0.85 \leq$ AGFI ≤ 0.90

Goodness of fit values of internal marketing scale are illustrated in Table 2.
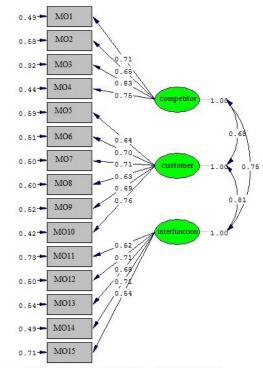
Table 2. CFA results of internal marketing scale

n	p	CFI	NFI	NNFI	GFI	AGFI	SRMR	RMSEA
185	0.00	0.98	0.96	0.97	0.93	0.90	0.052	0.70

When the values reached (Table 2) are compared with the goodness of fit values shown in Table 1, it can be observed that there is a good fit between the model and the data. Based on these findings, data confirms the model, in other words, fit indices calculated demonstrate a good fit between the data set and the model that consists of first level latent variables.

3.3.2. Findings on the validity of market orientation scale (Confirmatory Factor Analysis)

Confirmatory factor analysis was conducted in order to determine whether the data collected from the sample demonstrated the same dimensional structure with the original market orientation scale. As shown in Figure 3, 15 items are distributed to same dimensions as in the original scale.

Chi-Square=190.25, df=87, P-value=0.00000, RMSEA=0.080

Figure 3. Market Orientation Scale 1. Level Confirmatory Factor Analysis (Standardized)

Goodness of fit values of 1. level confirmatory factor analysis of market orientation scale are shown in Table 3.

Table 3. CFA results of market orientation scale

n	p	CFI	NFI	NNFI	GFI	AGFI	SRMR	RMSEA
185	0.00	0.96	0.94	0.96	0.89	0.85	0.055	0.80

When the values reached (Table 3) are compared with the values in Table 1, it could be stated that this scale also shows good fit.

3.3.3. Findings on the validity of firm performance scale (Confirmatory Factor Analysis)

As shown in Figure 4, 27 items in the firm performance scale are distributed to the dimensions as in the original scale.
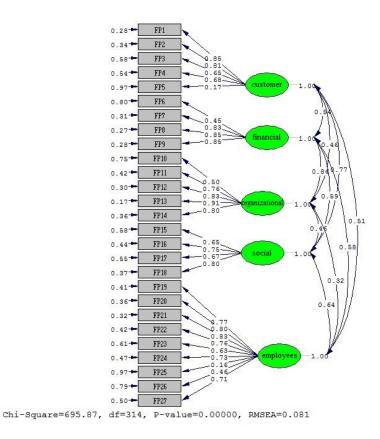

Figure 4. Firm performance scale 1. level confirmatory factor analysis (Standardized)

Table 4. CFA results of firm performance scale

n	P	CFI	NFI	NNFI	GFI	AGFI	SRMR	RMSEA
185	0.00	0.95	0.91	0.94	0.83	0.84	0.016	0.81

Comparing the values in Table 4 with Table 1, it is observed that this scale also demonstrates good fit.

In summary, all three scales used show same dimensions as in the original scales and demonstrate good fit.

Table 5. Scales and reliability coefficients

Scales	Number of items	Cronbach Alpha(α)
Internal marketing	**15**	**0.93**
Vision	3	0.81
Development	8	0.91
Rewards	4	0.85
Market orientation	**15**	**0.90**
Competitor orientation	4	0.82
Customer orientation	6	0.85
Interfunctional coordination	5	0.76
Firm performance	**27**	**0.92**
Consumers	5	0.83
Financial	4	0.81
Organizational	5	0.87
Social	4	0.78
Employees	9	0.84

As illustrated in Table 5, all scales and dimensions are found reliable based on the Cronbach's α values ranging from 0,76 through 0,93.

In addition to Cronbach's alpha values which reflect internal reliability of the scales, construct reliability (CR) coefficients were examined for the reliability analyses and convergence and discriminant validity were tested for the validity. For convergent validity which necessitates that variables which measure the same structure should be correlated at least at a medium level (Kline, 2011), the coefficient of average variance extracted should be used and this value is recommended to be 0,50 or higher for an adequate convergence (Hair, Black, Babin, Anderson, 2014; Fornell & Larcker 1981). For discriminant validity, different constructs are expected not to be too highly intercorrelated (Kline, 2011) because they are related to each other but measure different constructs in essence. In addition, square root of AVE should be higher than correlation coefficients (Hair, Black, Babin, Anderson, 2014). Based on second level confirmatory factor analyses, all scales used met reliability and validity measures.
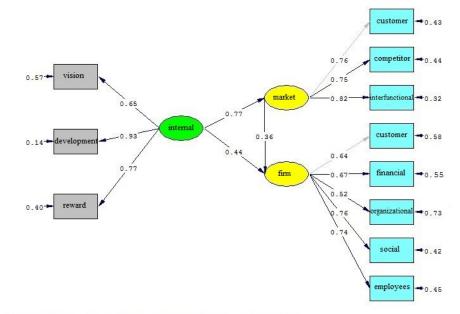
3.4. Data Analysis Techniques

Structural equation modelling and regression analyses were performed in order to examine the mediating role of market orientation in the relationship between internal marketing and firm performance. Prior to these analyses, data distributions were examined for normality and the data which showed positive and negative skewness were normalized through logarithmic and square root transformations.

3.4.1. The mediating role of market orientation in the relationship between internal marketing and firm performance

Goodness of fit values of the developed model are illustrated in Table 6.

Table 6. Goodness of fit values of research model (mediating role)

n	*p*	*CFI*	*NFI*	*NNFI*	*GFI*	*AGFI*	*SRMR*	*RMSEA*
185	0.00	0.94	0.92	0.92	0.92	0.86	0.06	0.058

Chi-Square=65.15, df=40, P-value=0.00723, RMSEA=0.058

Figure 5. Structural Equation Model on Market Orientation, Firm Performance, and Internal Marketing Practices (Standardized Coefficients)

Goodness of fit values were examined and the model was confirmed. As shown in Figure 5, there is a positive and significant relationship between internal marketing and market orientation. The path coefficient between them is 0,77 and t value is 8,72. There is a positive and significant relationship between internal marketing and firm performance and the path coefficient is 0,44 while the t value is 3,32. There is also a positive and significant relationship between market orientation and firm performance. Between these two, the path coefficient is 0,36 and t value is 2,67.

In addition, market orientation is explained by internal marketing in the first equation and the equation between market orientation and internal marketing with the standardized coefficients is set as *market orientation = 0.77*internal marketing" (R²= 0.59)*. In the second equation where firm performance is explained by internal marketing, the equation with standardized coefficients is set as *"firm performance = 0.71*internal marketing" (R²= 0.50)*. Thus, 50% of the variance in firm performance can be explained by internal marketing. In the third equation, firm performance is explained by market orientation and internal marketing and the equation is set as *"firm performance= 0.36*market orientation + 0.44*internal marketing" (R²= 0.64)*. It means that 64% of the change in firm performance can be explained by market orientation and internal marketing. Thus, internal marketing and market orientation are major explanatories of firm performance.

Path analyses indicate that path coefficients of internal marketing to market orientation (β= 0.77; p<0.01) and firm performance (β= 0.44; p<0.01) and path coefficient of market orientation to firm performance (β= 0.36; p<0.01) are significant.

Through structural equation modelling, it was examined whether the conditions proposed by James & Brett (1984) were met in order to test the mediating role of market orientation in the relationship between internal marketing and firm performance. According to James & Brett (1984), if the impact of independent variable on the dependent variable is eliminated and the independent variable affects the dependent one only through the mediating variable (i.e. indirectly), then this means there is a "full mediating role". However, if the direct impact of independent variable still continues but diminishes, then this means there is a "partial mediating role". Thanks to path coefficients, indirect path coefficients between the variables can be calculated (Alpar, 2013). The impact of internal marketing on firm performance through market orientation is calculated as 0,77 x 0,36= 0,28.

When the market orientation variable is included in the structural equation model of firm performance and internal marketing, the impact of independent variable on dependent variable does not totally disappear, thus market orientation does not have a full mediating role. Direct and indirect impacts have been calculated in order to examine whether it has a partial mediating role. The direct impact (total impact) of internal marketing on firm performance is 0,77.
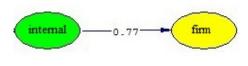
Figure 6. Direct Impact

The indirect impact of internal marketing on firm performance is found 0,28 and when market orientation is included in the analysis, the impact of internal marketing on firm performance is found 0,49 (0,77 – 0,28 = 0,49). Thus, it is concluded that the direct impact of internal marketing on firm performance decreases but continues when market orientation is included in the equation. This means there is a partial mediating role of market orientation in the relationship between internal marketing and firm performance. Thus, hypothesis H_4 is confirmed. To confirm the mediating role, multiple regression analysis was also conducted.

3.4.1. Regression analysis on the mediating role of market orientation in the relationship between internal marketing and firm performance

In order to research the role of market orientation in the relationship between internal marketing practices and firm performances of 3,4, and 5-star hotel businesses in Nevşehir, multiple regression analysis was conducted in line with the approach developed by Baron and Kenny (1986). Means, standard deviations, and correlation coefficients of variables are illustrated in Table 7.

Table 7. Means, standard deviations, and correlation coefficients of variables

Variable	Mean	Standard Deviation	1	2	3
Firm Performance	3,73	0,55	-		
Internal marketing	3,65	0,78	0,618	-	
Market orientation	3,88	0,66	0,540	0,660	-

As shown in Table 7, market orientation practices has the highest mean (3,88). Thus, 3,4, and 5-star hotel businesses in the region adopt a market orientated approach (based on managers' perspectives). Firm performance has the second highest mean (3,73). Firm performance scale includes questions to measure managers' perceptions. According to the managers, 3,4, and 5-star hotels in the region perform relatively well. Internal marketing has the lowest mean (3,65), however it is still reasonably high. Thus, according to the managers, the hotel businesses in the region adopt internal marketing and consider their employees as internal customers.

Table 8. Results of Multiple Regression Analysis

Steps	Regression Coefficients			Model Statistics
	B	S.E.	β	
First Step The impact of X (internal marketing) on Y (firm performance)	0,451	0,042	0,618	R²= 0,382 F(1,183)= 113,131 P= 0,00
Second Step The impact of X (internal marketing) on M (market orientation)	0,532	0,045	0,660	R²= 0,436 F(1,183)= 141,488 P= 0,00
Third Step The impact of M (market orientation) on Y (firm performance)	0,489	0,056	0,540	R²= 0,292 F(1,183)= 75,485 P= 0,00
Fourth Step The impact of X (internal marketing) and M (market orientation) on Y (firm performance)	0,338	0,055	0,463	R²= 0,413 F(2,182)= 64,037 P= 0,00 P= 0,00
	0,212	0,068	0,235	VIF= 0,591

According to F value which indicates whether the regression analysis is statistically significant (Gürbüz & Şahin, 2014), results of regression analysis and the model are statistically significant F $_{(2,182)}$= 64,037 p<0,01). In order to test whether there is a

multicollinearity problem, tolerance values are examined and calculated. Tolerance values are higher than critical values (1- R²). This indicates that there is no multicollinearity problem.

According to the model proposed by Baron & Kenny (1986) independent variable must have an impact on dependent variable; independent variable must have an impact on mediating variable; and mediating variable must have an impact on dependent variable. When all variables are included in the analysis, if no significant relationship between independent variable and dependent variable is found, this indicates full mediation (Gürbüz & Bekmezci, 2012). If the direct impact of independent variable on dependent variable decreases but continues, then this indicates partial mediation (James & Brett, 1984).

Regression analysis results indicate that internal marketing has a positive and significant impact on firm performance (β=0,618, p<0,01); internal marketing has a positive and significant impact on market orientation (β=0,660, p<0,01); market orientation has a positive and significant impact on firm performance (β=0,540, p<0,01). According to these results, H_1, H_2, and H_3 are accepted. When all the variables are included in the analysis simultaneously, internal marketing (β=0,463, p<0,01) and market orientation (β=0,235, p<0,01) together have a positive and significant impact on firm performance. It means that market orientation does not have a full mediating role in the relationship between internal marketing and firm performance.

However, it can be observed in the regression results that the relationship between the dependent and independent variables continues but decreases (*from* β=0,618 *to* β= 0,463, p<0,01). Thus, market orientation has a partial mediating role in the relationship between internal marketing and firm performance. Meanwhile, R^2 value increased from 0,38 (*internal marketing – firm performance*) to 0,41 (*internal marketing – market orientation – firm performance*). In other words, when the mediating variable is included in the equation (within three variables), 41% of the variance in firm performance is explained by market orientation and internal marketing whereas 38% of the variance in firm performance is explained by internal marketing in the equation between only these two variables (*i.e. internal marketing – firm performance*).

Lastly, Sobel test was conducted in order to test the significance of the change in regression coefficient and partial mediating role was found to be statistically significant (z=7,024, p<0,01).

5. Conclusion

The results of this study indicate a positive relationship between market orientation and internal marketing (*H_1*). This finding is in accordance with the findings of the studies conducted by Voola et al. (2003); Lings (2004); Kyriazopoulos et al. (2007).

There is also a positive relationship between market orientation and firm performance *(H_2)*. This finding is also in parallel with the findings of Narver & Slater (1990); Baker & Sinkula (1999); Slater & Narver (2000); Singh & Ranchhod (2004); Hamşıoğlu (2011); Asikhia (2011); Jaiyeoba & Amanze (2014). In the case of hotel businesses, studies of Sandvik & Sandvik (2003); Qu & Ennew (2003); Karamustafa, Güllü, Acar, & Ulama (2010) confirm this finding, too.

Another finding of the study is that there is a direct positive relationship between internal marketing and firm performance (*H_3*). Saad, Ahmed, & Rafiq (2002), Türköz (2006), and Hwang & Chi (2005) reported similar results.

In addition, market orientation has a partial mediating role in the relationship between internal marketing and firm performance (*H_4*). Thus, there are significant interrelations among internal marketing, market orientation, and firm performance in hotel businesses.

The findings of this study indicate that internal marketing is the antecedent of market orientation and this result is very important for hotel managers.

Internal marketing could decrease staff turnover rate which is a common problem in tourism industry. Thus, focusing on internal marketing could make a tourism business avoid many potential problems related to staff turnover. Moreover, since internal marketing has an impact on market orientation and firm performance, it could give even more advantage to businesses.

Internal marketing affects employee satisfaction directly and customer satisfaction and firm performance indirectly. In order to increase firm performance, managers should first focus on internal marketing because this could decrease employee related problems such as employee dissatisfaction, poor performance, and low levels of organizational commitment. Employee reward systems could also be useful; however, it is important to ensure this rewarding system does not disrupt team spirit.

When employees are encouraged to create ideas through internal marketing practices, these ideas could provide some advantages to the management. Although these 'ideas' could be used in a variety of ways, one of the major benefits to the firm is that managers could take the advantage of employees' sense of empathy to understand the consumers better. Especially customer-contact employees' ideas could be of great use in that sense.

Data used in this study were collected through questionnaires applied to managers and department supervisors of 3, 4, and 5-star hotels in Nevsehir face to face from June through August 2016. The major limitation of this study is that the change in the impacts of internal marketing and market orientation on firm performance is not tracked over time. Thus, the interpretation of the results is limited considering the data were collected in a limited time and region. However, similar results with other studies are also considered and interpreted to compensate this limitation. Future research could be conducted by collecting data throughout a longer

period in order to discover the change over time. Similar studies in different regions could also contribute to the literature.

References

Abzari, M., Ghorbani, H., & Madani, F.A. (2011). The effect of internal marketing on organizational commitment from market-orientation viewpoint in hotel industry in Iran. *International Journal of Marketing Studies, 3*(1), 147-155.

Akman, G., Özkan, C., & Eriş, H. (2008). Strateji odaklılık ve işletme stratejilerinin işletme performansına etkisinin analizi. *İstanbul Ticaret Üniversitesi Fen Bilimleri Dergisi, 7*(13), 93-115.

Anderson, E. W., Fornell, C., & Rust, R. T. (1997). Customer satisfaction, productivity, and profitability: differences between goods and services. *Marketing science*, *16*(2), 129-145. http://dx.doi.org/10.1287/mksc.16.2.129.

Alpar, R. (2013). *Uygulamalı çok değişkenli istatistiksel yöntemler.* (4th ed.). Ankara: Detay Yayıncılık.

Asikhia, O. (2011). Adjusted Narver and Slater's market orientation concept and firm performance in Nigerian companies. *Global Journal of Management and Business Research,* 11 (7), 54-62.

Baker, W.E. & Sinkula, J.M. (1999). The synergistic effect of market orientation and learning orientation. *Journal of the Academy of Marketing Science,* 27(4), 411–427. http://dx.doi.org/10.1177/0092070399274002.

Baron, R.M. & Kenny, D.A. (1986). The moderator-mediator variable distinction in social psychological research: conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology,* 51(6), 1173-1182

Bayyurt, N. (2007). İşletmelerde performans değerlendirmenin önemi ve performans göstergeleri arasındaki ilişkiler. *Sosyal Siyaset Dergisi,* 53, 577-592.

Berry, L.L. & Parsuraman, A. (1991). *Marketing services: competing through quality.* The Free Press: New York.

Bitner, M. J. (1990). Evaluating service encounters: the effects of physical surroundings and employee responses. *The Journal of Marketing*, 54, 69-82. http://dx.doi.org/10.2307/1251871.

Chin, K.S., Pun, K.F. & Lau, H. (2003). Development of a knowledge-based self-assessment system for measuring organisational performance. *Expert Systems with Applications,* 24(4), 443–455. https://doi.org/10.1016/S0957-4174(02)00192-6.

Conduit, J. & Mavondo, F.T. (2001). How critical is internal customer orientation to market orientation?. *Journal of Business Research,*51(1), 11-24. https://doi.org/10.1016/S0148-2963(99)00044-2.

Day, G.S. & Wensley, R. (1988). Assessing advantage: a framework for diagnosing competitive superiority. *Journal of Marketing,* 52(2), 1-20. https://doi.org/10.2307/1251261.

Day, G.S. (1994). The capabilities of market driven organizations. *Journal of Marketing,* 58, 37-52. https://doi.org/10.2307/1251915.

Deshpande, R., Farley, J.U. & Webster, F.E. (1993). Corporate culture, customer orientation and innovativeness in Japanese firms: a quadrad analysis. *Journal of Marketing,* 57, 23-37. https://doi.org/10.2307/1252055.

Donavan, D. T., Brown, T. J., & Mowen, J. C. (2004). Internal benefits of service-worker customer orientation: job satisfaction, commitment, and organizational citizenship behaviors. *Journal of marketing*, 68(1), 128-146. https://doi.org/10.1509/jmkg.68.1.128.24034.

Drake, S.M., Gulman, M.J. & Roberts, S.M. (2005). *Light their fire: using internal marketing to ignite employee performance and wow your customers.* Dearborn Trade Publishing: USA.

Eren, D. (2007). *Örgütsel hizmet odaklılığın işletme performansı üzerindeki etkisi: konaklama işletmelerinde bir uygulama*. (Doctoral dissertation, Erciyes University). [Online] Available: https://tez.yok.gov.tr/UlusalTezMerkezi/ (June 5, 2016).

Eren, D. & Güneren, E. (2014). Turizm işletmelerinde çalışan ilişkileri yönetimi. *In Ş.A.* Tükeltürk, N. Ş. Perçin & B. Güzel (Eds.), *Turizm işletmelerinde içsel pazarlama* (pp. 59-81). Ankara: Detay Yayıncılık.

Foreman, S.K. & Money, A.H. (1995). Internal marketing-concepts measurements and applications. *Journal of Marketing Management,* 11(8), 755-768. http://dx.doi.org/10.1080/0267257X.1995.9964388.

Fornell, C. & Larcker, D.F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39-50.

Gounaris, S.P. (2006). Internal-market orientation and its measurement. *Journal of Business Research,* 59(4), 432 – 448. https://doi.org/10.1016/j.jbusres.2005.10.003.

Gounaris, S., Vassilikopoulou, A., & Chatzipanagiotou, K. C. (2010). Internal-market orientation: a misconceived aspect of marketing theory. *European Journal of Marketing*, 44 (11/12), 1667-1699. https://doi.org/10.1108/03090561011079837.

Grönroos, C. (1989). Defining marketing: a market-oriented approach. *Journal of Marketing,* 23(1), 52-60. https://doi.org/10.1108/EUM0000000000541.

Grönroos, C. (1990). Relationship approach to marketing in service contexts: the marketing and organizational behavior interface. *Journal of Business Research*, 20, 3-11. https://doi.org/10.1016/0148-2963(90)90037-E.

Gummesson, E. (1991). Marketing-orientation revisited: the crucial role of the part-time marketer. *European journal of Marketing*, *25*(2), 60-75. https://doi.org/10.1108/03090569110139166.

Gummesson, E. (2000). Internal marketing: directions for management. In R.J. Varey & B. Lewis (Eds.), *Internal marketing in the light of relationship marketing and network organizations* (pp. 27-72) GBR: Routledge ProQuest ebrary (4 Mart 2016).

Gürbüz S, Bekmezci M (2012) İnsan kaynakları yönetimi uygulamalarının bilgi işçilerinin işten ayrılma niyetine etkisinde duygusal bağlılığın aracılık ve düzenleyicilik rolü. *İstanbul Üniversitesi İşletme Fakültesi Dergisi*, 41 (2), 189-213.

Gürbüz, S. & Şahin, F. (2014). *Sosyal Bilimlerde Araştırma Yöntemleri.* (2nd ed.). Ankara: Seçkin Yayın.

Hair, Jr. J.F., Black, W.C., Babin, B.J. & Anderson, R.E. (2014). (7th Ed.). *Multivariate Data Analysis*. Pearson: New Jersey.

Hamşıoğlu, A.B. (2011). Pazar yönlülük, kalite yönlülük ve işletme performans ilişkisi: ilaç sektöründe yapılan bir çalışma. *Ege Akademik Bakış, 11 (1), 91 -101.*

Han, J.K., Kim, N. & Srivastava, R.K. (1998). Market orientation and organizational performance: is innovation a missing link?. *Journal of Marketing,* 62, 30-45. https://doi.org/10.2307/1252285.

Harrison-Walker, L.J. (2001). The measurement of a market orientation and its impact on business performance. *Journal of Quality Management*, 6(2), 139-172. https://doi.org/10.1016/S1084-8568(01)00035-9.

Hartline, M. D. & Ferrell, O. C. (1996). The management of customer-contact service employees: an empirical investigation. *The Journal of Marketing*, 60, 52-70. https://doi.org/10.2307/1251901.

Hu, L. & Bentler, P.M. (1999). Cutoff criteria for fit indexes in covariance structure analysis: conventional criteria versus new alternatives. *Structural Equation Modeling: A Multidisciplinary Journal,* 6(1), 1-55. http://dx.doi.org/10.1080/10705519909540118.

Hwang, I.S. & Chi, D.J. (2005). Relationship among internal marketing, employee job satisfaction and internal hotel performance: an empirical study. *International Journal of Management,* 22(2), 285-293.

Jaiyeoba O, Amanze D (2014) Testing the applicability of Narver and Slater's market orientation concept and firm performance in Botswana. *Journal of Business Theory and Practice*, 2 (1), 1-12. http://dx.doi.org/10.22158/jbtp.v2n1p1.

James, L.W. & Brett, J.M. (1984). Mediators, moderators, and tests for mediation. *Journal of Applied Psychology,* 69(2), 307-321. http://dx.doi.org/10.1037/0021-9010.69.2.307.

Jaworski, B.J. & Kohli, A.K. (1993). Market orientation: antecedents and consequences. T*he Journal of Marketing*, 57,53-70. http://dx.doi.org/10.2307/1251854.

Jones, E., Busch, P., & Dacin, P. (2003). Firm market orientation and salesperson customer orientation: interpersonal and intrapersonal influences on customer service and retention in business-to-business buyer-seller relationships. *Journal of Business Research*, 56(4), 323-340. https://doi.org/10.1016/S0148-2963(02)00444-7.

Kaplan, R.S. & Norton, D.P. (1996). *The balanced scorecard: translating strategy into action.* Harvard Business School Press: Boston, MA. [Online] Available: https://books.google.com.tr/books?hl=tr&lr=&id=mRHC5kHXczEC&oi=fnd&pg=PR7&ots=wx4Tt9A6Ja&sig=35fE2TB4MfKEulC4eEijIAjqWY &redir_ esc=y#v=onepag e&q&f=false (March 5, 2016).

Kaplan, R.S. & Norton, D.P. (2001). Transforming the Balanced Scorecard from performance measurement to strategic management: Part 1. *Accounting Horizon,* 15 (1), 87–104. https://doi.org/10.2308/acch.2001.15.1.87.

Karahan, K. & Özçiftçi, V. (2008). Pazar yönlülük: Aksaray ili perakende hizmet işletmelerinde bir uygulama. *Selçuk Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, 20, 479 – 492.*

Karamustafa, K., Güllü, K., Acar, N. & Ulama, Ş. (2010). *Konaklama işletmelerinde pazar odaklılık uygulamaları.* Ankara: Detay Yayıncılık.

Kaynak, E. & Kara, A. (2004). Market orientation and organizational performance: a comparison of industrial versus consumer companies in Mainland China using market orientation scale (MARKOR). *Industrial Marketing Management*, 33(8), 743-753. https://doi.org/10.1016/j.indmarman.2004.01.003.

Kline, R.B. (2011). (3rd ed.). *Principles and practice of structural equation modeling*. The Guilford: New York.

Kohli, A.K. & Jaworski, B.J. (1990). Market orientation: the construct, research propositions, and managerial implications. *Journal of Marketing,* 54, 1- 18. https://doi.org/10.2307/1251866.

Kyriazopoulos, P., Yannacopoulos, D., Spyridakos, A., Siskos, Y. & Grigoroudi, E. (2007). Implementing internal marketing through employees' motivation. In *POMS 18th Annual Conference, Dallas, Texas, USA.* [Online] Available:https://www.pomsmeetings.org/ConfProceedings/007/CDProgram/Topics/full_length_papers_files/007-0124.pdf (May 10, 2016).

Lebas, M. (1995). Performance measurement and performance management. *International Journal of Production Economics,* 41(9), 23–35. https://doi.org/10.1016/0925-5273(95)00081-X.

Lings, I. (2000). The Impact of Internal Market Orientation on External Market Orientations and Business Performance: An Empirical Study of the UK Retail Market. In *Australian and New Zealand Marketing Academy Conference (ANZMAC) Visionary Marketing for the 21st Century: Facing the Challenge.* [Online] Available: http://www.academia.edu/3033566/The_impact_of_internal_market_orientation_on_external_market_orientation_and_business_performance_an_empiric al_study_of_the_UK_retail_market (May 12, 2016).

Lings, I.N. (2004). Internal market orientation construct and consequences. *Journal of Business Research,* 57(4), 405-413. https://doi.org/10.1016/S0148-2963(02)00274-6.

Lings, I. & Greenley, G. (2009). The impact of internal and external market orientations on firm performance. *Journal of Strategic Marketing*,17(1), 41-53. http://dx.doi.org/10.1080/09652540802619251.

Lukas, B.A. & Ferrell, O.C. (2000). The effect of market orientation on product innovation. *Journal of the Academy of Marketing Science,* 28 (2), 239-247. https://doi.org/10.1177/0092070300282005.

Martin, J.H., Martin, B.A., & Grbac, B. (1998). Employee involvement and market orientation in a transition economy: importance, problems and a solution. *Journal of Managerial Issues*, 10(4), 485- 502.

Maccallum, R.C., Browne, M.W. & Sugawara, H.M. (1996). Power analysis and determination of sample size for covariance structure modeling. *Psychological Methods*, 1(2), 130-149. http://dx.doi.org/10.1037/1082-989X.1.2.130.

Narver, J.C. & Slater, S.F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing,* 54(4), 20-35. http://dx.doi.org/10.2307/1251757.

Opoku, E., Opuni, F.F. & Adjei, K.S. (2014). An empirical study on the effect of internal market orientation on firm performance: the case of commercial banks in Ghana. *British Journal of Marketing Studies, 2*(6), 37-51.

Panigyrakis, G. G., & Theodoridis, P. K. (2009). Internal marketing impact on business performance in a retail context. *International Journal of Retail & Distribution Management*, *37*(7), 600-628. https://doi.org/10.1108/09590550910964620.

Piercy, N. F. (1995). Customer satisfaction and the internal market: marketing our customers to our employees. *Journal of Marketing practice: Applied marketing science*, *1*(1), 22-44. https://doi.org/10.1108/EUM0000000003878.

Piercy, N.F., Harris, L.C. & Lane, N. (2002). Market orientation and retail operatives' expectations. *Journal of Business Research*, 55(4), 261-273. https://doi.org/10.1016/S0148-2963(00)00140-5.

Porter, M. E. (1991). Towards a dynamic theory of strategy. *Strategic Management Journal, 12* (S2), 95-117.

Pugh, D. (2001). Service with a smile: emotional contagion in the service encounter. *The Academy of Management Journal,* 44(5), 1018-1027. http://dx.doi.org/10.2307/3069445.

Qu, R. & Ennew, C.T. (2003). An examination of the consequences of market orientation in China. *Journal of Strategic Management,* 11 (3), 201-214. http://dx.doi.org/10.1080/0965254032000133449.

Rafiq, M. & Ahmed, P.K. (2000). Advances in the internal marketing concept: definition, synthesis and extension. *Journal of Services Marketing,* 14(6), 449-462. https://doi.org/10.1108/08876040010347589.

Ramaswami, S. N. (1996). Marketing controls and dysfunctional employee behaviors: a test of traditional and contingency theory postulates. *Journal of Marketing*, 60(2), 105-120. https://doi.org/10.2307/1251934.

Ruekert, R.W. (1992). Developing a market orientation: an organizational strategy perspective. *International Journal of Research in Marketing,* 9(3), 225-245. https://doi.org/10.1016/0167-8116(92)90019-H.

Saad, N.M., Ahmed, P.K. & Rafiq, M. (2002). Internal marketing: using marketing-like approaches to build business competencies and improve performance in large Malaysian corporations. *Asian Academy of Management Journal, 7*(2), 27-53.

Sandvik, I.L. & Sandvik, K. (2003). The ımpact of market orientation on product ınnovativeness and business performance. *International Journal of Research in Marketing,* 20, 355-376. https://doi.org/10.1016/j.ijresmar.2003.02.002.

Sasser, W.E. & Arbeit, S.F. (1976). Selling jobs in the service sector. *Business Horizons,* 19 (3), 61-65. https://doi.org/10.1016/0007-6813(76)90053-7.

Schermelleh-Engel, K., Moosbrugger, H. & Müller, H. (2003). Evaluating the fit of structural equation models: tests of significance and descriptive goodness-of-fit measures. *Methods of Psychological Research Online*, *8* (2), 23-74.

Schneider, B. & Bowen, D. E. (1985). Employee and customer perceptions of service in banks: replication and extension. *Journal of applied Psychology*, *70*(3), 423. http://dx.doi.org/10.1037/0021-9010.70.3.423.

Singh, S. & Ranchhod, A. (2004). Market orientation and customer satisfaction: evidence from British machine tool industry. *Industrial Marketing Management,* 33(2), 135– 144. https://doi.org/10.1016/S0019-8501(03)00056-7.

Siguaw, J.A., Brown, G. & Widing, R.E.I. (1994). The influence of the market orientation of the firm on sales force behavior and attitudes. *Journal of Marketing Research*, 31(1), 106-116. https://doi.org/10.2307/3151950.

Slater, S.F. & Narver, J.C. (1994a). Market orientation, customer value and superior performance. *Business Horizons,* 37(2), 22-28. https://doi.org/10.1016/0007- 6813(94)90029-9.

Slater, S.F. & Narver, J.C. (1994b). Does competitive environment moderate the market orientation performance relationship?. *Journal of Marketing*, 58, 46-55. http://dx.doi.org/10.2307/1252250.

Slater, S.F. & Narver, J.C. (2000). The positive effect of a market orientation on business profitability: a balanced replication. *Journal of Business Research,* 48(1), 69–73. https://doi.org/10.1016/S0148-2963(98)00077-0.

Türköz, I. (2006). Hizmet sektöründe içsel pazarlama uygulamalarının şirket performansına etkisi: İstanbul'daki otellerde uygulamalı bir araştırma. (Master's thesis, Trakya University). [Online] Available: https://tez.yok.gov.tr/UlusalTezMerkezi/ (May 18, 2016).

Usta, R. (2011). Pazar yöneliminin işletme performansına etkisini güçlendiren stratejik yönelimler: literatüre dayalı bütünsel bir model önerisi. *Anadolu Üniversitesi Sosyal Bilimler Dergisi,* 11(3), 65–84.

Varey, R.J. & Lewis, B.R. (1999). A broadened conception of internal marketing. *Journal of Marketing*, 33 (9/10), 926–944. https://doi.org/10.1108/03090569910285869.

Voola, R., Casimir, G. & Haugen, H. (2003). Leadership Styles, Internal Marketing, and Market Orientation: Conceptualizing the Relationships. In *Australian and New Zealand Marketing Academy Conference (ANZMAC)* Visionary Marketing for the 21st Century: Facing the Challenge. [Online] Available: http://www.academia.edu/3033566/The_impact_of_internal_market_orientation_on_external_market_orientation_and_business_performance_an_empirical_study_of_the_UK_retail_market (June 5, 2016).

Web, D., Webster, C. & Krepapa, A. (2000). An exploration of the meaning and outcomes of a customer defined market orientation. *Journal of Business Research*, 48(2), 101-112. https://doi.org/10.1016/S0148-2963(98)00114-3.

Zaman, K., Javaid, N., Arshad, A. & Bibi, S. (2012). Impact of internal marketing on market orientation and business performance. *International Journal of Business and Social Science, 3(12),76-87.*