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## **Market orientation, job satisfaction, commitment and organisational performance: The specific case of local public sector — [Source link](#)**

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# Market orientation, job satisfaction, commitment and organisational performance

## The specific case of local public sector

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### Abstract

**Purpose** – The purpose of this paper is to analyse the implementation of the marketing concept within both the internal (internal market) and external environments in the context of the local public sector. It also aims to examine the impact of market orientation (MO) on employees' job-related attitudes (job satisfaction and organisational commitment (OC)) and organisational performance (OP).

**Design/methodology/approach** – Researchers take a methodological approach by using a survey method. Structural equation modelling is employed to analyse the data collected from a sample of municipality executive board members in order to test the causal relationships proposed in the research model.

**Findings** – The results of this empirical study demonstrate that internal marketing implementation has an important effect in fostering market-oriented behaviours of local public organisations. The effect of MO on both job-related attitudes and OP was also empirically supported. However, the paper's findings do not support the hypotheses that increased levels of job satisfaction and OC enhance OP.

**Practical implications** – Local public sector managers should recognise the importance of allocating resources to ensure the gathering and dissemination of and responsiveness to market information in both internal and external environments: this will likely enhance job satisfaction, OC and OP.

**Originality/value** – Despite claims that the implementation of marketing in the internal environment is vital for external marketing success, this relationship has not yet been extensively discussed in the literature. The paper's results provide quantitative evidence to support this relationship. Also, this paper offers additional research on the role of market-oriented behaviours on job satisfaction, OC and OP, presenting interesting challenges for further research among practitioners and academics.

**Keywords** Market orientation, Internal marketing, Job satisfaction, Organizational performance, Public sector organizations, Portugal

**Paper type** Research paper

### Introduction

Changes driven by the introduction of market-style supply associated with the growth of contract-based services has encouraged a process of deep transformation in most public sector organisations. Concepts like efficiency, effectiveness, accountability, transparency, value for money and market orientation (MO) rapidly transposed the domain of the private sector to be applied to public and non-profit organisations (Macedo and Pinho, 2006). In response to these factors of change, the need to improve the management and delivery of public services was brought to the public agenda and,



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increasingly, central and local governments have been required to undertake reforms to meet raised expectations of higher performance while satisfying citizen's/consumer's needs (Macedo and Pinho, 2006).

Portugal was not unaffected by this transformational government agenda. In fact, the Portuguese public administration has experienced a dramatic change over the past 20 years (Carapeto and Fonseca, 2005) that has challenged the ways public sector organisations operate in both the internal and the external environment. Several initiatives were carried out to provide better public service, to increase the level of education and training of public servants and to improve the use of the available resources, raising efficiency and efficacy (Araújo, 2001). As Pinho *et al.* (2007) noted, the Portuguese public administration is being renovated in order to bring about a new organisational model which is, at once, less bureaucratic, more efficient and more needs-based with respect to citizens and other stakeholders. More recently, the use of information communication technologies (ICTs) and the ways in which citizens interact with the public administration tend to be the most visible result of current modernisation efforts. A clear indication of this is the 2003 published Portuguese Electronic Government Action Plan that stresses both at the central and local level, the introduction of new technologies as a top priority. It should be noted however that in this action plan, citizens-oriented public services are identified as one of seven action areas. This paper focuses mainly in this area, as it assumes that in order to evaluate the extent of the transformational challenge facing central and local public sectors, it is important to understand the level of both internal and external market orientation (EMO) of these organisations, its impact on employees' attitudinal responses and its impact on performance. That is, the movement to customer-centred public administration and citizen-centred e-government provide the rationale to emphasize the importance of strategic marketing, and thus an opportunity to apply the concept of (internal and external) MO to public sector agencies.

The MO concept which has earned itself an outstanding position in the marketing literature is still a research priority (Cano *et al.*, 2004), particularly in local public organisations. Accordingly, MO which should be considered as the implementation of the marketing concept, involves a group of activities that translate a business philosophy into practice, through information generation, information dissemination and responsiveness to market information (Kohli and Jaworski, 1990). Implementing an internal and EMO in public organisations requires the alignment of people, processes, and policies in a transformational manner with the ultimate objective of creating superior value to both publics: employees and customers/citizens.

Much of the previous work in the area of EMO has been focused on the relationship between market-oriented-behaviours and performance. A vast number of studies support the fact that MO consistently improves organisational performance (OP; Wrenn, 1997). Although previous studies integrate this relationship, incorporating the role of employees' attitudinal responses (job satisfaction and organisational commitment (OC)) have not yet been dealt with thoroughly. This is particularly relevant because exploring the mediating role of employees' attitudinal responses within the classic relationship of MO-performance seems to be very fruitful in revitalizing this area of research and makes sense from a practical and theoretical point of view.

The main research stream on MO-performance emphasizes the exchanges that occur between the organisation and its external markets. However, this exclusive external focus approach (i.e. on the external clients) has been increasingly questioned, especially

in the service organisations field (Lings, 2004). Many scholars in the areas of strategic management and organisational marketing have recognised the need of achieving a balance between an internal and external focus (Lings, 1999). It appears, therefore, that an internal focus on marketing (internal marketing) is also important, because it addresses the internal context of an organisation, promotes the organisation and its services to employees and enables a better adaptation of the employees to organisational procedures and changes (Gummesson, 2000). In this way, employees are better prepared to deal with external marketing challenges, thus increasing a company's chances for success.

In the last few years, particularly in the for-profit sector, there has been an increasing body of literature supporting that internal marketing activities are vital to external marketing strategy and successful orientation (Grönroos, 1981; Ballantyne, 2000; Rafiq and Ahmed, 2000). Internal marketing is considered a key factor not only to provide service excellence but also to ensure the success of external marketing by strongly motivating public employees (Greene *et al.*, 1994). So, the increasing importance attributed to services is associated with the growing importance of internal marketing.

Relying on a sample of Portuguese local public organisations, the present study proposes a conceptual framework that explores the relationships among internal marketing, external marketing, and OP. The intermediate role of employees' job-related attitudes (job satisfaction and OC) in the EMO-performance linkage is also examined.

The study builds on and extends literature in four ways:

- (1) reacts to the need to examine internal and external marketing orientations simultaneously by responding to the calls for studies addressing the impact of internal marketing on the external marketing (Conduit and Mavondo, 2001; Lings, 2000; Castro *et al.*, 2005; Lings and Greenley, 2005);
- (2) addresses a gap identified by prior studies (Jaworski and Kohli, 1993; Castro *et al.*, 2005) by analysing the EMO impact on employees work-related attitudes;
- (3) extends current research by examining the effects of the implementation of internal and external market-oriented behaviours in local public organisation's new context; and
- (4) finally, it goes further by assuming that a balanced internal and EMO will provide a unique opportunity for local public sector organisations to achieve their mission and improve their performance.

That is, it assumes that prior to (e-)government services transformation there must be a concern in identifying the needs and expectations of both internal and external actors.

The paper is organised as follows: first, the relevant literature and research hypotheses are reviewed. Second, the description of the research method is presented. Next, the results are explored along with a discussion of theoretical and managerial implications. Finally, the limitations and future research directions are identified.

## **Literature review and research hypotheses**

### *Internal marketing and MO in public organisations*

The marketing literature suggests that there is a renewed interest in the internal marketing concept, which is due, in part, to the "growth in significance of the service sector and knowledge-based economy" (Drunmore, 2002). The purpose of this renewed

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interest is to motivate conscious local public employees to provide better quality services (Varey, 1995) to increasingly demanding citizens. For the purpose of this research, internal marketing is defined as a set of employee-friendly managerial behaviours (Lings and Greenley, 2005), and its implementation is operationalised by the internal market orientation (IMO) construct. IMO is a mechanism for instilling a “people” orientation within an organisation as a prerequisite for improving and strengthening the quality of public services among organisational employees (Papasolomou, 2006) in general and public services in particular.

This study views both IMO and EMO as a group of activities which translate a business philosophy into practice through the generation, dissemination and response to market information (Kohli and Jaworski, 1990). Public market-oriented organisations are expected to be well-informed about their citizen’s needs and are supposed to use this information advantage to create superior value to increasingly demanding citizens.

MO’s conceptualisations, both in the private and public sectors, entail an external focus with the (external) customer/citizen as focal point. However, in the MO literature, there is an increasing research stream, which emphasizes that external orientation always needs to be balanced with an adequate IMO (Lings, 1999). Recent publications have shown an increasing interest for internal marketing, thereby reinstating the need to achieve a balance between external and internal orientations (Drummond *et al.*, 2000). This has contributed to a recent interest in studying the relationship between internal marketing and external marketing (Grönroos, 1981; Piercy and Morgan, 1990; Piercy, 1995).

Previous studies recognised that internal marketing has an important role in motivating, empowering and training employees to think and behave in a consumer/citizen perspective, particularly those performing front-line tasks (Harris and Piercy, 1999). Implementing an EMO in local public organisations requires the alignment of people, processes, and policies in a transformational manner with the ultimate aim of creating superior value to customers/citizens. Identical elements of such a strategy such as: careful selection, employee empowerment and employees’ awareness of their role in customer/citizen satisfaction relate somewhat to the aims of internal marketing and add further support of the positive relationship between internal and EMO (Lings, 2000). The internal market of customer-conscious personnel is best motivated to service mindedness and customer-oriented behaviour by an active marketing-like approach (Ewing and Caruana, 2000). The role of the manager in this process is critical because managerial activity has the potential to influence employee behaviour in a way that will affect customer’s perceptions of the service that they receive (Hartline and Ferrel, 1996). This is particularly challenging in local public organisations, which regardless of being mainly governed by a bureaucratic structure, tend to adopt gradually more flexible and organic structures (Sutherland and Canwell, 1997).

Assuming that the involvement and empowerment of employees is an important component of internal marketing activities, enabling them to interact effectively with customers/citizens, it is expected that the greater the IMO, the higher the EMO. From an empirical point of view there are some studies within the non-public sector that have found a positive relationship between IMO and MO behaviours (Conduit and Mavondo, 2001; Ahmed *et al.*, 2003; Lings, 2004). Therefore, the first hypothesis to be tested here is:

*H1.* IMO has a direct and positive impact on a local public organisation’s EMO.

*MO consequences*

Analysis of the consequences of the adoption of an MO has also been an important topic in the marketing literature (Pulendran *et al.*, 2000). The vast majority of studies have focussed on its impact on business performance (Castro *et al.*, 2005). However, some research has been conducted to analyse the influence of MO on the attitudinal responses of employees such as the case of job satisfaction and OC, particularly the affective component.

*Relationship between MO and employee responses.* The attitudes towards work are a vastly explored research area which covers different organisational fields of knowledge. Employees' attitudes towards their organisations are influenced to a large extent by the way employees feel they are treated as a member of that organisation (Naudé and Desai, 2003). In this study, job satisfaction and OC (affective component) are considered as employees' attitudinal responses. These two job-related attitudes play an important role in the organisational behaviour literature. Job satisfaction can be understood as a pleasure or positive emotional state resulting from the assessment of one's job or job experiences (Locke, 1976). OC, in turn, refers to an employee's emotional attachment, identification with, and involvement in the organisation (Jaworski and Kohli, 1993). It is the psychological attachment and loyalty to an organisation that characterise the congruence of core values and beliefs between the employee and the organisation (O'Reilly and Chatman, 1996).

The effects of MO on both job related attitudes have been studied by relevant literature. The studies conducted by Jaworski and Kohli (1993), Piercy *et al.* (2002) and Jones *et al.* (2003) are some examples that underline the positive consequences of MO on these job-related employee attitudes. The reasoning behind this link is that MO raises employee morale, job satisfaction, and commitment to the organisation because all departments work toward the common goal of customer/citizen satisfaction (Kohli and Jaworski, 1990). Given the social and organisational support people receive in a market-oriented environment, it seems reasonable to assume that the MO is an important variable influencing job related attitudes. Besides, as acknowledged by Jaworski and Kohli (1993), commitment is a consequence of MO as it encourages teamwork, gives employees a sense of pride in belonging to the organisation (O'Reilly and Chatman, 1996) and binds the individual to the organisation through a common value system and common goals (Naudé and Desai, 2003). As part of a successful team, employees believe they are making an important contribution, which is expected to lead to higher levels of commitment and high levels of job satisfaction. The call for more studies exploring the relationship between MO and employee attitudinal responses was made by several authors (Kohli and Jaworski, 1990; Castro *et al.*, 2005). Among the few studies undertaken in this field, the study conducted by Caruana *et al.* (1997) empirically found a positive relationship between the previous relationships. The paucity of research in the field of public sector organisations is clearly more evident. In the current research, therefore, MO is viewed as having a direct effect on employees' job-related attitudes, particularly on job satisfaction and OC in the public sector realm. Thus, the following research hypotheses are proposed:

H2. EMO has a direct positive and significant impact on job satisfaction.

H3. EMO has a direct positive and significant impact on OC.

*Relationship between MO and OP.* OP is a complex and multidimensional phenomenon explored by many research fields (management, psychology, economy,

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decision theory, etc.). Over the last few years, there have been a vast number of studies examining the relationship between the degree of MO and OP. For example, there are several studies that demonstrate the existence of a relationship between these two concepts (see the meta-analysis conducted by Cano *et al.* (2004) and Kirca *et al.* (2005) for a review). Most previous studies assume that the implementation of a marketing philosophy will lead almost inevitably to superior OP (Piercy *et al.*, 2002). This relies on the fact that a market-oriented posture creates a favourable environment to fulfil the customer's needs, thus having a positive impact on customer satisfaction (Kara *et al.*, 2004).

In the area of marketing, most researchers have recognised the importance of adapting theoretical constructs to the specific field under analysis. Such was the case of the present study in which most constructs were adapted and analysed taking into consideration the specific nature of the local public organisations (Cervera *et al.*, 2001). As previously mentioned, the need to respond to deep changes that occur in most societies, lead public managers and academics alike to pay increasing attention to the way organisations develop and maintain their focus on their customers and markets (Appiah-Adu and Ranchhod, 1998). In the local public sector, prior research has demonstrated a direct causal relationship between MO and OP (Caruana *et al.*, 1998; Cervera, 1998; Cervera *et al.*, 2001). Therefore, the following hypothesis is established:

*H4.* EMO has a direct positive and significant impact on OP.

#### *Employee's attitudinal responses and OP*

The notion that employees' attitudinal responses (such as job satisfaction and OC) might be positively related with performance outcomes continues to motivate the attention of scholars as well as managers. The majority of the research has explored this relationship at the individual level of analysis (e.g. individual attitudes and individual performance) without exploring the organisational consequences of those individual attitudes (Schneider *et al.*, 2003). However, other studies have also explored the relationship between employees' responses and organisational outcomes at the organisational level of analysis (Ostroff, 1992; Ryan *et al.*, 1996; Schneider *et al.*, 2003; Hwang and Chi, 2005).

Several authors found that employee job satisfaction and commitment to the organisation may positively impact on OP since employees with both high levels of job satisfaction and OC will be more willing to work toward common goals and objectives and give their contribution wholeheartedly to the organisation and to the public, hence promoting OP (Petty *et al.*, 1984; Kim, 2005). OC is the strength of the employee's feelings toward and views of the organisation, belief in its goals, identification with the organisation values and a cognitive desire to belong to the organisation.

Thus, more satisfied and committed employees will be more willing and capable of engaging in behaviours that are vital to organisational success. Based upon a meta-analytic review, Petty *et al.* (1984) found that job satisfaction and performance are positively correlated. Whilst the implicit belief is that the relationship runs from employees' attitudinal responses to organisational outcomes, the reverse is also possible (Kim, 2005). Thus, directions of causality remain unresolved and, before concrete conclusions are drawn, more research is needed. In the public sector domain, the research of Kim (2005) confirms empirically that OP will be improved by increasing public employees' job satisfaction and OC. These arguments lead to the following hypotheses:

- H5. Job satisfaction has a direct positive impact on OP.  
H6. OC has a direct positive impact on OP.

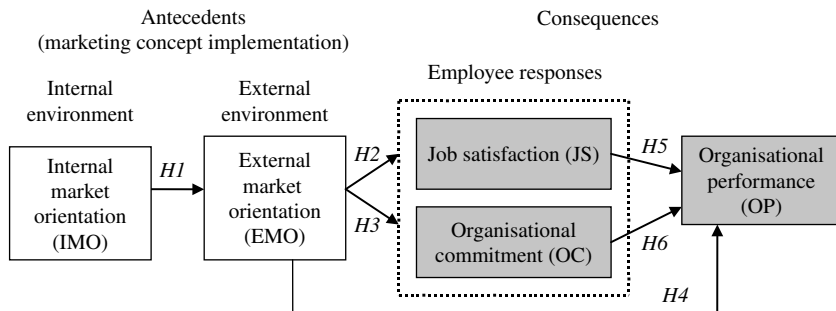
Based on the aforementioned analysis, Figure 1 shows the structural relations expected to exist among the proposed constructs. The framework examined in this study links IMO to EMO and analyses the effects of EMO on employees' responses (job satisfaction and OC), as well as on performance of local public sector organisations.

**Methodology**

*Sample and data collection procedures*

Relying on the tradition of positivism and consistent with similar studies in the field, the research design of the present study is mainly quantitative in nature. Therefore, the survey instrument was considered to be the most suitable research method. Besides being easily quantifiable and amenable to statistical analysis and hypothesis testing, the survey method is also widely used in the MO literature (Jaworski and Kohli, 1993; Slater and Narver, 1994). The cross-transversal method was chosen, and the primary data was secured by means of a mail questionnaire. Most scales used in this study have been based on relevant literature in the field of public organisations. Yet, several procedures were developed to improve content validity. The pre-test was implemented to academics and practitioners and helped to clarify ambiguous questions. Their comments and suggestions were taken into account in the final version of the questionnaire. Non-response bias was assessed by comparing early to late respondents (Armstrong and Overton, 1977). We define early respondents as the first 80 per cent to return questionnaires and late respondents as the last 20 per cent. Univariate tests of significance (*t*-tests) were conducted and no significant difference was found between the two sets of respondents along the most important constructs. Thus, non-response bias did not appear to be a serious problem in the current study.

The local public sector, specifically municipal governments were selected due to their proximity to citizens and due to the vast changes that have been occurred in this specific sector of public administration. The Portuguese local public sector, which is the focus of the present study, is comprised of 308 municipalities. Relying on a convenience sample procedure, it was decided to select only those municipalities of the Northern Region of Portugal due to its overall country representativeness and due to constraints associated with time and resources. Executive board members were chosen as the unit of analysis for this study (a total of 354 members). The reason for this choice is the fact that they are



**Figure 1.**  
Proposed conceptual model



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in a better position to evaluate organisational dynamics as they participate actively in the achievement of organisational objectives. Of the 354 self-administered questionnaires mailed to executive board members, a total of 118 were considered valid for analysis, yielding a usable response rate of 33 per cent. These response rates are common for this type of studies.

#### *Development of measures*

In order to develop appropriate measures for this study, we followed standard psychometric scale construction procedures. There are five constructs in the conceptual model shown in Figure 1 which were measured through scales taken from previous research. Some adaptations were made to suit the public organisational context on the basis of in-depth interviews conducted to executive members. All construct measures used in this study were five-point multi-item scales anchored by strongly disagree and strongly agree.

*(External) Market orientation.* This construct was operationalised using the scale developed by Cervera *et al.* (2001) and applied to the Spanish local public sector (specifically to municipalities). This scale was based on Kohli *et al.*'s (1993) contributions, namely: information generation, information dissemination and information response. Some changes were made to the items to suit the characteristics of the sampled organisations.

*(Internal) market orientation.* Internal marketing has been operationalised through the IMO concept (an internal equivalent to EMO) consisting of a set of managerial behaviours associated with the internal marketing philosophy (Lings and Greenley, 2005). In operationalising this construct Lings and Greenley (2005) modified the MO scale developed by Kohli and Jaworski (1990) for the transaction context between employees and employers. This scale consisted of 16 items measuring the five behavioural components of IMO: informal information generation, formal face-to-face information generation, written formal information generation, information dissemination and information response.

*Job satisfaction.* The operationalisation of this construct was based on the "global satisfaction" dimension proposed by Hackman and Oldham's (1975) scale, with three indicators, such as: "Generally speaking, I am very satisfied with this job", "I frequently think of quitting this job", and "I am generally satisfied with the kind of work I do in this job." The items were adapted to the context of this research and modified to assess the executive members' perceptions of the global satisfaction of their employees. For example, the first item has been changed to "In general, the employees of this organisation are very satisfied with their job."

*Organisational commitment.* This construct was measured using Jaworski and Kohli's (1993) scale. This seven-item scale measures the manager's perception of the emotional/affective OC of their employees.

*Organisational performance.* This construct includes nine items that reflect financial and non-financial aspects of performance. The financial set of measures (six items) was based on the common assessment framework. This set of financial indicators, specifically created for public sector organisations, reflects the respondents' subjective evaluations of their achievement of financial objectives. In the present study, the following measures were considered: degree of budgetary accomplishment, financial objectives income, growth in income, size of profit/surplus and efficient use

of assets and funds. The set of non-financial items were qualitative and analysed respondents' perceptions of the following items: organisational labour climate, degree of employees' skills and degree of global consumer/citizen satisfaction with services provided by the municipality.

## Findings and discussion

### *Sample profile and measurement models estimation*

With regard to the sample profile, from a total of 118 executive board members, the respondent's profile were mainly male, age between 36-and 45-years old, with a high academic degree. Of the 70 municipalities represented in the sample, the number of full-time employees ranged from 56 to 3,266. In terms of resident population of the municipalities, the number of inhabitants varied from 3,378 to 300,868.

About the measurement scales, to purify the initial measures and to ensure the homogeneity of original scales several item-to-item correlations were performed. Items that showed a low item-to-total correlation or high cross-loadings were dropped from the analysis. Then, in order to test the hypothesised factor structure, confirmatory factor analysis (EQS 6.1) was performed, using the maximum likelihood method. Several CFA's were performed for each proposed scale to evaluate the unidimensionality. In this process, a number of items have been eliminated due to weak convergence, low standardised loadings and low  $R^2$ . Each item is restricted to load on its pre-specified factor, with the error variances and factor loadings allowed to correlate freely. Since the proposed conceptual model assumes a set of relationships between five latent variables and ten factors measured by multiple items and due to the fact that the latent variables act simultaneously as dependent variables in one dependency relationship and as independent variables in another relationship, the SEM approach is considered to be the most appropriate analytical methodology for testing the proposed model. Occasionally, the structural model involves a single-item measure, based on one indicator per construct. A single indicator per construct was corrected for random measurement error by setting the random error variance associated with each construct equal to the product of its variance, and the quantity one minus its estimated reliability (Bollen, 1989; Prajogo and Sohal, 2004; Hair *et al.*, 2006). This procedure was specifically applied to both constructs job satisfaction and OC. Convergent validity, composite reliability and average variance extracted (AVE) have been computed for IMO, EMO, OC and OP (Table I).

Convergent validity is evidenced by the large and significant standardised loadings ( $t > 1.96; p < 0.05$ ). Discriminant validity was assessed by the fact that all the construct inter-correlations were significantly different from 1, and the AVE should be greater than the variance shared between the latent construct and other latent constructs in the model (i.e. the square correlation between two constructs) (Barclay *et al.*, 1995). All latent constructs satisfy this condition (Table II). Overall, most scale psychometric properties examination shows unidimensionality and conceptual consistency. As far as the reliability of the constructs is concerned, the values of composite reliability ranged from 0.77 to 0.88, which exceeds considerably the cut-off point of 0.70. Similarly, the AVE for all constructs can be considered satisfactory (above 0.50) (Bagozzi and Yi, 1988).

Only the information dissemination dimension of EMO showed some inconsistency. However, it was decided to maintain this dimension because of its theoretical relevance. Based on the above analysis, it was concluded that most constructs had adequate

Items for each construct	Factor loadings	<i>t</i> -value	Coef. $\alpha$	$\rho_c^a$	$\rho_{ve}^b$
<i>Internal information generation</i>					
We try to find out what employees want from this municipality	0.80	–	0.83	0.83	0.47
We try to find out ours employees' real feelings about their jobs	0.70	10.0			
We regularly talk to our staff to find out about their work	0.68	7.58			
We have regular staff appraisals in which we discuss what employees want	0.56	6.09			
We do a lot of internal market research	0.61	6.70			
We often talk with our survey people to identify influences on our employees' behavior	0.54	5.10			
<i>Internal information dissemination</i>					
We regularly meet with all our staff to report about issues relating to the whole municipality	0.75	–	0.77	0.77	0.54
We regularly report back to our staff about issues that affect their working environment	0.85	7.40			
We have regular staff meetings with employees at all levels attending	0.59	5.90			
<i>Internal responsiveness</i>					
When we find out that employees are unhappy with our supervision or management, we take corrective action	0.73	–	0.77	0.77	0.53
When we find that employees would like us to modify their conditions of employment, the departments make concerted efforts to do so	0.74	6.74			
We make changes to what we do when employee feedback indicates that they are dissatisfied with the status quo	0.73	6.72			
<i>External information generation</i>					
This municipality does not know the needs of those groups whose voice is not heard (e.g. illiterates and poor citizens) (R)	0.5	–	0.83	0.85	0.67
This municipality is slow to detect fundamental shifts in the public sector environment (R)	0.92	6.02			
This municipality is slow to detect changes about citizens needs (R)	0.97	5.95			
<i>External information dissemination</i>					
In this municipality, citizen information is communicated to all departments	0.67	–	0.65	0.63	0.37
The activities of the different departments in this municipality are well coordinated	0.62	4.12			
Employees in front-line activities have efficient communication systems at their disposal to report any problem that may arise	0.52	3.809			
<i>External responsiveness</i>					
In this municipality, we do not give information to citizens about their rights (R)	0.79	–	0.87	0.88	0.61
In this municipality, we do not give information to citizens about how to access and utilize some service (R)	0.89	9.88			

The specific case of local public sector

(continued)

**Table I.**  
Summary statistics of the measurement model

Items for each construct	Factor loadings	t-value	Coef. $\alpha$	$\rho_c^a$	$\rho_{ve}^b$
In this municipality, we do not use clear and simple language to communicate to citizens (R)	0.93	10.42			
In this municipality, contact with citizens/users is not easily provided when it is effectively required (R)	0.71	8.51			
In this municipality, citizen complaints fall on deaf ears (R)	0.54	6.27			
<i>Organisational commitment</i>			0.87	0.87	0.58
Employees would be happy to make personal sacrifices if it were important for the municipality's well being	0.78	–			
In general, employees are proud to work for this municipality	0.90	10.47			
Employees often go above and beyond the call of duty to ensure this municipality's well being	0.65	7.27			
Our people have little or no commitment to this municipality (R)	0.69	7.76			
It is clear that employees are fond of this municipality	0.77	8.87			
<i>Financial organisational performance</i>			0.82	0.80	0.50
Degree of budgetary accomplishment	0.76	–			
Degree of financial objectives accomplishment	0.80	7.42			
Degree of activities performed to generate funding/income	0.60	5.93			
Measures related with the efficient use of assets funds	0.67	6.89			
<i>Non-financial organisational performance</i>			0.74	0.73	0.47
Degree of organisational labour climate	0.68	4.20			
Degree of employee's skills and competencies	0.72	4.26			
Degree of citizens satisfaction	0.68	6.89			

**Table I.** Notes: <sup>a</sup>  $\rho_c$  (Composite reliability:  $0.70 \leq \rho_c \leq 1$ ); <sup>b</sup>  $\rho_{ve}$  (AVE:  $0.50 \leq \rho_{ve} \leq 1$ ); (R) = recoded

measurement properties. After examining the construct validity and the reliability of the measurement model, the next step was to assess whether the structural model supported the proposed theoretical model.

*Testing the structural model*

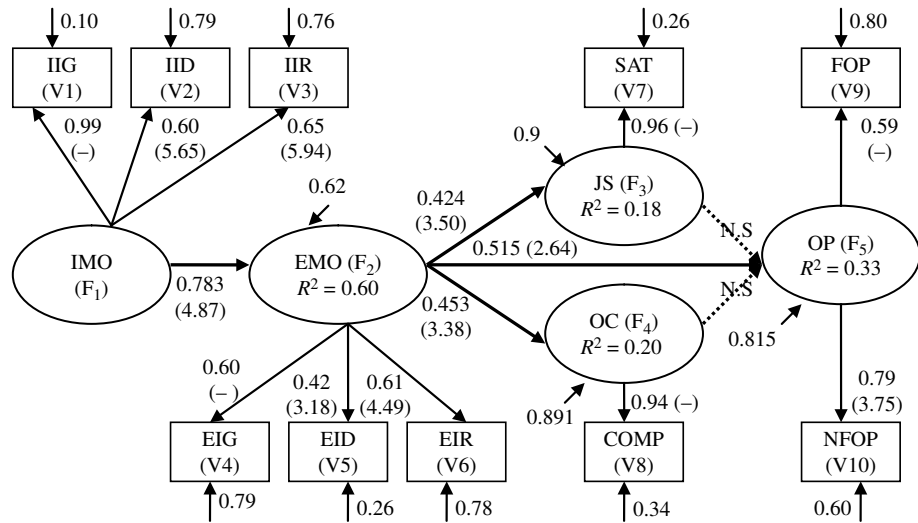
The structural equation modelling approach was employed to test *H1-H6*. The relationships proposed in the model are shown in Figure 2.

Some important conclusions can be draw from the final model. First, the chi-square for the overall model was not significant –  $\chi^2$  (df = 25, n = 118) = 34.33,  $p = 0.10$ , which is a good indication that the observed and implied (estimated) variance-covariance matrices are similar. This can be reinforced with different fit indexes, such as: comparative fit index = 0.99, incremental fit index = 0.99, normed fit index = 0.99. Models with a root mean square error of approximation (RMSEA) of 0.08 or below show satisfactory fit (Hair *et al.*, 1998). The RMSEA of the structural model is 0.056, which can be considered acceptable. Second, with reference to the hypotheses put

Constructs	Items	Mean	SD	R <sup>2</sup>	EIG	EID	EIR	IIG	IID	IIR	COMP	FOP	NFOP	SAT
EIG	3	4.11	0.932	0.425	(0.68)									
EID	3	3.74	0.831	0.468	0.21*	(0.73)								
EIR	5	4.75	0.558	0.329	0.43**	0.27**	(0.72)							
IIG	6	3.81	0.816	0.872	0.23*	0.45**	0.21*	(0.81)						
IID	3	3.66	1.04	0.376	0.25**	0.25**	0.17	0.44**	(0.60)					
IIR	3	3.77	0.831	0.458	0.22*	0.27**	0.18*	0.45**	0.34**	(0.78)				
COMP	5	3.78	0.859	0.753	0.13	0.38**	0.23**	0.31	0.18*	0.25**	(0.76)			
FOP	4	3.95	0.520	0.462	0.24**	0.02	0.19*	0.17	0.031	0.11	0.14	(0.70)		
NFOP	3	4.00	0.471	0.497	0.19*	0.21*	0.19**	0.33**	0.17	0.19*	0.16	0.45**	(0.68)	
SAT	3	4.03	0.816	0.668	0.19*	0.30**	0.26**	0.22*	-0.02	0.18*	0.47**	0.16	0.24**	(-)

**Notes:** \*  $p < 0.01$  and \*\*  $p < 0.05$  (two-tailed); IIG, internal information generation; IID, internal information dissemination; IIR, internal information responsiveness; EIG, external information generation; EID, external information dissemination; EIR, external information responsiveness; SAT, global job satisfaction (one item was drop from the analysis); COMP, attitudinal; FOP, financial organisational performance; NFOP, non-financial organisational performance

**Table II.**  
Descriptive statistics  
and the correlation  
matrix



Note: t-values appears in parenthesis

Figure 2.  
Conceptual model

forward in this research, the findings based on this sample supported *H1-H4*, but rejected *H5* and *H6*.

### Discussion of results

In line with other areas of the public sector, local government increasingly faces a changing external and internal environment that challenges its traditional bureaucratic “modus operandi”. Recent transformations and modernisation efforts, especially those concerned with the introduction of business-like management practices and the developments in ICT, have highlighted the importance of offering citizen-centric services that deliver real measurable public value (McDonald *et al.*, 2007). To accomplish this aim, public managers can learn a great deal from the market-oriented approach which has had a dominant role in the marketing field (Jaworski and Kohli, 1996) and has been gradually accepted by other organisational fields.

The results show the important effect of (internal) MO on EMO, supporting *H1*. It seems that internal marketing implementation has an important role in fostering market-oriented behaviours contributing to a better understanding of the alignment of organisations’ (internal) environments with their (external) market objectives. The results indicate that the successful implementation of internal marketing will enable employees to become more aware of the importance of providing services which have the ultimate objective of satisfying public needs. Similarly, the development of a favourable internal working environment would have a positive impact on employees, which would be of paramount importance in the achievement of organisational objectives. This is a particularly relevant finding since the relationship between internal and external marketing has not yet been extensively studied in the context of local public organisations. Relevant to note is that, this result is in line with other studies conducted in the for-profit sector (Lings, 2000; Conduit and Mavondo, 2001; Lings, 2004; Lings and Greenley, 2005). We believe that the adoption of internal marketing practices is particularly relevant to

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local public sector managers in their endeavours to achieve not only a more citizen-focused centred services but also to prepare these organisations for the new challenges they have to face, particularly by enhancing trust in public servants, improving accountability and empowering citizens. Hence, local government managers need to work on those critical internal operations that support the accomplishment of this goal, for example, generating, disseminating and responding to the information about the needs of employees, and at the same time preparing citizens for greater participation. Internal marketing is in the crossroads of marketing and organisational behaviour, which have become two crucial areas in public management for coping with the current transformational political agendas.

The results of the present study evidenced a positive influence of EMO on two job-related dimensions (job satisfaction and OC). In other words, results indicate that the implementation of market-oriented behaviours both internally and externally leads to higher levels of employee job satisfaction and OC in the context of the local public sector. Thus, *H2* and *H3* are supported by the data. This finding is also consistent with the views of previous studies in the for-profit context (Siguaw *et al.*, 1994; Jones *et al.*, 2003) and in the public sector area (Caruana *et al.*, 1997, 1999). As previously mentioned, the reasoning behind this finding is justified because MO encourages teamwork and attaches employees to a common purpose. The results of this study also indicate that internal marketing may additionally have an indirect relationship with job satisfaction and commitment through its influence on MO. Thus, an internal and external marketing perspective is conducive to the creation of a positive social organisational environment in local public sector organisations.

With regard to the impact of MO on OP, results from the present study support the proposed hypothesis (*H4*) and reinforces the argument that market-oriented behaviours help to achieve organisational success. This is also in line with previous studies within the for-profit sector (see the meta-analysis of Cano *et al.* (2004) and Kirca *et al.* (2005) for a review) and, to a more limited degree, in the public sector (Caruana *et al.*, 1998, 1999; Cervera *et al.*, 2001). Hence, this study supports that local public organisations adopting an MO approach are likely to evidence high performance results. Given this result, local public organisations would be advised to increase their investments in promoting market-oriented behaviours if they want to be more successful in their organisational transformational processes.

Contrary to what was expected, the present study also found that increased levels of job satisfaction do not necessarily enhance OP, not supporting *H5*. This may be partly explained by the fact that this relationship has been considered quite complex and controversial (Schneider *et al.*, 2003; Kim, 2005). The lack of significant relationship could also be a specific feature of the nature of the sample studied. Further research is needed to find out whether this is the case. Similarly, contrary to our initial expectations, OC did not show a significant relationship with OP. Thus, *H6* is not supported by the data. This could be partly explained by the fact that OC is thought to be more stable over time and develops more slowly, when compared to job satisfaction. On the other hand, lack of support for *H6* may be linked to the difficulty in creating and maintaining this job-related attitude. Additionally, the relationship between OC and OP is not as simple and straightforward or perhaps other dimensions of commitment should be taken into account. For instance, Allen and Meyer (1990) conceptualised OC as a construct that encompasses not only affective commitment and continuance commitment but also

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normative commitment. This latter dimension refers to employees' feelings of obligation to stay with their organisation. Another possible explanation relates to the fact that the daily routines and habits of those who live within a bureaucratic culture, as is the case of local public administration, lead to feelings of safety and conformity, and therefore the modification of certain working habits will result in anxiety and discomfort (Claver *et al.*, 1999). These observations are somewhat speculative and clearly require further research.

### **Conclusions of the study**

The relevance of the present study is justified by the fact that the public sector has been revamped in order to bring about a new organisational model which is closer to management-oriented practices. This paper started by discussing the public sector modernisation agenda in terms of the worldwide organisational and ICT transformations which make public sector organisations more accessible, responsive and in line with citizens' demands through electronic service delivery systems. It was assumed that the success of further (e-)government initiatives and transformation can only be accomplished through a clear view of internal and external publics' needs: employees and citizens (Jones *et al.*, 2007). Possibly, the reasons why certain expected results from e-government programs have not yet been successfully explained is due to the lack of understanding of the requirements and expectations of the main actors of change (Osimo *et al.*, 2008). In other words, prior to e-government services transformation, there must be a deep knowledge of the needs and expectations of internal and external actors. This could be achieved by examining an integrative (internal and external) market-oriented approach.

The research results mainly show that IMO positively influences market-oriented behaviours. Additionally, EMO also affects the employee's satisfaction, OC and OP. The results from the present study highlight the important role of integrating both internal and external marketing perspectives in fostering OC and job satisfaction. In that respect, a better understanding of the effects of MO in several organisational dimensions was achieved. Thus, (internal and external) market-oriented activities proved to be an efficient strategy in creating both a better internal working environment and higher OP. These are important results within the context of the modernisation agenda which is associated with the transformational (e-)government service delivery and efficiency.

It can be argued that a better understanding of the aforementioned relationships can also contribute to improve knowledge in the field of marketing, organisational behaviour and public management. The importance and the need of research on internal and EMO and its implications on other sectors, cultural environments, organisation types and countries have been widely acknowledged. This is particularly true because previous empirical studies devoted to MO have primarily been conducted in the for-profit sector.

A puzzling finding is, however, the lack of effect of job-related attitudes and OP. A more comprehensive investigation of these associations will be a welcome addition to research in this field. In this sense, this study constitutes a good starting point by providing some insights into the effects of implementing market-oriented behaviours on employees' attitudinal responses fulfilling an important gap in the public management literature.

### **Implications of the study**

This study has important implications for local public sector managers and policy makers. First, due to turbulent, complex and constantly changing environments



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(Coffman, 1986), public organisations at all levels (and especially those in the local public sector) are increasingly pressured to re-evaluate their activities based on more stringent criteria in terms of transparency and accountability. This has driven local public organisations to be more efficient by incorporating internal and external marketing approaches in which the needs of both its publics, internal (employees) and external (customers/citizens), are at the centre of activity (Drummond *et al.*, 2000) of the transformational government process.

Therefore, local public executives need to recognise the importance of allocating organisational resources to ensure the efficient collection and dissemination of and responsiveness to intelligence which can be addressed internally and externally. By incorporating these activities in their organisational structures, local public organisations are expected to enhance their performance. Additionally, since a positive relationship between internal and EMOs was found, local public sector managers are more aware that promoting internal marketing activities more centred on people management, they are likely to meet successfully the demands and expectations of multiple stakeholders (internal and external publics). In this line, an IMO approach could also be used to promote improvements in internal managerial activities and promote active behaviours to create and maintain a close alignment with external marketing strategies (Lings and Greenley, 2005). After all, the major thrust of internal marketing is to ensure that employees feel that management cares about them and that their needs are met (Ewing and Caruana, 2000).

Furthermore, assuming that the adoption of an MO will stimulate and enhance employees' attitudinal responses, public managers know how to better manage and promote employee job satisfaction and OC. In this sense, external marketing aims to ensure that consumers/citizens feel that local public organisations cares about them. This may partly explain the significant and positive relationship between internal marketing and EMO. The successful implementation of both internal and external marketing can also be translated into positive attitudes by employees towards their work, particularly in regard to job satisfaction and OC. If these two latter behavioural attitudes are not properly stimulated, there will be negative consequences to local public organisations, resulting in poorer performance and, to a certain level, jeopardises service delivery and service quality.

### **Limitations of the study**

When evaluating the results and owing to the study's exploratory nature, a number of limitations and several research directions need to be mentioned. First, this study has considered the municipality executives as the main unit of analysis. Further studies should also take into account other stakeholders (such as customers and employees).

A second limitation pertains to the structure of the sample. This study was restricted to public sector organisations of the Northern Region of Portugal. Although this approach allows for a deeper understanding of the subjects under investigation (due to the homogeneity of the respondents), no generalisations to other regions or countries can be made. Future studies should examine the same relationships with a wider sample or even including organisations from different sectors.

In addition, this study used cross-sectional data to test the research model and hypotheses, but internal marketing, MO, employees' attitudinal responses and OP are dynamic constructs, involving elements of time, which may be better examined over an

extended period. Thus, future research through longitudinal design is desirable to accomplish this objective.

Another limitation relates to the measure of internal marketing implementation and MO. Alternative conceptualisations of both IMO and EMO could also be examined in future research. Finally, although a number of authors (Hair *et al.*, 2006) argued that the minimum sample size to ensure appropriate use of ML estimation, such as the case of this study, ranges between 100 and 150, the interpretation of these findings and their generalisation should be made with caution due to the low-sample size.

### Suggestions for future research

Finally, other research lines for conducting future research could be pointed out. For example, in this research only the global job satisfaction and the affective OC were used; however, it would be interesting to study how different sub-dimensions of job satisfaction and OC act as consequences of EMO; and how this impacts on a greater OP. The same could be applied to IMO-EMO sub-dimension relationships. The need for the inclusion of mediating and moderating variables in the model is also an issue raised by relevant literature that can be further researched (Castro *et al.*, 2005).

The pressures for active participation, transparency, accountability and market-oriented service provision require a high balance between internal and external marketing approaches. This balance would be critical to promote Internet-based technologies to deliver e-government services, which have become a global trend and a crucial issue to most public administrations. Most importantly, it is hoped that the present study will pave the way for future research regarding the effects of IMO and EMO on both attitudinal responses from employees and OP.

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#### Further reading

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