Internal market orientation leveraging firm performance via internal success

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Introduction

• This research is proposed to examine how IMO could be employed as a tool to facilitate better employer-employee relation from the internal market perspective.

• The research posits that IMO leads to high employee commitment, retention and better interdepartmental relationship, hence firm performance.

• The notion of internal customers and internal marketing which are derived from marketing has not received enough research attention in employee management.

• The pressing matter to include both individual and departmental level internal customers so as to retain high firm performance.
Theoretical Background

• External?

• Market transaction

• Internal?

• Social and economic exchange between individuals and groups (Homans, 1958; Blau, 1964; Lawler, 2001; Aryee, 2002; Zafirovski, 2003)
Internal Relationships

• Mintzberg (1979) classified internal and external partnerships. Internal partnerships are referred to as groups functioning within the organisation.

• Gronroos (1981) pointed out that ‘everyone’ has a customer within the organisation.

Who are internal customers?

• Front-line employees facing external customers?

• Every employee in the company?

• Employees receiving services or products from internal suppliers?
Why IMO

• Specific and clearly defined IMO provides management a checklist to follow.
• Lack of empirical support that examine IMO’s impact on employee commitment, employee retention and interdepartmental relationship and firm performance.
• Second-order construct of Internal Market Orientation
  – Internal information generation
  – Internal information communication
  – Responsiveness to information
Conceptual Framework

- **Internal information generation**
- **Internal information communication**
- **Responsiveness**

**Internal market orientation**

**Internal Success**
- Employee retention
- Employee commitment
- Departmental connectedness
- Departmental conflict

**Organisational Performance**
Research Methods

• Interviews, pre-test, and survey

• A survey questionnaire is employed to collect data from Chinese companies. 275 usable cases were collected.

• Three participants in each company were recruited to complete different parts of the survey. They are the HR personnel, Mid-manager and marketing manager.

• Overall, 825 respondents from 275 companies (48% service and 52% non-service).
# Results and Findings

Table: Estimation results of the Structural Model  
GFI=.906, CFI=.951, RMSEA=.053, $\chi^2$/DF=1.77

<table>
<thead>
<tr>
<th>Path</th>
<th>Hypotheses</th>
<th>Sign</th>
<th>Estimates</th>
<th>P-value</th>
<th>Supported?</th>
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<td>IMO$\to$ER</td>
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<td>.526</td>
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<td>IMO$\to$EC</td>
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<td>.028</td>
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</table>

***Regression is significant at 0.001 level ($p<0.001$)

**Regression is significant at 0.01 level ($p<0.01$)

*Regression is significant at 0.05 level ($p<0.05$)
Implications

• Findings suggest managers would be wise to understand the benefits that IMO can offer in terms of cultivating the internal environment.

• By focusing on the needs and wants of their internal customers, organisations can successfully plan and implement strategies to inspire their employees.

• We strongly recommend that organisations which operate with centrally planned and controlled mechanisms should look to eliminate such constraints.
Future Research Direction

• Examine the relationship between IMO and performance across cultures.
• Include cultural variables, in order to explore how these may also influence such internal relationships.
• Undertake longitudinal research designs to assess causality between constructs.
Thank You

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