ORGANIZATIONAL FACTORS ASSOCIATED WITH INTERNAL CUSTOMER SATISFACTION: A CASE STUDY IN RETAIL BUSINESS

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ORGANIZATIONAL FACTORS ASSOCIATED WITH INTERNAL CUSTOMER SATISFACTION: A CASE STUDY IN RETAIL BUSINESS

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TABLE OF CONTENTS

| Acknowledgements                          | i       |
| Table of Contents                         | ii      |
| List of Figures                           | vi      |
| List of Tables                            | viii     |
| Abstract                                  | ix      |
| Abstrak                                   | x       |

CHAPTER 1 – INTRODUCTION

1.1 Introduction 1
1.2 Background of Study 2
1.3 Problem Statement 4
1.4 Research Objectives 6
  1.4.1 General Objective 6
  1.4.2 Specific Objectives 6
1.5 Conceptual Framework 7
1.6 Research Hypothesis 8
1.7 Definition of Terms 9
  1.7.1 Internal Customer 9
  1.7.2 Satisfaction 9
  1.7.3 Wages 9
  1.7.4 Work Itself 10
  1.7.5 Supervisory Support 10
  1.7.6 Co-worker 10
  1.7.7 Gender 11
## 1.7.8 Age

## 1.8 Significance of Study

## 1.9 Limitation of the Research

## 1.10 Conclusion

### CHAPTER 2 – LITERATURE REVIEW

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Introduction</td>
</tr>
<tr>
<td>2.2</td>
<td>Internal Customer Satisfaction</td>
</tr>
<tr>
<td>2.3</td>
<td>Organizational Factors influencing Internal Customer Satisfaction</td>
</tr>
<tr>
<td>2.3.1</td>
<td>Wages</td>
</tr>
<tr>
<td>2.3.2</td>
<td>The Work Itself</td>
</tr>
<tr>
<td>2.3.3</td>
<td>Supervisory Support</td>
</tr>
<tr>
<td>2.3.4</td>
<td>Co-Worker</td>
</tr>
<tr>
<td>2.4</td>
<td>Demographic Characteristics</td>
</tr>
<tr>
<td>2.4.1</td>
<td>Gender</td>
</tr>
<tr>
<td>2.4.2</td>
<td>Age</td>
</tr>
<tr>
<td>2.5</td>
<td>Conclusion</td>
</tr>
</tbody>
</table>

### CHAPTER 3 - METHODOLOGY

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0</td>
<td>Introduction</td>
</tr>
<tr>
<td>3.1</td>
<td>Research Design</td>
</tr>
<tr>
<td>3.2</td>
<td>Population and Sample</td>
</tr>
<tr>
<td>3.3</td>
<td>Research Instrument</td>
</tr>
<tr>
<td>3.4</td>
<td>Pilot Test</td>
</tr>
<tr>
<td>3.5</td>
<td>Data Collection</td>
</tr>
</tbody>
</table>
3.6   Analysis of Data
  3.6.1  Descriptive Statistic
  3.6.2  Sample T-test
  3.6.3  Two-Way ANOVA
  3.6.4  Correlation Test (Pearson Test)
  3.6.5  Simple Linear Regressions (Stepwise)

3.7   Conclusion

CHAPTER 4 – FINDINGS AND DISCUSSIONS

4.0   Introduction

4.1   Background of Respondent
  4.1.1  Gender
  4.1.2  Age
  4.1.3  Current Employment Status
  4.1.4  Level of Internal Customer Satisfaction

4.2   Hypotheses Testing
  4.2.1  Null Hypothesis (Ho1) - Pearson Test
  4.2.2  Null Hypothesis (Ho2) - Pearson Test
  4.2.3  Null Hypothesis (Ho3) - Pearson Test
  4.2.4  Null Hypothesis (Ho4) - Pearson Test
  4.2.5  Null Hypothesis (Ho5) - Sample T-test
  4.2.6  Null Hypothesis (Ho6) - Two-Way ANOVA
  4.2.7  Null Hypothesis (Ho7) – Stepwise
         Simple Linear Regressions

4.3   Result of Analysis

4.4   Conclusion
# CHAPTER 5 - SUMMARY, CONCLUSION AND RECOMMENDATION

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0 Introduction</td>
<td>50</td>
</tr>
<tr>
<td>5.1 Summary</td>
<td>50</td>
</tr>
<tr>
<td>5.2 Conclusion</td>
<td>53</td>
</tr>
<tr>
<td>5.3 Recommendation</td>
<td>54</td>
</tr>
<tr>
<td>5.3.1 Organization and Practitioner</td>
<td>54</td>
</tr>
<tr>
<td>5.3.2 Future Researchers</td>
<td>55</td>
</tr>
<tr>
<td>5.5 Limitation of the Study</td>
<td>55</td>
</tr>
</tbody>
</table>

## REFERENCES

56

## APPENDICES

64

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Questionnaires</td>
<td>64</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

Figures                                   Page

Figure 1
Organizational factors namely wages, work itself, supervisory support, co-workers and demographic characteristics-gender, age influencing internal customer satisfaction  7

Figure 2
Maslow’s Hierarchy of Needs                16
LIST OF TABLES

TABLES

Table 1
Number of employees to be selected at each level using stratified random sampling. 29

Table 2 /4
Six-Point Likert Rating Scale 30/32

Table 3
Range of Scores Determining levels of Satisfaction 31

Table 5
Results of Reliability Analysis Test Based on Alpha Scale 33

Table 6
Strength of Relationship between Independent and Dependent Variables 35

Table 7
Frequency for Respondents’ Gender 38

Table 8
Frequency Percentage for Respondents’ Age 38

Table 9
Frequency for Respondents’ Current Position 39

Table 10
Frequency for Respondents’ Level of Satisfaction 40

Table 11
Correlation between wages and internal customer satisfaction 40

Table 12
Correlation between work itself and internal customer satisfaction 41
Table 13
Correlation between supervisory support and internal customer satisfaction 42

Table 14
Correlation between co-worker and internal customer satisfaction 43

Table 15
Sample T-Test between gender and internal customer satisfaction 44

Table 16
Two-way ANOVA between age groups and internal customer satisfaction 45

Table 17
Result of Simple Regression Analysis (Stepwise) 46

Table 18
Summary towards the Result of Analysis 48
ABSTRACT

ORGANIZATIONAL FACTORS ASSOCIATED WITH INTERNAL CUSTOMER SATISFACTION: A CASE STUDY IN RETAIL BUSINESS

WONG SIEW HARNG

The purpose of this study was to determine the organizational factors that associated with internal customer satisfaction at H&L Supermarket Sdn Bhd. The dependent variable in this study was the internal customer satisfaction meanwhile the independent variables were wages, work itself, supervisory support and co-worker. Survey methodologies, a questionnaire in a form of Likert Scale were used to obtain data. 261 respondents were successfully selected as a sample from an overall population of 325 employees. The data collected was analyzed using the Statistical Package for the Social Sciences (SPSS), Version 15.0. Percentages were used to determine the distribution of demography. Pearson correlation analysis had been used to determine the organizational factors. Simple Regression Analysis was used to determine dominant factor in affecting the internal customer satisfaction. The finding shows that the level of internal customer satisfaction in H&L Supermarket Sdn Bhd was considered as high. The findings also showed significant level of correlation between independent variables (wages, work itself, supervisory support and co-workers) and dependent variable (internal customer satisfaction). It was also found that all the organizational factors namely wages, work itself, supervisory support and co-workers were the dominant factors that influences the internal customer satisfaction. As a conclusion, the internal customer was affected by the wages, work itself, supervisory support and co-worker. The findings of this study can be used as a reference in improving internal customer or employee satisfaction from time to time.
ABSTRAK

FAKTOR-FAKTOR ORGANISAI YANG BERKAITAN DENGAN KEPUASAN PEKERJA: KAJIAN DI DALAM SEKTOR PERUNCITAN

WONG SIEW HARNG

CHAPTER 1
INTRODUCTION

1.1 Introduction

Nowadays, the world of retail business becomes highly competitive due to high demand of various products by consumers. Previously, the retail business is profit oriented and only gave attention or priority to their external customer as they are the person who used the services or goods provided by the company. In other words external customers are the main income source of retail business. However, contemporary trend of business emphasized the internal customer or employee as they are the individuals who work under the same organization in delivering the services or goods to external customer.

According to Scott (2004), employees that have a high job satisfaction care more about the quality of their work and, therefore are more committed to their organization. In retail business, the internal customer satisfaction directly influences external customer satisfaction. This is because of the role played especially by the front line employees who directly deal with the external customer. Thus, employees
will serve customers better when they are satisfied. As the results, satisfied external customers will be loyal to the product and service offered by the company when they received excellence service from internal customer or employees. Customers’ loyalty brings high level of profitability and growth to the company especially in highly competitive retail business.

According to Jennings (1998), there are many reasons that an individual will be satisfied and remain within a given organization such as wages, benefits and job security within the organization. Therefore, internal customer satisfaction is influenced by several organizational factors besides then external factors such as demographic factors. To ensure high levels of job satisfaction, organizations need to know and understand what their employees want from work to develop better in-service training programs designed to enhance job satisfaction and reduce job dissatisfaction (Scott, 2004). If the organization can improve the organizational factors that suitable and fulfill the need and want of their internal customer, it could help to increase the performance on their work and increase the company’s profit in return.

1.2 Background of Study

Internal customer or employee is the main asset in the organization as they play the role of operating the other functions of the organization such as machines and systems. The philosophy of human resource management has stated that human resource (internal customer or employee) is the most important asset for an organization to survive. According to Herzberg, Mausner, and Synderman (1967), one of the major reasons for measuring job satisfaction is to answer the question, “What does the worker want from his/her job?” and that the answer to this question will assist management in discovering new methods of motivating employees. Thus,
internal customer or employee satisfaction is essential because internal customer satisfaction will directly influence their job performance and organizational performance. In the matter of retail business, internal customers or employees job performance will directly influence the external customer satisfaction and external customer satisfaction will affect the organization performance in retail business. Based on Heskett, Jones, Loveman, Sasser and Schlesinger (1994) statement, employees satisfaction can contribute to customer loyalty through a series of links referred to as the “service profit chain”. Moreover, the dissatisfaction of the internal customer or employee will have high intention to quit and increase organization turnover rate that costly.

The phenomenon shows the importance of internal customer or employee satisfaction as it affecting various aspects that determine the organization survival. There are many reasons that an individual will remain within a given organization. Some of these reasons include salary, benefits, job security, and the ability to retire within the organization (Jennings, 1998). Whitt (2004) discovered that management actions affected employee satisfactions, with some being positive and negative. With this, the organizational factors need to be identified to maintain and increase the internal customer satisfaction. The process of identifying the organizational factors needs to be done systematically and any enhancement and improvement of the factors need to be done to maintain and increase internal customer or employee satisfaction for organization survival.

In retail business, the level of external customer satisfaction is equal to the level of organizational profitability. Since external customer satisfaction is influenced by internal customer satisfaction, therefore, it is essential to determine the organizational factors that affect internal customer satisfaction for organization advantage.
1.3 Problem Statement

In the competitive retail business world, most companies faced many challenges in attracting and retaining the internal customers or employees. The internal customers leave their job when they feel dissatisfied. Dissatisfaction often occurs when the goals and policies of the organization are not clearly defined and understood (Barnett & Louderback, 1971). The Conference Board (2003) stated that U.S. job satisfaction levels hit an all time low in 2003 and had been on a steady decline since 1995. This report stated that as technology transformed the workplace and accelerated the pace of activities, workers were steadily growing unhappier with their jobs. According to Sundstrom (1986, cited by Lew, 2007), in fact job dissatisfaction is very critical for organizational efficiency since it is associated with high rates of absences and turnover.

Mallilo (1990) suggested that because job satisfaction was dependent on a number of different factors and was subject to change, organization should conduct periodic needs assessment to determine the level of job satisfaction of personnel and identify methods for increasing satisfaction. Jennings (1998) said that there are many reasons that an individual will satisfied and remain in the organization such as wages, benefits, job security, and the ability to retire within the organization. Besides, Whitt (2004) also discovered that management actions affected employee satisfactions, with some being positive and negative.

According to the Employee Job Satisfaction and Retention Survey (2007/2008), some main reasons of internal customer satisfaction and retaining within the organization are compensation, work itself, supervisory support and co-workers. Since internal customer or employee satisfaction could be affected by wages, work itself, supervisory supports, and co-worker, to what extent these factors
influence internal customer satisfaction and among these factors, which would have the highest impact on internal customer or employee satisfaction?

Although many studies had been conducted by western scholars but their findings sometimes cannot be generalized towards other organization in different geographical area. This study therefore is carried out to further investigate relationship between wages, work itself, supervisory supports, and co-worker toward internal customer satisfaction during in the context of retail business in Kuching, Sarawak. Specifically, this study is conducted to answer the following research questions:

1. Are the internal customers satisfied with their job in the organization?
2. What are the factors that influence their satisfaction?
1.4  Research Objectives

1.4.1  General Objective

The general objective of this study is to determine internal customer satisfaction and to identify organizational factors that influence internal customer satisfaction.

1.4.2  Specific Objectives

a) To determine the level of internal customer satisfaction.

b) To determine the relationship between wages and internal customer satisfaction.

c) To determine the relationship between supervisory support and internal customer satisfaction.

d) To determine the relationship between the work itself and internal customer satisfaction.

e) To determine the relationship between co-worker and internal customer satisfaction.

f) To determine if there is any difference between internal customer of selected demographic characteristics in term of their satisfaction.

g) To determine the dominant factor that will influence the internal customer satisfaction.
1.5 Conceptual Framework

In this study, the independent variables are organizational factors (wages, work itself, supervisory support and co-workers) and demographic characteristics (gender and age). While dependent variable is internal customer satisfaction. The framework shows the relationship between independent variables and dependent variable.

Figure 1 reflects the organizational factors namely wages, work itself, supervisory support, co-workers and demographic characteristics—gender, age influencing internal customer satisfaction.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Factors</strong></td>
<td><strong>Internal Customer Satisfaction</strong></td>
</tr>
<tr>
<td>• Wages</td>
<td></td>
</tr>
<tr>
<td>• Work Itself</td>
<td></td>
</tr>
<tr>
<td>• Supervisory Support</td>
<td></td>
</tr>
<tr>
<td>• Co-workers</td>
<td></td>
</tr>
<tr>
<td><strong>Demographic Characteristics</strong></td>
<td></td>
</tr>
<tr>
<td>• Gender</td>
<td></td>
</tr>
<tr>
<td>• Age</td>
<td></td>
</tr>
</tbody>
</table>
1.6 Research Hypothesis

**Null Hypothesis (Ho1):**  
There is no significant relationship between wages and internal customer satisfaction.

**Null Hypothesis (Ho2):**  
There is no significant relationship between work itself and internal customer satisfaction.

**Null Hypothesis (Ho3):**  
There is no significant relationship between the supervisory support and internal customer satisfaction.

**Null Hypothesis (Ho4):**  
There is no significant relationship between co-worker and internal customer satisfaction.

**Null Hypothesis (Ho5):**  
There is no significant difference between male and female internal customer in term of their satisfaction.

**Null Hypothesis (Ho6):**  
There is no significant difference between internal customers of various age groups in term of their satisfaction.

**Null Hypothesis (Ho7):**  
There is no dominant factor that will influence internal customer satisfaction.
1.7 Definition of Terms

1.7.1 Internal Customer

Internal customer can be anyone in the organization. An internal customer can be a co-worker, another department, or a distributor who depends upon us to provide products or services which in turn are utilized to create a deliverable for the external customer. In general, internal customers don’t have a choice (Earl, 2008). In this study, internal customer refers to the employees or individual who work under the same organization in delivered the services or goods to external customer.

1.7.2 Satisfaction

Satisfaction has been defined as “a function of the perceived relationship between what one wants from one’s job and what one perceives it as offering” (Locke, 1969 as cited in Lund, 2003). In this study, satisfaction refers to employee that feels happy to the work that they do everyday and feel favor to work under supportive working environment.

1.7.3 Wages

Wages is pay given to employees who are covered by overtime and reporting provisions of the Fair Labor Standards Act (Milkovich and Newman, 2008). In this research, the wages refer to the income that received by the front line employee that service the external customers monthly plus overtime payments counted hourly.
1.7.4 Work Itself

Work itself is referred as a group of task that must be performed for an organization to achieve its goal that requires the services of employees. (Mondy and Noe, 2005). In this research, work itself refers to the tasks that the employees have to perform everyday at the workplace. The employees feel favor to perform the task that is under their responsibility. It involves the amount and characteristics of task that they have to perform.

1.7.5 Supervisory Support

Supervisory support is considered valuing contributions and caring for a person’s well-being (Gentry, Kuhnert and Mondore, 2006). In this research, supervisory support is referred to any kinds of verbal and non-verbal supportive actions to subordinates such as praises, caring and encouraging them in their work.

1.7.6 Co-worker

Co-worker are the individual who work together in the organization that control some of the outcomes, norms, and behaviours (Desimone, Werner and Harris, 2002). Co-worker in this research refers to refers to those who interact and deal with performing everyday work at the workplace. The social relationship among employees are important to let them feel favor to work at the same organization.
1.7.7 Gender

Gender is the psychological and sociocultural dimensions of being female and male (John, 2008). In this study, the employees with different gender feel different on their work and working environment. They can be categorized in young male and female employees.

1.7.8 Age

Age is the concept of chronological age which is the number of years that have elapsed since birth besides than the concept of biological, psychological and social age (Hoyer & Roodin, 2003). In this study, the employees with different ages feel different on their work and working environment. They can be categorized in older and younger employees.