

# EXPLORING THE ROLE OF INTERNAL SERVICE QUALITY IN THE MANUFACTURING CONTEXT

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## ABSTRACT

In this paper, we identify several important constructs (e.g., employee satisfaction, commitment, subjective health and performance) that may influence internal service quality (ISQ) in the manufacturing context and develop a conceptual framework and hypotheses linking these constructs with each other. We then use a survey with 250 employees in an Electronics Manufacturing Services (EMS) company in Guangdong, China, to test all our hypotheses. Our findings provide evidence about the relevance of internal service quality in the manufacturing context and highlight its importance in improving employee satisfaction, commitment and performance. Finally, we discuss some limitations of our study and directions for future research in this area of growing importance.

## INTRODUCTION

Internal marketing is recognized as one of the best approaches to establish a service orientation in an organization, by treating the employees in different functional areas as internal customers to each other and by improving the quality of internal service encounters (Ahmed and Rafiq, 2003; George, 1990; Grönroos, 1985; Lings and Greenley, 2005; Piercy and Morgan, 1991; Rafiq and Ahmed, 1993, 2000; Varey, 1995; Wieseke et al., 2009). However, prior research on internal marketing focuses on service industries, such as airlines, banks, hotels and restaurants, which involve direct interactions between service providers and external customers. In contrast, in a manufacturing context, employees need to interact with each other to provide the products that satisfy their end-customers without ever meeting them. Hence, it is important to understand the role of internal service in the manufacturing context to explore how it may be different from that in the service industry.

The main aim of this research is to investigate the incidence of internal service quality and its influence on employee satisfaction, commitment, subjective health and performance in the manufacturing sector. Based on an exhaustive literature review, several relevant constructs were identified and used to develop the conceptual framework and formulate the hypotheses for this research. A real-life empirical setting was used to test all the hypotheses, with

a survey-based study in an Electronics Manufacturing Services (EMS) company located in Dongguan, PRC. Repeated follow-ups and meetings with the senior management and supervisory staff from the various departments, helped to make all of them agree on the importance and relevance of this research for improving the actual quality of internal services in the said company.

## FINDINGS AND DISCUSSION

We found that internal service quality has a direct significant positive influence on employee satisfaction, commitment, subjective health and performance. Second, Employee commitment has a positive impact on their subjective health. Third, satisfaction does not have any direct effect on employee commitment, subjective health and performance. Fourth, a group analysis of gender indicates different behaviours between male and female workers. Finally, a group analysis of work tenure indicates different behaviours between new and old workers.

These findings provide evidence about the relevance of internal service quality in the manufacturing context by showing its impact on employee commitment, satisfaction, subjective health and performance. Therefore, it is important from a managerial perspective in the manufacturing sector, to look beyond putting people, machine and material to work and to develop a better understanding of the role of internal service in order to improve employee satisfaction, commitment and performance.

Our findings demonstrate that there is a need to acknowledge the human nature of factory workers and assess its impact on how the different departments and functional areas interact with each other. One of the ways to do this could be to set up cross-functional teams that review the internal service quality on a regular basis. This could be supplemented with a periodic internal service quality audit, which could be conducted by a third-party to ensure its objectivity.

Managers can also use the findings reported in this research to identify key drivers of employee commitment and performance, as it is shown that employee satisfaction on its own may not be enough to motivate employees to be perform better. Moreover, managers should also understand that no two employees are the same. In fact, this research highlights some important differences between male and female employees as well as the new employees and those with more experience. All these are important findings that should help the managers identify the factors they should emphasize while developing training and rewards programs for their employees.

Finally, the managers can also use the ISQ triangle on its own or in combination with any of the other tools used by them to monitor the quality of their internal processes and systems. By delineating the three different types of support systems, the ISQ triangle presents a simple diagnostic tool to the managers to isolate the problem areas in their organizations. For example, they can easily find out if the reasons for poor ISQ are due to a lack of corporate support, governance support or operational support. Having identified the source of these problems, they will find it easier to resolve them and improve ISQ as a consequence of their corrective actions.

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