The Impact of Internal Service Quality on Organizational Innovation: Examining the Mediating Role of Organizational Commitment: “An Empirical Study in the Foreign Banks in Jordan”

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Abstract
The purpose of this study is to explore the impact of internal service quality including its dimensions (tangible, Reliability, Empathy, Responsiveness, Assurance) on organizational innovation and the effect of organizational commitment as a mediating variable. The researchers adopted an analytical and descriptive approach to identify the concepts related to the topic of the study. In order to achieve this objectives of the research a questionnaire have been developed and distributed to a Random stratified sample consist of 230 employees in the foreign banks in Jordan. After distributing (230) questionnaires of the study sample, a total of (212) answered questionnaires were retrieved, of which (12) were invalid. Therefore, (200) answered questionnaires were valid for analysis. The results of the study indicate a positive relationship between the dimensions of internal quality of service (tangible / reliability / empathy) and organizational commitment. It also, the internal service quality has a positive impact on organizational innovation. In addition, study showed that organizational commitment (as mediating variable) improves the relationship between internal service quality and organizational innovation. Based on the results of this study, the researchers recommend the following: Enhance the concept of quality of internal service for employees in foreign banks by improving the quality of offices and designing the workplace as well as enhancing confidence among employees which leads to improved innovation. Moreover, improve the organizational commitment in these banks.

Keywords: internal service quality, organizational commitment, organizational innovation, foreign banks in Jordan

1. Introduction
Today's Modern organizations have started to seek for new ways to be stay in the dynamic business cycle and competitive environment in which they operate. Organizational innovation is considered as a force that supports the organizations and distinguishes it from other organizations and enables them to face the challenges. In addition, Organizational innovation plays a key role in the success of organizations and it helps them to achieve their goals. Thus, business organizations today must continue to innovate both products and services in order to win the loyalty of customers and achieve the organizational objectives, and this is only through providing internal service quality for employees to provide new ideas that can contribute to the creation new product or service. Hence, modern business organizations recognize the fact that providing a high level of internal services can improve the level of external services (Khawaja & Mohsin, 2016). One of the best ways to achieve this is to pay attention to the internal customer by providing a better and more quality service that directly affects the efficiency of the services provided to the external customer or consumer (Tan & Aizzat, 2010). Furthermore, organizational commitment is consider as a subtle force directly affects the activities of organizations and retaining their employees also it contributes to the achievement of the objectives of the Organization.

1.1 Research Problem Statement
To the best of the authors’ knowledge, there are no previous studies that examine the relationship between internal service quality and the organizational innovation and organizational commitment. Within this context, the purpose of the research is to investigating the possible relationship existing between the internal service quality and organizational Innovation on the Foreign Banks in Jordan. In addition, the research also aims to
know the impact of organizational commitment on the relationship between internal service quality and organizational innovation. Hence, the implementation of this study in foreign banks which are considered as an important sectors in Jordan in terms of employment and its contribution to GDP.

1.2 Objective of Research

The research aimed to study the effects of internal service quality on organizational innovation examining the mediating role of organizational commitment in the foreign banks in Jordan.

The objectives are stated as:
- Examine the direct effect of internal service quality dimensions (tangible / reliability / empathy/ responsibility / assurance) on organizational innovation in the foreign banks in Jordan.
- Examine the indirect effect of internal service quality on organizational innovation through organizational commitment.

2. Literature Review

This section will discuss the literature related to internal service quality, organizational innovation and organizational commitment. Previous studies that have tried to identify the main variables to the internal service quality affecting on organizational innovation are thoroughly reviewed.

2.1 Organizational Innovation

Organizational innovation can be defined as tendency of the organization for change or accept new ideas that include changing or improving the products, processes or services of the organization by relying on new technology or management skills (Tan & Aizzat, 2010). Gallego et al. (2013) viewed organizational innovation as “a new organizational method in the organization's business practices .Where the workplace and external relations are organized in ways that have not previously used in the organization”.According to (Kising’U, et al., 2016) organization innovation refers to the implementation of new ideas in the company to create added value directly to the company or indirectly to its customers, whether the renewal or value added embodied in the services or processes or products or organization of work or management or marketing systems.

The three components of organizational innovation as identified by Kising’U, et al. (2016) are: Administrative Innovation, Product Innovation, Process innovation .Therefore, the research paper will discuss organizational innovation in accordance with the finding of Kising’U, et al (i.e., the three components of organizational innovation) (Kising’U, et al., 2016)

2.1.1 Administrative Innovation

Administrative Innovation is a group of processes and procedures that improve the creative atmosphere of employees through motivating them to make decisions and solve problems in creative ways and an unusual way of thinking (Gallego et al., 2013). According to (Alrubaiee, et al., 2015) Administrative Innovation refers to providing all that is new in terms of management behavior and performance through training methods and inventing new ways to solve problems and apply new ideas.

Based on that definition, organizational innovation includes the procedures, processes, management systems and rules. It also covers all core activities within the organization that are directly related to management (Hafit et al., 2015).

2.1.2 Product Innovation

Alrubaiee, et al. (2015) defined Product Innovation as the ability to generate products, services, and useful ideas to achieve the best productivity and performance goals. Product Innovation allows the Organizations to establish a dominant position in competitive markets, and contributes better response to the external environment (Weerawardena, 2003). And it can be said that, product innovation works to meet customer expectations and desires by producing high quality products (Tan & Aizzat, 2010).

2.1.3 Process Innovation

This form of innovation is formed when the method of production, hardware, software and equipment is improved (Gallego at al., 2013). Alrubaiee et al. (2015) stated that Process Innovation refers to the redesigning or improvement of business through the introduction or development of new equipment, in order to enhance business efficiency and reach customer satisfaction. This form of innovation contributes to achieving the objectives of the organization, in addition to maintaining the competitive advantage of the organization (Kising’U, et al., 2016)
2.2 Internal Service Quality

Alexandros (2001) defined the internal service quality as an interactive process between the employees and the different departments within the organization, through which the staff performance is enhanced to provide better services to customers. According to (Mawoli, 2012) internal service quality is Refers to meeting the requirements and expectations of internal customers (employees) in order to improve their work performance and thus provide quality services to external customers (customers). Internal service quality is one of the key components that contribute to the efficiency and effectiveness of modern organizations. According to (Singh, 2016) internal service quality would enhance the levels of functionality. In additional, internal service quality is improves the relationship between the employees and the organization by enhancing the level of employee commitment and satisfaction which in turn affects the performance of employees (Sharma et al., 2016). In terms of internal service quality measurement, they have been grouped into five main dimensions (tangible, reliability, responsiveness, empathy, assurance) (Parsuraman et al., 1988).

- **Tangible**: Refers to physical facilities, equipment and devices that contribute to the provision of the service (Kaynama et al, 2011).
- **Reliability**: Refers to the ability to provide the service promised to provide them correctly from the first time (Singh, 2016).
- **Responsiveness**: Refer to desire of coworkers to provide the required service in a timely manner and quickly
- **Empathy**: Refers to the ability of employees to convey confidence and trust to one another (Singh, 2016).
- **Assurance**: Refer to the extent of interest in working staff and understanding of their needs, and the suitability of working hours for all employees (Abu Elsamen & Alshurideh, 2012).

2.3 Organizational Commitment

Organizational commitment is a crucial necessity which guarantees improved job performance and reduction of turnover rates of the employees. Hence, several definitions of organizational commitment have appeared. One of these definitions is the strength of the employees' association with the organization (Porter et al, 1974). According to (Meyer & Allen, 1991) organizational commitment refers to the psychological state that shows the employee's relationship with the organization and affects his decision to continue or leave this relationship. Moreover, (Gbadamosi, 2003), showed that Organizational commitment refers to the range to which the individual accepts the objectives of the organization and the readiness of the individual to provide more effort towards the organization. Also the previous studies showed that organizational commitment can be subdivided into three major components namely: continuance commitment, normative commitment, affective commitment (Meyer & Allen, 1991). In this study, affective commitment will be depended on to measure the organizational commitment, as it is considered as the optimal component of an organizational commitment (Parvar et al., 2013).

3. Research Theoretical Framework

The model illustrated in Figure 1 was constructed according to the objectives of the present study. The hypothesized linkage indicates that internal service quality practices are linked to organizational innovation and organizational commitment. Internal service quality was measured using five dimensions (tangible, reliability, responsiveness, empathy, assurance) (Parsuraman et al., 1988). The research model is displayed in Figure 1 where internal service quality represent the independent variables, while organizational commitment represents the Mediating variable and organizational innovation as dependent variable.

![Figure 1. Research theoretical framework](image-url)
3.1 Research Hypotheses

The research aimed to test the following four null hypotheses and sub hypotheses:

**H01** - There is no significant relationship between the internal service quality dimensions (Tangible / reliability / Assurance / empathy / Responsiveness) and organizational innovation. Separately, sub-hypotheses are distributed based on the dimensions of the independent variable.

**H02** - There is no significant relationship between the internal service quality and organization commitment

**H03** - There is no significant relationship between the organization commitment and organizational innovation

**H04** - There is no significant mediating impact of organization commitment on the relationship between the internal service quality and organizational innovation.

3.2 Research Population and Sample Size

The population for this study was all the employees in the foreign banks in Amman. A sample stratified was used, that the populations was constituent of (230) employees based on (8) banks, Bank Audi was excluded from this study.

A total of 230 questionnaires were distributed to the foreign banks in the public administration building in Amman, and a total of 212 questionnaires were returned and only 200 were usable. The other 12 questionnaires were unusable because the respondents had left a few questions unanswered. The response rate was 87%.

<table>
<thead>
<tr>
<th>#</th>
<th>Bank name</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Blom bank</td>
<td>64</td>
</tr>
<tr>
<td>2</td>
<td>Egyptian Arab Land Bank</td>
<td>51</td>
</tr>
<tr>
<td>3</td>
<td>Bank Audi It was excluded, Where the bank refused to provide us the data</td>
<td>41</td>
</tr>
<tr>
<td>4</td>
<td>Alrajhi bank</td>
<td>33</td>
</tr>
<tr>
<td>5</td>
<td>Standard Charter bank</td>
<td>18</td>
</tr>
<tr>
<td>6</td>
<td>National Bank of Kuwait</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>City Bank</td>
<td>9</td>
</tr>
<tr>
<td>8</td>
<td>National Bank of Abu Dhabi</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Rafidain Bank</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>230</td>
</tr>
</tbody>
</table>

3.3 Validity and Reliability of Scales

The first step was to ensure content validity. To do this, the Researchers adopted scales that was previously developed and used by other researchers with similar interest. And then it was reviewed by seven academic lecturers to insure that each item is measuring what is intended to be measured, and to avoid complexity in the phrasing of questions and the ambiguity. Also, the Factor Analysis has been used, in order to confirm which of the items are most appropriate for each variable. To conduct the factor analysis, two tests were followed:

1- Correlation Matrix.

2- Eigen value.

The testing of correlation Matrix showed that all variables have positive correlations with each other, where all values were found to be greater than 0.25 (Cohnen, 1988). This indicates that the paragraphs of the study have the ability to interpret variables. In addition to that, eigen values for all items had higher than (40%).

And to ensure the reliability, the Researchers used Cronbach's alpha in order to measure the reliability of the information and result obtained through the questionnaire. The result of Cronbach’s Alpha for all variables was 96%; this means that the reliability of the measurement instrument is acceptable.

3.4 Multicollinearity Analysis

In this research the researchers based upon three analysis before testing study hypothesis in order to ensure that there is no high correlation between independent variables Multicollinearity using tolerance measure and the Variance Inflation Factor (VIF) and Normal Distribution were also to ensure that the data is following the normal distribution calculates the skewness coefficient. According to Bowerman and O’Connell (1990) showed that If the tolerance is below 0.1, then there is a problem, and if the VIF is greater than 10, then there is a cause for
concern. Skarar (2013), If the Normal Distribution is more than 1, then there is a problem. The result showed that the values of Normal Distribution range between (0.14-0.38) which is acceptable, as for the Tolerance range between 2.690 and 1.878 which is also acceptable, as for the VIF, the values range between 0.532 and 0.372 which is also acceptable. This indicates that there is no collinearity within the data. This implies that there is no problem in the model. Table (2) illustrates the results of Tolerance, Variance Inflation Factor, and skewness coefficient.

Table 2. Results of Tolerance, Variance Inflation Factor (VIF), and skewness coefficient

<table>
<thead>
<tr>
<th>No.</th>
<th>Independent Variables</th>
<th>Tolerance</th>
<th>VIF</th>
<th>skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tangible</td>
<td>2.068</td>
<td>0.484</td>
<td>0.38</td>
</tr>
<tr>
<td>2.</td>
<td>Reliability</td>
<td>1.878</td>
<td>0.532</td>
<td>0.14</td>
</tr>
<tr>
<td>3.</td>
<td>Assurance</td>
<td>2.690</td>
<td>0.372</td>
<td>0.17</td>
</tr>
<tr>
<td>4.</td>
<td>Empathy</td>
<td>1.935</td>
<td>0.517</td>
<td>0.22</td>
</tr>
<tr>
<td>5.</td>
<td>Responsiveness</td>
<td>2.113</td>
<td>0.473</td>
<td>0.18</td>
</tr>
</tbody>
</table>

3.5 Descriptive Analysis for the Independent and Dependent and Mediating Variables

A five (5) Likert Scale was used to measure all of the variables. Perceived Responsiveness was report that have the highest mean score of 3.91, followed by Assurance and reliability (mean = 3.89), tangible (mean = 3.70), empathy (mean = 3.64). Hence, it can be concluded that, all of the mean scores are considered high. Meanwhile, the standard deviation for all the variables under investigation ranged from .556 to .692 which indicates a narrow spread around the mean and this indicator that the answers are nearly normally distributed. Table (3) illustrates standard deviations and Means for the variables of the study.

Table 3. Standard deviations and Means for the independent variables (Internal service quality)

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Tangible</th>
<th>Reliability</th>
<th>Assurance</th>
<th>Empathy</th>
<th>Responsiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.70</td>
<td>3.89</td>
<td>3.89</td>
<td>3.64</td>
<td>3.91</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.692</td>
<td>.574</td>
<td>.567</td>
<td>.683</td>
<td>.556</td>
</tr>
</tbody>
</table>

Note. Descriptive analysis / Standard deviation, Mean for each variable

Regarding to the dependent variables (Organizational innovation ),The means are ranging from 3.43 and 4.02 , with standard deviations range between (.792-1.114), which indicates the sample agreement regarding all statement that measure organization innovation variable .

3.6 Respondents Demographics

This study aimed to finding the relationship between the internal service quality and organizational innovation among the foreign banks in Amman. Of the 200 completed questionnaires. More than two thirds of respondents were male (n=166, 66.5%) and the majority of respondents (n=144, 57%) were of ages between 25 to 35 years old. All respondents were holding a BSc (n=163, 81.5%), and most of them has experience between 3 to 6 years (n=58, 29%), and Most respondents are employees (n=112, 56%). Table (4) illustrates demographic characteristics of respondents.

3.7 Testing Hypothesis

3.7.1 Testing the First Hypothesis

H01–There is no significant relationship between the internal service quality dimensions (Tangible / reliability / Assurance / empathy / Responsiveness) and organizational innovation.
Table 4. Results of multiple regression analysis for the effect of the internal service quality dimensions on organizational innovation

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
</tr>
<tr>
<td>R square</td>
</tr>
</tbody>
</table>

*Note. a. Predictors: (Constant), tangible, reliability, Assurance, empathy, Responsiveness.*

Table 5. Analysis of variance for the effect of the internal service quality dimensions on organizational innovation

<table>
<thead>
<tr>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>DF</td>
</tr>
<tr>
<td>199</td>
</tr>
</tbody>
</table>

*Note. a. Dependent Variable: organizational innovation.*

Table 6. Coefficients

<table>
<thead>
<tr>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>Tangible</td>
</tr>
<tr>
<td>Reliability</td>
</tr>
<tr>
<td>Assurance</td>
</tr>
<tr>
<td>Empathy</td>
</tr>
<tr>
<td>Responsiveness</td>
</tr>
</tbody>
</table>

*Note. a. Dependent Variable: organizational innovation.*

The results show that the correlation coefficient R is equal to .737, which means that there is a positive and strong relationship between the independent variables taken together and the dependent variable.

The result of R square = .543 which means that 54.3% of the changeability of organizational innovation has been explained by the independent variables taken together.

The analysis of variance (ANOVA) show that the sig. column in the table presents the statistical significance of the variable and it has been checked for value below approximately 0.05 levels. Hence, it can be concluded from the table that the F-value is 46.085 with a significant level α <0.00 which is less than 0.05 level used in this research. Consequently, the researchers rejected the null hypothesis and the alternative hypothesis one is accepted, which means that there is a significant relationship between the internal service quality (Tangible, reliability, empathy) on organizational innovation.

Therefore, The results of the Sub-hypothesis showed that there is a significant statistical impact of internal service quality dimensions (tangible, reliability, responsiveness, empathy, assurance) on organizational innovation at level (α <0.05).

3.7.2 Testing the Second Hypothesis

**H02** - There is no significant relationship between the internal service quality and organization commitment.

The result show that correlation coefficient (r) equals .778 and \((R^2) = (.605)\) this indicates that 60.5% of changes Organization commitment can be explained by internal service quality. ANOVA test value indicate that the regression model is significant since calculated F value is 59.535 with a significant level (α = 0.000) which is less than 0.05. Therefore, null hypothesis is rejected and the alternative one is accepted this means that there is a significant relationship between the internal service quality (Tangible, Assurance, empathy) on organization commitment.

3.7.3 Testing the Third Hypothesis

**H03** - There is no significant relationship between the organization commitment and organizational innovation.

To test this hypothesis, the researchers used simple regression to ensure the impact of the organization commitment on organizational innovation.

The result shows that correlation coefficient (r) equals .629 and \((R^2) = (.396)\) this indicates that 39.6% of changes
organizational innovation can be explained by organization commitment. ANOVA test value indicate that the regression model is significant since calculated F value is 129.846 with a significant level (α = 0.000) which is less than 0.05. Therefore, null hypothesis is rejected and the alternative one is accepted this means that there is a significant relationship between organization commitments on organizational innovation.

3.7.4 Testing the Fourth Hypothesis

**H04**: There is no significant mediating impact of organization commitment on the relationship between the internal service quality and organizational innovation.

To test this hypothesis, the researchers used the path analysis to ensure the mediating impact of organization commitment on relationship between internal service quality and organizational innovation.

The result show organization commitment has a mediating impact between internal service quality and organizational innovation. The GFI was (0.985) Goodness of Fit Index approaching to one. On the same side Chi2 was (3.38) at level (α = 0.05). Whereas the CFI was (0.966) Comparative Fit Index approaching to one, while the RMSEA was (0.008) approaching to zero. Also the direct impact was (0.792) between internal service quality and organizational innovation. Also the Indirect impact was(0. 826) between internal service quality on organizational innovation through organization commitment.

![Figure 2. The proposed model](image_url)

4. Discussion, Recommendations

This current study was conducted to explore the impact of internal service quality including its dimensions on organizational innovation and the effect of organizational commitment as a mediating variable on the Foreign Banks in Jordan.

Results suggest that the internal service quality does have significant and positive relationship with the organizational commitment; and organizational commitment has also significant and positive relationship with the organizational innovation. Also Organizational commitment improves the relationship between internal service quality and organizational innovation. So that, the relationship between internal service quality and organizational innovation is empirically and theoretically supported, that the Employees who get internal service quality from their coworkers and organization in terms of cooperation, empathy, courtesy, quick responses, coaching and training. Thus, it enhances innovative capabilities of employees in terms of generating new ideas, services and new products. Also The organizational commitment of the organizations will enhance the organizational innovation as instilling the spirit of belonging to the employee pays him to stay in and contribute to the success of the organization This result is supported by a study that was conducted by Singh (2016) who concluded that the quality of internal service has a significant impact on the performance and satisfaction of employees. Furthermore, Several studies have indicated that the importance of organizational innovation in improving performance and improving the financial performance of banks (Kising’u et al., 2016; Fadil et al., 2016; Hsieh, 2004; Oria & Kibait.,2016).

These studies indicate that foreign banks need to improve the internal service quality provided to employees to improve their ability to generate innovative ideas and thus create new products if they provide ideas for service
development. This study was applied in foreign banks only and will be of added value if applied to commercial banks of Jordan.

Based on the results of this study we recommend the following: Provide new methods of work, in addition to providing attractive tools and modern work for individuals working within the banks, which reflects positively on its performance in the provision of service. Increase the interest in offices and the design of workplaces, which generates a positive feeling among employees in their desire to improve their performance and increase their productivity.

5. Future Research

There is a need to apply this study in Jordanian commercial banks or to study the effect of another variable on the internal service quality such as job performance.

References


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