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## From Resource-Based View to Practical Strategies: Internal Service Quality, Corporate Image, and Organizational Performance at Pakistan Railways

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ARTICLE DETAILS	ABSTRACT
<p><b>History:</b></p> <p>Received: December 25, 2024                      Accepted: December 31, 2024</p>	<p>This study, grounded in the Resource-Based View (RBV) theory, investigates the strategic impact of Internal Service Quality (ISQ) on Organizational Performance (OP), with a specific focus on Corporate Image (CI) as a mediator. Conducted at Pakistan Railways' Head Quarters in Lahore, the research employed purposive sampling, involving 325 permanent employees. SmartPLS 4 was utilized for data analysis. The results revealed that all hypotheses were statistically significant including the identification of corporate image as a significant partial mediator in the relationship between ISQ and OP. Aligned with RBV principles, the study emphasizes the strategic role of ISQ in enhancing OP. Practical implications highlight the importance of a strategic emphasis on ISQ, with a focus on leadership, integrated marketing communications, stakeholder engagement, and continuous monitoring for sustained improvements. These insights provide actionable strategies, particularly beneficial for entities like Pakistan Railways, aiming to optimize internal service quality to foster a positive external image, and enhance overall organizational performance.</p> <p style="text-align: right; font-size: small;">© 2024 The Authors, Published by WUM. This is an Open Access Article under the Creative Common Attribution Non Commercial 4.0</p>
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### 1. Introduction

The economic advancement of a country is closely linked to its effective logistics and transportation system, with the railway network being a prominent player. However, Pakistan Railways confronts economic challenges, corruption, and a shrinking market share, painting a starkly different picture. To navigate these hurdles and secure a sustainable future, there is a crucial need for Pakistan Railways to enhance its service quality for sustainable growth. In the contemporary organizational landscape, the pursuit of quality initiatives, as advocated by Deming (1982), stands as a cornerstone for heightened productivity and enhanced competitiveness. Extending beyond external customer interactions, the intrinsic value of Internal Service Quality (ISQ) is underscored as a critical dimension that permeates the entire organizational structure, emphasizing the collective responsibility of all employees from top

management to the least skilled worker (Ahmed et al., 2020; Feigenbaum, 1961). The linchpin of organizational performance lies in its most valuable resource: its people (Ahmed et al., 2019). As organizations strive for long-term success, Feigenbaum's assertion that this success hinges on the complete involvement of all employees gains prominence, emphasizing the seamless integration of technical and human resources (Ahmed, Lebai Othman, & Qureshi, 2017).

Within the multidimensional construct of service quality, Internal Service Quality (ISQ) and external service quality are distinguished, with ISQ focusing on the quality of service within an organization (Asghar & Pervaiz, 2020), treating employees as internal customers and highlighting interactions and support among employees and departments (Boshoff & Mels, 1995). The ramifications of neglecting ISQ are profound, potentially leading to suboptimal service for external customers (Douglass, Calantone, & Keller, 2005), further underscoring the pivotal role of employee satisfaction for service firms' success (Gremler, Bitner, & Evans, 1995). In this dynamic milieu, organizational performance takes center stage as a crucial criterion for evaluating the effectiveness of organizations (Richard et al., 2009). While traditionally linked to financial outcomes, a more comprehensive perspective defines organizational performance across financial, product market, and shareholder return dimensions (Richard et al., 2009). Business organizations, especially in developing nations, are instrumental in shaping societal progress, making sustained performance a central objective for growth and progress (Abdalkrim, 2013; Bani-Hani et al., 2009; Choudhary, Akhtar, & Zaheer, 2013). Amidst these complexities, the strategic tool of Internal Service Quality (ISQ) emerges, recognized for its role in achieving operational efficiency and enhancing overall business performance (Jain & Gupta, 2004) that improves corporate image. The corporate image is shaped by effective communication efforts (Gray and Balmer, 1998), which plays a pivotal role in influencing stakeholder perceptions and, consequently, organizational success.

Previous studies collectively shed light on the importance of internal service quality in fostering organizational performance and its interplay with various factors in different sectors and industries and have explored the impact of internal service quality on organizational performance across various sectors, including the hotel industry (Wang, 2011), service industries in Malaysia (Ramayah et al., 2011), a Chinese food company (Cheng & Lin, 2014), the banking sector in Pakistan (Latif, 2015), and banks in Greece (Bellou and Andronikidis, 2008), no such study has explored how internal service quality affects the performance of public sector organizations in Pakistan. However, a research gap persists in understanding the nuanced relationships between ISQ, organizational performance, and corporate image, particularly within the public sector, as exemplified by the case of Pakistan Railways. This research is motivated by the need to fill this gap, advancing our comprehension of the dynamics between ISQ, corporate image, and organizational performance.

Recognizing the intricate challenges faced by entities such as Pakistan Railways, where operational inefficiencies and financial losses pose substantial hurdles, the improvement of ISQ emerges as a strategic imperative. As a vital element that influences interactions and support among internal employees and departments, ISQ becomes instrumental not only for internal operational efficiency but also for delivering optimal service to external customers. Integrating the Resource-Based View (RBV) theory developed by Jay Barney adds depth to this analysis. The RBV emphasizes that a firm's internal resources, including its people, are the foundation for sustainable competitive advantage (Ahmed et al., 2018). Barney's work, particularly his paper "Firm Resources and Sustained Competitive Advantage," published in the *Journal of Management* in 1991, provides a theoretical framework that aligns with the central theme of leveraging internal resources for organizational success. In the context of Pakistan Railways, understanding and optimizing the internal resources, guided by the RBV

perspective, becomes instrumental in addressing operational inefficiencies and financial losses. The RBV, as a foundational theory in strategic management, enhances the strategic approach to internal service quality by emphasizing how unique resources and capabilities can contribute to sustained performance (Ahmed & Othman, 2017). By integrating the RBV theory into the discourse on ISQ, organizational performance, and corporate image, this study not only bridges theoretical perspectives but also offers a comprehensive lens through which Pakistan Railways can navigate its challenges and emerge as a resilient and efficient entity within the nation's transportation infrastructure.

## **2. Hypothesis development and theoretical framework**

### **2.1 Internal service quality and organizational performance**

Elevating internal service quality (ISQ) is crucial for enhancing organizational performance within Pakistan Railways, as evidenced by extensive research revealing a vital connection between ISQ and overall business performance (Jain & Gupta, 2004). ISQ serves as a strategic tool for achieving operational efficiency and improving overall business performance. Scholars like Hawke and Heffernan (2006) emphasize the positive impact of strong customer relationships, leading to increased profits, reduced risks, improved communication channels, and referrals. These principles also apply internally, where a harmonious work environment positively influences organizational performance. Wang's (2011) study on international tourist hotels in Taiwan demonstrates a direct and positive impact of internal service quality on organizational performance, attributing this to increased employee job satisfaction. Prioritizing customer satisfaction through enhanced service quality translates into positive word-of-mouth, strengthening the organization's reputation and competitive standing. Research by Ramayah et al. (2011) in northern Malaysia and Cheng and Lin's (2014) study in a Chinese food company, the banking sector in Pakistan (Latif, 2015), and banks in Greece (Bellou and Andronikidis, 2008). As per our understanding no such study has been explored how internal service quality affects the performance of public sector organizations in Pakistan, as exemplified by the case of Pakistan Railways. This significant research gap underscores the need for further investigation in this context. Hence, considering the literature we hypothesis.

Underscore the partially positive effects of service quality on financial, operating, and behavioral performance.

***H1: Internal service quality has a significant and positive impact on organizational performance.***

### **2.2 Internal service quality and corporate image**

Corporate image has emerged as a crucial tool for managing organizations, becoming an increasingly intricate concept that merits in-depth scrutiny of its various facets (Ahmed et al., 2020; Flavian et al., 2004; Ni et al., 2020). Huang et al. (2001) delved into the dynamics of corporate image and service quality within the realm of convenience stores. Their study revealed that service quality exerts a positive influence on corporate image. A positive image fosters customer trust and loyalty, influencing passengers to choose the railway services. Lin & Lin (2005) echoed similar sentiments, asserting that customer satisfaction and loyalty are bolstered by a positive, enduring corporate image, an image that can be cultivated through enhanced service quality. Furthermore, the research conducted by Peng (2011) affirmed the significant positive impact of service quality on corporate image. Another study conducted by Owino (2013) among university students of Kenya was to discern the nature and importance of the connection between service quality, corporate image, and customer satisfaction. He found a statistically significant relationship between service quality and corporate image. The study's findings indicate that university management should prioritize investments in both service reliability and corporate brand building, as these factors exert a

significant impact on the perception of the university among the public. This research, conducted by Huang et al. (2014), explores the interrelationship among corporate social responsibility, service quality, corporate image, and purchase intentions in Taiwan. The study's results indicate a positive influence of service quality on both corporate image and purchase intentions. However, a comprehensive review of the literature highlights a research gap, particularly in the context of examining the influence of service quality on the development of corporate image in the context of Pakistan railways. Hence, we hypothesize this.

***H2: Internal service quality has a significant and positive impact on Corporate Image.***

### **2.3 Corporate image and organizational performance**

A stronger corporate image for Pakistan Railways has the potential to notably elevate the organizational performance of the entity. A favorable corporate image is recognized for enhancing overall reputation, attracting passengers, and positively impacting financial performance (Gray and Balmer, 1998; Roberts and Dowling, 2002). Corporate image is characterized as a deliberate strategic effort by an organization to shape a desired identity, playing a pivotal role in achieving organizational objectives. The literature argues that corporate image functions as a symbolic representation of corporate identity, significantly contributing to organizational success. Empirical evidence from previous research underscores the instrumental role of a positive corporate image in enhancing firm performance by expanding the customer base (Fomburn and Shanley, 1990; McGuire et al., 1988). This relationship has been consistently affirmed by a growing body of academic studies, with researchers such as Hammond and Slocum (1996) and Roberts and Dowling (2002) highlighting the positive correlation between corporate image and firm performance. These findings underscore that corporate image serves as a guiding signal in a firm's strategic decisions to meet stakeholder expectations. Additionally, external factors like effective corporate strategy, quality management, and efficient resource utilization, as emphasized by Brammer and Millington (2005), play a crucial role in maintaining corporate reputation and enhancing performance within the unique operational context of Pakistan Railways. Notably, a positive corporate image is also identified as a mechanism for reducing associated costs, as employees exhibit a preference for working with reputable companies even at a potentially lower salary (Roberts and Dowling, 2002). In light of these discussions, the hypothesis is put forth that a favorable corporate image significantly contributes to the enhanced organizational performance of Pakistan Railways.

***H3: Corporate image has a significant and positive impact on organizational performance.***

### **2.4 Corporate image as a mediator**

Corporate image, as defined by Gray and Balmer (1998), represents the mental picture people have of an organization, shaped by effective communication efforts. Barich and Kotler (1991) describe it as the overall impression held by the public, encompassing various attributes like ideology, tradition, the organization's name, employee communication of quality, philosophy, and the range of products and services offered. Corporate image comprises emotional and functional components, as proposed by Kennedy (1977). Alam & Noor (2020) underscore the vital roles of service quality and corporate image in shaping customer loyalty among Generation Y in Bangladesh's superstore retail sector, with a survey of 325 Gen Y shoppers revealing a positive and significant impact of both factors. Notably, the study highlights the indirect influence of service quality on customer loyalty, mediated by corporate image, contributing theoretical and practical insights for future exploration. In the Turkish banking industry, Özkan et al. (2020) explore the complex relationships among customer satisfaction, service quality, perceived value, corporate image, and reputation, emphasizing the pivotal role of corporate image and reputation as benchmarks for evaluating a Turkish bank's performance. Their findings reveal that customer loyalty is shaped through the mediating

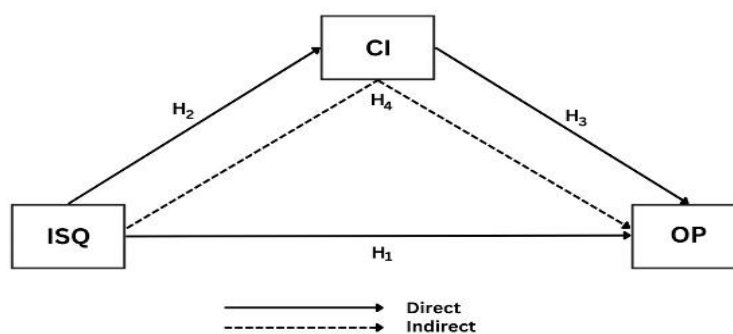
influences of perceived value, image, and reputation, providing strategic management insights for enhancing the institution's position. Bataineh's (2015) study on perceived electronic word of mouth (eWOM) and purchase intention introduces corporate image as a mediating variable, revealing significant positive effects of eWOM on purchase intention, with corporate image playing a mediating role. Rashid's (2013) investigation into the Malaysian hotel industry underscores the essential role of service quality, revealing a significant link between perceived service quality, customer satisfaction, and subsequent loyalty, with corporate image emerging as a partial mediator and offering insights into effective marketing strategies. Alrubaiee et al. (2017) delve into Corporate Social Responsibility, Customer Value, Corporate Image, and Marketing Performance in Jordanian hospitals, revealing positive direct effects of Corporate Social Responsibility on Customer Value, Corporate Image, and Marketing Performance, with Corporate Image and Customer Value acting as crucial mediators, providing valuable managerial insights for healthcare settings.

While existing research has delved into the effects of internal service quality, corporate image, and organizational performance across diverse sectors such as Bangladesh's superstore retail sector (Alam & Noor, 2020), Turkish banks (Özkan et al., 2020), Jordanian hospitals (Alrubaiee et al., 2017), and a study on the Malaysian hotel industry by Rashid (2013), there remains an unexplored territory. Specifically, there is a notable absence of studies investigating the mediating role of corporate image in the association between internal service quality and organizational performance, as evidenced by the case of Pakistan Railways. This identified research gap accentuates the imperative for additional exploration in this particular context. Consequently, guided by the existing literature, we propose the following hypothesis:

**H4: Corporate Image mediating the relationship between internal service quality and organizational performance.**

**2.5 Conceptual framework**

This research explores the influence of Internal Service Quality (ISQ) on Organizational Performance (OP), emphasizing Corporate Image (CI) as a mediator. The study was conducted at Pakistan Railways' Headquarters in Lahore, where ISQ serves as the independent variable, OP as the dependent variable, and CI as the mediator. Figure 1, the conceptual framework, represents a mediation model tailored to achieve the research objectives.



**Figure: 1**

**3. Research Methodology**

The primary objective of this quantitative research is to provide empirical evidence concerning the impact of Internal Service Quality (ISQ) on Organizational Performance (OP), with a specific focus on the mediating role of Corporate Image (CI). The research framework is designed as a mediation model to effectively address these research objectives. The study

employed a purposive sampling method, resulting in a final sample size of 325 participants. The research survey was conducted at the Railway Head Quarter in Lahore, Pakistan. To gather data, a 5-point Likert scale was utilized to capture respondents' opinions on various aspects, including ISQ, OP, and CI. The study targeted participants who are permanent employees of Pakistan Railways. Measurement of ISQ used a scale developed by Kang, James, and Alexandris (2002), while Organizational Performance was assessed using Tseng's (2010) scale, and Corporate Image was measured with the scale developed by Nguyen and LeBlanc (2001). The research employed a two-stage data analysis approach, adhering to Anderson and Gerbing's (1988) recommendation, utilizing structural equation modeling (SEM). SEM, a widely applied statistical technique in behavioral science (Zhou et al., 2021), first assessed construct reliability, convergent validity, and discriminant validity within the outer model (measurement model). In the subsequent stage, the inner model (structural model) explored relationships between independent and dependent variables, employing partial least squares structural equation modeling (PLS-SEM). PLS-SEM was chosen for its resilience against collinearity and data distribution issues (Cassell and Bickmore, 2000) and its adaptability with non-normally distributed data and complex relationship models. Recognizing its capacity to address limitations associated with multiple regression (Fornell, 1982) and support various constructs (Hair et al., 2011).

## 4. Results and Discussions

### 4.1 Measurement of model

Convergent validity, discriminant validity, and construct reliability are essential aspects of the measurement model, as highlighted by Anderson and Gerbing (1988). Convergent validity, indicating strong correlations between instruments measuring the same concept (Sekaran & Bougie, 2016), is assessed through outer loadings and average variance extracted (AVE). In this study, items with loading values, ranging from 0.735 to 0.921 exceeded the 0.708 threshold (Hair et al., 2020). Construct reliability, evaluated using Cronbach's alpha (CA) and composite reliability (CR), surpassed the satisfactory threshold of 0.70, with values ranging from 0.785 to 0.932 for CA and 0.886 to 0.932 for CR (Hair et al., 2017). Additionally, AVE values between 0.608 and 0.807 confirmed convergent validity (Hair et al., 2017). Detailed results are provided below in Table 1. The table outlines the measurement model for Internal Service Quality (ISQ), Organizational Performance (OP), and Corporate Image (CI), demonstrating robust relationships, reliability, and validity.

**Table 1: Measurement model**

Construct	Items	Loading value (> 0.5)	Cronbach's Alphah (> 0.7)	Composite reliability (> 0.7)	Average variance extracted (> 0.5)
ISQ			0.819	0.834	0.645
	AS	0.801			
	EM	0.806			
	RE	0.796			
	RL	0.809			
OP			0.847	0.855	0.623
	P1	0.685			
	P2	0.750			
	P3	0.840			
	P4	0.823			
	P5	0.836			

CI		0.850	0.867	0.770
	CI-1	0.914		
	CI-2	0.908		
	CI-3	0.807		

#### 4.2 Discriminant validity

Discriminant validity was rigorously assessed using the Fornell and Larcker criteria and the HTMT method. The Fornell and Larcker ratio, following Hair et al.'s (2017) guidance, confirmed discriminant validity by ensuring the square root of Average Variance Extracted (AVE) consistently exceeded the correlation values between research constructs (refer to Table 2). Additionally, the HTMT technique, proposed by Henseler et al. (2015), further substantiated discriminant validity by calculating the ratio of correlations within constructs to those between constructs. The highest observed square root value, 0.934 (refer to Table 3), surpassed the threshold set by Franke and Sarstedt (2019), affirming the robust establishment of discriminant validity. These analyses collectively affirm the distinctiveness of the research constructs—Corporate Image (CI), Internal Service Quality (ISQ), and Organizational Performance (OP) in the measurement model.

**Table 2: Fornell-Larcker criterion**

	CI	ISQ	OP
CI	0.878		
ISQ	0.775	0.803	
OP	0.802	0.756	0.789

**Table 3: Heterotrait-monotrait ratio (HTMT) - Matrix**

	CI	ISQ	OP
CI			
ISQ	0.888		
OP	0.934	0.906	

#### 4.3 Results of Hypothesis

Following the confirmation of the measurement model's reliability and validity, the structural model underwent analysis to assess the hypotheses.

**Table 4: Mean, STDEV, T values, p-values**

Hypothesis	Effects	Paths as per Barron and Kenny	Original sample ( $\beta$ )	Sample mean (M)	Standard deviation (STDEV)	T statistic (t >1.96)	P values (p<0.05)	Results
H1	ISQ -> OP	c	0.338	0.326	0.107	3.170	0.002	Supported
H2	ISQ-> CI	a	0.775	0.778	0.029	26.483	0.000	Supported
H3	CI-> OP	b	0.540	0.545	0.085	6.372	0.000	Supported
H4	ISQ-> CI->OP	c'	0.418	0.422	0.059	7.078	0.000	Supported

Table 4 and figure 4 visually present the validation of all hypotheses testing, examining the effects of Internal Service Quality (ISQ) on Organizational Performance (OP) and Corporate

Image (CI), both independently and within a mediating framework. For H1 (ISQ -> OP), a significant effect is observed with a beta ( $\beta$ ) coefficient of 0.338 ( $T = 3.170, p < 0.05$ ), see figure 3, supporting the direct influence of ISQ on OP. H2 (ISQ -> CI) demonstrates a strong direct effect, with a substantial beta ( $\beta$ ) coefficient of 0.775 ( $T = 26.483, p < 0.05$ ), affirming the impact of ISQ on CI. Similarly, H3 (CI -> OP) is supported, revealing a significant direct effect with a beta ( $\beta$ ) coefficient of 0.540 ( $T = 6.372, p < 0.05$ ). H4 (ISQ -> CI -> OP) confirms the mediated effect of ISQ on OP through CI, with a robust beta ( $\beta$ ) coefficient of 0.418 ( $T = 7.078, p < 0.05$ ). The figure 2 cited below showing loading values which exceeded the 0.708 threshold (Hair et al., 2020) and path coefficients.

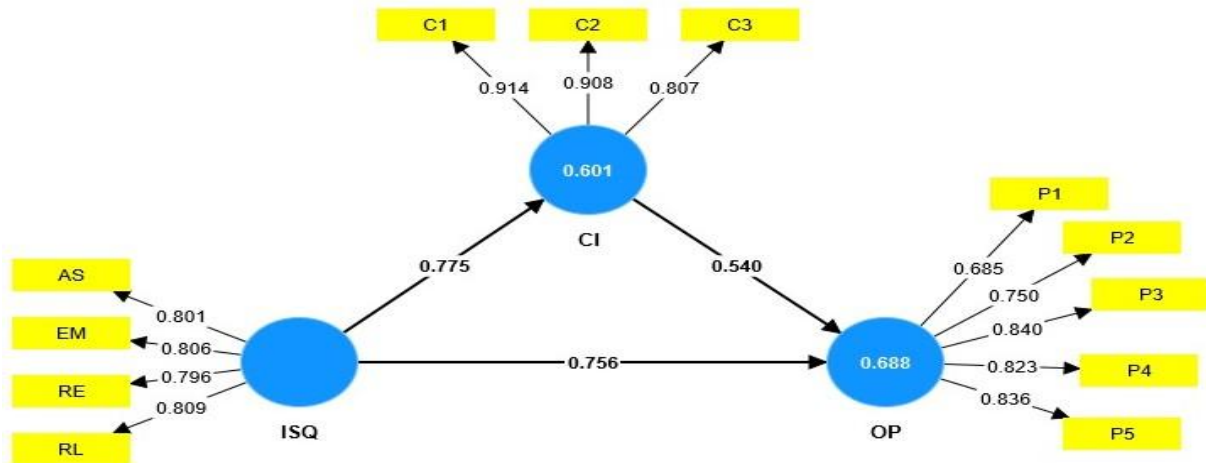


Figure: 2

#### 4.4 The Mediation Analysis

The Baron and Kenny (1986) approach to mediation involves four sequential steps see figure:3. Firstly, a significant relationship between the independent and dependent variables is required. Secondly, a significant link between the independent variable and the hypothesized mediating variable is necessary.

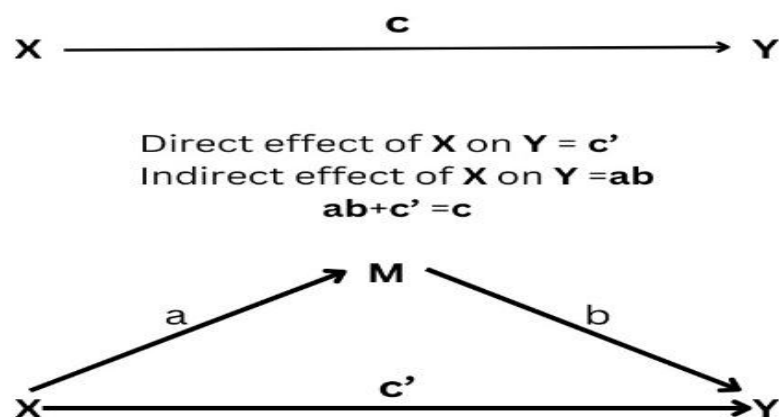


Figure: 3

Thirdly, in a model where both the independent and mediating variables predict the dependent variable, the mediating variable must significantly relate to the dependent variable. Lastly, the coefficient of the independent variable in the model with both the independent and mediating variables must be larger (in absolute value) than the coefficient in the model without the mediating variable. Mathematically explained as under;



Effect (c path):  
 $Y = \beta_0 + \beta_1 X + \epsilon$   
 Direct Effect (c' path):  
 $Y = \gamma_0 + \gamma_1 X + \gamma_2 M + \epsilon$   
 Mediation Effect (a \* b path):  
 $M = \alpha_0 + \alpha_1 X + \zeta$   
 $Y = \delta_0 + \delta_1 M + \delta_2 X + \epsilon$

Here:

X represents the independent variable (ISQ),

Y is the dependent variable (OP),

M is the mediator (CI),

$\beta_1$  is the path coefficient for the effect of ISQ on OP (c path),

$\gamma_1$  is the path coefficient for the direct effect of ISQ on OP after controlling for the mediator (c' path),

$\alpha_1$  is the path coefficient for the effect of ISQ on CI (a path),

$\delta_1$  is the path coefficient for the effect of CI on OP (b path).

The mediation effect is given by the product of the coefficients for a path ( $\alpha_1$ ) and b path ( $\delta_1$ ), i.e.,  $1 \times \alpha_1 \times \delta_1$ .

This framework allows you to assess whether the relationship between ISQ (X) and OP (Y) is mediated by CI (M). If the product of  $1 \times \alpha_1 \times \delta_1$  is statistically significant, it suggests mediation.

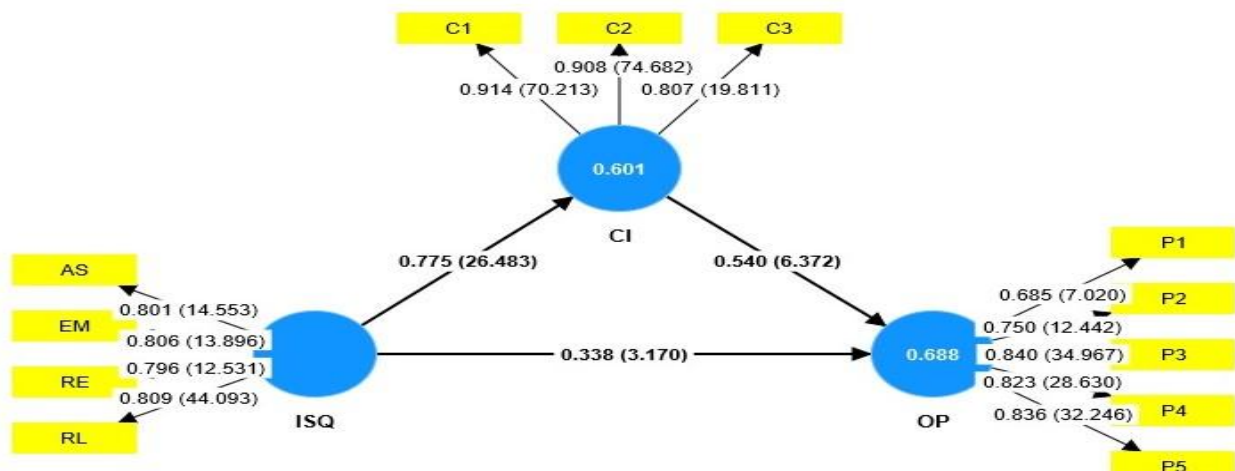


Figure: 4

To delve into the indirect effects of these relationships, the bootstrapping method was utilized to assess the confidence intervals (CIs) of indirect relationships. The findings indicate that CI, as a mediator, has significant indirect effect on the relationship between ISQ and OP, the ( $\beta$ ) value 0.418 ( $T = 7.078, p < 0.05$ ). Table 4 reveals that upon the addition of corporate image as a mediator, the impact of ISQ on OP has reduced (from  $\beta = 0.756$  to  $\beta = 0.338$ ). Despite this reduction, the association remains statistically significant. Consequently, corporate image is identified as a partial mediator in the link between ISQ and OP, in accordance with Baron and Kenny's model from 1986. Therefore, CI is identified as a successful mediator after fulfilling four step approach suggested by Barron and Kenny (1986), see Figure: 4.

#### 4.5 Discussions

The study's hypotheses align with the Resource-Based View (RBV) theory, particularly emphasizing the pivotal role of Internal Service Quality (ISQ) in enhancing Organizational Performance (OP) for entities like Pakistan Railways grappling with operational challenges (Sun & Kim, 2013; Barney, 1991). The statistical significance of all proved hypotheses underscores the robustness of the study's findings.

Hypothesis 1, which posits internal service quality has a significant and positive impact on organizational performance found consistent with prior studies in various industries (Wang, 2011; Ramayah et al., 2011; Cheng & Lin, 2014; Latif, 2015; Bellou and Andronikidis, 2008). The findings underscore the imperative for organizations to prioritize ISQ, ensuring internal customer satisfaction and empowering employees to meet external customer needs (Sun & Kim, 2013). This strategic focus on ISQ, backed by a positive internal environment and robust employee training (Saks & Burke- Smalley, 2014), significantly contributes to overall organizational success in the broader market. Recognizing ISQ's pivotal role in internal efficiency and customer service, especially guided by the Resource-Based View (RBV) theory (Barney, 1991), becomes essential for sustained performance and competitive advantage.

Hypothesis 2, Internal service quality has a significant positive impact on Corporate Image, is substantiated. The influence of Internal Service Quality (ISQ) on Corporate Image (CI) aligns with earlier research findings, echoing results observed in the high-speed rail service sector in Turkey by Yilmaz and Ari (2017). This confirmation resonates with conclusions drawn by various researchers, including Zeithaml (1988), Park et al. (2004, 2006b), and Pina, Martinez, de Chernatony, and Drury (2006), affirming that service quality indeed has a positive impact on corporate image. Therefore, organizations are encouraged to uphold a favorable corporate image by delivering high-quality services in accordance with the company's characteristics (Chien & Chi, 2019).

Hypothesis 3, Corporate image has a significant and positive impact on organizational performance, aligning with prior research (Namubiru et al., 2014; Kolade & Ogunnaike, 2014), and supported by literature (Hammond and Slocum, 1996; Roberts and Dowling, 2002), underscores the pivotal role of an organizational image as a guiding signal for strategic decision-making to meet stakeholder expectations. The resultant positive corporate image not only serves as a competitive advantage but also guides strategic decision-making for organizational success.

Hypothesis 4, corporate image mediates the relationship between internal service quality and organizational performance, is statistically validated. Utilizing the four-step approach recommended by Barron and Kenny (1986), Corporate Image (CI) is identified as a successful partial mediator. This finding is consistent with empirical evidence across diverse sectors, including retail (Alam & Noor, 2020), banking (Özkan et al., 2020), healthcare (Alrubaiee et al., 2017), and the hotel industry (Rashid, 2013). Hence, corporate image enhances organizational performance by improving service quality, leading to increased customer loyalty, positive market perception, and overall success for the organization. The statistical results affirm that corporate image plays a partial mediating role between Internal Service Quality (ISQ) and Organizational Performance (OP).

## 5. Conclusion

This study, grounded in Resource-Based View (RBV) theory, significantly contributes to organizational theory by highlighting the strategic role of Internal Service Quality (ISQ) in enhancing Organizational Performance (OP). Findings, supported by statistically significant hypotheses, emphasize the necessity of prioritizing ISQ to leverage internal resources for sustained competitive advantage (Hypothesis 1). The positive impact of service quality on Corporate Image (CI) underscores the influential role of internal capabilities in shaping

external perceptions, aligning seamlessly with RBV principles (Hypothesis 2). Additionally, Hypothesis 3 supports a positive corporate image as a guiding signal for strategic decision-making, echoing RBV's emphasis on internal resources for competitive advantage. Hypothesis 4 establishes that corporate image mediates the ISQ-OP relationship, emphasizing the interconnected nature of internal capabilities, external outcomes, and organizational success, aligning with core RBV principles. Practically, the study recommends strategic investments in employee training, internal communication, and continuous improvement to enhance ISQ, aligning with RBV principles. Organizations, including Pakistan Railways, can leverage these insights to foster a favorable external perception and elevate overall performance.

## **6. Practical implications**

This study, grounded in Resource-Based View (RBV) theory, offers practical insights for organizations, particularly those facing operational challenges like Pakistan Railways. Statistically significant findings support the strategic importance of prioritizing Internal Service Quality (ISQ) for enhancing Organizational Performance (OP). The study underscores the need to invest in employee training, internal communication, and continuous improvement to boost ISQ. It emphasizes the positive impact of high service quality on Corporate Image (CI), suggesting that internal capabilities shape external perceptions. Recognizing the positive corporate image as a guide for strategic decision-making aligns with RBV principles, offering organizations a pathway to enhance internal processes, cultivate a favorable external perception, and improve overall performance.

## **7. Limitations**

This quantitative study on the impact of Internal Service Quality (ISQ) on Organizational Performance (OP), with a focus on Corporate Image (CI) as a mediator, is subject to several limitations. The use of a purposive sampling method and the exclusive focus on the Railway Head Quarter in Lahore, Pakistan, may limit the generalizability of findings. While established measurement scales were employed, their reliability in the specific industry context may vary. Employee perceptions, being subjective, introduce potential biases. The cross-sectional design restricts causal inference, and the chosen measurement scales may not fully capture industry nuances. The application of PLS-SEM, while advantageous, may lack the stringency of covariance-based SEM. Caution is advised when generalizing findings to other industries or locations. The model may not encompass all external factors influencing organizational performance, and response bias in self-reported data could impact validity. Recognizing these limitations is crucial for a nuanced interpretation of results and guiding future research in this domain.

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