THE ROLE OF SATISFACTION IN MEDIATING TRUST, COMMITMENT AND LOYALTY RELATIONSHIP: AN INTERNAL MARKETING APPROACH TO A UNIVERSITY

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Abstract

Higher Educational institutions in Indonesia, including in Bandung, inspite of being a social organization, it must be able to compete with the foreign higher educational Institutions. Internal Marketing approach is one way to analyze the strengths of Internal Resources owned by a service company. Based on the internal marketing approach, an important element in creating excellence is employees’ satisfaction since the employees’ satisfaction will cause customers’ satisfaction (Lewis, 1996:57). This study is examining the mediating role of satisfaction in trust and commitment relationships with loyalty in a University in Bandung. Sample size is 162 respondents whom taken by self-administered questionnaires from bureau academic staff of Parahyangan Catholic University. This research shows that satisfaction is still a major consideration that cause loyalty, since there is a fully mediating role of satisfaction in trust and loyalty relationship. It means that trust should be elaborated into satisfaction firstly before turn into loyalty. It means that a higher educational institutions in Bandung should developed employees’ satisfaction to survive in the borderless economic competition. The authors also make some recommendations, especially the recommendation that satisfaction is still an important factor in determining loyalty. It means that a higher educational institutions in Bandung should developed employees’ satisfaction to survive in the borderless economic competition. in addition, the authors also citesLigas (2003) to build a trust in an organization as another recommendation.

Keywords: Internal Marketing, Trust, Satisfaction, Commitment, Loyalty, Mediating Role.

Introduction

International trade and globalization are increasingly important in political and economic world. Politically, countries will be perceived as borders, whereas economically, they will be borderless (Ohmae, 1991; Naisbitt, 1994). In the forthcoming competition, business entities, including higher educational institutions need to develop competitive advantages (Shawyun, 2014). Higher Educational institutions in Indonesia, including in Bandung, inspite of being a social organization, it must be able to compete with the foreign higher educational Institutions. Lovelock (1996) suggested that there are three management functions play a central role in a service company, namely marketing, operations, and human resources. Consequently, the service organizations, including Higher Educational Institutions should also use marketing concepts internally to employees, it is known as Internal Marketing. Based on the internal marketing approach, an important element in creating excellence is employees’ satisfaction since the employees’ satisfaction will cause customers’ satisfaction (Lewis, 1996:57), and successful marketing to employees will lead to success in the all of marketing activity to external customers (Gilmore and Carson, 1996: 296). Some writers and researchers, such as Caruna and Calleya (1998) whom Cite Sasser that the successful service company must first sell the job to employees before it can sell its services to customers. In this research the authors examined the role of satisfaction as mediating variable in Trust and Satisfaction and loyalty relationships.

The second motivation of this research is the complaint phenomenon that facing by academic affairs department of Parahyangan Catholic University (PCU). The academic affairs staffs’ complaint is increase year by year (see Table 1), on the other hand the performance of those employees are increasing. Furtherly, the complaints are come from the staffs whom are good perform and loyal, meaning that it comes from employees whom has been worked in the organization for 5 years or more.

Table 1 Employees Complaints and average work of service duration of Parahyangan Catholic University

<table>
<thead>
<tr>
<th>NO</th>
<th>Department</th>
<th>Complaints per year</th>
<th>Ag. work of service (year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Personnel Bureau</td>
<td>43</td>
<td>48</td>
</tr>
<tr>
<td>2</td>
<td>Academic Administration Bureau</td>
<td>27</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>Rectorate Administration Bureau</td>
<td>40</td>
<td>43</td>
</tr>
</tbody>
</table>
Employees in the service companies are internal customers, then every complaints should be paid attention and handled with care as an external customer. One way to market company to internal customers is through understanding that the existence of employees satisfaction (Matzler and Renzl, 2006). If the company could make employee satisfied and consequently creates loyalty, then the company will have a competitive advantage, since the competitive advantages could come from employee satisfaction. Additionally, Some researchers, such as Yang and Peterson (2004), and Eid (2011) found that satisfaction has an effect on loyalty. Employees constitute an important segment of organization’s stakeholders; the commitment of employees plays a significant role in the effectiveness and stability of organizations (Ogunjinmi et al., 2014). The aim of this research is to analyze implementation of internal marketing to service entity that is Parahyangan Catholic University, through relationships among trust, commitment, satisfaction, and loyalty. Figure 1 is the research model.

Figure 1. Research Model

Literature Review and Hypotheses

Internal Marketing

Gronroos (2006) and Lovelock (1996) suggested that there are three management functions play a central role in a service company: marketing, operations, and human resource. The suggestions of Lovelock (1996) and Gronroos (2006) explained that managing services need to consider the integration of three company functions, namely Marketing, Operation, and Human Resources. This point also means that service manager must have a broad understanding of the three fields, cannot be separated from one another. Based on the understanding of the importance to consider these three areas of managing services, then the concept of internal marketing comes as one of the concepts that are important in the managing of services.

Lovelock (2001:8) describe marketing in service organization can be seen as a strategic thrust pursued by top management, as a set of functional activities performed by line managers, or as a customer driven orientation for the entire organization. Service marketing concept originated from the field of marketing in general which concentrating on ways that everyone who involved in the delivery of services can continuously improve the quality of interaction and service to customers (Gummesson, 1996). The use of this concept now is widespread and has been accepted in all forms of organization.

Trust and Satisfaction

Rousseau, et al. (1998) define trust as a psychological part consists of state resigned to accept deficiencies based on positive expectations of the intentions or behavior of others. Mayer (1995: 100) defines trust as a party desire to be submissive/receive actions of another party based on the expectation that the other party will do something specific actions that are important to those who give credence, to the ability to monitor or control the other party. The trust definition expressed by Rousseau, et al. (1998) and Mayer (1995) suggest that employee who trust the company will make these people work well and obediently follow the will of the organization, so that the marketing company to employees in order to be trusted is important.

Luo (2002) describe trust as a variable that is used widely in various disciplines, including in the field of social psychology, sociology, organizational behavior, strategic management, and Business International. Opinions Luo (2002) suggests that trust is an important variable to be explored. A very important key in building high trust in the organization is achieving results, act with integrity, and demonstrating concern. Increased level of trust requires a balance of the important things that have been mentioned above, although there is a conflict between the parties within the organization. Balancing act requires the design of organizations that can support the trust, both organizational structure and informal culture. It can be seen from Matzler and Renzl (2006) study against 665 employees of the utility sector which reveals that trust colleagues and trust in management is a strong predictor of employee satisfaction. Also in Chiu and Droge (2006) work which found that trust is positively affect overall satisfaction.

Referring to Luo (2002), Rousseau, et al. (1998), Mayer (1995: 100) concepts and definitions, and Matzler and Renzl (2006) and Chiu and Droge (2006) works, then the first hypothesis of this study is:

H1: Trust is positively associated with Satisfaction.
Commitment and Satisfaction

Some researchers in the field of marketing relationships interpreted commitment as a desire or attitude toward a stable defensive or no change option (Dwyer, et al., 1987; Morgan and Hunt, 1994; Pritchard, et al., 1998). While satisfaction – in the field of marketing – defined by Oliver (1997:13) as judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over fulfillment. The definition of Oliver (1997) is in line with job satisfaction suggested by Locke that cited by Pinder (1984:94) which explained that job satisfaction is an emotional reaction that results from the perception that one’s job fulfills or allows the fulfillment of one’s important job values, providing and to the degree that those values are congruent with one’s needs. It can be seen that these two definitions (Oliver, 1997 and Locke) have same meaning as Kotler and Keller (2009: 54) explained that satisfaction reflects a person judgments of a product’s perceived performance (or outcome) in relationship to expectations. The different is only in the form of products that satisfying. For external customer the products form are producers’ outcome while for internal customer the products form are company’s services itself. Furthermore, Oliver(1993) sees satisfaction as accumulative variable affective nature. Mogotsi(2011) found that job satisfaction and organizational commitment were significantly positively correlated.

Meyer and Allen (1991; Allen & Meyer, 1990) initially developed three-component of commitment, namely “affective commitment,” “normative commitment,” and “continuance commitment.” In addition, Meyer et al. (2004) expressed that affective commitment has the strongest positive correlation with job performance, organizational citizenship behavior, and attendance, followed by normative commitment. Continuance commitment tends to be unrelated, or negatively related, to these behaviors. Based on commitment definition as an attitude (Dwyer, et al., 1987; Morgan and Hunt, 1994; Pritchard, et al., 1998), satisfaction as affectively cumulative variable (Oliver, 1992), Mogotsi (2011) finding, and Meyer et al (2004) then the second hypothesis of this research is:

H2: Commitment is positively associated with satisfaction

Satisfaction and Loyalty

The third hypothesis of this study was developed based on several studies in the field of services and e-commerce. Research of Yang and Peterson(2004) shows the influence of satisfaction on loyalty. Additionally, Yang and Peterson(2004) also revealed that satisfaction is a variable that mediates the relationship between perceived value and loyalty. Eid(2011) revealed that loyalty strongly influenced by satisfaction. Anderson and Srinivasan (2003) revealed that satisfaction effect on loyalty, in addition, this study also revealed that the relationship between satisfaction and loyalty was moderated by individual level factors and firms’ business-level factors.

Results of Parvez and Akbar (2009) research showed that satisfaction was significantly have a positive relationship with loyalty. Matzler and Renzl, (2006) found that trust colleagues and management trust is a strong predictor of employee satisfaction, then employee satisfaction was also found that, in turn, affects employee loyalty. Based on Studies by Yang and Peterson (2004), Eid (2011), Anderson and Srinivasan (2003), Akbar and Parvez (2009), and Matzler and Renzl (2006), then the third hypothesis of this research is:

H3: Satisfaction is positively associated with loyalty

Trust and Loyalty

Eid(2011) inspired of revealed the influence of satisfaction on loyalty, also found that trust effect on loyalty. While Akbar and Parve(2009) research showed that beside satisfaction, trust also significantly have a positive relationship with loyalty. Moreover, Parvez and Akbar(2009) also revealed that satisfaction becomes a mediator between perceived service quality and loyalty. Harrissand Goode(2004) revealed that in the online business, trust is a central variable in the relationship between service quality, perceived value, satisfaction, trust, and loyalty. They found that the trust has a significant relationship with loyalty. Agustin and Singh(2005) reveals that there is a relationship between trust and intention to loyal (loyalty intentions). Chiou and Droge (2006) also found that trust is positively associated with attitudinal loyalty. Referring to Harris and Goode (2004) Agustin dan Singh (2005) and Chiou and Droge (2006), then the fourth hypothesis of this study is:

H4: Trust is positively associated with loyalty

Commitment and Loyalty

The fifth hypotheses of this research is based on some research in the field of relationships marketing. The authors found that relationships marketing is the best approach for this research, since relationships marketing concepts, such as satisfaction, commitment, and trust are also implied in the field of organizational behavior as elements of Organizational Citizenship Behavior (OCB). Some relationships marketing investigators including Pritchard et al. (1999), Moon (2000), McDougall and Levesque (2000), Yoon (2002), Zulganef (2006), and Sati and Susanto (2013) investigate the correlations between commitment and loyalty.

Pritchard et al. (1999) find a correlation between commitment and repurchase intention of hotel and airline consumers. Moon (2000), Yoon (2002) revealed that overall satisfaction, trust, and commitment of on-line customers are significantly correlated to their intentions to loyalty, and Zulganef (2006) found a correlation between commitment and intention to loyalty in relationships marketing services, on the other hand, Sati and Susanto (2013) found that there was no significant correlation between commitment and loyalty. The authors found that the different result of Sati and
Susanto (2013) with Zulganef (2006), Pritchard et al (1999), Moon (2000), and Yoon (2002), should verified in the field of internal marketing, then the fifth hypothesis of this research is:

**H5: Commitment is positively associated with loyalty**

**Mediating effect of satisfaction on relationships among trust, commitment, and loyalty.**

McKinnon and Dwyer (1993) revealed that one of the objectives in analyzing mediating variable is to understand whether the in dependent variables actually have an effect on the dependent variable or through another variable as an intermediary (mediating), so that the intermediate variables need to be taken into account or strengthened its position. Moreover, McKinnon and Fairchild (2009) revealed that through the investigation of the role of mediating variable the existing relationship will provide a more detailed picture of a relationship. The Variable tested, which is the focus of this study is satisfaction as a variable that mediate the relationship between trust and commitment to loyalty, in this case is to examine whether the variables of trust and commitment can really give a direct effect on loyalty or through satisfaction (Lewis, 1996:57; Caruna and Calleya, 1998), so that the role of satisfaction in determining loyalty needs to be explored. Given the importance of satisfaction variable in managing services, especially employees who are satisfied will give effect on the satisfaction of the external customer, then this sixth and seventh hypotheses of this study are:

**H6: The relationships between Trust and Loyalty is mediated by satisfaction**

**H7: The relationships between Commitment and Loyalty is mediated by satisfaction**

**Research Design**

The population of this study is all of 500 academic bureau staffs of Parahyangan Catholic University of Bandung which has been worked 5 to 10 years, the sample size is 222 which determined through Slovin formula. Data collected through simple random sampling and self-administered questionnaire. Of 222 respondents, only 162 was responding, then response rate of this study is 72.9%. Trust and Commitment were measured by 6 items, satisfaction by 3 items, and loyalty by 5 items, all of items use of Likert scale. To test the mediating effect of satisfaction, the authors use four steps of Baron and Kenny (1986), Kenny (http://davidakenny.net/cm/mediate.htm), and Saltson (2015).

**Result**

**Confirmatory Factor Analysis, Reliability, and Regression**

Purification of the data conducted through confirmatory factor analysis, the results that 3 out of 6 of Trust items, 3 out of 6 commitment items, 1 out of 3 satisfaction items, and 3 of 5 loyalty items were not confirmed, then they were dropped. Reliability test to all of 4 variables show that all of the variables are exceed 0.6, meaning that all variables are reliable. The cronbach alpha of Trust is 0.653; Commitment is 0.661; Satisfaction 0.678; and Loyalty is 0.815.

The regression models that used in testing satisfaction as mediating role in the relationship between trust and loyalty, and commitment and loyalty is:

$$eqn \ (1) : Y = a + bX + e_1$$

**The mediating role of satisfaction in the relationship between Trust and Loyalty**

The authors conducted four stages of analysis, as follows:

1. **Stage 1:** Trust → Loyalty

<table>
<thead>
<tr>
<th>IV</th>
<th>MV</th>
<th>DV</th>
<th>$R^2$</th>
<th>Coeff</th>
<th>t</th>
<th>Sig (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>Loyalty</td>
<td>0.019</td>
<td>0.115</td>
<td>1.749</td>
<td>0.082</td>
<td></td>
</tr>
</tbody>
</table>

2. **Stage 2:** Trust → Satisfaction

<table>
<thead>
<tr>
<th>IV</th>
<th>MV</th>
<th>DV</th>
<th>$R^2$</th>
<th>Coeff</th>
<th>t</th>
<th>Sig (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>Satisfaction</td>
<td>0.209</td>
<td>0.759</td>
<td>6.497</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

3. **Stage 3:** Satisfaction → Loyalty

<table>
<thead>
<tr>
<th>IV</th>
<th>MV</th>
<th>DV</th>
<th>$R^2$</th>
<th>Coeff</th>
<th>t</th>
<th>Sig (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>Loyalty</td>
<td>0.039</td>
<td>0.101</td>
<td>2.561</td>
<td>0.011</td>
<td></td>
</tr>
</tbody>
</table>

4. **Stage 4:** Trust → Satisfaction → Loyalty

<table>
<thead>
<tr>
<th>IV</th>
<th>MV</th>
<th>DV</th>
<th>$R^2$</th>
<th>Coeff</th>
<th>t</th>
<th>Sig (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>Satisfaction</td>
<td>Loyalty</td>
<td>Not Conducted</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2 shows:

1. The first stage of data processing shows that Trust is not significantly impacted on Loyalty, the regression coefficients b is 0.115 and p-value is 0.082 (p > 0.05), thereby expressed that Trust insignificantly influence Loyalty of academic affairs employees.

2. The second stage of the data processing shows that Trust significantly and positively associated with Satisfaction, where the regression coefficients b is 0.759 and p-value is 0.000 (p<0.05), and therefore explained that the Trust is significantly influence Satisfaction of academic affairs employees.

3. The third stage of the data processing shows that the Satisfaction significantly and positively associated with Loyalty, where the regression coefficients b is 0.101 and p-value is 0.011 (p < 0.05), and therefore explained that the satisfaction significantly influence loyalty of academic affairs employees.

The three steps of data processing shows that satisfaction fully mediated correlation between Trust and Loyalty, since there is no direct effect of trust on loyalty. It is showed by the first stage of the regression, so the authors don’t need to continue to the fourth step of the process.
The mediating role of satisfaction in the relationship between Commitment and Loyalty

Table 3 shows:
1. The first stage shows that Commitment is significantly impacted to Loyalty, in which the regression coefficients \( b \) is 0.145 and p-value is 0.031 (p < 0.05), thereby expressed that Commitment is significantly influences Loyalty of academic affairs employees
2. The second stage shows that the Commitment significantly and positively associated with Satisfaction, where the regression coefficients \( b \) is 0.085 and p-value is 0.000 (p<0.05), and therefore explained that the Commitment is significantly influence Satisfaction of academic affairs employees
3. The third stage shows that the Satisfaction significantly and positively associated with Loyalty, where the regression coefficients \( b \) is 0.101 and p-value is 0.011 (p< 0.05), and therefore explained that the satisfaction significantly influence loyalty of academic affairs employees
4. The fourth stage was conducted through hierarchical regression, and the result is in Table 4.
5. Table 3. and 4. shows that the relationship between Commitment and loyalty is significant, the relationship between Commitment and Satisfaction is significant, the relationship between Satisfaction and Loyalty significant, and the relationship between Commitment and loyalty is not significant in the function of \( Y = f (Commitment, Satisfaction) \) or the relationship of Commitment and Satisfaction with Y is not significant when intervened by satisfaction, the p value of commitment and loyalty was changing from 0.031 (significantly) to 0.131 (insignificantly); then it can be decided that the relationship between Commitment and Loyalty mediated fully by Satisfaction.

<table>
<thead>
<tr>
<th>Stage</th>
<th>IV</th>
<th>MV</th>
<th>DV</th>
<th>R²</th>
<th>Coeff.</th>
<th>t</th>
<th>Sig. (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Commitment</td>
<td>Loyalty</td>
<td>0.029</td>
<td>0.145</td>
<td>2.178</td>
<td>0.031</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Commitment</td>
<td>Satisfaction</td>
<td>0.085</td>
<td>0.490</td>
<td>3.845</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Satisfaction</td>
<td>Loyalty</td>
<td>0.039</td>
<td>0.101</td>
<td>2.561</td>
<td>0.011</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.402</td>
<td>.258</td>
<td>13.193</td>
</tr>
<tr>
<td></td>
<td>COMMITMENT</td>
<td>.145</td>
<td>.066</td>
<td>.170</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>3.272</td>
<td>.264</td>
<td>12.413</td>
</tr>
<tr>
<td></td>
<td>COMMITMENT</td>
<td>.104</td>
<td>.069</td>
<td>.122</td>
</tr>
<tr>
<td></td>
<td>SATISFACTION</td>
<td>.083</td>
<td>.041</td>
<td>.163</td>
</tr>
</tbody>
</table>

| a. Dependent Variable: LOYALTY |

Conclusion, Discussion, and Recommendation

There are some points that could discuss in this research:
1. The Data Processing shows that 6 out of 7 Hypotheses are supported.and shows that trust not drives satisfaction in academic affairs staffs of a University. This finding is in line with study two of Harris and Goode (2004) in Flights.com customer. This finding shows that both in external marketing and internal marketing trust was not drive satisfaction.
2. This research shows that satisfaction is still a major consideration that cause loyalty, since there is a fully mediated role of satisfaction in both trust and loyalty relationships as well as commitment and loyalty. It means that both trust and commitment should be elaborated into satisfaction firstly before turn into loyalty. It means that a higher educational institutions in Bandung should developed employees’ satisfaction to survive in the borderless economic competition.
3. There is a vital difference between Trust and Commitment. Trust has no correlation with loyalty, so it should really mediated by satisfaction to lead to loyalty, meaning that Trust is variable that could not drive loyalty without satisfaction. On the other hand, Commitment has a direct effect on loyalty, it means that the commitment also has an important role in making loyalty.
4. In this research Commitment shows more independent than Trust, meaning that commitment could have an impact to loyalty directly, while Trust should mediated by satisfaction. Sothat the management of higher educational institutions in Bandung could make commitment as a priority than trust.Although trust has an indirect effect on loyalty, it still could has a significant role through satisfaction, so the management still should develop trust to make loyalty.
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