

## HIERARCHICAL MODEL OF INTERNAL MARKETING TO PREDICT EMPLOYEE SATISFACTION AND TURNOVER INTENTION

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### ABSTRACT

The objective of this paper is to assess the predictive influence of internal marketing on employee job satisfaction and turnover intention of frontline employees of travel agencies in Sabah. Specifically, the study aims to investigate the extent to which each of the four dimensions of internal marketing (internal communication, reward system, working condition and training) affects employee job satisfaction and the intention to leave the organization. Conceptually, this study extends the concept of Internal Marketing by reframing it as a formative hierarchical construct and modeling its impact on job satisfaction and turnover intention. The two-stage approach was adopted in partial least square structural equation modeling to examine the hierarchical modeling of internal marketing. The findings suggest that internal marketing is a significant predictor of job satisfaction and indirectly influences employees' turnover intention. The conceptualization of internal marketing as reflective-formative type of second order model was justified in this study. Other than the conceptual and empirical contribution, this study also offers an alternative method in modeling internal marketing of which could be adopted in future research.

**Keywords:** *PLS-SEM, higher order model, internal marketing, job satisfaction, turnover intention.*

### INTRODUCTION

The businesses in the tourism industry rely heavily on their manpower. Saridakis and Cooper (2016) stated that 'retaining talented, educated and skilled personnel can positively affect productivity and performance, and improve efficiency, growth and prosperity' of an organisation. The important findings by AlBattat and Mat Som (2013) and AlBattat, Som, and Helalat (2014) through their review of the extant literatures on hospitality and tourism employment had revealed that one of the persistent problems facing the Malaysian tourism and hospitality industry is the high employee turnover. High degree of employee turnover is an indicator of instability in the organisation. Their findings concurred that job dissatisfaction forces employee's intention to leave the organisation. This is consistent with previous studies (such as Richardson and Butler, 2011) that suggested the presence of strong relationship between employee satisfaction and employee retention, both of which were found to have direct effect on customer satisfaction and service quality. Kim (2014) suggested that the excessive

turnover in the tourism and hospitality industry required additional research focusing on the diverse sectors neglected in current turnover studies. Kim added that although travel agencies are in the tourism and hospitality industry, little attention had been given to examining turnover intention among travel agency employees. This is necessary to fill the gap to generalise the turnover theory throughout the entire tourism and hospitality industry (Kim 2014).

The actual turnover started with turnover intention (Mobley, 1977). Turnover intention is 'a conscious and deliberate willfulness to leave the organization' (Tett and Meyer, 1993, p.262). Lambert, Hogan, and Baton (2001) suggested that employee turnover intention was a variable that consistently and immediately precedes actual employee turnover, thus probably the next-best measure of employee turnover. Turnover intention as like the actual employee turnover can be voluntary or involuntary. Involuntary turnover happens when the organization chooses to terminate the service of the employee. On the other hand voluntary turnover is when the employee chooses to leave the organization. That decision can be functional or dysfunctional. Functional turnover is the exit of a non-performing employee, while dysfunctional turnover is when a high performing employee leaves the organization. While the functional turnover improves the organizational functioning, it is the dysfunctional turnover that is disruptive and costly to the organization (Dalton, Todor, & Krackhardt, 1982). It is thus the dysfunctional turnover that concerns most organizations.

Findings of past studies suggested the differences in turnover antecedents. For instance, Kim (2014) studied the high employee turnover intention among newcomers in the travel industry in Korea. The findings suggested the differences in turnover antecedents between newcomers from graduate school or other industries (termed as 'neophyte newcomer') and newcomers from the same industry (termed as 'veteran newcomer'). The neophytes were found unstable in retention and the antecedents of their turnover intention were organizational support, compensation, prospects, career advancement, job stress, job clarity and external causes. The antecedents of turnover intention for veterans were supervisor support, compensation, career advancement, and external causes (Kim, 2014). Generally literatures on factors influencing turnover intention can potentially categorised into three main areas: organizational factors, individual factors and external factors. The organizational factors are often related to the employees' satisfaction with job or work environment and this covers a wide range of dimensions such as pay structure, fair compensation, health and safety issues, development opportunities, social integration at work, relationships with colleagues and managers, and so on (Mohamed, Lai, Daskalali and Saridakis, 2016). The individual factors could include health issue, retirement, physical move, and so on (Chang and Chang, 2008) which in part are influenced by demographic factors such as age, gender, are external environment issues that could lure employees away with the promise of better monetary or workplace condition, and these were found by Kim (2014) as the most influential factors to newcomers.

The concern to be competitive and to succeed in this important industry, coupled with the knowledge that continuous problem of employees leaving the organisation can be the culprit hindering the organisation to perform, brings the interest to this research. The findings and assertions by earlier researches to have suggested that turnover could potentially be reduced when employees were satisfied with their jobs and job context, bring some light towards containing this problem in the industry. Job satisfaction had been strongly linked with many determining factors, which lead to the idea of the internal marketing practices suggested by many researchers in the past.

## LITERATURE REVIEW

### *Job Satisfaction*

Job satisfaction is influenced by many external factors but according to Hoppock (1935) what affect how the employee feels is something that comes from internal. A job satisfaction is “any combination of psychological, physiological and environmental circumstances that cause a person truthfully to say I am satisfied with my job” (Hoppock, 1935). It is a pleasurable positive emotional state as a result from appraisal of one’s job or job experience (Locke, 1976). Putting it simply, job satisfaction is the extent to which people enjoy their work (Spector, 1997). It affects the behaviour of employees of which in turn will affect the functioning and performance of the organisation, thus it plays very critical roles (Spector, 1997). Spector highlighted that job satisfaction is a complex construct and there are many types of relationships within the organisation that shape job satisfaction. There is no optimal way to measure job satisfaction in an organization and the best measure depends on what variable overall satisfaction is related to (Wanous and Lawler, 1972). Based on Campbell, Dunnington, Lawler and Weick (1970), the theories of job satisfaction are divided into two categories, the content theories and process theories. It was stated that content theories relate to the factors which influence job satisfaction. For this case, the Herzberg Theory and the Maslow’s Needs Hierarchy theory are those that explain content theories. The process theories relate to the process by which variables such as expectations, needs and values interact with the characteristics of the job that produce job satisfaction. These are explained by theories that take into account the expectations of the individuals in relation to their job satisfaction.

Schermehorn, Hunt and Osborne (2008, p.13) had also described job satisfaction as “a positive feeling about one’s work and work setting”. He further explained that it is “an attitude or emotional response” towards the tasks given and the physical as well as the social condition of the workplace. The Herzberg two-factor theory explained that some aspects of job satisfaction should be motivational that lead to positive employment relationships and high levels of individual job performance. It was further suggested that job satisfaction could lead to two decisions by the person; either to remain in the organization or to perform better. The decision to remain concerns the person’s attendance and the longevity at work. In this sense, job satisfaction will influence attendance at work. A satisfied employee may likely has more regular attendance as compared to a dissatisfied employee. On the other hand, job satisfaction will lead employee to a decision to leave the organisation. Past studies on job satisfaction in tourism and hospitality industry (such as Jang and George, 2012; Yang, 2010) supported that job satisfaction reduces employee turnover intention.

### *Internal Marketing*

Internal Marketing (IM) concept can be applied in the tourism sector as an internal strategy to motivate staff to remain loyal with the organisation and to deliver consistent quality service to external customers. In fact the concept had been explored in the tourism sector especially in the hospitality industry that included hotels and restaurants, for instance studies amongst few were Akroush, el-Samen Samawi and Odetalla (2013); Chang and Chang (2008); Galicic and Laskarin (2014); and Gounaris (2008). Gawlik and Parvi (2015) had investigated IM practices in travel agencies in Opole, Poland and found more than 50% of the 50 travel agencies surveyed were practising IM though not all of IM instruments used at the same extent.

Researchers (such as Rafiq and Ahmed, 2000) had conceptualized that the application of IM led to job satisfaction that in turn would enhance customer orientation and increase service quality. There had been many studies since, that had found positive relationship between Internal Marketing and job satisfaction (Ahmed, Rafiq, and Saad, 2003; Barzoki and Ghujali, 2013;

Chang and Chang, 2008; Shabbir and Salaria, 2014). Consensus on these studies had found that IM is a prerequisite for employee satisfaction. Mbah and Ikemefuna (2012) suggested their findings had confirmed previous literatures that a person with high job satisfaction will have positive attitude towards his job and so will retain his job. Thus, when job satisfaction is higher, the turnover intention is likely lesser. AlBattat, Mat Som and Helalat (2014) studied the literatures on impacts of work satisfaction towards hospitality employees and had analysed them using Mobley’s (1997) model. The 7-stage job turnover process proposed by Mobley’s model determines and explains how job satisfaction can lead to job turnover. Mobley believed that job dissatisfaction could eventually cause a person to think about quitting and ultimately leave the organisation. Henceforth, internal marketing creates job-satisfied employees and thus will cause a reduction in turnover intention.

Internal Marketing (IM) is the key to external success (Greene, Walls and Schrest, 1994). Greene et al (1994) had further suggested that as the practices of marketing applied internally to the employees who served external customers, employees would be more motivated as the employment offered to them met their needs. The study by Huang and Rundle-Thiele (2015) that involved a review of over 200 literatures on IM in past 30 years was a comprehensive study. They found that IM was a three-dimensional construct and tested on two settings of which one of it was the tourism and hospitality industry. The three IM dimensions suggested by Huang and Rundle-Thiele were internal market research, training and communication. Nevertheless as this current study is attempting to investigate the effect of IM on employee turnover intention, it has compared Huang and Rundle-Thiele’s findings with the recommendation by AlBattatt and Mat Som (2013) and AlBattat et al (2014) towards reducing the turnover of employees in the Malaysian hospitality industry. Other than that, the findings by Kim (2014) whom had studied the turnover intention among newcomers in the travel industry in Korea, and the proposed model of Internal Marketing by Rafiq and Ahmed (2000) of which theory this study is based, are also considered. Based on these, four IM practices were selected: internal communication, reward system, training and working condition. These relationships are depicted in the research model shown in Figure 1.

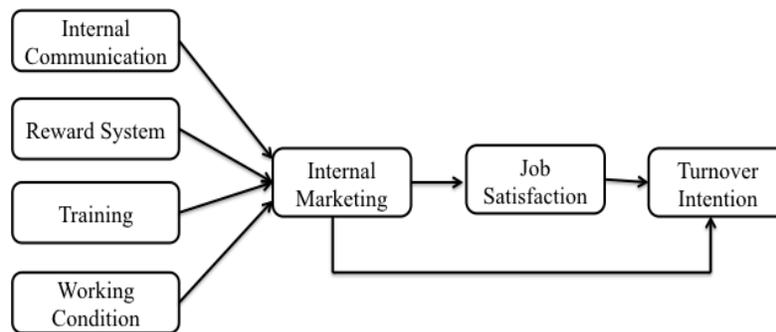


Figure 1. Research Model

*Internal communication*

Internal communication is the first dimension of Internal Marketing in this study. It is a constant communication from manager to employees on the organization’s marketing and organisational strategies and as well as to provide clear directions so that the employees understand their roles and the importance to implement the strategies. Employee communication is a new employer-employee contract between managers and employees and found as a pre-dominant concern of managers (Varey and Lewis, 1999). Both employees and managers form understanding and agreement on what is in the organization’s long-run best

interest and how they individually gain from this. Communication is the mode of organization (Drucker, 1973), thus the achievement of organization goals occurs within the relationship (Varey and Lewis, 1999). Internal communication has been identified as the key element in organization that can influence and motivate employees (Ahmed et al, 2003). It is the most commonly measured dimension of Internal Marketing (Huang and Rundle-Thiele, 2015).

#### *Reward System*

The second dimension of internal marketing in this study is reward system. It is the degree to which the employees perceive their earnings as a fair return for their work and comparable with other organisation. Ahmed et al, (2003) had cited Hale (1998) that strategic rewards emphasised on motivating behaviours, actions and accomplishments that help advance the organization business goals. It was stressed that strategic rewards differed from incentive systems and cited Pfeiffer (1998) that had referred it as basic payment systems used by the organisation to establish the company's culture by rewarding the business activities, behaviours and values that senior managers want to encourage.

#### *Training*

Training is the third internal marketing dimension used in this study. It is defined as the learning activities undertaken to continuously improve methods of satisfying employees and customers through skills and knowledge improvement needed to perform the jobs. Training provides employees the skills and information needed to perform their jobs (Huang and Rundle-Thiele, 2015). Huang also stated that while the scope of Internal Marketing is reflected in various definition emphasising different aspects of the field (Lings, 2004), most definitions pointed towards the application of marketing techniques with human resource management functions (Rafiq and Ahmed, 1993; Abzari, Ghorbani and Madani, 2011) to continuously improve the methods of satisfying employees and customers (Kotler and Armstrong, 1991; Wildes and Park, 2005).

#### *Working Condition*

Working condition is the fourth dimension of internal marketing used in this study. It refers to the employment environment that includes the physical environment, the attitude of people within the organisation, the support provided by the organization to the employees. Working condition is an important pre-requisite to job satisfaction and increases employee loyalty. AlBattat et al. (2014) in their literature review summed that turnover crisis began when the employee faced dissatisfaction from a poor working environment and thus considered leaving his current job. In a study by Raziq and Maulabakhsh (2015) they found positive effect of working environment and job satisfaction in banking sector, educational institutes and telecommunication companies.

In summary, it is expected that when an organization adopts internal marketing, the turnover intention of employees be reduced. Accordingly, internal marketing leads to job satisfaction and when an employee is satisfied, he or she will have positive attitudes towards his or her job and thus will retain the job. Therefore based on these, the following hypotheses are proposed.

- H1. *Internal Marketing will be associated with turnover intention.*
- H2. *Internal Marketing will increase employee's job satisfaction.*
- H3. *The higher the employee's job satisfaction, the lower the employee's turnover intention.*
- H4. *The relationship between internal marketing and employee turnover intention is mediated by job satisfaction.*

## METHODOLOGY

This study had adopted a quantitative approach using survey questionnaire to collect the required data from 246 frontline employees of registered travel and tour agencies under the Malaysian Association Travel and Tour Agencies (MATTA) Sabah Chapter. Those front-line employees included the front office staff, customer service staff, tour guides, drivers, sales and marketing staff, operations staff, receptionist, office assistance and all other staff that were in the position of serving customers face to face, by telephone or via e-mail. The travel and tour agencies are spread around the major districts in the west coast and east coast of Sabah. The study utilised quota sampling techniques to determine the distribution of travel agencies to ensure representativeness of agencies from the various districts in Sabah. The respondents from each travel agency were conveniently chosen according to the pre-determined number of quota whereby the first available subject who met the inclusion criteria was selected. The research instrument used was based on Ahmed, Rafiq and Saad (2003), Akroush et al (2012), Huang and Rundle- Thiele (2015), and Kim (2014).

Data were analysed using the Partial Least Square-Structural Equation Modeling (PLS-SEM) technique. The four dimensions (internal communication, training, reward system and work environment) of Internal Marketing are distinct variables and as such they were modeled as formative, and thus had led to reflective-formative type hierarchical model. The study had utilised the two-stage approach to analyse the model to facilitate the intention to assess Internal Marketing (as the higher order construct) with job satisfaction and turnover intention (the endogenous variables). Becker, Klein and Wetzels (2012) suggested the two-stage approach is more useful if the researcher is interested in the higher-level estimates. Lowry and Gaskin (2014) stated that complex models comprising formative and reflective constructs are now common in behavioral research. The use of complex models such as one that has both reflective and formative measures will serve as 'ex post approach' of common method variance (CMV) issue (Chang, Witteloostuijin and Eden, 2010). In the same line, Hair, Hult, Ringle, and Sarstedt (2014) had stated that the issue of common method variance should not exist in a model that contain both reflective and formative measures. Therefore, the issue of CMV should not be present in this study.

## DATA ANALYSIS AND RESULTS

### *Assessment of the Reflective Measurements of First Order Model*

Table 1 shows the assessment of construct reliability and convergent validity of the constructs in this study. As shown, the composite reliability (CR) of 0.912 (IC), 0.903 (RS), 0.9543 (TR), 0.851 (WC), 0.946 (JS) and 0.923 (TI), that indicated the constructs has internal consistency and demonstrated adequate convergent validity. All items were retained and the average variance extracted (AVE) were above the minimum threshold of 0.50. This indicates the items loaded to the respective constructs explain more than 50% of the construct variance (Hair et al, 2014).

Table 2 and 3 show results of the discriminant validity assessment. Two of the criterion used were Fornell and Larcker (1981) and Heterotrait-Monotrait (HTMT) (Henseler, Ringle, and Sarstedt, 2015). The diagonal elements highlighted in bold in Table 2 represent the square root of AVE. The rest of the elements are the bivariate correlations between the constructs. The results show that square roof of AVE (highlighted in bold) for each of the constructs is larger than the bivariate correlations. This shows that the constructs are distinctively different from each other. Similarly in Table 3, the HTMT criterion, which is a more stringent criterion,

shows the constructs are distinctively different at the threshold of HTMT0.90 (Henseler et al, 2015).

Table 1. Internal Consistency and Convergent Validity

Construct	Items	Loadings	(CR)	(AVE)	Convergent Validity > 0.5
Internal Communication (IC)	IC1	0.890	0.912	0.722	Yes
	IC2	0.874			
	IC3	0.871			
	IC4	0.757			
Reward System (RS)	RS1	0.814	0.903	0.699	Yes
	RS2	0.859			
	RS3	0.821			
	RS4	0.849			
Training (TR)	TR1	0.884	0.943	0.806	Yes
	TR2	0.885			
	TR3	0.926			
	TR4	0.895			
Working Condition (WC)	WC1	0.813	0.851	0.592	Yes
	WC2	0.844			
	WC3	0.599			
	WC4	0.799			
Job Satisfaction (JS)	JS1	0.922	0.946	0.814	Yes
	JS2	0.871			
	JS3	0.896			
	JS4	0.919			
Turnover Intention (TI)	TI1	0.911	0.923	0.751	Yes
	TI2	0.911			
	TI3	0.879			
	TI4	0.757			

Table 2. Fornell and Larcker Criterion

	IC	JS	RS	TR	TI	WC
Internal Communication (IC)	<b>0.850</b>					
Job Satisfaction (JS)	0.549	<b>0.902</b>				
Reward System (RS)	0.618	0.658	<b>0.836</b>			
Training (TR)	0.520	0.533	0.612	<b>0.898</b>		
Turnover Intention (TI)	-0.311	-0.671	-0.470	-0.343	<b>0.867</b>	
Working Conditions (WC)	0.462	0.682	0.687	0.647	-0.442	<b>0.770</b>

Table 3. HTMT Criteria

	IC	JS	RS	TR	TI	WC
Internal Communication (IC)						
Job Satisfaction (JS)	0.606					
Reward System (RS)	0.717	0.732				
Training (TR)	0.584	0.574	0.681			
Turnover Intention (TI)	0.338	0.735	0.525	0.369		
Working Conditions (WC)	0.537	0.777	0.802	0.747	0.499	

*Assessment of the Formative Measurements of Second Order Model*

Table 4 shows the assessment of the second order construct. The collinearity issues for the four dimensions were assessed. The purpose of this assessment was to ensure that the construct did not measure the same internal marketing factors. As shown in the table, the variance inflation factor (VIF) for each of the formative construct was lower than the threshold of 3.3 (Diamantopoulous and Sigaw, 2006). These values showed that these constructs were distinct and measuring different aspect of internal marketing.

Table 4. Collinearity Assessment

Latent Constructs	VIF
Internal Communication	1.709
Reward System	2.502
Training	1.990
Working Condition	2.242

Table 5 and Table 6 show the outer weights and outer loadings after bootstrapping using subsamples of 5000 cases at one-tailed, indicating the weights, loadings and path co-efficient for each of the formative second order constructs. Training, a formative indicator is found not significant where the p-value is far above  $> 0.05$  cut off level. Nevertheless as literatures are supporting the relevance of this indicator in the Internal Marketing practices, this indicator is therefore retained in the formative construct. To further test the decision to retain this indicator, the outer loadings result for this indicator was examined. Table 6 shows the loading for training is 0.710 (above 0.50) and also significant at t-value above 1.645. Hair et al (2014) provided that if the loadings are above 0.50 and have t-value result of more than 1.645, researchers could retain the indicators in the formative construct. This method is known as absolute contribution (Hair et al., 2014) and advised that researchers should be aware of this method as dropping a formative indicator based on bootstrap outer weights assessment alone may result in poor content validity. Table 7 provides a summary of the measurement properties of the internal marketing as a formative construct. Three items, internal communication, reward system and working condition were found significant and relevant indicators. Training on the other hand has an outer weight that is not significant but the outer loading is high, therefore this indicator is interpreted as absolutely important but not as relatively important (Hair et al., 2014). The value of the weight is used to determine the relative contribution or importance of the indicator to the construct. On its own, the training indicator has an absolute importance for internal marketing construct as shown by the indicator's outer loading of 0.710 in Table 6.

Table 5. Path Coefficient Assessment – Outer Weights Result

Path	Beta	SE	t-value	p-value
Internal Communication -> Internal Marketing	0.202	0.101	1.991	0.023
Reward System -> Internal Marketing	0.411	0.116	3.534	0.000
Training -> Internal Marketing	0.014	0.088	0.160	<b>0.437</b>
Working Condition -> Internal Marketing	0.523	0.101	5.204	0.000

Table 6. Path Coefficient Assessment – Outer Loadings Result

Path	Beta	SE	t-value	p-value
Internal Communication -> Internal Marketing	0.705	0.077	9.192	0.000
Reward System -> Internal Marketing	0.904	0.041	22.146	0.000
Training -> Internal Marketing	<b>0.710</b>	0.060	11.896	0.000
Working Condition -> Internal Marketing	0.908	0.030	29.815	0.000

Table 7. Measurement properties of formative construct

Construct	Items	Weights	VIF	t-value	Sig
Internal Marketing	Internal Communication	0.202	1.709	1.991*	0.023
	Reward System	0.411	2.502	3.534*	0.000
	Training	0.014	1.990	0.160	0.437
	Working Condition	0.523	2.242	5.204*	0.000

Note: >1.645\*

*Assessment of Structural Model*

Table 8 presents the result of collinearity test of the model. The inner VIF value for Internal Marketing on Job Satisfaction is 1.000; the Internal Marketing on Turnover Intention is 2.252 and Job Satisfaction on Turnover Intention is 2.252. These outcomes are below the threshold value of 3.3 and therefore collinearity issue is not a concern (Diamantopoulos and Sigauw, 2006).

Table 8. Collinearity Assessment (Inner Model)

	Internal Marketing	Job Satisfaction	Turnover Intention
Internal Marketing		1.000	2.252
Job Satisfaction			2.252
Turnover Intention			

Table 9 shows the result of the indirect effect to test the mediation using bootstrapping procedures. The indirect effect of internal marketing on turnover intention is significant at  $\beta = -0.512$ , t-value > 1.96 and p-value < 0.05 . This result of the indirect effect shows the presence of mediation.

Table 9. Indirect Effect

	Beta	SE	t-value	P Values
Internal Marketing -> Turnover Intention	-0.512	0.062	8.312	0.000

Table 10 shows the result of path coefficient assessment using bootstrapping procedures for the hypothesized relationships. The acceptable level of p-value is below 0.05 and the t-value above 1.96. The relationship of Internal Marketing and Job Satisfaction,  $\beta = 0.733$ , t-value = 19.406 and p-value < 0.05, is found significant. Likewise, the relationship of Job Satisfaction and Turnover intention,  $\beta = -0.690$ , t-value = 11.609 and p-value < 0.001 is also significant. The relationship between internal marketing and turnover intention shows non-significant positive result with p-value above 0.05 and t-value below 1.96. This result suggests the mediation type is full mediation (Zhao, Lynch Jr. and Chen, 2010). Table 11 shows the results of the confidence interval bias. The results of the upper and lower bound are provided, that if zero does not straddle between the upper and lower level results, it means there is a significant result.

Table 10. Path Coefficient Assessment

	Beta	SE	t-value	P Values
Internal Marketing -> Job Satisfaction	0.733	0.038	19.406	0.000
Internal Marketing -> Turnover Intention	0.035	0.078	0.2447	0.328
Job Satisfaction -> Turnover Intention	-0.690	0.063	11.069	0.000

Table 11. Confidence Interval Bias

	Original Sample	Bias	5%	95%	Results
Internal Marketing -> Job Satisfaction	0.733	0.002	0.677	0.798	Significant
Job Satisfaction -> Turnover Intention	-0.690	0.002	-0.800	-0.595	Significant
Internal Marketing -> Turnover Intention	0.035	-0.005	-0.101	0.164	Not Significant

Table 12 presents results of the assessment of determination of coefficient, effect size and predictive relevance of the exogenous variable on the endogenous variables in this study. The coefficient of determination ( $R^2$ ) for job satisfaction is 0.556. This suggests that the exogenous variable in this study, the internal marketing explains 55.6% of variances in job satisfaction. Similarly, the  $R^2$  value for turnover intention of 0.454, that suggests job satisfaction explains 45.4% of variances in turnover intention. Hair et al (2014) provided that the  $R^2$  that is 0.75 is substantial, 0.50 as moderate and 0.25 as weak. An effect size ( $f^2$ ) that is above 0.35 is considered large (Hair et al, 2014; Cohen, 1988). Thus, the effect size of internal marketing on job satisfaction of 1.252 is large. Similarly the effect size of job satisfaction on turnover intention of 0.387 is also large. The predictive relevance ( $Q^2$ ) value that is above 0 indicates that the model has predictive relevance (Hair et al, 2014). The  $Q^2$  value of job satisfaction at 0.421, which is larger than 0, suggests that Internal Marketing has a predictive capacity over Job Satisfaction. Likewise, the  $Q^2$  value of turnover intention is 0.317, also larger than 0, shows that job satisfaction has a predictive relevance on turnover intention.

Table 12. Determination of Coefficient ( $R^2$ ), Effect Size ( $f^2$ ) and Predictive Relevance ( $Q^2$ )

	Coefficient of Determination	Predictive Relevance	Effect Size $f^2$		
			Job Satisfaction	Turnover Intention	Effect Size
Internal Marketing			1.252	0.000	Large
Job Satisfaction	0.556	0.421		0.387	Large
Turnover Intention	0.454	0.317			

*Hypotheses testing*

Based on these results, H1, H2 and H3 are supported. The test of mediation by the use of bootstrapping procedures showed a support for H4, that the direct relationship between internal marketing and employee turnover intention is fully mediated by job satisfaction.

*Importance-Performance Matrix Analysis (IPMA)*

In the IPMA analysis, the target construct Internal Marketing was selected. The total effects represent the importance of the predecessor constructs (internal communication, reward system, working condition and training) in shaping the Internal Marketing construct, of which their average latent variable scores indicate their performance (Hair, Sarstedt, Ringle and Gudergan, 2018).

Table 13 shows the importance-performance results of Internal Marketing. The IPMA reveals that working condition is the most important dimension of Internal Marketing with total effects of 0.490 with a performance value of 68.025 which is lower as compared to the performance of internal communication of 69.481 and smaller total effect of 0.167. The second most important dimension is the reward system with total effects of 0.342 with a performance value of 63.997.

Table 13. Importance and Performance Results of Internal Marketing

Latent Constructs	Importance (Total Effects)	Performances (Index Value)
Internal Communication	0.167	69.481
Reward System	0.342	63.997
Training	0.013	56.801
Working Condition	0.490	68.025

## DISCUSSION AND RECOMMENDATIONS

The findings of this study support past studies (such as Chang and Chang, 2008; Chen and Lin, 2013; Joung, Goh, Huffman, Yuan, and Surles, 2015; Kuria et al, 2013) that internal marketing has a significant negative effect on turnover intention. Internal marketing indirectly influences the employees' turnover intention through job satisfaction. Internal marketing has a significant and high predictive influence on job satisfaction. Similarly job satisfaction is a significant and good predictor of turnover intention. Therefore, this study showed the implementation of internal marketing in travel agencies would result the employees' satisfaction, which in turn could reduce the employees' intention to leave the organization. Specifically, this study had found that working condition as the most important contributor to the internal marketing in the travel agencies that led to better job satisfaction of their employees. The second most important contributor is the reward system. This is a very interesting finding as it shows the employees in the travel agencies in Sabah put more important emphasis on the working condition before the reward system. The IPMA results shows that while working condition is found to be most important contributor to internal marketing, the performance is lower than internal communication, which is the third important contributor. This shows that managers of travel agencies in Sabah should focus more attention to the working condition and the reward system as compared to what is currently been done in respect to internal communication. This finding had supported the suggestions made by AlBattat and Mat Som (2013) and AlBattat et al. (2014) to the Malaysian hospitality stakeholders to recognize that poor working condition and low salaries will lead the employees to turnover and change job. 84.5% of the respondents in this study were millennial and thus the results of this study reflect their voice. The Deloitte Millennial Survey 2017 ([www2.deloitte.com](http://www2.deloitte.com)) reported that compensation might be the strongest driver of employer choice but it does not work in isolation. Factors such as work/life balance, opportunities to progress, flexible working arrangements, training programmes that support professional development are considered by millennial choosing between organizations.

Scholars (Attia and Attallah, 2012; Akroush et al. 2013; Gawlik and Parvi, 2015; Huang & Rundle-Thiele, 2015) found internal communication as an important element of internal marketing particularly in the tourism and hospitality industry. The result of this study had extended the generalizability of these earlier findings to the sub-sector of tourism where it confirmed the significance and importance of internal communication in the context of travel agencies in Sabah. Communication between job functions and employees (Barnes, Fox and Morris, 2004; Lings and Greenley, 2005) will promote better relationship and constant communication of such will provide job clarity and promote better understanding among staff. These are supported in the findings by Kim (2014) that suggest clarity of job distribution and justice of a job would decrease turnover intention in the travel agencies in Korea. Given that the respondents of this study were mostly millennials, the finding that internal communication positively affect the employees' job satisfaction was seen as most significant and timely information for the travel and tours operators. According to the article by Kornferry Institute on "Attracting and Retaining Millennial in the Competitive Hospitality Sector" ([kornferry.com](http://kornferry.com),

2016), their study concluded that the millennials demand to be heard and expect a fast career trajectory. They want clear direction and clarity in terms of objectives and expectations.

This study however had found training to be of least importance to the employees and the performance is also the least of the four internal marketing practices. This again is another interesting finding as past studies (such as AL-Rahimi, 2015; Gawlik and Parvi, 2015; Huang and Rundle-Thiele, 2015) had found the importance of training as internal marketing dimension. Deloitte's study suggested that millennials are more likely to stay longer in the organization when they are most satisfied with their learning opportunities and professional development programs ([www2.deloitte.com](http://www2.deloitte.com)). Managers should focus in providing trainings that are supporting the career development of the employees. Most importantly, other than deciding what are the suitable training for the employees, the managers should also seek the employees' suggestions on what would likely be their training needs.

### *Implications and Limitations*

This study had supported the reframing of Internal Marketing as a formative hierarchical construct of four dimensions. The use of the two-stage approach to analyse Internal Marketing both at the dimension and construct levels proved to be useful in this study. The use of PLS-SEM had enabled the analysis of the formatively measured Internal Marketing. In the past, most studies on Internal Marketing found to have used reflective measurements (such as Chang and Chang, 2008; Huang and Rundle-Thiele, 2015) while the use of formative measurements was very scarce. Such scarcity had somehow led to the bias view that Internal Marketing should only be measured reflectively. While it was not specific on internal marketing, Jarvis, Mackenzie and Podsakoff (2003) highlighted the findings of their review of past literatures that suggested few studies had used reflective indicators even though they should have used formative indicators. Similarly Ford (2017) had stated that measurement theory in the past had been primarily focused on the use of reflective indicators. This study had contributed to the advancement in the conceptualization of Internal Marketing theory, provided empirical contribution to address the high employee turnover phenomena in the tourism industry by applying the internal marketing concept along with practical contribution to the industry, and at the same time contributed to the methodology of analysing internal marketing as a multidimensional construct using the hierarchical model.

This study had provided tourism stakeholders particularly operators of travel and tour agencies a better understanding on the use of Internal Marketing (IM) practices in reducing employees' turnover intention in their organizations. This study had also contributed to the understanding of the stance of Malaysian employees in the travel and tour agencies in Sabah on the Internal Marketing (IM) practices and their influences towards their job satisfaction and intention to leave. Managers in the travel and tour agencies need to firstly acknowledge that job satisfaction has significant negative effect on turnover intention. In other words, the employees' intention to leave the organization will significantly be reduced when they are satisfied with their jobs. Job satisfaction of these employees can be achieved when the organizations adopt Internal Marketing (IM) practices that worked collectively together, that are internal communication, reward system, working condition and training.

This present study had adopted a quantitative approach to achieve the objectives of the study. Due to the nature of this approach, there are limitations to this study such as possibility that other unidentified factors that could affect the turnover intention of the employees could be explored. For instance, the effect of external causes was also not studied. It is therefore recommended that future research should employ a qualitative approach. Researchers would be able to conduct a deeper analysis using qualitative study. Another limitation of the present study was its restricted generalizability to the other states in Malaysia. The work culture of the

people in Sabah differs from those in the other parts of Malaysia. In order to extend the generalizability of the findings of this study, it has to be replicated to other states of Malaysia.

## CONCLUSION

This study has found that job satisfaction plays a crucial role in employee retention. The findings indicate that job satisfaction fully mediates the relationship between internal marketing and employee turnover intention shows maximum evidence that the relationship is indirect only. This current study had also provided an empirical support to the focus of internal marketing to provide employee motivation and satisfaction. Therefore, in order to reduce the problem of employee turnover especially dysfunctional voluntary turnover, the managers of travel and tour agencies are therefore urged to practice internal marketing. The managers of these agencies would need to put particular attention on internal communication, reward system, work environment and training. These four factors work well together and removing any one of these factors in the implementation may not necessarily work.

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