Linking competitive rivalry to internal communication in private healthcare organizations

Gültekin Altuntas, Fatih Semerciöz, Aral Noyan

Abstract

Competitive rivalry and internal communication play a crucial role for a business to position itself in a favorable manner in order to succeed particularly in a hostile environment. While numerous studies present the importance of competitive rivalry and of communication, even internal communication separately, little is known about the specific linkage of how competitive rivalry affects communication in the literature. Within the framework of internal communication, this study focuses on the notion that competitive rivalry is related to the path and style of communication as well as to the usage of internal communication tools but not to quality of communication. Thus, our research presents the linkage and the interaction between competitive rivalry and internal communication, of which the results indicate that, overall, competitive rivalry has a significant direct positive influence on internal communication dimensions in terms of path, style and quality of communication, as well as usage of communication tools in healthcare organizations.

Keywords: Competitive rivalry, interfirm rivalry, internal communication, paths of communication, style of communication, usage of communication tools, quality of communication

1. Introduction

Several studies have examined the central role that each of competitive rivalry and internal communication plays in the success of businesses separately. Traditional strategic analysis deeply examines the impact of competitive rivalry with a focus on a business’ external conditions, which takes many different forms in an attempt to obtain an advantageous position including price discounting, advertising campaigns, new product launch, service improvements and warranty when a competitor feels pressured to increase sales or see an opportunity to improve its position (Porter, 1979), on its behaviors as well as organizational performance particularly in hostile situations (Sanzo and Vazquez, 2011). However, resource-based view of strategic management literature provides another focus on a business’ internal resources and capabilities such as either primary (e.g., inbound logistics, operations, outbound logistics, marketing and...
sales, service) or support (e.g., administrative infrastructure management, human resource management, information technology, procurement) activities (Barney 1991; Grant 1991; Porter, 1985), as of integrated functions of a business across departments, which requires a well-working internal communication reflecting cross-functional communication and coordination (Padhy and Rath, 2006) to position itself in a favorable manner. However, with a perspective of external and internal environment in hand, both for a business to a better position, questions regarding whether competitive rivalry is related to internal communication, whether and how competitive rivalry affects internal communication remain unanswered. Thus, to better understand the relationship between competitive rivalry and internal communication, we analyze the relevant literature, develop a model and use statistical techniques to test the relationships among the variables of competitive rivalry, the paths, style, usage and quality of internal communication.

2. Literature Review And Hypotheses

2.1. Competitive Rivalry

From a strategic management point of view, it is crucial for businesses to position themselves in a very favorable manner in relation to industry structure and to employ better strategies in comparison to their competitors. This allows them to take action against each other to defend or improve their market positions by developing short or long term competitive advantages over their rivals (Porter, 1979; Ferrier and Lee, 2002; Sanzo and Vazquez, 2011; Gibb and Haar, 2010). In particular, the five-force model of Porter (1979) emphasizes the importance of positioning for a company relevant to the others in the same industry, which determines the potential for market profit (Sanzo and Vazquez, 2011) and shows us the intensity level of competitive rivalry within an industry (Ulgen and Mirze, 2010). With this perspective in hand, competitive (named also as interfirm) rivalry, as a subsequent domain of competitive dynamics, can be defined as the extent to which a focal firm faces intensive competition. This comes from others known to be in direct competition, industry leaders and primary challengers in order to expand its share of the value created by an industry (Ulgen and Mirze, 2010; Ferrier, 2001; Ferrier and Lee, 2002; Tavitiyamana, Qu and Zhang, 2011).

The strategic management literature examines levels of competitive rivalry as a result of favorable and unfavorable external forces such as numerous and equally balanced competitors, slow industry growth rate, high fixed costs, high rate of fixed costs in total investments, standard and similar products/services offered by the competitors, low customer switching costs, easiness to add more capacity or to exit from the industry, informational complexity and asymmetry, some of which are based on subjective, some on objective measures (Porter, 1979; Gibb and Haar, 2010; Ulgen and Mirze, 2010; Botten and McManus, 1999; Ou, Chou and Chang, 2009; Sung, 2011).

2.2. Internal Communication

Communication has been explained as an information exchange between a resource and a receiver where information flows from the resource and the receiver through linked communication channels (Steingrimsdottir, 2011; Kalla, 2005; Knicki and Kreitner, 2008; Krone, Jablin and Putnam 1987; Sarow and Stuart, 2007). Effective communication is linked to better knowledge sharing (Kalla, 2005; Burgess, 2005; Bartlett and Ghoshal, 1988; Ghoshal, Karine and Szulaski, 1994; Heaton and Taylor, 2002; Monge and Contractor, 2003; Tucker, Meyer and Werterman, 1996) which in turn is a critical component of success and even more competitive advantage (Kalla 2005; Argote and Ingram, 2000; Doz et. al., 2001; Grant, 1996; Kogut and Zander, 1993; Spender, 1996). From this perspective, internal communications can be defined as the interplay between individuals and groups at various levels and in different areas of specialization, with the intention of designing (and redesigning) an organization and to coordinate day to day activities for both strategic and operational planning processes. This is done with a strategic focus on building favorable relationships between management and employees in that organization (Dolphin, 2005; Opitz, 2003; Barnfield, 2003; Jo and Shim, 2004; Omar et. al, 2012; Aldehayyat, 2011).

In addition, there are many studies which have described internal communications as a main tool to achieve job satisfaction, motivation, job performance and innovation, all of which have a positive result on business performance (Gray and Laidlaw, 2002; Bartoo and Sias, 2004; Rosenfeld, Richman and May, 2004; Zucker, 2002; Damanpour, 1991; Karami, 2007; 183) whereas effective communication is more productive than increasing employees’
satisfaction and motivation (Howard, 1998). Well informed employees contribute positively to a company’s external public relations efforts by acting as an organization’s best ambassadors of the loudest critics depending on whether and how they receive information (White, Vane and Stafford, 2010). For that reason, effective internal communication results in better corporate credibility and a better corporate reputation since employees are viewed as particularly credible sources by external stakeholders (Dawkins, 2004). This in turn creates an entry barrier in industry in favor of the business with the best reputation.

Over the years, studies of competitive rivalry and internal communication have been developing separately into a rich stream of research. While scholars draw much attention to competitive rivalry in a few major industries such as airlines and automobiles without a generalizability perspective (Ketchen, Snow and Hoover, 2004) there is no research on this topic in the healthcare industry nor on how competitive rivalry affects internal communications in a business in terms of paths, style, structure and quality of communication, as well as the use of communication tools.

2.2.1. The Paths of Internal Communication

Communication channels, both formal and informal, can be divided into top-down, down-up and lateral communication categories (Steingrimsdottir, 2011). Top-down communication exists when communication flows from managers in higher positions to those at lower levels within the organizational hierarchy (Adler and Elmhorst, 1996; Koontz and O’Donnell, 1986). Usually, important tasks such as company strategies, programs, news etc. can be shared in that way. This becomes more frequent when sharing information about changing market conditions. Upward communication flows from subordinates to superiors (Adler and Elmhorst, 1996). These types of communication convey messages such as what subordinates are doing, unsolved work problems and suggestions for improvements (Steingrimsdottir, 2011). Lateral communication is made up of messages between employees of the organization with equal power (Adler and Elmhorst, 1996).

The absence of strategic and effective internal communication makes an organization vulnerable to “the disgruntled within” (Grossman, 2005) since employees pose a significant threat to organizations that fail the ensure consistency between external messages (Hannegan, 2004; Dawkins, 2004; White, Vane and Stafford, 2010). Indeed the acts of the stakeholders such as shareholders, investors, customers, suppliers, employees and the general public fluctuate a great deal and they must receive clear signals (Dortok, 2006). This is why communication has to be managed strategically. Thus, with a particular focus on internal communication, we acknowledge that when the competition becomes intense employees are informed either vertically, horizontally or laterally about what is going in the external environment of a business.

H1: There is a relationship between competitive rivalry and the paths of internal communication.

2.2.2. The Style of Internal Communication

The communication style in all companies includes both formal and informal communication (Donohue, Atkin and Johnson, 1994) and the three communication paths discussed above can also be formal or informal. Widely used today as either technical or face to face communication, formal communication provides basic information about the organization or information related to employees’ jobs (Litterst and Eyo, 1982; Steingrimsdottir, 2011). Informal communication, also known as the grapevine, is news or communication which often fills a gap that formal communication fails to address between employees based on their social relationships within the organization. It takes place when top management refuses to share information or sends information late (Daniels, Speaker and Papa, 1997; Guffy, Rhoddes and Rogin, 2005; Wood, 1999; Kucuk, 1992)

From a strategic point of view both types of communication are mainly used for the attraction, retention, satisfaction and motivation of “service-minded” and “customer-conscious” employees through information exchange and the management of changes to enhance service quality and external marketing efforts as a way to competitive advantage (Dolphin, 2005; Howard, 1998; Varey and Lewis, 1999) in healthcare management. Basically, employees’ commitment and effectiveness in a business largely depends upon their information and understanding of the strategic issues of that business (Tucker, Meyer and Westerman, 1996) such as competitive rivalry. Thus, good communication should create the basis for individuals and groups to make sense of their organization, what it is and what it means so
enabling a better understanding of the strategy, a better commitment and a lower resistance to change, all of which eventually results in a more effective implementation of the strategy (D’Aprix, 1996; Rajhans, 2012). Thus, we acknowledge that when competition becomes intense, employees are somehow informed either in a formal or informal way about what is going on in the external environment of a business.

**H2: There is a relationship between the competitive rivalry and the style of internal communication.**

2.2.3. Usage of the Internal Communication Tools

Some scholars argue that the use of internal communication tools by top management can not only broadcast the strategic direction of the business but also gives employees a voice to make decisions and take actions aligned with the business strategy (Miles and Muuka, 2011; Argenti and Forman, 2002), which largely depends on the managers’ perception of competitive rivalry (Ulgen and Mirze, 2010). Using internal communication in this way results in a top-down communication process which will be associated with information-giving rather than dialogue. Internal communication is operationally defined as the technology and systems used for sending and receiving messages in the way of newsletters, circulation materials, surveys, meetings, in-house television, face-to-face interactions, email, hotlines, suggestion boxes, internet, intranet, telephone calls, videoconferences, memos, letters, notice boards, formal presentations, reports, open forums, blogs, etc. (Argenti, 1998; Argenti, 2003; Asif and Sergeant, 2000; Baumruk, Gorman and Gorman, 2006; Debussy, Ewing and Pitt, 2003; Goodman and Truss, 2004; Hayase, 2009; Hunt and Ebeling, 1983; Yates, 2006). There are also some informal communication tools which are used such as grapevine news, social media and even coffee breaks. Articles in the financial press are also pored over in kitchens and over cups of coffee around the organization; people talk about possible mergers with varying degrees of ignorance and worry (Davenport and Simon, 2009). Thus we acknowledge that when the competition becomes intense, the usage of internal communication tools in a business is expected to increase.

**H3: There is a relationship between the competitive rivalry and the usage of internal communication tools.**

2.2.4. The Quality of Internal Communication

Internal communication provides employees with important information about their jobs, the organization, the environment and each other. Effective communication in an organization is a major contributor towards the effective performance of organizations’ strategic plans. Well organized, pro-active and effective communication has an important role in reaching an organization’s objectives (Kuchi, 2006). Communication can help motivate, build trust, create a shared identity and spur engagement. It provides a way for individuals to express emotions, share hopes and ambitions as well as celebrate and remember accomplishments. Communication is the foundation for individuals and groups to make sense of their organization, what it is and what it means (D’Aprix, 1996, Rajhans, 2012). Hence, a cooperative approach is important in helping employees to learn and work together and become more aware of the values of the organization (Peachey, 2006). In other words, the discipline of team learning starts with “dialogue” (Senge, 1990). Team members can share the organization’s mission when they enthusiastically transfer information to implement the vision. Knowledge is acquired through the interpretive paradigms, experiences, the context in which one works and the theoretical concepts to which one in privy. This continuous learning motivates employees toward organizational success (Cato and Gordon, 2009). The company distributes timely and relevant information to employees through circulars and notices. All information about business, which employees consider essential such as changes in the company’s policies or planned changes in the workforce, future plans, company’s vision etc. are conveyed with context and rationale through appropriate channels and in a language employees can understand. Immediate action is taken in case of any problem or ambiguity reported in administrative communication. This not only makes the employees feel respected inside the organization, it also helps combat rumors that can lead to various problems for a business (Rajhans, 2012). Thus, we acknowledge that when the competition becomes intense, employees are somehow provided with quality information about what is occurring in the external environment of a business.

**H4: There is a relationship between the competitive rivalry and the quality of communication.**
3. Methodology

3.1. Research Goal and Scope

It is aimed in this study to present the relationship between competitive rivalry and internal communication hypothesized above in private healthcare organizations in Istanbul, Turkey. In this respect, the relevant literature is reviewed and a scale is developed to test these hypotheses. The developed scale has been sent to all operating private healthcare organizations (N = 148 as of February, 10th, 2013) in Istanbul, the biggest city in Turkey with a population of approximately 15 million. Those 148 private hospitals have been contacted via email or phone and offered the opportunity to participate in the survey, 93 of which responded with their data, yielding a response rate of 62.8% (= 93 / 148). Those completing the survey comprised of high level management and administrators within the hospitals. These people were selected because of their familiarity with strategic management, marketing and communication within their organizations.

3.2. The Scale

The hypothesized measurement model is shown below in Figure 1. The data is obtained through a developed questionnaire with subsections of competitive rivalry (Ulgen and Mirze, 2010; Ou, Chou and Chang, 2009; Tavitiyamana, Qu and Zhang, 2011), path of communication (Albrecht, 2001; Kusakcioglu, 2008; Opperman, 2007), style of communication (Basaran, 2004), usage of communication tools and quality of communication (Gorla, Summers and Wong, 2010; Bammens and Collewaert, 2012) with 5-point Likert scales and demographic information regarding both the respondent and the participant healthcare organization. The gathered data from the questionnaires is analyzed through a factor analysis of principal component extraction method with a Varimax-rotation in SPSS 21.0, yielding 5 items for competitive analysis (2 of which are in reverse order), 11 items for path of communication, 7 items for style of communication, 7 items for usage of communication tools and 9 items for quality of communication with factor loadings over 0.50 as in Table 1 as coded 5: “Definitely Agree” and 1: “Definitely Disagree”.

Table 1. Results of factor analysis for constructs used in the questionnaire.

<table>
<thead>
<tr>
<th>Construct</th>
<th>N. of Items</th>
<th>Total Variance Explained (%)</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive Rivalry (CR)</td>
<td>6</td>
<td>54.16</td>
<td>.801</td>
</tr>
<tr>
<td>Path of Communication (PC)</td>
<td>11</td>
<td>50.26</td>
<td>.899</td>
</tr>
<tr>
<td>Style of Communication (SC)</td>
<td>7</td>
<td>48.99</td>
<td>.824</td>
</tr>
<tr>
<td>Usage of Communication Tools (UCT)</td>
<td>7</td>
<td>43.19</td>
<td>.773</td>
</tr>
<tr>
<td>Quality of Communication (QC)</td>
<td>9</td>
<td>54.16</td>
<td>.894</td>
</tr>
</tbody>
</table>

3.3. The Model

The research is based on an explanatory-model to present the relationships among those constructs with above-developed hypotheses as in Figure 1.

Figure 1. The Model.
3.4. Analysis

Having established the reliability, the next step is to test the hypotheses. Thus, a Pearson correlation analysis has been conducted to present the proposed relationships among the constructs of competitive rivalry, path of communication, style of communication, usage of communication tools and quality of communication with descriptive statistics for all variables. Right after the Pearson correlation analysis, a linear regression analysis has been done to put forth the effects of competitive rivalry on internal communication.

4. Results and Discussion

Pearson correlation analysis reveals that competitive rivalry is significantly correlated with path of communication ($r = 0.344; p < 0.01$), style of communication ($r = 0.255; p < 0.05$) and usage of communication tools ($r = 0.344; p < 0.01$). Path of communication is also significantly correlated with style of communication ($r = 0.664; p < 0.01$), usage of communication tools ($r = 0.314; p < 0.01$) and quality of communication ($r = 0.323; p < 0.01$). Style of communication is also significantly correlated with usage of communication tools ($r = 0.330; p < 0.01$) and quality of communication ($r = 0.287; p < 0.01$). Finally, usage of communication tools is significantly correlated with quality of communication ($r = 0.573; p < 0.01$). Overall, being all the correlations are positive, all hypotheses are accepted except for the fourth one.

Table 2. Correlations and descriptive statistics of study variables.

<table>
<thead>
<tr>
<th>No.</th>
<th>Construct</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Competitive Rivalry (CR)</td>
<td>2.31</td>
<td>.93</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Path of Communication (PC)</td>
<td>2.16</td>
<td>.89</td>
<td>.344**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Style of Communication (SC)</td>
<td>2.22</td>
<td>.86</td>
<td>.255*</td>
<td>.664**</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Usage of Communication Tools (UCT)</td>
<td>2.40</td>
<td>.86</td>
<td>.344**</td>
<td>.314**</td>
<td>.330**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Quality of Communication (QC)</td>
<td>2.49</td>
<td>.91</td>
<td>.202</td>
<td>.323**</td>
<td>.287**</td>
<td>.573**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.01 level (2-tailed)
** Correlation is significant at the 0.05 level (2-tailed)

Following the Pearson correlation analysis, a linear regression analysis has been done to find any interaction among variables. Each of the internal communication constructs has been taken as a dependent variable and competitive rivalry as independent to develop four different models to present the effect of competitive rivalry on all other constructs of internal communication. As can be seen in Table 3, linear regression analysis reveals that the effect of competitive rivalry is $0.344$ for path of communication ($p < 0.01$), $0.255$ for style of communication ($p < 0.05$), $0.344$ for usage of internal communication tools ($p < 0.01$) and $0.202$ for quality of communication ($p < 0.10$) although there seems to be no correlation with the last one.

Table 3. Model summaries of linear regression analysis.

<table>
<thead>
<tr>
<th>Model No.</th>
<th>Model 1 PC*</th>
<th>Model 2 SC*</th>
<th>Model 3 UCT*</th>
<th>Model 4 QC*</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>0.344</td>
<td>0.255</td>
<td>0.344</td>
<td>0.202</td>
</tr>
<tr>
<td>R Square</td>
<td>0.118</td>
<td>0.065</td>
<td>0.119</td>
<td>0.041</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.108</td>
<td>0.055</td>
<td>0.109</td>
<td>0.03</td>
</tr>
<tr>
<td>Model F</td>
<td>12,193**</td>
<td>6,339***</td>
<td>12,237**</td>
<td>3,890****</td>
</tr>
<tr>
<td>Standardized Coefficient (B)</td>
<td>0.344</td>
<td>0.255</td>
<td>0.344</td>
<td>0.202</td>
</tr>
<tr>
<td>Degrees of Freedom</td>
<td>92</td>
<td>92</td>
<td>92</td>
<td>92</td>
</tr>
</tbody>
</table>

* Predictors (Constant): Competitive Rivalry
** p < 0.01
*** p < 0.05
**** p < 0.10
When the competition becomes intense, healthcare organizations consider internal communication a much more important issue. They become eager to communicate internally whether it be through a top-down, down-up or lateral path to share any information with employees about the organization. They also use oral/verbal and formal/informal techniques to provide the employees with any information they need to be motivated in terms of communication style. In the case of intensive competition, the usage of communication tools, whether it be company newsletters, surveys, meetings, face-to-face interactions, etc. increases to disseminate information inside the organization. Although there is no correlation between competitive rivalry and quality of communication, the communication quality seems to be affected by intense competition. Thus, our research presents the linkage and the interaction between competitive rivalry and internal communication which results indicate that overall, competitive rivalry has a significant direct positive influence on internal communication dimensions in healthcare organizations.

References


