Does In-Role Performance Mediate the Relationships between Performance Appraisal, Internal Communication and Customer Satisfaction

Mahmoud Salahat[1], Abdul Halim Abdul Majid[2]

[1] Mahmoud Salahat, Doctoral Scholar, School of Business Management (SBM), College of Business, Universiti Utara Malaysia UUM 06010 Sintok, Kedah MALAYSIA.

[2] Abdul Halim Abdul Majid, Assoc. Prof., School of Business Management (SBM), College of Business, Universiti Utara Malaysia UUM 06010 Sintok, Kedah MALAYSIA.

Abstract

Palestinian insurance customers are not satisfied. 55% of them changed their companies in 3 years or less. 44% of customers are willing to switch and 30% of customers think that the perceived insurance services are below their expectations. Further, prior literature paid less attention to internal organizational factors contributing to customer satisfaction. This study is aiming to examine the impact of performance appraisal and internal communication on CS. and then test the mediating role of in-role performance between these variables. The findings revealed performance appraisal and internal communication have a direct effect on CS. furthermore, in-role performance plays a partial mediating role performance appraisal and internal communication respectively and CS. based on current study findings, insurance companies in Palestine have to give more attention to develop performance appraisal and internal communication to solve the current problems of CS.

Keywords: Customer Satisfaction; Performance Appraisal; Internal Communication; In-Role Performance.

1. Introduction

Customer satisfaction is described as one of the most vital factors in developing and supporting the competitive position of an organization. Actually, it plays a key role in maintaining existing customers, gaining new ones and eventually inducing them to become brand loyal, in other word, it is a crucial prerequisite for a successfully implementation of market orientation and customer based marketing strategies. Despite of the important role of customer satisfaction, the Palestinian insurance sector faces many problems in term of customer satisfaction. 55% of its customers are changing their insurance provider in 3 years or less. More than 44% of customers announced their intention to switching to other insurance company. 30 % of them think that the actual perceived insurance services are below the previous expectations.; and 30% of customers are totally dissatisfied (Asad, 2014). Besides, some palestinian scholars concluded that there is a lack of trust between insurers and customers (Quzat, 2009). And the major part of insurance claims are waiting courts decisions (Al-Safeer, 2013). Furthermore, the practices adopted by these companies led to decreasing the level of their service quality and customer satisfaction (El-Jafari et al., 2003).

A literature review revealed that researchers have concentrated on several types of service relationships (Besieux et al., 2012; Gutek et al., 1999), and paid less attention to internal organizational factors contributing to service quality (Besieux et al., 2012; Colgate & Danaher, 2000). Actually, there are several functional aspects apart of marketing area that affect customer satisfaction directly or indirectly. Researchers studied the role of some managerial practices such as total quality management and just-in-time in enhancing the level of customer satisfaction and concluded that the role of these practices is very critical in achieving customer satisfaction and competitive advantage (Zhang et al., 2003). In spite of the vital role of the best managerial practices in creating a good level customer satisfaction, however, there are few

researches about the effect of human resource management (HRM) practices on customer satisfaction. In fact, a qualified human pool with high level of technical skills and know-how lead to achieving a better customer satisfaction, in addition, in prior literature a little attention has been given to understand of how HRM practices and customer satisfaction are related (Nishii et al., 2008). According to prior literature, HRM practices are considered as a critical part of managerial functions of the firm that help today's organizations to develop the level of customer satisfaction. This can be accomplished by adopting and implementing its policies and processes that show the values of customer-oriented and creating customer- oriented employees (Deshpande et al., 1993; Slater & Narver, 1995). Furthermore, skills development and learning represent an important source of firm's competitive advantage (Edmondson & Nembhard, 2009). Consequently, improving employees' skills and abilities lead to the generation of higher service performance (Park et al., 2003).

Current study aims to examine the impact of some components of HRM practices on customer satisfaction. Specifically, it studies the effect of performance appraisal and internal communication on customer satisfaction. Literature review revealed that unlike the concept of resource based view (RBV) theory, scholars concluded that there is a debate in the relationship between performance appraisal and customer satisfaction. Some researchers found that there is a positive relationship between performance appraisal and customer satisfaction (Kumari et al., 2013). While others concluded that this relationship is very weak (House, 1996; Rogg et al., 2001). Consequently, the effect internal communication as one of HRM practices on organizational performance was studies widely. But, according to literature review the relation between internal communication –under the umbrella of HRM practice - and customer satisfaction has not been studies, and this is one of the major contributions of this paper.

To conclude, the motivation to conduct this study are (1) the scarcity of the studies about the effect of HRM practices generally and performance appraisal and internal communication specifically on customer satisfaction, (2) the gap between theories and empirical studies about the role performance appraisal and internal communication on customer satisfaction, (3) using in-role performance as a mediator in the link between performance appraisal and internal communication and customer satisfaction. Prior literature review revealed that in-role performance has not been used in this place before. Thus, present study examines the effect of performance appraisal and internal communication on customer satisfaction of Palestinian insurance sector through examining the mediating role of in-role performance.

2. Literature Review and Hypotheses Development

2.1 Customer Satisfaction (CS)

CS is defined as the customer's response to the differences between prior expectations and the actual performance of goods and services after consumption (Trasorras et al., 2009). It describes how the organizations goods and services meet customers expectation (Guelman et al., 2012). In other words, CS is exist when customers' needs, wishes, and expectations are met (Ray et al., 2005). Customer expectations are divided into two parts. First, the desired part and it is referring to the characteristics the features that should be included in the service; second, the adequate part and it is referring to the minimum accepted level of service that customer is looking for. Actually, the area between these two parts is known as satisfaction zone (Naik et al., 2010; Parasuraman et al., 1994). Customers become satisfied when they actualized that the value of service and goods are more worthy than they have paid (Zhang et al., 2006). This study focuses on Palestinian insurance. Insurance as a service (Zhang et al., 2006), requires great efforts to gain and maintain satisfied customers. Insurance customers are building their perceptions based on external evidences to actualize the perceived value of the insurance policy (Khurana, 2013).

The growing interest in CS is derived from the traditional concept of cost benefit relationship. Actually the cost of acquisition new customers is higher than the cost of retention currents (Reichheld & Kenny, 1990). And this is practically applied in service sector. Small repairing in customer defection rate produces a significant increasing in market share and profits (Rust & Zahorik, 1993). It is Intuitively argued that customer retention and customer loyalty depend on CS (Bitner, 1990). Statistical findings assured the importance of CS to the organization. Fully satisfied customers raise the revenue of the firm by 2.6 times more than those customers who are partially satisfied. Also, fully satisfied consumers raise the revenue of the company by 17 times more than those customers who are partially dissatisfied. Fully dissatisfied customers affect negatively the revenue of the company by 1.8 times more than customers who fully satisfied (Coldwell, 2001). In addition, CS plays vital role in and insurers survival and insurance sector (Vazifehdust & Farokhian, 2013).

2.2 Performance Appraisal

Performance appraisal can be defined as the process of observing evaluating the performance of employee, recording the assessment, and providing feedback to the employee (Agbola et al., 2011). It is a periodic structured interaction between a employees and supervisor (annual or semi-annual), in which employees' performance is examined and discussed, with a focus on clarifying employees' strengths and weaknesses and as well as opportunities in order to develop their skills and performance (Deepa et al., 2014). Performance appraisal is considered as one of the major indicators of human resource management quality. A very well designed and realized performance appraisal provides meaningful information

for many human resource management practices (Aggarwal & Thakur, 2013), such as training and development, recruitment and selection, compensation and rewards, human resource planning and career development (Blštáková, 2010).

Performance appraisal represents a positive experience and contributes to the organizational welfare. It is an effective tool to improve performance and productivity and for developing employees, through strengthening the management/employee relationship and fosters commitment (Singh & Gupta, 2013). Performance appraisal enables employers and subordinates to clarify, communicate, and review expectations, aims, and progress in achieving organizational objectives (Bacal, 2003). The optimal purpose is to improve and develop the way subordinates contribute to organizational objectives and job performance. Performance appraisal help employee to sustain, enhance performance and to overcome barriers(Dusterhoff et al., 2014). The positive consequences of adopting and applying a proper performance appraisal far outweigh the effort and time required to develop, apply and maintain the process. The barriers faced by the present day's firms are absolutely relying on the effectiveness of their performance appraisal systems which ultimately play as a catalyst for Employee's effective performance. The true goal of performance appraisal is employee's development and organizational improvement. Ultimately competitive value of any organization is its human capital, thus organization have to develop employee competencies which should be consistent with the organizations business targets. This can be actualized through performance appraisal system which also acts as behavioral change tool and it can improve overall organizations performance (Dusterhoff et al., 2014).

Literature review reveled that prior studies examined the relationship between performance appraisal and CS. the outcomes indicated that there is a significant relationship between performance appraisal and CS (Kumari et al., 2013). Consequently, performance appraisal was used by many researchers as one of the HRM practices, and examined its effect on the performance of organization. They outcomes assured that performance appraisal is linked with organizational performance significantly, these studies were conducted in different sectors (Nayyab et al., 2011; Quresh et al., 2010). Furthermore, CS is considered as a critical factor of firm performance (O'Sullivan & McCallig, 2012; Steven et al., 2012). But it is the first time to examine the effect of performance appraisal on CS in insurance sector and this is one of the contributions of the present study. Besides, literature review indicated that performance appraisal has a positive relationship with in-role performance (Yadav & Dabhade, 2013). Based on the above discussion, the present study hypothesizes that:

H1: There is a significant positive relationship between performance appraisal and CS.

2.3 Internal Communication

Internal communication can be defined as the exchange of information both formal and informal between top management and employees within the organization. Communications are defined as systems and technology and used for sending and receiving messages. Communications may include newsletter, surveys, emails, circulation materials, suggestion boxes etc. Organizational communication emphases on connecting individual employees, groups and organization as a whole to facilitate realization of common interest and spontaneous cooperation (Balakrishnan & Masthan, 2013). Furthermore, 0rganisational communication is instrumental in facilitating supportive employees. Organizations are first and foremost communicating entities (Ridder, 2004).

The importance of internal communication is directly related daily work flow, the accuracy of instructions or the feedback about an employee performance. The management can enhance the employee commitment and involvement to organization by improving the quality of communication (Balakrishnan & Masthan, 2013). Internal communication represents the main process happening within a company; it is considered as the bridge of value creation for the customer. In the domination of the era of information, critical organization resources are knowledge and relations among employees. Managing a modern firms requires collecting accurate information and processing them a distinguished personnel creativity and intellect, in a way that produces a value for the customers (Quirke, 2012). Internal communication must be seen as professional interactions between persons who have common interest in organization. In other words, it empowers the living of firm values, strategy and personality and has a vital role to in building the competitive advantage the firm. For that reason it should not be identified only with information flow, but also leadership, behavior and culture must be taken into consideration as well (Michael, 2003). Scholars highlighted four major domains of internal communication: (1) business communication (focuses on employees' communication skills; (2) management communication (concerns with management skills and communications capabilities); (3) corporate communication (focuses on formal communication) and (4) organizational communication (addressing more philosophical and theoretically oriented issues). In the opinion of that author, integrated internal communication consists of all formal and informal communication acts that take place on all levels of the organization (Kalla, 2005).

In addition, several studies examined the impact of set of HRM practices including internal communication on organizational performance in insurance sector (Loo & Beh, 2013) and other sectors (Hoque, 1999; Theriou & Chatzoglou, 2009). The results of studies revealed that internal communication has a positive relationship with firm performance (Erdil & Gunsel, 2007; Gurbuz & Mert, 2011). And CS is very important for firm performance (Steven et

al., 2012). According to literature review, all of previous studies which examined the effect of HRM practices on CS did not use internal communication as one of these practices. So, the present study contributes to the existing knowledge by examining the impact of internal communication on CS. furthermore, internal communication has a positive relationship with in-role performance (Wieseke et al., 2009).

Based on the previous discussion the present study hypothesizes that:

H2: There is a significant positive relationship between internal communication and CS.

2.3 In-role Performance

Employees' performance acts a critical role in the success of an organization's brand. Also, it is the reason behind its failure (Wallace & De Chernatony, 2009). The is because of the role of employee's' behaviors in achieving organizational objectives (Liao & Chuang, 2004). Employees' performance describes how employee acts to actualize the goals that determined by the leaders of the firm (Abdullah & Rashid, 2013). Service employees execute a strategic role. They translate customer orientation philosophy into facts through service creating, delivering and communicating (Gountas et al., 2014). Usually, employees represent the first contact point with customers; thus, the attitude of customer is formulated after this interaction (Hunt & Davis, 2012). In other words, employee performance can be viewed as a mediator between the employment process and CS, and it has a significant effect on the perceptions of customers (Nguyen & Leclerc, 2011). Employees' performance has been studied by using several dimensions such as extra-role and in-role performance, this study uses in-role performance as a mediator between performance appraisal and internal communication in one hand and CS on the other hand. A mediator can be used to explain how and why the independent variable impacts the dependent variable. A variable plays a mediating role if it meets three conditions:

   i)   Variations in levels of the independent variable significantly account for variations in the mediator;

   ii)   Variations in the mediator significantly account for variations in the dependent variable; and

   iii) When the conditions 1 and 2 above are controlled, a previously significant relation between the independent and dependent variables is no longer significant (Baron & Kenny, 1986).

In-role is referring to behaviors that are consistent with employee formal job descriptions (Varela & Landis, 2010). It is can be described as the formal activities and requirements that the employee is expected to fulfill and it contributes indirectly or directly to the technical core of the organization (Wu et al., 2012). So, it is a compulsory requirement for the employees to get the compensation and any other benefits from the organization (Chen et al., 2014). According to literature review, in-role performance impacts CS, many studies revealed that in-role performance has a positive relationship with CS (Bakker & Heuven, 2006; Li et al., 2016).

Similarly, performance appraisal and internal communication affect in-role performance, several studies concluded that performance appraisal affects in-role performance positively (Khan et al., 2013). Along the same line internal communication has a positive relationship with in-role performance (Nehmeh, 2009)

Based on the above discussion this study hypothesizes the following:

**H3:** In-role performance mediates the relationship between performance appraisal and CS.

H4: In-role performance mediates the relationship between internal communication and CS.

3. Research Methodology and Framework:

3.1 Theoretical Framework

The previous discussion illustrated the literature review and the hypotheses of this study. Further, the proposed framework is shown in Fig.1. Bellow:

Fig.1: Theoretical Framework
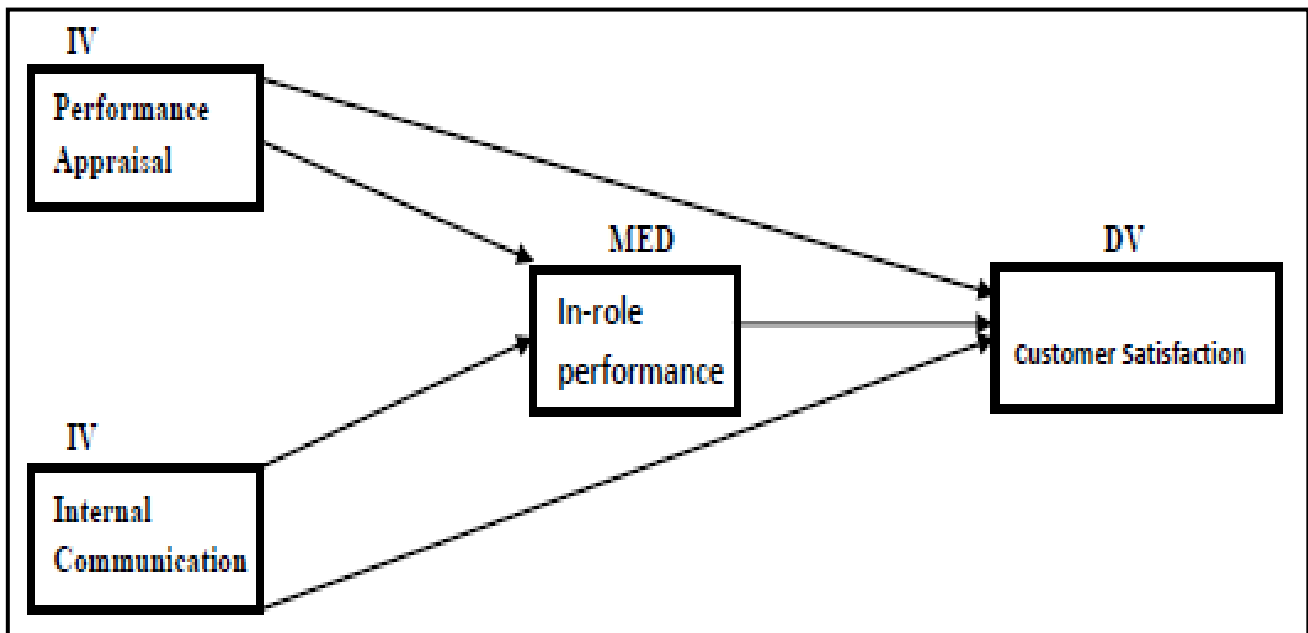
3.2 Research Methodology

Survey questionnaire attached with a cover letter had been personally distributed to the insurance employees who are dealing customers directly. We chose these employees as a unit of analysis for this study because they are knowledgeable about the CS and we followed the same methodology of several previous studies (Cantarello et al., 2012; Rogg et al., 2001). A total of 358 questionnaires were distributed in April to June 2015.. Consequently, a total of 258 completed questionnaires, with a response rate of 75.1%, were used to conduct data analysis. For the purpose of testing response bias, we perform t-test for early and late response as suggested by (Armstrong & Overton, 1977). No statically significant differences were found in the mean score on the performance appraisal, internal communication, in-role performance, and CS between the early and late respondents.

3.3 Variables Measurements

This study is based on the conceptual framework that clarified in Figure 1 above. Performance appraisal was measured with 4 items scale, which was developed by (Brown & Heywood, 2005). Participants used a five point likert scale to respond to each item of scale [1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), 5 (strongly agree)]. Samples of items included "The organization uses flexible performance standards" and "Our managers/supervisors regularly discuss with employees their individual performance". Furthermore, internal communication was examined with 5 items scale, which was developed by (Ulrich, 1997),. Ulrich, 1997)},. Participants used a five point likert scale to respond to each item of scale [1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), 5 (strongly agree)]. Samples of items included "There are consistency and clarity of messages from top management and HR department" and "Employees provide suggestions for improvement". In-role performance (mediator) was measured by using the items adopted from Tjosvold and Yu, Respondents were asked to choose their preference from a five point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) (Tjosvold & Yu, 2004). Customer Satisfaction was assessed by already developed 5 items scale, which was based on (Zhang et al., 2003; Zhang et al., 2006). Participants responded to each item of scale by using a five-point likert scale [1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), 5 (strongly agree)]. Examples of items included "We have high customer retention rate (customers keep doing business with us)" and "Customers perceive their money's worth when the purchase our services".

4. Data Analysis and Research Results

For analyzing collected data purposes, we used SmartPLS 2. Table 1 shows outer convergent validity statistics for all items with respect to its variables. All factor loading of the research measurements exceed the cut-off 0.70which reflect the consistency between construct items (Hair et al., 2010). Consequently , reliability test of the present study was confirmed as all value of composite reliability exceed the recommended cut-off 0.70 and ranges between 0.905 to 0.970 as presented in Table 1. In addition, the recommended standard value of average variance extracted (AVE) was found to be greater than 0.50, in order to ensure that the latent variable has the ability to explain more than half of the variance of its indicator on average (Fornell & Bookstein, 1982). Latent variable correlation which examining the correlations

between the measures of potentially overlapping constructs appear in Table 2. The table clearly shows that the values of all square root of AVE (Bold values) exceed the correlation with other constructs (elements in the rows and columns), which manifest the discriminant validity of this study

Table 1: Outer Model, Convergent Validity and Composite Reliability				
Construct	**Items**	**Loading**	**CR**	**AVE**
CS	Customers are satisfied with the service quality.	0.903	0.956	0.785
	Customers are satisfied with service features.	0.917		
	Customers are loyal.	0.881		
	Customers refer new customers to purchase.	0.842		
	Customers feel we offer high value services.	0.918		
	Customers perceive the value of their money	0.851		
PA	The organization uses flexible performance standards	0.846	0.915	0.729
	Our managers/supervisors regularly discuss with employees their individual Performance	0.870		
	Pay rise, promotions, training and development, and other rewards are very closely linked to performance appraisal.	0.849		
	Employees in this organization greatly participate in goal-setting and appraisal	0.849		
IC	There are consistency and clarity of messages from top management and HR department.	0.765	0.905	0.657
	Employees provide suggestions for improvement.	0.828		
	I am satisfied with the speed and effectiveness of responses to employee complaints.	0.863		
	I am satisfied with the percentage of suggestions of employees that were implemented.	0.860		
	HR department works as a mediator between employees and management.	0.728		
In-Role	I achieve Job objectives	0.887	0.970	0.786
	I meet criteria for performance.	0.870		
	I demonstrate expertise in all job-related tasks.	0.910		
	I fulfill all job requirements	0.898		
	I manage more responsibility than assigned.	0.865		
	I appear suitable for a higher level role.	0.857		
	I am competent in all areas of the job.	0.904		
	I perform well and do tasks as expected.	0.901		
	I plan and organizes to achieve objectives of the job and meet deadlines.	0.883		

Table 2: Discriminant Validity- Square Root of AVE				
Constructs	**CS**	**IC**	**In-role**	**PA**
CS	**0.886**			
IC	0.596	**0.808**		
In-role	0.591	0.467	**0.886**	
PA	0.476	0.766	0.347	**0.853**

After assuring the reliability and validity of the measurement of the present study, we executed the bootstrapping approach for hypotheses testing purposes. Path coefficient of direct hypotheses of this study is illustrated in Table 3. The first group of research hypotheses (H1-H2) hypothesized that performance appraisal and internal communication are positively associated with CS. The path coefficient from performance appraisal to CS (H1) was accepted as the p-value is less than 0.05. In particular, (P = 0.000). This concludes that performance appraisal has a direct effect on CS of Palestinian insurance sector. Furthermore, this result was inconsistent with other scholars such as (Kumari et al., 2013; Loo & Beh, 2013). Consequently, the path coefficient from internal communication to CS (H2) was accepted as the p-value is less than 0.05. In particular, (P = 0.000). This concludes that internal communication has a direct effect on CS of Palestinian insurance sector. Even though no prior studies on internal communication, and CS exists, the present result is consistent with past works that reported a direct and positive link between internal communication and firm performance (Gurbuz & Mert, 2011; Loo & Beh, 2013).

Table 3: Path Coefficient of the Research Hypotheses					
Relationships	**Std. Beta**	**Std. Error**	**t-value**	**P-value**	**Decision**
Performance Appraisal → CS	0.258	0.087	4.358	0.000	accepted
Internal Communication → CS	0.363	0.089	4.118	0.000	accepted
Significant at P* <0.01					

Consequently, the second group of hypotheses (indirect hypotheses) refer to (H3, H4) are illustrated in Table 4, and Table 6. Bootstrapping was run to examine the mediating role of in-role performance between performance appraisal and CS (H3) and between internal communication and CS (H4).

Table 4: Mediating Role of In-Role Performance between Performance Appraisal and CS					
Relationships	**Std. Beta**	**Std. Error**	**t-value**	**P-value**	**Decision**
PA → in-role (Path a)	0.580	0.060	5.811	0.000	Accepted
In-role → CS (Path b)	0372	0.068	4.656	0.000	Accepted
IC → CS (Path c`)	0.353	0.071	5.005	0.000	Accepted
Significant at P* <0.01					

As shown in Table 4 above, the three conditions of mediating have been met. Thus, it can be concluded that in-role performance mediates the relationship between performance appraisal and CS at t-value > 1.96. To estimate the magnitude of the indirect effect of performance appraisal on CS through in-role performance, VAF calculations were used and the results are illustrated in Table 5.

<table>
<tr><td colspan="8">Table 5: Results of the Indirect Relationship between PA and CS through In-Role Performance (Bootstrapped Confidence Interval)</td></tr>
</table>

Path a	Path b	Indirect Effect	Std.Err	t-value	p-value	VAF	Result
0.580	0.372	0.179	0.040	4.492	0.000	37%	**Partial Mediation**

Based on the value of VAF at Table, in-role performance mediates the link between PA and CS partially.

Consequently, it can be concluded that in-role performance mediates the relationship between internal communication and CS. at t-value > 1.96 as illustrated in Table6 below:

Table 6: Mediating Role of In-Role Performance between CP and CS					
Relationships	**Std. Beta**	**Std. Error**	**t-value**	**P-value**	**Decision**
IC → In-role (Path a)	0.469	0.059	6.672	0.000	Accepted
In-role → CS (Path b)	0.398	0.066	6.672	0.000	Accepted
IC → CS (Path c`)	0.409	0.059	6.923	0.000	Accepted
Significant at P* <0.01					

To estimate the magnitude of the indirect effect of internal communication on CS through in-role performance, VAF calculations were used and the results are illustrated in Table 7.

<table>
<tr><td colspan="8">Table 7: Results of the Indirect Relationship between RS and CS through In-Role Performance (Bootstrapped Confidence Interval)</td></tr>
</table>

Path a	Path b	Indirect Effect	Std.Err	t-value	p-value	VAF	Result
0.469	0.398	0.187	0.039	4.780	0.000	22%	**Partial Mediation**

Based on the value of VAF at Table, in-role performance mediates the link between IC and CS partially.

As mentioned earlier, deploying in-role performance in this place represents the main contribution of this paper. This relationship has not been examined in prior studies according to literature review. It is worthy to mention that, the results of testing the mediating role of in-role performance are in consistent with prior researches. In different words, performance appraisal and internal communication have a positive effect on in-role performance (Khan et al., 2013; Loo & Beh, 2013), and in-role performance impacts CS positively (Namasivayam et al., 2014).

5. Discussion and Conclusion

The findings of this paper were achieved based on the analysis of empirical gathered data. It clarify that effective performance appraisal and internal communications not only can establish an effective in-role performance but can also enhance directly and indirectly the optimal organizational objective which is representing in actualizing a better level of CS. The goal of this study was to discuss the concept of performance appraisal and internal communication in the context of CS and this relationship is also mediated by in-role performance of insurance companies in Palestine. Performance appraisal and internal communication have extremely important effect on the functionality of in-role performance. So, based on the above discussion, it can be concluded that performance appraisal and internal communication can contribute significantly in improving in-role performance of employees which can help in attaining a superior level of CS.

Performance appraisal evaluates the current and previous employee performance based on the some predetermined standards and providing feedback on evaluated employee. Performance appraisal formulates a noteworthy impact on the satisfaction of customers. A well-performed performance appraisal helps in achieving firm objectives, and one of these objectives is CS. A good performance appraisal helps both employees and management to communicate and understand the expectation of the goals and processes. Manger's feedback allows employee to know the employee weaknesses and work to improve and develop the employee performance. This path was hypothesized through the first hypothesis of this study: there is a significant positive relationship between performance appraisal and CS. The coefficient on this path was accepted at (P = 0.000).

Along the same line, the second hypothesis hypothesized that there is a significant positive relationship between internal communication and CS. The path coefficient of this link was accepted at (p = 0.000). This finding revealed that internal communication affects CS directly. In spite of there is no previous studies examined the effect of internal communication on CS, the present study result is consistent with past researches that reported a direct and positive link between internal communication and firm performance (Gurbuz & Mert, 2011; Loo & Beh, 2013). Internal communication allows employees to understand what their organization expects of them to reach the organizational goals (Kothari et al., 2014), and CS is a critical organizational objective.

Furthermore, this study hypothesized that in-role performance mediates the relationship between performance appraisal and internal communication respectively and CS (H3, H4). This is the major contribution of this study. Since, according to prior literature review no previous studies used in-role performance in this place. The findings of this paper revealed that in-role performance plays a partial mediating role between these variables. In other words, performance appraisal and internal communication are considered as critical keys to enhance organizational commitment, employee's job satisfaction and employee's in-role and extra-role performance(Shen, 2010). Through a good adopting of performance appraisal and internal communication by Palestinian insurance sector, in-role performance of insurance employees will be improved. On the other hand, having an effective in-role performance enables the organization to gain a better CS. based on the discussion above, insurance companies in Palestine have to adopt and developed performance appraisal and internal communication to solve the current CS problems.

6. Recommendations for Future Research:

Despite the contributions of the present research, this study does leave scope for further improvement. There are several recommendations that can be examined and implemented for future research: in other words, other variables can be employed as a mediator in order to increase our more understanding regarding the association between performance appraisal and internal communication and CS. For example, future research can be done to examine the effect of performance appraisal and internal communication on CS through the mediating role different variables:

- Extra-role performance
- Employee's motivation
- Employee's loyalty

References

[1] Abdullah, I., & Rashid, Y. (2013). Effect of Personality on Organizational Commitment and Employees' Performance: Empirical Evidence from Banking Sector of Pakistan. Middle-East Journal of Scientific Research, 17(6), 761-768.

[2] Agbola, R. M., Hemans, S., & Abena, S. (2011). The Effectiveness of Performance Appraisal as a Tool for Enhancing Employee Performance in the Public Health Sector. Global Management Journal, 3(1/2), 81-96.

[3] Aggarwal, A., & Thakur, G. S. M. (2013). Techniques of performance appraisal-a review. International Journal of Engineering and Advanced Technology (IJEAT), 2(3), 2249-8958.

[4] Al-Safeer, A.-I. (2013). Mess in insurance Sector of Palestine, who is responsible? Retrieved 29TH MARCH, 2014, from http://alsafeernews.com/ar/articles/7816.html

[5] Armstrong, J. S., & Overton, T. S. (1977). Estimating nonresponse bias in mail surveys. Journal of marketing research, 14(3), 396-402.

[6] Asad, N. (2014). An Analysis and Assessment of Customer Satisfaction with Service Quality in Insurance Industry in Palestine. Master, Birzeit University.

[7] Bacal, R. (2003). The manager's guide to performance reviews: New York: McGraw Hill.

[8] Bakker, A. B., & Heuven, E. (2006). Emotional dissonance, burnout, and in-role performance among nurses and police officers. International Journal of Stress Management, 13(4), 423.

[9]   Balakrishnan, C., & Masthan, D. (2013). Impact of Internal Communication on Employee Engagement–A Study at Delhi International Airport. International Journal of Scientific and Research Publications, 3(8), 1-13.

[10]   Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. Journal of personality and social psychology, 51(6), 1173-1182.

[11]   Besieux, T., Euwema, M., & Vander Elst, T. (2012). Linking Transformational Leadership and Customer Satisfaction: The Mediation of Team Conflict and Team Cohesion. Paper presented at the Intl. Association for Conflict Management, IACM 25th Annual Conference, 1-23.

[12]   Bitner, M. J. (1990). Evaluating service encounters: the effects of physical surroundings and employee responses. The Journal of Marketing, 69-82.

[13]   Blšťáková, J. (2010). Employees' appraisal as an indicator of the quality of human resources management in organizations in Slovakia. Megatrend Review, 7(2), 79-90.

[14]   Brown, M., & Heywood, J. S. (2005). Performance appraisal systems: determinants and change. British Journal of Industrial Relations, 43(4), 659-679.

[15]   Cantarello, S., Filippini, R., & Nosella, A. (2012). Linking human resource management practices and customer satisfaction on product quality. The International Journal of Human Resource Management, 23(18), 3906-3924.

[16]   Chen, X.-P., et al. (2014). Affective Trust in Chinese Leaders Linking Paternalistic Leadership to Employee Performance. Journal of management, 40(3), 796-819.

[17]   Coldwell, J. (2001). Characteristics of a good customer satisfaction survey. Customer Relationship Management, New Delhi, Tata McGraw-Hill, 193-199.

[18]   Colgate, M. R., & Danaher, P. J. (2000). Implementing a customer relationship strategy: The asymmetric impact of poor versus excellent execution. Journal of the academy of marketing science, 28(3), 375-387.

[19]   Deepa, E., Palaniswamy, R., & Kuppusamy, S. (2014). Effect of performance appraisal system in organizational commitment, job satisfaction and productivity. Journal of Contemporary Management Research, 8(1), 72-82.

[20]   Deshpande, R., Farley, J. U., & Webster Jr, F. E. (1993). Corporate culture, customer orientation, and innovativeness in Japanese firms: a quadrad analysis. The Journal of Marketing, 23-37.

[21]   Dusterhoff, C., Cunningham, J. B., & MacGregor, J. N. (2014). The Effects of Performance Rating, Leader–Member Exchange, Perceived Utility, and Organizational Justice on Performance Appraisal Satisfaction: Applying a Moral Judgment Perspective. Journal of Business Ethics, 119(2), 265-273.

[22]   Edmondson, A. C., & Nembhard, I. M. (2009). Product development and learning in project teams: The challenges are the benefits. Journal of product innovation management, 26(2), 123-138.

[23]   El-Jafari, M., et al. (2003). Palestinian Service Sector and Its Role in Economic Development. Palestine Economic Policy Research Institute, Ramallah, Palestine, 1-10.

[24]   Erdil, O., & Gunsel, A. (2007). Relationship between human resource management practices, business strategy fit and firm performance. Journal of Global Strategic Management, 1(1), 97-107.

[25]   Fornell, C., & Bookstein, F. L. (1982). Two structural equation models: LISREL and PLS applied to consumer exit-voice theory. Journal of marketing research, 440-452.

[26]   Gountas, S., Gountas, J., & Mavondo, F. T. (2014). Exploring the associations between standards for service delivery (organisational culture), co-worker support, self-efficacy, job satisfaction and customer orientation in the real estate industry. Australian Journal of Management, 39(1), 107-126.

[27]   Guelman, L., Guillén, M., & Pérez-Marín, A. M. (2012). Random forests for uplift modeling: An insurance customer retention case Modeling and Simulation in Engineering, Economics and Management (pp. 123-133): Springer.

[28]   Gurbuz, S., & Mert, I. S. (2011). Impact of the strategic human resource management on organizational performance: evidence from Turkey. The International Journal of Human Resource Management, 22(8), 1803-1822.

[29] Gutek, B. A., et al. (1999). Distinguishing between service relationships and encounters. Journal of applied Psychology, 84(2), 218-233.

[30] Hair, J. F., et al. (2010). Multivariate data analysis: A global perspective (7th ed.): Pearson Prentice Hall, USA.

[31] Hoque, K. (1999). Human resource management and performance in the UK hotel industry. British Journal of Industrial Relations, 37(3), 419-443.

[32] House, R. J. (1996). Path-goal theory of leadership: Lessons, legacy, and a reformulated theory. The Leadership Quarterly, 7(3), 323-352.

[33] Hunt, S. D., & Davis, D. F. (2012). Grounding Supply Chain Management in Resource-Advantage Theory: In Defense of a Resource-Based View of the Firm. Journal of Supply Chain Management, 48(2), 14-20.

[34] Kalla, H. K. (2005). Integrated internal communications: a multidisciplinary perspective. Corporate Communications: An International Journal, 10(4), 302-314.

[35] Khan, M. T., Khan, N. A., & Ahmed, S. (2013). The Nature and Impact of Human Resource Management (HRM) Practices (A Review). International Journal of Information, Business and Management, Vol. 5, No.1, 2013, pp. , 5(1), 123-138.

[36] Khurana, S. (2013). Relationship between Service Quality and Customer Satisfaction: An empirical study of Indian Life Insurance Industry. Journal of Research in Marketing, 1(2), 35-42.

[37] Kumari, K., Usmani, S., & Husain, J. (2013). HR Management Practices and Customer Satisfaction: The Mediating Effect of Effective Supply Chain Management Practices. Global Business & Management Research, 5(2), 137-160.

[38] Li, J. J., Wong, I. A., & Kim, W. G. (2016). Effects of psychological contract breach on attitudes and performance: The moderating role of competitive climate. International Journal of Hospitality Management, 55, 1-10.

[39] Liao, H., & Chuang, A. (2004). A multilevel investigation of factors influencing employee service performance and customer outcomes. Academy of Management journal, 47(1), 41-58.

[40] Loo, L.-H., & Beh, L.-S. (2013). The Effectiveness of Strategic Human Resource Management Practices on Firm Performance in the Malaysian Insurance Industry. International Journal of Academic Research in Business & Social Sciences, 3(5), 703-714.

[41] Michael, D. (2003). Inside-Out Marketing: How to Create an Internal Marketing Strategy: London: Kogan.

[42] Naik, C. K., Gantasala, S. B., & Prabhakar, G. V. (2010). Service quality (Servqual) and its effect on customer satisfaction in retailing. European Journal of Social Sciences, 16(2), 231-243.

[43] Namasivayam, K., Guchait, P., & Lei, P. (2014). The influence of leader empowering behaviors and employee psychological empowerment on customer satisfaction. International Journal of Contemporary Hospitality Management, 26(1), 69-84.

[44] Nayyab, H., et al. (2011). The impact of HRM practices on the organizational performance. The study of banking sector in okara, Punjab (Pakistan). Interdisciplinary Journal of Contemporary Research in Business, 3(3), 661-672.

[45] Nehmeh, R. (2009). What is organizational commitment, why should managers want it in their workforce and is there any cost effective way to secure it. Swiss Management Center (SMC) working paper retrieved at www. swissmc. ch(05/2009).

[46] Nguyen, N., & Leclerc, A. (2011). The effect of service employees' competence on financial institutions' image: benevolence as a moderator variable. Journal of services marketing, 25(5), 349-360.

[47] Nishii, L. H., Lepak, D. P., & Schneider, B. (2008). Employee attributions of the "why" of HR practices: Their effects on employee attitudes and behaviors, and customer satisfaction. Personnel Psychology, 61(3), 503-545.

[48] O'Sullivan, D., & McCallig, J. (2012). Customer satisfaction, earnings and firm value. European journal of marketing, 46(6), 827-843.

[49] Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1994). Alternative scales for measuring service quality: a comparative assessment based on psychometric and diagnostic criteria. Journal of retailing, 70(3), 201-230.

[50] Park, H. J., et al. (2003). The effect of human resource management practices on Japanese MNC subsidiary performance: a partial mediating model. The International Journal of Human Resource Management, 14(8), 1391-1406.

[51] Quirke, M. B. (2012). Making the connections: using internal communication to turn strategy into action: London: Gower Publishing.

[52] Quresh, T. M., et al. (2010). Do human resource management practices have an impact on financial performance of banks? African Journal of Business Management, 4(7), 1281-1288.

[53] Quzat, A. (2009). Analysis the factors behind the low growth of insurance sector in palestine. Isalmic university - Gaza.

[54] Ray, G., Muhanna, W. A., & Barney, J. B. (2005). Information technology and the performance of the customer service process: a resource-based analysis. MIS quarterly, 625-652.

[55] Reichheld, F. F., & Kenny, D. W. (1990). The hidden advantages of customer retention. Journal of Retail Banking, 12(4), 19-24.

[56] Ridder, J. A. (2004). Organisational communication and supportive employees. Human Resource Management Journal, 14(3), 20-30.

[57] Rogg, K. L., et al. (2001). Human resource practices, organizational climate, and customer satisfaction. Journal of management, 27(4), 431-449.

[58] Rust, R. T., & Zahorik, A. J. (1993). Customer satisfaction, customer retention, and market share. Journal of retailing, 69(2), 193-215.

[59] Shen, J. (2010). Employees' satisfaction with HRM in Chinese privately-owned enterprises. Asia Pacific Business Review, 16(3), 339-354.

[60] Singh, P., & Gupta, S. (2013). Performance Appraisal: Building Trust among Employees or not-the Dilemma Continues. International Journal of Scientific and Research Publications, 3(8), 1-6.

[61] Slater, S. F., & Narver, J. C. (1995). Market orientation and the learning organization. The Journal of Marketing, 63-74.

[62] Steven, A. B., Dong, Y., & Dresner, M. (2012). Linkages between customer service, customer satisfaction and performance in the airline industry: Investigation of non-linearities and moderating effects. Transportation Research Part E: Logistics and Transportation Review, 48(4), 743-754.

[63] Theriou, G. N., & Chatzoglou, P. D. (2009). Exploring the best HRM practices-performance relationship: an empirical approach. Journal of Workplace Learning, 21(8), 614-646.

[64] Tjosvold, D., & Yu, Z.-y. (2004). Goal Interdependence and Applying Abilities for Team In-Role and Extra-Role Performance in China. Group Dynamics: Theory, Research, and Practice, 8(2), 98-111.

[65] Trasorras, R., Weinstein, A., & Abratt, R. (2009). Value, satisfaction, loyalty and retention in professional services. Marketing Intelligence & Planning, 27(5), 615-632.

[66] Ulrich, D. (1997). Measuring human resources: an overview of practice and a prescription for results. Human Resource Management, 36(3), 303-320.

[67] Varela, O. E., & Landis, R. S. (2010). A general structure of job performance: Evidence from two studies. Journal of business and psychology, 25(4), 625-638.

[68] Vazifehdust, H., & Farokhian, S. (2013). Factors influencing customer satisfaction with the success factors identified in the insurance industry. African Journal of Business Management, 7(21), 2026-2032.

[69] Wallace, E., & De Chernatony, L. (2009). Service employee performance: its components and antecedents. Journal of Relationship Marketing, 8(2), 82-102.

[70] Wieseke, J., et al. (2009). The role of leaders in internal marketing. Journal of marketing, 73(2), 123-145.

[71] Wu, M., Huang, X., & Chan, S. C. (2012). The influencing mechanisms of paternalistic leadership in Mainland China. Asia Pacific Business Review, 18(4), 631-648.

[72] Yadav, R. K., & Dabhade, N. (2013). Performance management system in Maharatna Companies (a leading public sector undertaking) of India–a case study of BHEL, Bhopal (MP). International Letters of Social and Humanistic Sciences(04), 49-69.

[73] Zhang, Q., Vonderembse, M. A., & Lim, J.-S. (2003). Manufacturing flexibility: defining and analyzing relationships among competence, capability, and customer satisfaction. Journal of Operations Management, 21(2), 173-191.

[74] Zhang, Q., Vonderembse, M. A., & Lim, J.-S. (2006). Spanning flexibility: supply chain information dissemination drives strategy development and customer satisfaction. Supply Chain Management: An International Journal, 11(5), 390-399.

Authors' Biography

Mahmoud Salahat is doing his Ph.D. at Utara University of Malaysia (UUM) in the field of management he is now in the sixth semester. He is also working as a full-time faculty member at Palestine Ahlyia University College (PAUC) at administrative and financial sciences department since 2010 to present. He has achieved his MBA from Al – Quds University in 2008 and his Bachelor's Degree in accounting/ minor business administration from Bethlehem University in 2003. . His area of research interest includes Human Resource Management and Customer Satisfaction.

Associate Professor, Dr Abdul-Halim Bin Abdul-Majid has completed his first degree in Bachelor of Business Administration (BBA) from Mississippi State University, Starkville USA. Then he pursued for a master degree (MBA) at Cardiff Business School, University of Wales, UK and his doctoral degree in Business Administration at Universiti Sains Malaysia (USM), Penang. He has been promoted to an Associate Professor at College of Business, Universiti Utara Malaysia (UUM), since 2006. His area of research interest includes Human Resource Management; Pay and Remuneration; Work and Career Motivation. He has successfully supervised more than 20 post graduate candidates (masters and PhD) and has vast experience being as internal, external examiner as well as chairperson for PhD viva-voce locally and internationally.