

**INTERNAL MARKETING: EXAMINING FACTORS TO
ATTRACT AND RETAIN CURRENT HUMAN TALENT IN
OIL AND GAS INDUSTRY**

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IZAZAH: **MASTER OF BUSINESS (INTERNATIONAL MARKETING)**

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DECLARATION

I hereby declare that the material in this thesis are my creation except of quotations, figures, equations, summaries and references, which have been duly acknowledged

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ABSTRACT

Organizations are emphasizing more on internal marketing practices to satisfy and retain their talented employees within the organization in order to keep pace in the competitive environment and to achieve maximum profitability and advancement. Though the importance of the internal marketing is growing rapidly in response to the swift global business changing context, limited empirical research has been conducted in the oil and gas service industry. In addition, research examining the linkage between internal marketing and employee's job satisfaction to retain in the current organization has been limited. Therefore, more empirical research is needed to enrich the literature on the relationship between internal marketing practices and job satisfaction.

The purpose of this study is to explore the relationship between internal marketing factors such as employee rewarding, leadership, internal communication, and training and development, and job satisfaction and the relationship between job satisfaction and employee retention within oil and gas industry. The study also investigates the moderating effect of gender, age and income on the relationship between internal marketing factors and job satisfaction and the impact of job satisfaction and employee retention. The concept of internal marketing has been adapted from Berry's Internal Marketing Model and Sulieman, et al.'s conceptual model on internal marketing factors for job satisfaction. A self-administered questionnaire was used for data collection. The sample size was 215 which has been collected from a number of oil and gas related organizations located at Federal Territory of Labuan, Malaysia. The instruments in the questionnaire were measured on five point likert scale from 1=strongly disagree to 5=strongly agree.

The multiple regression analysis was conducted to investigate the relationship between internal marketing factors and job satisfaction, as well as employee retention. Next, hierarchical moderated regression analysis was performed to investigate the moderating effect of gender, age and income on the relationship between internal marketing factors and job satisfaction within oil and gas industry. The results of the multiple regression analysis revealed that there is a positive relationship between each internal marketing factors and job satisfaction except of employee intrinsic reward, job satisfaction to employee retentions. However, through hierarchical moderated regressions, gender, age and income have insignificant role on the relationship between internal marketing factors and job satisfaction within oil and gas industry. Current research is limited by its geographic location and the total oil and gas industry. Hence, further research analysis should extend the coverage of this research to improve generalizability of the research findings.

ABSTRAK

PEMASARAN DALAMAN: MENGENALKAN FAKTOR UNTUK MENGURANGKAN TENAGA MANUSIA SELURUH DALAM INDUSTRI MINYAK DAN GAS

Organisasi memberi penekanan lebih kepada amalan pemasaran dalaman untuk memenuhi dan mengekalkan pekerja mereka yang berbakat dalam organisasi untuk bersaing dalam persekitaran yang kompetitif di samping mencapai kemajuan dan keuntungan maksimum. Walaupun kepentingan pemasaran dalaman sedang berkembang dengan pesat sebagai tindak balas kepada konteks perubahan perniagaan global yang pantas, bilangan penyelidikan empirikal yang dijalankan dalam industri perkhidmatan minyak dan gas adalah terhad. Di samping itu, bilangan penyelidikan yang memeriksa hubungan antara pemasaran dalaman dan kepuasan kerja pekerja untuk dikekalkan dalam organisasi semasa adalah terhad juga. Oleh itu, lebih banyak penyelidikan empirikal adalah diperlukan untuk memperkayakan kesusasteraan berkaitan hubungan antara amalan pemasaran dalaman dan kepuasan kerja.

Tujuan kajian ini adalah untuk mengkaji hubungan antara faktor pemasaran dalaman seperti ganjaran intrinsik pekerja, ganjaran ekstrinsik pekerja, kepimpinan, komunikasi dalaman, dan latihan dan pembangunan, dengan kepuasan kerja, serta pengekalan pekerja dalam industri minyak dan gas. Kajian ini juga mengkaji kesan moderating antara jantina, umur dan pendapatan ke atas hubungan antara faktor-faktor pemasaran dalaman dan kepuasan kerja dalam industri minyak dan gas. Konsep pemasaran dalaman telah diadaptasi daripada Berry's Internal Marketing Model dan model teori Sulieman, et al. terhadap amalan pemasaran dalaman untuk kepuasan kerja. Soal selidik yang ditadbir sendiri telah digunakan untuk pengumpulan data. Saiz sampel adalah 215 yang dikumpul dari beberapa syarikat minyak dan gas yang terletak di Wilayah Persekutuan Labuan, Malaysia. Instrumen dalam soal selidik diukur pada skala likert lima mata, yang diukur daripada 1=sangat tidak setuju kepada 5=sangat setuju.

Analisis regresi berganda telah dijalankan untuk mengkaji hubungan antara faktor-faktor dalaman pemasaran dan kepuasan kerja, serta pengekalan pekerja. Seterusnya, analisis regresi berganda hierarchical dilaksanakan untuk menyiasat hubungan antara jantina, umur dan pendapatan ke atas faktor-faktor pemasaran dalaman dan kepuasan kerja dalam industri minyak dan gas. Keputusan analisis regresi berganda hierarchical menunjukkan bahawa terdapat hubungan yang positif antara antara faktor-faktor dalaman pemasaran dan kepuasan kerja, serta pengekalan pekerja. Walau bagaimanapun, melalui moderated regressions, jantina, umur dan pendapatan mempunyai peranan yang tidak signifikan dalam mempengaruhi hubungan antara faktor-faktor pemasaran dalaman dan kepuasan kerja dalam industri minyak dan gas. Lokasi geografi dan jumlah industri minyak dan gas yang dikaji dalam penyelidikan ini adalah terhad. Oleh yang demikian, analisis kajian lanjut perlu dijalankan untuk meningkatkan generalizabiliti penemuan kajian.

TABLE OF CONTENTS

	Page
TITLE	
DECLARATION	ii
CERTIFICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
<i>ABSTRAK</i>	vi
LIST OF CONTENTS	vii
LIST OF FIGURES	xi
LIST OF TABLES	xii
LIST OF SYMBOLS	xiv
LIST OF ABBREVIATIONS	xiv
LIST OF APPENDICES	xv
CHAPTER 1 : INTRODUCTION	
1.0 INTRODUCTION	1
1.1 BACKGROUND OF THE STUDY	1
1.2 PROBLEM STATEMENT	3
1.3 RESEARCH OBJECTIVES	4
1.4 RESEARCH QUESTIONS	5
1.5 SIGNIFICANCE OF THE STUDY	5
1.6 SCOPE OF THE STUDY	6
1.7 DEFINITION OF TERMS	7
1.8 ORGANIZATION OF CHAPTERS	8

CHAPTER 2 : LITERATURE REVIEW

2.0	INTRODUCTION	11
2.1	EMPLOYEE SATISFACTION AND RETENTION	11
2.2	INTERNAL MARKETING	13
2.3	RELATIONSHIP BETWEEN INTERNAL MAKETING, JOB SATISFACTION AND EMPLOYEE RETENTION	16
2.4.1	BERRY'S INTERNAL MARKETING MODEL	17
2.4.2	INTERNAL MARKETING ON EMPLOYEE'S JOB SATISFACTION	19
2.5	EMPLOYEE REWARD PROGRAM	19
2.6	LEADERSHIP	21
2.7	TRAINING AND DEVELOPMENT	23
2.8	INTERNAL COMMUNICATION	24
2.9	MODERATING VARIABLES	25
2.9.1	MODERATING EFFECT OF GENDER AND INTERNAL MARKETING PRACTICES	25
2.9.2	MODERATING EFFECT OF AGE AND INTERNAL MARKETING PRACTICES	27
2.9.3	MODERATING EFFECT OF INCOME AND INTERNAL MARKETING PRACTICES	28
2.10	PROPOSED THEORETICAL FRAMEWORK	31
2.11	CHAPTER SUMMARY	32

CHAPTER 3 : RESEARCH METHODOLOGY

3.0	INTRODUCTION	33
3.1	PARCTICIPANTS AND PROCEDURE	33
3.2	QUESTIONNAIRE DEVELOPMENT	34
3.2.1	SECTION A	35
3.2.2	SECTION B	35

3.2.3	SECTION C	35
3.3	STATISTICAL TECHNIQUES	40
3.3.1	RELIABILITY TEST	40
3.3.2	VALIDITY	40
3.3.3	REGRESSION ANALYSIS	41
3.4	CHAPTER SUMMARY	43

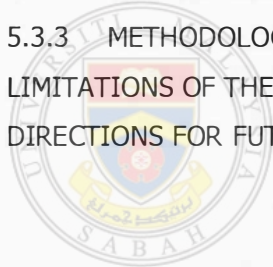
CHAPTER 4 : DATA ANALYSIS

4.0	INTRODUCTION	44
4.1	DESCRIPTIVE STATISTICS OF RESPONDENTS' DEMOGRAPHIC PROFILE	44
4.2	DESCRIPTIVE ANALYSIS OF DEPENDENT AND INDEPENDENT VARIABLES	46
4.2.1	EMPLOYEE EXTRINSIC REWARD	46
4.2.2	EMPLOYEE INTRINSIC REWARD	47
4.2.3	LEADERSHIP	48
4.2.4	INTERNAL COMMUNICATION	50
4.2.5	TRAINING AND DEVELOPMENT	51
4.2.6	JOB SATISFACTION	51
4.2.7	EMPLOYEE RETENTION	52
4.3	EXPLORATORY FACTOR ANALYSIS	53
4.4	RELIABILITY ANALYSIS	57
4.5	CORRELATION ANALYSIS	58
4.6	REGRESSION ANALYSIS	60
4.6.1	RELATIONSHIP BETWEEN INTERNAL MARKETING FACTORS AND JOB SATISFACTION	61
4.6.2	IMPACTS BETWEEN JOB SATISFACTION AND EMPLOYEE RETENTION	62
4.7	HIERARCHICAL MODERATED REGRESSION ANALYSIS	63

4.7.1	MODERATING EFFECT OF GENDER	63
4.7.2	MODERATING EFFECT OF AGE	65
4.7.3	MODERATING EFFECT OF MONTHLY INCOME	68
4.8	SUMMARIES OF RESEARCH HYPOTHESES RESULTS	71
4.9	CHAPTER SUMMARY	71

CHAPTER 5 : DISCUSSIONS AND CONCLUSION

5.0	INTRODUCTION	72
5.1	DISCUSSIONS	72
5.2	CONCLUSIONS	78
5.3	IMPLICATIONS OF THE STUDY	79
5.3.1	PRACTICAL IMPLICATIONS	79
5.3.2	THEORETICAL IMPLICATIONS	80
5.3.3	METHODOLOGICAL IMPLICATIONS	80
5.4	LIMITATIONS OF THE STUDY	81
5.5	DIRECTIONS FOR FUTURE RESEARCH	82



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LIST OF FIGURES

	Page
Figure 2.1 Berry's Internal Marketing Model, (1981)	18
Figure 2.2 Theoretical Model by Sulieman, et al. (2013)	19
Figure 2.3 Proposed Theoretical Framework	31



UMS
UNIVERSITI MALAYSIA SABAH

LIST OF TABLES

	Page
Table 1.1: Key Statistics of Labour Market in Malaysia, September 2016	3
Table 1.2: Population by State (by thousand)	7
Table 3.2: Measurement of Instrument	36
Table 4.1: Descriptive Statistics of Respondents' Demographics	45
Table 4.2: Descriptive statistics for Employee Extrinsic Reward	47
Table 4.3: Descriptive statistics for Employee Intrinsic Reward	48
Table 4.4: Descriptive statistics for Leadership	49
Table 4.5: Descriptive statistics for Internal Communication	50
Table 4.6: Descriptive statistics for Training and Development	51
Table 4.7: Descriptive statistics for Job Satisfaction	52
Table 4.8: Descriptive statistics for Employee retention	53
Table 4.9: Exploratory Factor Analysis	54
Table 4.10: Reliability Analysis	58
Table 4.11: Correlation Analysis	59
Table 4.12: Relationships between Internal Marketing Factors and Job Satisfaction	61
Table 4.13: Impacts between Job Satisfaction and Employee Retention	62
Table 4.14: Moderating Effect of Gender on the Relationship between Internal Marketing Factors and Job Satisfaction	64
Table 4.15: Relationships between Internal Marketing Factors and Job Satisfaction with Gender Differences	65
Table 4.16: Moderating Effect of Age on the Impact between Internal Marketing Factors and Job Satisfaction	66
Table 4.17: Relationships between Internal Marketing Factors	

and Job Satisfaction with Age Differences	67
Table 4.18: Moderating Effect of Monthly Income on the Influence between Internal Marketing Factors and Job Satisfaction	68
Table 4.19: Relationships between Internal Marketing Factors and Job Satisfaction with Income Differences	70
Table 4.20: Summaries of Research Hypotheses Results	71
Table 5.1 : Summaries of Research Hypotheses Results	78



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LIST OF SYMBOLS AND ABBREVIATION

β - Beta
 ε - Constant

EER - Employee Extrinsic Reward

EIR - Employee Intrinsic Reward

H - Hypothesis

IM - Internal marketing

IC - Internal Communication



UMS
UNIVERSITI MALAYSIA SABAH

LIST OF APPENDICES

	Page
APPENDIX A Questionnaire for pilot testing	101
APPENDIX B Questionnaire	105
APPENDIX C Interaction plotting (moderator variables)	109
APPENDIX D Map of the research area (Labuan F.T.)	114
APPENDIX E List of Publications	115



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INTRODUCTION

1.1 Background of the Study

Retention of talented human capital has become one of the most wanted competitive advantages to the organization in this era. The management keeps in mind that individuals who spend maximum part of their day contributing towards the success of an organization are its most crucial resource. Organizations are prone to achieve maximum profit through high growth rate including geographical expansion. While this is a global phenomenon, employees tend to switch organization frequently due to better pay, higher position, good working environment, prospective career growth etc. While retention is impossible to achieve without motivation.

Many organizations have begun to focus on their employees as facing increased competition within and outside their business sectors realizing that employees are the best asset to retain and serve to the external links (Ballantyne, 2003; Bailey, Albassami and Al-Meshal, 2016). Organizations are concerned about their competency towards sustainability of keeping their high-flier employees as the demand is high and irreplaceable (Brown, Fraser, Wong, Muise and Cummings, 2013). However, it is crucial to sojourn employees joining in other organizations as Narang (2013) informs that many of the human resource managers are in rivalry to secure their employees within the organization. Neog and Barua (2015) contends that increasing workload and disturbance could occur among the remaining employees due to constant turnover of employees in the organization. This is where Internal Marketing (IM) comes in to company strategy

consideration. Obviously, new strategy is needed to rebuild employee confidence and job satisfaction.

Internal Marketing (IM) starts with recruitment and selection of right employees to the right position to be satisfied and display positivity to do their job with customer satisfaction achievement (Suleiman, Sherrihan, Kamal, Petra, and Dyala, 2013). In holistic marketing, internal marketing is a fresh notion with the belief that satisfied customers come from satisfied employees (Kotler and Keller, 2009: 62). IM is described by Gronroos (1981: 236), as selling the firm to its employees while, it is the process of "attracting, developing, motivating, and retaining qualified employees through job products that satisfy their needs" (Berry and Parasuraman, 1991: 151) and it is the presentation of blend theories, process and principles from marketing and human resources management to motivate, organize, retain, and manage employees at all levels of the organization for constant improvement of serving the internal and external customers (Binoy, 1996).

In the current era of knowledge workers, employee satisfaction, commitment and retentions are the acute concerns for the organizations (Valaei and Rezaei, 2016). Job Satisfaction is an important organizational outcome, and a prominent focus of research interest to many researcher, as it capitalizes employee satisfaction with their jobs (Bailey, et al, 2016). Tam and Zeng (2014), identified that the employees are more viscous about their existing workloads, working method and the supervisory and subordinate relationships than the rewards, promotions and succession planning for their job satisfaction. Several research works accumulated that job satisfaction is dependent upon leadership, working conditions, organizational size and structure, and remuneration (Cater and Zabkar, 2009; Kirkman and Shapiro, 2001). Valaei and Rezaei (2016) speculates that it is hard to examine and measure the degree of job satisfaction as it is behavioral in nature and can be simply influenced by organizational factors through internal and external environments.

Met and Ali (2014a), provides information from Talent Corp that many of the technical staffs left the oil and gas companies from Malaysia to Middle East for a better remuneration. As oil and gas industry jobs are complex and stressful, it remains difficult for organization to stabilize employee retention rate and high volumes of job switching (Chen, Wong, Yu, Lin and Cooper, 2003). Due to oil price falls, there is a slight shivering of employee voluntary job termination as companies are likely to keep the outstanding performers and release the non-outcome performers. Table 1.1 shows the labour statistics of Malaysia where, local labour force decreased by 0.4% from August 2016 to September 2016 and outside labour force increased by 0.4% from August 2016 to September 2016.

Table 1.1: Key Statistics of Labour Market in Malaysia, September 2016

Indicator	Sept'2016	Aug'2016	Change (%)	Sept'2015	Change (%)
Labour Force ('000)	14762.2	14822.2	-0.4	14642	0.8
Employed ('000)	14249.6	14306.9	-0.4	14151.7	0.7
Unemployed ('000)	512.6	515.2	-0.5	490.3	4.5
Outside labour force ('000)	7084.3	7053.3	0.4	6925.4	2.3
Labour force participation rate (LFPR) (%)	67.6	67.8	-0.2	67.9	-0.3
Unemployment rate (%)	3.5	3.5	0	3.3	0.2
Seasonally Adjusted Unemployment rate (%)	3.6	3.6	0	3.3	0.3

Source: www.statistics.gov.my

In relation to job satisfaction, satisfied employees are those who have high commitment to their roles to achieve organizational goal, work for obtaining organization's mission and vision. Employees are continuously trained and educated about the new innovations with career goal to achieve the company vision. As such, now companies are more concerned about their people and their wellbeing and commitment towards the organization. Besides, employees are thought to be the building block of achieving external marketing goals (Ballantyne, 2003). In relation to that, their job

satisfaction is influenced by the aspects like internal marketing (Bailey, et al., 2016), while, its application in oil and gas industry in South-Asia context is a new area (Harun, Salleh, Memon, Baharom and Abdullah, 2014).

Meanwhile, Bockerman and Ilmakunnas (2012), found the employees with demographically diversified had inconsistent result on job satisfaction. While in the western countries aging workforce is another problem as in general human capital deficit itself is a major challenge for any industry (Agrawal and Aggrawal, 2015) as people are the most critical resource (Bartlett and Ghoshal, 2002). Manpower shortage is a challenge in oil and gas industry, as noted by Al-Harthy (2008). Hence, this study focuses to investigate the determinants of internal marketing that influence employee job satisfaction with the organizations, and to assess the impact between job satisfaction and employee retention.

1.2 Problem Statement

As oil and gas industry jobs are complex and stressful, it remains difficult for organization to stabilize employee retention rate and high volumes of job switching. The retention of employees getting more difficult in the future specially those who have high positive vibe and interactions with the customers. While, employees with critical work skills are already in scarce. There is an emergence of shortage of manpower in the oil and gas industry creating a major concern as a challenge to retain the top performers in many of the oil and gas companies. This sector needs to undertake the control over the challenges of retention efficiently to support current operations and execute planned growth.

Preceding research asserted that retention of employees and satisfying their jobs are critical and major concern for many organizations. However, very few of studies offered the relationship between job satisfaction and employee retention in the context of internal marketing concepts. Some researchers worked on the conceptual framework

but no evidence on empirical test on overall internal marketing is found. For instance, Suleiman, Sherrihan, Kamal, Dyala and Petra (2013) conducted research on Jordanian banks and created a conceptual framework of internal marketing. Hence, this study focuses to investigate the determinants of internal marketing that influence employee job satisfaction with the organizations, and to assess the impact between job satisfaction and employee retention.

Furthermore, demographically diversified workforce has inconsistent results on job satisfaction. Preceding scholars acknowledged that numerous demographic features of employees (as such age, gender, tenure, income) have prominent roles in satisfying the job. Although, oil and gas industry is debatably the most powerful, global, essential, and lucrative industry in the world, yet it basically rejects woman applicants. Meanwhile, younger employees are more prone to leave the organization compared to the experienced ones as aging workforce is found to be another challenge in oil and gas industry. At the same time, many employees even feel that they are poorly paid in comparison to their earnings with the CEO. Hence, this research also intends to examine the moderating effects of gender, age and income on the relationship between internal marketing factors (i.e. training and development, leadership, employee rewarding, and internal communication) and employee job satisfaction.

1.3 Research Objectives

This research aims:

1. To investigate the determinants of internal marketing that influence employee job satisfaction with the organizations.
2. To assess the impact between job satisfaction and employee retention.
3. To examine the moderating effects of gender, age and income on the relationship between internal marketing factors (i.e. training and development, leadership, employee rewarding, and internal communication) and employee job satisfaction.

1.4 Research Questions

1. To what extent the determinants of internal marketing factors influences employee job satisfaction with the organization?
2. Is there any impact between job satisfaction and employee retention?
3. To what extent gender, age and income moderates on the relationship between internal marketing factors (i.e. training and development, leadership, employee rewarding, and internal communication) and employee job satisfaction?

1.5 Significance of the Study

The significance of this research are as followed by it is the first time in Labuan to conduct such study on oil and gas industry to enhance the quality of the services in future. Through this investigation companies may be able to know their areas requiring improvement and can achieve maximum benefit from their internal customers. Besides, companies may more holistically focused to the need of the employees in order to retain them as competitive advantage. Literature shows that very less studies has been done about employee retention in this sector of South Asian context while found in many other regions of the world. This study has incorporated Berry's internal marketing model and Suleiman et al's conceptual model to identify the significant relationship between IM and job satisfaction and the moderating role of gender, age and income creating effects in the relationship leading the end result as employee retention. According to the Department of Statistics, Malaysia, a total of 17,350 employees are working in petroleum and natural gas industry combining 12,864 male and 4,486 female employees. As of 2012, Labuan has a population of 91,600 residents where 47.2% are male and 44.4% are female. (Knoema, 2017). Table 1.2 enlightens the density of population in Malaysia.

Table 1.2: Population by State (by thousand)

	2012	2011	2010	2009	2008
Selangor	5,650.80	5,577.40	5,502.10	5,382.20	5,249.70
Johor	3,439.60	3,401.80	3,362.90	3,308.30	3,250.30
Sabah	3,371.70	3,316.40	3,260.00	3,212.60	3,132.00
Sarawak	2,545.80	2,516.20	2,487.10	2,450.40	2,407.70
Perak	2,416.70	2,397.60	2,379.00	2,358.30	2,332.30
Kedah	1,996.80	1,973.10	1,949.30	1,922.90	1,895.70
W. P. Kuala Lumpur	1,713.40	1,694.50	1,674.80	1,654.30	1,628.60
Kelantan	1,640.40	1,615.20	1,589.90	1,572.50	1,550.40
Pulau Pinang	1,611.10	1,593.60	1,575.90	1,555.00	1,531.80
Pahang	1,548.40	1,524.80	1,501.90	1,480.10	1,457.70
Terengganu	1,092.90	1,074.00	1,055.40	1,040.50	1,024.90
Negeri Sembilan	1,056.30	1,042.90	1,029.50	1,015.80	999.9
Melaka	842.5	833	823.6	808.3	790.9
Perlis	239.4	237.5	235.8	233.9	231
W. P. Labuan	91.6	89.8	88.2	86.4	84.5
W. P. Putrajaya	79.4	76.4	73.4		

Source: Malaysia Regional Dataset, 2013

1.6 Scope of the Study

Malaysia has been the second major oil and natural gas producer in Southeast Asia and while, leading as second in exporting of liquefied natural gas globally due the strategic location amid important routes for seaborne energy trades. The research field is based in Federal Territory of Labuan due to its strategic location with several number of oil rigs and thus important routes to seaborne energy trades. According to weekly Malaysia confirmed oil reserves of four billion barrels as of January 2013, obtaining a position of fifth-highest reserves in Asia-Pacific after China, India, Vietnam, and Indonesia. "Low oil prices are a huge jackpot for all of Asia, except Malaysia is said by Jehangir Aziz, chief emerging-Asia economist for JP Morgan in Singapore" (Shameen, 2014). The industry provides 75% of the energy for Malaysia and contributes to GNP of 20% to its economy (Met and Ali, 2014a).

Nearly all of Malaysia's oil comes from offshore fields. Labuan offshore oil field is one of them. (<http://abarrelfull.wikidot.com/malaysia-oil-and-gas-profile>). Asian Supply

Base (ASB) is the logistic hub for the large oil and gas companies and their support service companies in Federal Territory of Labuan (<http://www.asiansupplybase.com/>). There are altogether 25 companies under ASB.

The targeted age group is between 19 to 42 years from entry level to middle level management job positions. Very few studies have been conducted on employees in the oil and gas industries. There are almost 5,000 employees engaged in the oil and gas sector with ASB comprising 9,000 direct staffs and another 4,000 employees with supporting companies mostly using the base (<http://www.dailyexpress.com.my/news.cfm?NewsID=96541>). The focus of this research study is to identify the internal marketing factors like communication, training & development, leadership and reward and recognition influencing the employees to be satisfied to remain within the same organization considering the moderating factors like gender, age and income.

1.7 Definition of Terms

Internal Marketing. Internal Marketing is termed as to attract, develop, motivate, and retain qualified employees through job-products that satisfy their needs (Aburoub, Aladwan, and Hersh, 2011; Berry and Parasuraman, 1991).

Employee satisfaction. Job satisfaction is the collection of feeling and beliefs that people have about their current job. People's levels of degrees of job satisfaction can range from extreme satisfaction to extreme dissatisfaction. In addition to having attitudes about their jobs as a whole. People also can have attitudes about various aspects of their jobs such as the kind of work they do, their coworkers, supervisors or sub-ordinates and their pay (George and Jones, 2008).

Employee satisfaction is termed as Job satisfaction defines as an emotional state of fulfillment by the fulfillment of motivation factors (Herzberg, 1987; Maslow, 1943, Martin, 2006). As there is no evidence of differentiation in the meaning of employee