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# **MARKETING | RESEARCH ARTICLE**

# Improving employees' performance through internal marketing and organizational learning: Mediating role of organizational innovation in an emerging market

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Abstract: This study identifies a specific relationship between internal marketing and organizational learning as the key drivers of organizational innovation, which build employees performance in the context of the petroleum industry. A model of the antecedents of organizational innovation was examined in a survey conducted among managers and employed specialists working in the oil industry in Iran. Structural equation modelling via Smart PLS was employed to gain insight into the various influences and relationships. We empirically scrutinized relationships between these constructs by validating a conceptual model employing SEM. The results indicate that internal marketing and organizational learning are key drivers of organizational innovation, which they are build employees performance. As well as, the results clarify that it is possible to improve the level of employee performance even through the complementary partial mediating role of organizational innovation. Additionally, this study makes a managerial contribution to the



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Saheb Imani is a graduated of the master of Business Management degree. Saheb's research areas is Employee Branding, Islamic Work Ethic, Internal Marketing, Social Capital, Leadership styles, Organizational Citizenship Behaviors, and Corporate Social Responsibility.

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# **PUBLIC INTEREST STATEMENT**

Employee performance measurement has always been the focus of organizations managers. From this point of view, it is important to determine the antecedents of EP in the oil industry of Iran as the country's largest economic enterprise. EP determines activities and behaviours done by employees that are relevant to organizational goals and that are under the control of individual employees. EP indicates the financial or non-financial outcome of the employee that has a direct link with the performance of the organization and its success. In this study, EP determines with in-role performance as task performance and extra-role performance as contextual performance. This study contributes to developing a comprehensive understanding of the role that internal marketing practices and organizational learning play in organizational innovation in the Asian emerging markets such as petroleum active companies in Iran. Finally, we find that EP literature improves by providing new results in examining the effects of OI mediation in IM and OL relations with EP.









understanding of internal marketing, organizational learning and innovation on employee performance.

Subjects: Human Resource Management; Marketing Management; Petroleum & Oil Industries

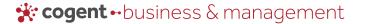
Keywords: complementary partial mediation; internal marketing; organizational learning; employee performance; organizational innovation; oil and gas industry; emerging markets; Iran

#### 1. Introduction

Undoubtedly, in emerging markets one of the reasons for society and or organization to flourish is improvement in the level of human resources (people) and their performance. This means that survival of activities in organizations and institutions depends on their employees' performance. Thus, in contemporary organizations, there is a significant investment in enhancing the level of employee performance. Accordingly, given the concerns existing in human resources and skilled personnel, employees' performance has received considerable attention in recent studies in the oil and gas sector (Nizam & Maqbool Shah, 2015; Radda et al., 2015; Saddam & Mansor, 2015; Siengthai & Pila-Ngarm, 2016; Uzochukwu et al., 2016).

Furthermore, in conditions of a competitive market, attention to satisfying, empowering, motivating, training, and development of internal stakeholders (i.e. employees) is an essential practice of internal marketing theory (Ahmed & Rafig, 2002; 2003; Akbari et al., 2017; Papasolomou & Vrontis, 2006; S.P. Gounaris, 2006; Sanchez-Hernandez & Grayson, 2012). However, in their quest for sustained success in a competitive environment, more and more companies are attempting to build deep, meaningful, more amicableness relationships with their internal stakeholders that can improve their performance encourage them to produce creative ideas. For example, whereas, the energy sector has a key and critical role to play in developing economy (Vikas & Bansal, 2019) like Iran as an emerging market, the employees' performance improvement in the oil and gas industry will have a snowball effect on other sectors of this industry. In the oil and gas sector, motivation has a positive impact on employee performance. In this regard, Nizam and Magbool Shah (2015) conclude that in the oil and gas sector, motivation has a positive impact on employee performance. So, this study recommends that the oil and gas sector companies should make a habit of motivating their employees. Also, Uzochukwu et al. (2016) suggested that the oil companies should embrace strategic employee resourcing to acquire and maintain high-quality employees that would enable them to improve on their performance. Moreover, although performance evaluation is at the heart of performance development (Cardy, 2004; Gruman & Saks, 2011), the performance of an individual or an organization depends heavily on all organizational practices, policies, and design features (Anitha, 2014). Therefore, internal marketing and organizational learning are two of the critical antecedents fostering high levels of organizational innovation, and employee performance is one of the consequences of organizational innovation, as has been shown frequently in a number of studies (Prakash & Gupta, 2008; Simon & Yaya, 2012; Yu & Barnes, 2010).

In the past few decades, in the literature of marketing (Frambach et al., 1998; Jayaram et al., 2014; Meroño-Cerdán & López-Nicolás, 2017; Ryoo, 2017) and management (Camisón et al., 2017; Frambach & Schillewaert, 2002; García-Morales et al., 2006; Walker, 2014), practitioners, managerial actions, supplier marketing activity, and organizations have been shown to have made tremendous strides in the fields of types of innovation and organizational innovation in the Asian emerging markets such as Petrochemical sector as an sub-departmental of oil and gas industry in Iran. However, there is still limited understanding of the antecedents and consequences of organizational innovation (Ganter & Hecker, 2013; Popa et al., 2017; Saddam & Mansor, 2015). No previous research (to the best of the authors' knowledge) has investigated the effect of organizational innovation on internal customer performance of this sector. Hence, what are the



impacts of specific antecedents of organizational innovation and can they explain variations in employee performance? There is no precise information on how organizational innovation influences employees' performance. What are the factors that influence organizational innovation favourability? What are the main ways that organizational innovation favourability influences employee performance? Why and under what conditions will employees' performance improve, so they become champions of their company?

This paper contributes to the growing research to develop and test a theoretical framework and operational model to assess the organizational antecedents of organizational innovation and its role in employees' performance; it identifies these nexuses why and under what conditions will employees' performance improve so that they become champions of their company. Moreover, it draws on social exchange theory (SET) (Mensah, 2015; Popa et al., 2017), ability, motivation and opportunity (AMO) theory (Mensah, 2015), and resource-based view (RBV) (Andrews, 1971; Penrose, 1959) to provide a coherent, comprehensive articulation of the conditions in which employees can achieve the best performance with the sense of belonging to their company.

Therefore, this study contributes to developing a comprehensive understanding of the role that internal marketing practices and organizational learning play in organizational innovation in the Asian emerging markets such as petroleum active companies in Iran. The oil and gas production company plays a most importance role in the country's economy (Vikas & Bansal, 2019). The oil and gas industry due to its nature in extraction due to its nature in extraction, production, and supply oil derivatives has a significant share to export to the such emerging petroleum markets.

Hence, given the importance of the above-mentioned issues, in today's emerging markets namely oil and gas sector, there is much need for applying new human resources' development perspectives. In addition, the oil industry in Iran as an emerging market is increasingly tending to use up-to-date technologies in the world to increase quality production in oil derivatives. This means that old instruments and labour forces in the industrial oil countries are not succeeding and the industry requires specialist forces who have knowledge as well as high technological and scientific creativity. Therefore, the oil industry in Iran is of paramount importance in the development process of the country, the managers are required to coordinate the status quo through creating strategies and techniques to improve employees' performance.

On the other hand, the industry has to meet the various needs of customers and also be able to play a crucial role in exportation and currency exchange, as well as supplying the domestic needs. In this regard, the necessity for recognizing and encouraging creative and innovative employees in the oil industry of Iran as an emerging market is essential because this sector has always sought for innovative methods in order to respond appropriately to the fast changes that occur in the current market through reducing waste, price and increasing quality. Accordingly, attention should be paid to the organization's employees and the obstacles to innovation and high-quality performance by using strategic issues such as internal marketing and organizational-learning. Therefore, by utilizing the determined antecedents and consequences of organizational innovation, this study examines "organizational innovation" as a mediator for the internal marketing and organizational learning links with employee performance, and its role in adopting a novel strategy for promoting organizational innovation, which will ultimately lead to employees' performance improvements.

The following section reviews the previous literature in internal marketing, employee-performance, organizational-learning, and organizational innovation. Next, we develop and explain the hypotheses for the nexus between the above-mentioned constructs. Then, we illustrate the methodology and the following section presents and discusses the results of the analyses. Finally, the theoretical and managerial implications and proposals for future research directions are explained.



#### 2. Background and hypotheses development

#### 2.1. Internal-marketing

The concept of internal marketing was first derived from the work of Sasser and Arbeit (1976) who stated: "the personnel is the first market of a service company" (Kimura, 2017, p. 15). That is, in the marketing literature, the focus on employees as internal customers is called "internal-marketing" (Kanyurhi & Akonkwa, 2016). Pantouvakis (2012) defines internal marketing as using "a marketing perspective for managing an organization's human resources" (p. 179). Hence, in order to have high-quality services, employees should be motivated, which requires that internal marketing should be prior to external marketing (Piha & Avlonitis, 2018; To et al., 2015), because internal marketing is essential in a company as it depicts a win-win cooperation between employees and company (Matanda & Ndubisi, 2013).

Therefore, based on social exchange theory (SET), commitment-based human resources and internal marketing practices may create a favourable social climate that encourages employees. SET could acts in line with the firm's objectives by being enablers of a favourable social environment for innovation (Ahmed & Rafiq, 2003). However, open communication, decentralization and high job autonomy are core factors in fostering innovativeness (Prakash & Gupta, 2008). Previous studies (Ahmed & Rafiq, 2003; Narteh & Odoom, 2015) believe that relationships could play a critical role in the process of creating and strengthening organizational innovation. According to McLean (2005), the relationship channels are increased (internal marketing focuses on strengthening relationships) or weakened when there is a critical factor for encouraging and supporting or impeding creativity and innovation in organizations. Moreover, since horizontal and vertical relation channels provide access to information and opportunities for expressing opinions, having open relations quickly leads to new knowledge and innovative idea transfer (Jiang & Liu, 2015), which leads to innovation enhancement at the organizational level. In this vein, "inter-departmental connectedness is expected to be important for innovation climate" (Popa et al., 2017, p. 3). Also, Çakar and Ertürk (2010) and Popa et al. (2017) provide empirical evidence for the positive effect of employee empowerment and centralization of decision-making on innovation capability of companies. Likewise, McLean's (2005) emphasis on the role of supervisor in creating a place that encourages risk-taking could help employees to creature innovative ideas in organizations. With regard to the degree of employees' training, appropriate training aimed at enhancing their skills and knowledge is critical for facilitating organizational innovation (Farouk et al., 2016; Wilkins, 2002). Therefore, the following hypothesis is formulated,

**Hypothesis 1**: Internal marketing which depends on training and development, empowerment, communication, and motivation and reward has a significant effect on organizational innovation.

Performance theory has defined development as the systematic application of tools and processes aimed at optimizing human performance in an organization (Buchner, 2007), which are the tools of internal marketing. Internal relationships, functions and interactions are "critical for enhancing positive perceptions of employees and motivating them to implement corporate programs effectively and profitably" (Biedenbach & Manzhynski, 2016, p. 3). Similarly, the SET describes an exchange relationship between an organization and its employees (Takeuchi et al., 2007), where recruitment, development and retention of talented employees reflect an investment in employees who then feel obligated to reciprocate with beneficial attitudes and behaviours of motivation, satisfaction, commitment and engagement in their jobs (Huang et al., 2011; Mensah, 2015). Based on AMO theory (which states that an employee's performance is a function of ability, motivation and opportunity to participate) (Bailey et al., 2001), internal marketing can help to achieve this (effective participation in the organization) through empowering of employees and their motivation and reward. Thus, internal marketing is recognized as a strategy for implementing an organization's plans.



Focusing on internal marketing aspects is required in order to achieve employee performance and satisfaction (Gounaris et al., 2010; Magatef & Momani, 2016) and employee marketing (Lings & Greenley, 2010). Satisfaction is increased among departments through internal marketing efforts and which has a higher level of efficiency in the internal supply chain, and which leads to departmental integration and conflict reduction (Yu & Barnes, 2010). Compensation and rewarding systems influence an employee's job performance. Not only monetary rewards but an employer's appraisal rewards are also needed for better job performance by an employee (Imran et al., 2014). Increasing the level of relationships in the organization could be another criterion leading to a higher level of commitment and subsequently higher performance. Therefore, to improve job performance, companies strengthen their relationship channels (Gerstner & Day, 1997; Howell & Hall-Merenda, 1999; Khan et al., 2010).

**Hypothesis 2**: Internal marketing which depends on training and development, empowerment, communication, and motivation and reward has a significant effect on employee performance.

# 2.2. Organizational learning, organizational innovation, and employee performance

Based on literature development, many studies found the positive nexus between organizational learning and organizational innovation; organizational learning orientation, leadership style and personal characteristics are a foundation for the establishment of a culture of innovation (Aragón-Correa et al., 2007; García-Morales et al., 2012; Hsiao & Chang, 2011; Tushman & Nadler, 1986). Organizational learning could increase the capacity of innovation in an organization in the sense that organizational learning enhances new ideas and knowledge (Dishman & Pearson, 2003), supports creativity (Sanchez & Mahoney, 1996), and increases understanding and its application (Damanpour, 1991). Based on the Schein's (1992) theory implies that in an organization with a "learning culture", employees must participate in decision-making activities and exert some control over their careers and development (Thompson & Kahnweiler, 2002). Employees can express their creative thoughts and ideas without fear, which could lead to administrative innovation. From this perspective, innovation is one of the individual and organizational consequences of organizational learning (Stata, 1989) and is "the only sustainable source of competitive advantage in the knowledge-based industries" (Liao et al., 2017, p. 10) such as oil and gas sector as an emerging market. Therefore, according to the arguments mentioned earlier, the hypothesis is as follows:

**Hypothesis 3**: Organizational learning which depends upon knowledge acquisition, information distribution, information interpretation, and organizational memory has a significant effect on organizational innovation.

On the other hand, according to Schein's (1992) theory, organizational learning is a process including behaviour, individuals, and organization change in the sense that it will be possible to respond quickly to environmental changes by improving individuals' and organizations' behaviour and potential. Also, organizational learning could cognitively and behaviourally be considered as a predictor for performance in groups and individuals (Andreou et al., 2016; Yang et al., 2004). Therefore, since organizations adapt ordinary trends and knowledge with their activities in their culture by applying organizational-learning, they could increase organizational efficiency by improving the application of broad skills in their labour forces (Wijnhoven, 1996).

Furthermore, companies in a dynamic environment can, by looking at new ideas and new knowledge, increase the effect of organizational learning on performance. Learning is essential for individual growth; learning is a dynamic concept that changes gradually from individual learning to organizational learning (Ouksel & Vyhmeister, 2000). Hence, the effect of learning enhances the level of employees' awareness, knowledge and skills and subsequently leads to the organizational level. Thus, learning plays a significant role in the contemporary organization (Marquardt, 2002) in



the sense that it will be a result of enhancing employees' professional qualifications (Chaston et al., 2001). Therefore, the following hypothesis is proposed:

**Hypothesis 4**: Organizational learning which depends upon knowledge acquisition, information distribution, information interpretation, and organizational memory has a significant effect on employee performance.

# 2.3. Organizational innovation and employee-performance

According to the resource-based view (RBV), open innovation permits firms to explore outside knowledge and to exploit existing "internal resources" to gain competitive advantages (Drechsler & Natter, 2012). One of these resources is "human capital" which includes the training, experience, judgment, intelligence, relationships and insights of individual managers and workers (Barney, 1991) in an organization. Accordingly, innovation can provide new values for its members (Rowley et al., 2011). Organization customers could be divided into two categories of internal (employees) and external customers. Hence, innovation positively affects customer satisfaction (Moon & Choi, 2014; Simon & Yaya, 2012; Tsai, 2013).

On the other hand, since internal marketing is referred to as an instrument for human resource development (Tsai, 2014) which tries to identify and meet the needs and wants of internal customers, human resource development could increase tolerance against potential failures in the innovation process through supporting creativity and innovation (González Mieres et al., 2012). Furthermore, one of the methods for developing an organizational innovation is to have skilled human resources that contribute to the self-efficiency of employees. Therefore, perceived self-efficiency is a critical factor in success and in the critical skills for performance (Han, 2010). Thus, given the potentials of human resources, employees can be an essential factor in ensuring the organization's success in moving toward innovation to a large extent (Steiglitz & Heine, 2007). It means that if the atmosphere in the organization is such that the employee can comfortably express their ideas, views and opinions (that is, the level of innovation in the organization be high), In this case, the level of innovation and creativity of the employee in the organization will be increase, and in turn the performance of employee will be increase. Thus, the following hypothesis is formulated,

**Hypothesis 5**: Organizational innovation which depends on productive innovation, process innovation and administrative innovation has a significant effect on employee performance.

# 2.3.1. Mediating effects

Organization effort in the context of human resources is supported by internal marketing which helps its implementation and causes an increase in the quality of services and the success of innovation (Akroush et al., 2013; Kang et al., 2002) and to improve employees performance. Similarly, internal marketing is a significant factor to increase employees' participation in new service development, within-group relationships and flexibility (González Mieres et al., 2012). In a similar vein, by successfully implementing internal-marketing, organizations could pave the way for creating innovation and creativity in their employees and as well as improves their task performance and contextual performance (Thomson & Hecker, 2001). Similarly, González Mieres et al. (2012) maintain that using productive, process, and administrative innovation in an organization affects employees' behaviour and involves them in the innovation process and business growth. This means helping to improve employee performance. In the other words, if organization managers create a climate inside the organization in which employees could express their creative ideas without fear and calmly, one could witness an increase in task performance, organization performance and even the absorptive capacity, knowledge sharing and creativity at individual and organizational level through which the prerequisites for organizational innovation and employees' job satisfaction will be provided.



On the other hand, a company with strong organizational learning, it will achieve excellent and useful knowledge from the surrounding environment if it learns correctly (Lyles, 2014). In this regard, theories about organizational learning argue that it could improve the conditions inside the organizations (Liu, 2010) and improve employees' performance. Likewise, organisational learning includes knowledge acquisition, distribution, interpretation, and memory (Damanpour & Gopalakrishnan, 2001) influence on organisational innovation. Additionally, since organizational learning could improve common values and behaviours in an organization (Liu, 2010), this could subsequently lead to employee task and contextual performance (Islam et al., 2014; Kurland & Hasson-Gilad, 2015). Thus, having an organizational learning could help the dynamic process creating knowledge, transferring and apply the existing knowledge (Lyles, 2014). It could also improve the level of performance among employees (Dekoulou & Trivellas, 2015; Kanten et al., 2015). Based on these arguments, we propose

**Hypothesis 6**: Organizational innovation mediates the nexus between internal marketing and employee performance.

**Hypothesis 7**: Organizational innovation mediates the nexus between organizational learning and employee performance.

#### 3. Data collection

#### 3.1. Sampling and procedures

The sample was drawn from managers and employed specialists working in 24 sub-branch administrations of an oil and gas Iranian company who were invited to participate in this research. To gauge internal stakeholder perceptions of the impact of the internal marketing and organizational learning on employee performance with emphasis on the mediation role of organizational innovation in the company, 235 questionnaires were distributed. The surveys were sent using a convenience, stratified random sampling technique (Wright et al., 2007) based on employing participants who are easily accessible to achieve a response from every contact made (Denscombe, 2014) over a five-week period. 110 usable completed questionnaires were received, sufficient to satisfy the required ratio of at least five observations per estimated parameter for structural equation modelling (Hair et al., 2016). Table 1 illustrates the respondent characteristics in more detail.

#### 3.2. Measurement

The study employed all measurement items for the questionnaire from those that were previously proven to be statistically sound (Hair et al., 2016). The survey contains four sections, (1) demographics, (2) internal-marketing, (3) organizational-learning, (4) organizational innovation, and (5) employee performance (See Tables 1 and 2). The study measured all responses using a five-point Likert-type scale, ranging from 1 = strongly disagree to 5 = strongly agree. The domain of the constructs in extant literature is illustrated in Table 2.

#### 3.3. Common-method-bias

Based on the recommendations of previous studies, we employed Harman's one-factor test to examine common-method bias (Podsakoff et al., 2003; Podsakoff & Organ, 1986). We considered items from all constructs in a factor analysis to determine whether the majority of the variance could be accounted for by one general factor. Chuang et al. (2016) noted that if all indicators are loaded on one factor that accounts for more than 50 percent of the variance, common-method-bias is of concern. The results of the principal component factor analysis revealed that one factor accounted for 21.06% of the variance, which did not account for a majority of the variance (Podsakoff et al., 2003), indicating that common-method-bias did not present a significant threat in the data.

Table 1. Demographic profile of	respondents (N = 110)	
	# of Responses	Percentage
Gender		
Male	110	100%
Female	0	0%
Education		
Undergraduate	68	61.8%
Postgraduate	42	38.2%
Age		
<30 years	33	30%
≥30 years but <40 years	45	41%
≥40 years	32	29%
Working experience in the field		
<5 years	33	30%
≥5 years but <10 years	22	20%
≥10 years but ≤15 years	13	11.8%
>15 years	42	38.2%

#### 4. Data analysis and results

According to the process developed by Anderson and Gerbing (1988), the conceptual research framework was tested by employing a two-stage approach. The first stage includes measuring measurement model, structural model, and total model. In the second stage, blindfolding procedures were used to determine and assess the accuracy of the tested hypotheses by using Smart PLS and  $Q^2$ .

#### 4.1. Measurement model assessment

First, the measurement model was tested for convergent validity, which was assessed through factor loadings, CR and AVE (Hair et al., 2016). Table 2 shows that all item loadings exceeded the recommended value of 0.4 and satisfied the reliability requirements (Hulland, 1999). All scales display values in accordance with the proposed thresholds (0.5 for AVE and 0.7 for CR) recommended values (Bagozzi et al., 1991) although some scholars suggest 0.4 as the standard value for AVE (Nunnally & Bernstein, 1994). Also, according to Fornell and Larcker (1981), the results indicating the measure has adequate discriminant validity (Table 3).

#### 4.2. Structural model assessment

In this section, the coefficient of determination ( $R^2$ ), path coefficient and its significance and technique ( $Q^2$ ) as a criterion for predictive relevance were used for testing the structural model (Henseler et al., 2009). The values for the criterion are reported for endogenous variables of the model (Hulland, 1999).  $R^2$  coefficients suggest that the structural model exhibits adequate explanatory power. Also,  $Q^2$  values larger than zero suggest that the model has predictive relevance for a certain endogenous construct. (See Table 4).

#### 4.3. Total model assessment

For a total test of the model, Wetzels et al. (2009) suggest the following cut-off values for assessing the results of the goodness-of-fit (GoF) analysis:  $GoF_{small} = 0.1$ ;  $GoF_{medium} = 0.25$ ; and  $GoF_{large} = 0.36$  (Equation 1).

Equation 1: 
$$GoF = \sqrt{R^2 \times AVE} = \sqrt{0.885 \times 0.7125} = 0.79$$
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Table 2. Cons	Table 2. Constructs and scale items, descriptive statistics, factor loadings, and reliabilities	istics, factor lo	adings, and re	eliabilities				
Constructs	Items	Fac. loading	Mean	Std. Dev	AVE	CR	Alpha	Reference
Internal-Marketing	eting				0.688	0.858		
Training and					0.58	0.80	0.75	
Development	In this company, training is closely related to the individual needs of each employee.	0.722	3.354	0.886				Ahmed and Rafiq (2003); Al-Hawary
	A newly hired employee will have to find his answers to the requirements of the job.	0.661	3.700	0.924				T et al. (2013); Gounaris (2008b)
	Before the implementation of a significant change in service rules we always get considerable training regarding its impact on our daily activities and job description.	0.763	3.518	0.819				
	If one is moved from one department to another, the new supervisor will personally train him/her for a pre-specified period.	0.794	3.645	0.875				
	In this company, they set aside adequate resources to train employees.	0.682	3.200	0.808				
Empowerment					0.53	0.85	0.73	
	My supervisor allows me to use my judgment in solving problems.	0.643	3.518	0.983				Al-Hawary et al. (2013); Gounaris
	My supervisor encourages me to take initiatives.	0.847	3.573	1.120				(2008a); Gounaris (2008b)
	My supervisor trusts me to exercise good judgment.	0.784	3.636	0.864				
Motivation and Reward					0.58	78.0	0.63	
	When I do something extraordinary, I know that I will receive some financial bonus/reward.	0.586	3.045	1.136				Al-Hawary et al. (2013); Gounaris (2008a)
	My income and the annual increases are very closely tied to my qualifications and my performance.	0.701	2.973	1.215				

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Table 2. (Continued)	ntinued)							
Constructs	Items	Fac. loading	Mean	Std. Dev	AVE	CR	Alpha	Reference
	Everyone gets an annual bonus regardless of their performance.	0.864	2.927	1.201				
	My income and the annual increases are much related to those of people with similar qualifications working in this or any similar industry.	0.868	3.136	1.121				
Communi cation					0.51	0.81	0.70	
	Before any policy change, my supervisor informs me face-to face in advance.	0.719	3.200	0.896				Al-Hawary et al. (2013); Gounaris
	Supervisors are sincerely interested in listening to what subordinates have to say about their jobs, the problems they have and the solutions that subordinates suggest.	0.768	3.109	1.128				(2008a)
	If an employee has a particular personal problem that influences negatively his/her work performance, (s)he is encouraged to discuss it with his/her supervisor.	0.692	3.100	1.409				
	Supervisors in this company are never too busy if one of their subordinates wishes to meet personally.	0.673	2.954	1.120				
	Before any policy change, my supervisor informs me face-to face in advance.	0.719	3.200	968'0				
Organizational learning	l learning				777.0	0.915		
Knowledge					0.52	0.83	0.75	
Acquisition	Cooperation agreements are fomented with other companies, universities, technical colleges, etc.	0.815	2.864	0.903				Huber (1991); Jimenez et al. (2008); Pérez López et al. (2004)
	The company is in touch with professional expert technicians.	0.424	3.345	0.795				
	There is a consolidated and resourceful R&D policy.	0.818	2.982	0.801				

lable 2. (Continued)	ntinued)							
Constructs	Items	Fac. loading	Mean	Std. Dev	AVE	CR	Alpha	Reference
	Organizational systems and procedures support innovation.	0.855	2.918	1.059				
	The organization encourages its employees to join formal or informal networks made up by people from outside the organization.	0.587	2.182	1.042				
Information					0.51	0.81	0.73	
Distribution	All members are informed about the aims of the company.	0.684	2.855	0.975				Huber (1991); Jimenez et al. (2008); Pérez
	The company has formal mechanisms to guarantee the sharing of the best practices among the different fields of the activity.	0.631	2.864	0.933				López et al. (2004)
	There are within the organization individuals who take part in several teams or divisions and who also act as links between them.	0.808	2.682	996.0				
	There are individuals responsible for collecting, assembling and distributing employees' suggestions internally.	0.728	2.691	1.089				
Information					0.45	08.0	69'0	
Interpretation	All the members of the organization share the same aim to which they feel committed.	0.698	3.091	1.054				Jimenez et al. (2008); Pérez López et al. (2004); Huber (1991)
	Employees share knowledge and experience by talking to each order.	092.0	3.236	0.987				
	The company develops internal rotation programs to facilitate the shift of the employees from one department or function to another.	0.654	2.645	0.885				

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Table 2. (Continued)	tinued)							
Constructs	Items	Fac. loading	Mean	Std. Dev	AVE	CR	Alpha	Reference
	The company offers other opportunities to learn (visits to another part of the organization, internal training programs, etc.) to make individuals aware of other people or departments' duties.	0.662	3.082	1.106				
	Teamwork is a very common practice in the company.	0.558	3.073	1.018				
Organizational					0.57	0.84	0.73	
Метогу	The company has directories or e-mails filed according to the field they belong to, to find an expert on a concrete issue at any time.	0.723	3.073	1.106				Huber (1991); Jimenez et al. (2008); Pérez López et al. (2004)
	The company has up-to-date databases of its clients.	0.847	2.991	1.018				
	Databases are always kept up-to-date.	0.890	3.000	1.100				
	There is access to the organization's databases and documents through some networks (intranet, etc.).	0.499	3.182	1.126				
Organizational innovation	innovation				0.574	0.700		
Product					1	1	09.0	
Innovation	In this organization, employees are trained to be innovative.	1	2.891	0.951				Jimenez et al. (2008); Manu (1992)
Process					0.93	0.87	09.0	
ınnovatıon	Pioneer disposition to introduce new management systems.	0.931	2.855	0.984				Jimenez et al. (2008); Manu (1992)
	This organization always uses new and novel management systems (such as absorption systems, recruitment, and further appraisal systems) to manage their work better.	0.931	2.691	1.029				

Table 2. (Continued)	tinued)							
Constructs	Items	Fac. loading	Mean	Std. Dev	AVE	CR	Alpha	Reference
Administrative					Ι	1	0.71	
innovation	This organization employs new technologies sooner than other similar companies.	1	2.691	1.002				Jimenez et al. (2008); Manu (1992)
Employee-performance	ormance				0.821	0.882		
Task					65.0	0.85	0.74	
Performance	Determine the level (amount) of work ethics yourself.	0.641	3.882	0.659				Byrne et al. (2005); Conway (1999);
	Determine the level (amount) of your desire to learn.	0.646	4.073	0.809				Siengthai and Pila- Ngarm (2016)
	Determine the level (amount) of effectiveness on your own.	0.519	3.854	0.688				
	Determine the level (amount) of leadership on your own.	0.731	3.818	0.693				
	Determine the degree of your willingness to follow policies and procedures.	0.781	3.864	0.806				
	Determine the amount of your growth during the experimental/educational period.	0.824	3.918	0.592				
Contextual					84.0	0.92	0.77	
Performance	Determine the level of coping with the problems of others on my own.	0.819	3.536	608.				Byrne et al. (2005); Conway (1999);
	Determine the level of self-awareness my own.	0.884	3.591	.838				Mensan (2015)
	Determine the extent of your failure to complete your work.	0.819	2.755	1.050				
	Specify the extent of your own pioneer/initiative.	0.884	3.682	.800				
	Determine the extent of your commitment.	609.0	4.127	.825				
	Determined the extent of effort in your job.	0.455	4.173	.715				
	Determine the extent of your motivation.	0.584	3.945	.822				
	Determine the effectiveness of interpersonal relationships in your own.	0.716	4.064	.594				

Table 3. Discriminant validity analysis	ysis												
	1	2	m	4	2	9	7	<b>∞</b>	6	10	11	12	13
1. Motivation & reward	0.76												
2. Empowerment	0.39	0.73											
3. Communication	0.45	97:0	0.71										
4. Training & development	0.18	0.24	0.56	0.76									
5. Knowledge acquisition	0.33	0.32	0.32	0.24	0.72								
6. Information distribution	0.27	0.27	0.28	0.07	69.0	0.71							
7. Information interpretation	0.49	0.42	0.47	0.31	0.69	95.0	0.67						
8. Organizational memory	0.26	0.27	0.27	0.18	0.63	0.51	0.56	0.75					
9. Productive innovation	0.14	0.28	60.0	0.10	95.0	0.57	0.40	0.27	1				
9. Administrative innovation	0.14	0.39	0.30	0.26	0.52	0.39	0.48	0.42	0.43	0.96			
11. Process innovation	0.26	0.22	0.21	0.05	0.54	0.34	0.59	0.44	0.28	0.58	1		
12. Task performance	0.04	0.19	0.26	0.23	0.28	0.29	0.34	0.30	0.08	0.17	0.23	0.70	
13. Contextual performance	0.24	0.33	0.38	0.22	0.23	0.18	0.35	0.16	90.0	0.16	0.22	0.63	69.0
Bold diagonal entries are square root of AVEs.	Es.												



Table 4. Effects o	f endogenous varia	bles and criteria	of Q2	
Endogenous varia	bles	R <sup>2</sup>	Direct effect (β)	1-SSE/SSO (Q <sup>2</sup> )
Organizational innove	ation	0.78	-	0.179
H <sub>3</sub>	OL → OI	-	0.42	-
H <sub>4</sub>	OL → EP	-	0.22	-
Employee performan	ce	0.99	-	0.214
H <sub>1</sub>	IM → OI	-	0.48	-
H <sub>2</sub>	IM → EP	-	0.66	-
H <sub>5</sub>	OI → EP	-	0.14	-

Table 5. Structur	al equation modelli	ing results		
Standardized reg	ression paths	Path coefficient (6)	T-value	Hypothesis
Direct effects				
H <sub>1</sub>	IM → OI	0.48	2.347	Supported
H <sub>2</sub>	IM → EP	0.66	11.121	Supported
H <sub>3</sub>	OL → OI	0.42	2.066	Supported
H <sub>4</sub>	OL → EP	0.22	4.416	Supported
H <sub>5</sub>	OI → EP	0.14	6.475	Supported
Indirect effects				
H <sub>6</sub>	IM → OI → EP	0.0672	3.95	Supported
H <sub>7</sub>	OL → OI → EP	0.0588	3.92	Supported
Total effects	IM → EP	0.66 + 0.067 = 0.73	-	-
	OL → EP	0.22 + 0.059 = 0.28	-	-

# 4.3.1. Testing hypotheses

Based on the structural model, the results show that the model provides a strong test of the hypothesized associations among the constructs of interest: all seven of the seven hypotheses were supported (Table 5).

4.3.1.1. Testing mediation effects. To determine the indirect effect strength (portion) by mediation variable, Variance Accounted For (VAF) is used (Iacobucci & Duhachek, 2003) taking the values between 0 and 1 (Equations 2 and 3).

Equation 2 (IM 
$$\rightarrow$$
 OI  $\rightarrow$  EP): VAF1 =  $\frac{0.48 \times 0.14}{(0.48 \times 0.14) + 0.66} = 9.24\%$  (2)

Equation 3 (OL 
$$\rightarrow$$
 OI  $\rightarrow$  EP) : VAF2 =  $\frac{0.42 \times 0.14}{(0.42 \times 0.14) + 0.22} = 21\%$  (3)

This means that 9.2% of the overall indirect effect of internal marketing on employee performance is defined by organizational innovation (Equation 2), and also 21% of the overall indirect effect of organizational learning on employee performance is determined by organizational innovation (Equation 3), which confirms the role of mediation in organizational innovation with regard to the nexus between main independent and dependent variables.

Table 6. Mediating effects of organizational innovation				
Path	a × b	С	c′	Remarks
IM <b>→ OI →</b> EP*	$a_1 \times b_1 = 0.0672$	c <sub>1</sub> = 0.73	c' <sub>1</sub> = 0.66	Complementary partial mediation
OL <b>→ OI →</b> EP**	$a_2 \times b_1 = 0.0588$	c <sub>2</sub> = 0.28	c' <sub>2</sub> = 0.22	Complementary partial mediation

 $*a_1 \times b_1 \times c_1' = 0.044$  (+);  $**a_2 \times b_1 \times c_2' = 0.013$  (+).

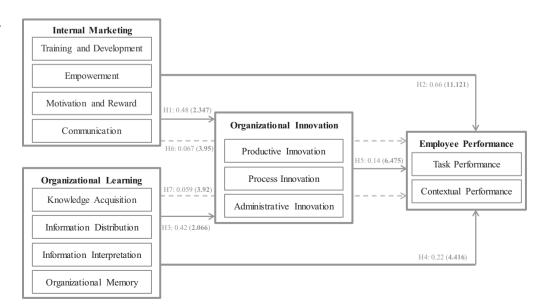
Finally, in order to determine how the organizational innovation variable plays the role of mediation (partial/complete) regarding the nexus between main dependent and independent variables, researchers follow the steps of Nitzl et al. (2016) (Table 6).

Table 6 shows that in the *first* step, the indirect effect (i.e.  $a \times b$ ) is tested for significance. Both the effect of internal marketing on employee performance (i.e.  $c'_1$ ), and indirect effect (i.e.  $a_1 \times b_1$ ) are significant, so partial mediation occurs. Likewise, both the effect of organizational learning on employee performance (i.e.  $c'_2$ ), and indirect effect (i.e.  $a_2 \times b_1$ ) are significant, so partial mediation occurs. Step *two* involves defining the type of effect and/or mediation. Since, in both paths mentioned above, the values  $a \times b$  and c' are *significant*, and also the values of  $a \times b \times c'$  are *positive*, we can conclude that *complementary partial mediation* has taken place. This suggests that organizational innovation plays the role of *complementary partial mediation* between independent and dependent variables (Figure 1).

#### 5. Discussion

Drawing on the above-mentioned theories, this study sheds light on the antecedents of organizational innovation and its consequences on employees' performance in an emerging market. Internal marketing and organizational learning have a positive influence on organizational innovation, with internal marketing and its components having a stronger effect than organizational learning and its components. As a general goal, the present research sought to answer the question regarding how applying the components of internal marketing and organizational learning in sub-departments of the company and among their managers and specialists could cause improvement in employees' performance. Moreover, does organizational innovation play the role of mediation in these relations?

Figure 1. The validated model.





According to the findings, concerning the measurement model for internal marketing of the study, it was determined that all of the selective indices for testing internal marketing were precise and adapted to the theoretical underpinnings of the research. The results showed that the most critical indices shaping internal marketing include empowerment, training, motivation and communication, and the results of this section follow those of Al-Hawary et al. (2013), Ahmed and Rafiq (2003), and Akroush et al. (2013). Moreover, the findings concerning the organizational learning measurement model show the organizational innovation and employees' performance which suggest that there was the required precision for testing the separate dimensions and independent variables. The results from the SEM support all the hypotheses, indicating the significant effects of internal-marketing, interaction with organizational innovation that previous studies (Ahmed & Rafiq, 2003; Çakar & Ertürk, 2010; Fang et al., 2014; Farouk et al., 2016) have corroborated. This finding conforms with Prakash and Gupta (2008), that open communication, decentralization, and high job autonomy are core factors in fostering innovativeness.

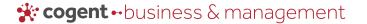
The researchers noted that internal marketing and organizational innovation jointly had a more remarkable effect on employees' performance, but the effect intensity of organizational learning and organizational innovation jointly (21%) is greater than the effect intensity of internal marketing and organizational innovation jointly on employees' performance (9.2%). Also, the results show that the direct and total effects of internal marketing in the proposed model are more remarkable. This means that the implementation of internal marketing components can play a decisive role in improving employees' performance in the studied community. This result corresponds with Biedenbach and Manzhynski (2016) finding that internal relationships, functions, and interactions act as motivators for employees to implement corporate programs in an effective and profitable manner. Furthermore, this study examined whether organizational learning has a positive effect on organizational innovation and our results are consistent with previous study results (Aragón-Correa et al., 2007; Calantone et al., 2002; Jimenez & Valle, 2011).

As for the fourth hypothesis, our findings demonstrate a significant relationship between organizational learning and employees' performance. This finding conforms to Chaston et al. (2001), and it will result in many positive consequences such as enhancing employees' professional qualifications. Therefore, it is likely that organizational learning contributes to sustaining and elevating the knowledge of employees who pursue the optimal and up-to-date elements of their work knowledge. Moreover, this finding is consistent with previous research in multiple organizations by Yang et al. (2004) study, which demonstrated a positive relation between the dimensions of learning organization and improvement in performance outcomes at group, individual and structural level, such as encouraging collaboration and team learning, empowering employees toward a collective vision in people.

The results clarify the mediation role of organizational innovation. According to the results shown in Table 6, organizational innovation has a complementary partial mediating effect on the relationship between internal marketing and organizational learning with employees' performance. This shows that the enhancement of organizational innovation can rely on internal marketing and organizational-learning. As well, the results enhance our understanding of the role of organizational innovation and show how it can improve employees' performance. This result is consistent with previous studies identifying organizational innovation as the primary variable in relation to performance research (González Mieres et al., 2012; Liao et al., 2017; Rowley et al., 2011).

#### 6. Conclusion

The significant contribution of this paper is to address gaps in prior research concerning (1) what are the factors that influence organizational innovation favourability? (2) what are the main influences of organizational innovation favourability on employees' performance?, and (3) why and under what conditions will employees' performance improve, becoming champions of their company? The results of this study propose a positive response to these questions. According to



SET and AMO theory which states that an employee's performance is a function of ability, motivation and opportunity to participate, and as well as may create a favourable social climate that encourages employees to act in line with the firm's objectives by being enablers of a favourable social environment for innovation, internal marketing and organizational learning appear to be favourable constructs for improved innovation at both individual and organizational levels that can lead to creative ideas from the employees that finally lead to improving employees' performance. Also, the results of our study empirically show the antecedents and consequences of organizational innovation in the Iranian oil sector as an emerging market. The antecedents of organizational innovation vary concerning influence. The hypothesized relationships between constructs were all supported.

# 6.1. Implications for managerial practice

This study provides important implications for research and management. Theoretical concepts of our findings are grouped into two categories. First, in previous studies, the emphasis was mainly placed upon the effects of organizational innovation and organizational learning on organizational performance. In this paper, the attention was given to employee performance. We claimed that organizational innovation, internal-marketing, and organizational learning positively affect employee performance. The results related to this significant effect showed that it is possible to improve the level of employee performance even through organizational innovation. On the other hand, if organizational innovation is helpful for developing contextual potentials (such as organizational citizenship behaviours) among employees, companies need methods that could make this happen. The findings show an insight demonstrating the essential role of internal marketing and organizational learning in making these findings happen. Second, our study contributes to the development of employee performance literature by providing new results in examining the effects of organizational innovation mediation in internal marketing and organizational learning relations with employee performance.

In the central part of the current study, the findings showed that according to fitness index values, the total model structure is confirmed while revealing many results. First, internal marketing had the highest effect on job performance. This suggests the important role of internal marketing that could affect the improvement of job performance. Therefore, it could be noted that by paying attention to internal marketing in an organization that aims at paying attention to employees and devising programs for empowering them, this could increase their level of performance. In this regard, it will prepare the initial steps of innovation in the organizational level for employees, and organizations could pave the way for creating innovation and creativity among the employees. By creating exclusive abilities in employees, internal marketing generates the capability of applying skills and abilities to play an important role in creating innovation in organizations. Hence, one could say that since internal marketing seeks to increase organizational innovation, it could enhance employees' performance. In addition, the results of the current research show that the effect of organizational learning on innovation (0.42) was higher than the impact of organizational learning on employee performance (0.22). The result could signify that organizational learning generally affects employee performance by facilitating innovation. Thus, organizational learning could allow organizations to develop their abilities which could lead to an increase in innovation, and innovation positively affects employee performance.

#### 6.2. Limitations and future research directions

We recognize a number of limitations in our study. *First*, the lack of access to all departments due to the geographical dispersion of this company. *Second*, due to time and budget constraints, we were unable to cover broader contexts or extend our analysis to other business sectors in the service (and non-service) industries. Future studies may wish to narrow this gap. *Three*, one of the limitations was our data collection strategy that relied exclusively on survey information gathered at one point in time. *Four*, we also note that employee performance in this study is concerned with in-role performance as task performance and extra-role performance as contextual performance only. Koopmans et al. (2013) conducted a comprehensive review of the employee performance

literature and concluded that the totality of employee performance is categorized by four dimensions: in-role (task), extra-role (contextual), adaptive and counterproductive performance. An investigation of adaptive and counterproductive performance enhancement would be a worthwhile endeavour for future studies to produce valid and reliable measurements so that this framework can be tested. *Finally*, the research just examined predictors and consequences of organizational innovation. According to the evaluation, it is suggested that future research should examine the nexus between internal marketing and organizational-learning, and could examine the interaction effects of internal marketing and organizational learning on organizational innovation and employee performance.

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