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Internal market orientation leveraging firm performance via internal success

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Content of the presentation

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- Conceptual Development
- Research Methodology
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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.
- Heskett et al. (1994); Ballantyne (1995,1997, 2000); Dibb and Simkin (2000).

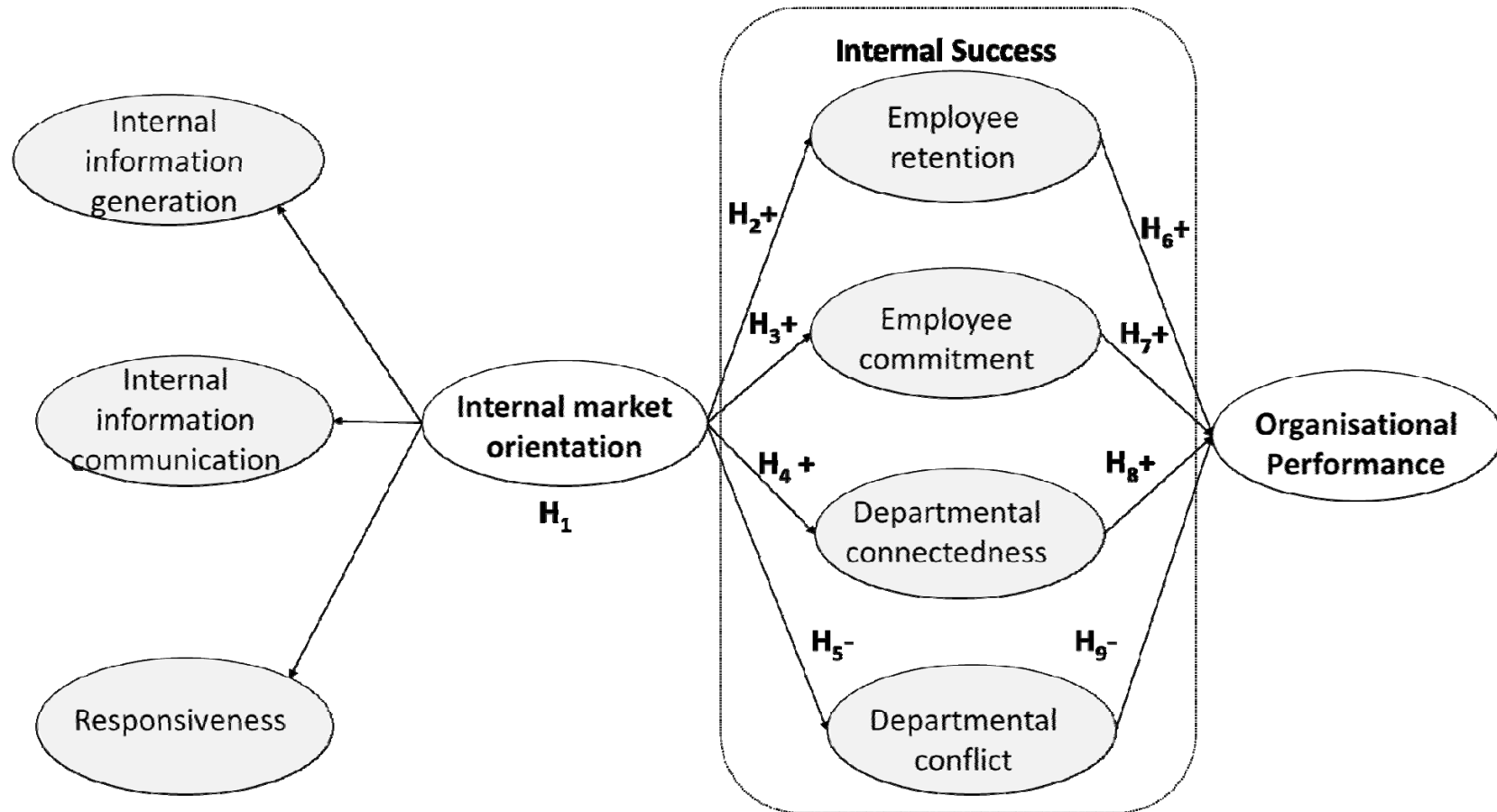
Who are internal customers?

- 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



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, $\chi^2/DF=1.77$

| Path | Hypotheses | Sign | Estimates | P-value | Supported? |
|-------------|-------------------|-------------|------------------|----------------|-------------------|
| IMO→ER | H ₂ | + | .526 | *** | Yes |
| IMO→EC | H ₃ | + | .492 | *** | Yes |
| IMO→DCD | H ₄ | + | .539 | *** | Yes |
| IMO→DCF | H ₅ | - | -.246 | *** | Yes |
| ER→PERF | H ₆ | + | .272 | n.s. | No |
| EC→PERF | H ₇ | + | .104 | ** | Yes |
| DCD→PERF | H ₈ | + | .077 | * | Yes |
| DCF→PERF | H ₉ | + | .028 | n.s. | No |

***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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