

# THE MEDIATING ROLE OF INTERNAL CUSTOMER ORIENTATION ON THE RELATIONSHIP BETWEEN MANAGEMENT SUPPORT AND INTERNAL COMMUNICATION TO ORGANIZATION PERFORMANCE

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## Abstract

The paper sets out to discuss the relationship among management support, internal communication and firm performance mediating by internal customer orientation. Management support and internal communication have criticized as constraining certain internal customers, since customer variables being played a significant role in fostering marketing orientation in an organization. Nevertheless, since internal customer orientation is regarded as ultimate creators of products and services and creation of customer satisfaction. This paper posits that the joint occurrence of management support and internal communication lend to, rather than inhibit, internal customer orientation. Thus, the paper makes extension contribution to theoretical contribution of both existing Resourced Based View theory and Social Network theory. In closing, the initial ideas for future work are highlighted. Following this, successful implications are discussed and illustrated.

**Keyword:** Internal customer orientation, Management support, Internal communication, Organization performance

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## Introduction

Due to the superior value of the external customer is originally from the organization within, then the development of traditional management is needed to the professional movement and updated revolution of management inside & within the firm. The causes of interfunctional difference and overlap still remained within the organization. For the cross-functional units, the term “internal customer orientation” was scant and nascent. The success of management research had still been on the limited attention and under development among four areas (e.g. management support, internal communication, internal customer orientation, organization performance).

More generally, how and under what conditions should firms manage “internal customer orientation” to achieve in positive organization performance? Does “internal customer orientation” matter in the relationship among management support, internal communication, and its joint occurrence on organization performance? The main purpose of the research is to implement the organization performance, the assessment of the nature of management support, and the extent to which the internal communication, or the joint occurrence will be related to organization performance, both directly and indirectly, being mediated by the internal customer orientation of the employees.

This paper offers academic contribution by extending the Resource Based View theory (RBV) (Barney, 1991) and Social Network Theory (SNT) (Wernerfelt, 1984) in accordance with the review from prior researches. RBV and SNT are proposed as the overall illustration of the internal customer orientation on both management support and internal communication within the organization. RBV was broadly acknowledged in strategic management, and also classified its impact on organization performance to attain the sustainable competitive advantage (Barney, 1991). This SNT was explained on how both internal and external social networks was related to the organization’s objectives (Wernerfelt, 1984). The added value of this paper is the direct and indirect effect of management support and internal communication on firm performance, all else being equal, mediated by internal customer orientation construct. This paper also offers managerial implications by internal customer orientation in an organizational setting. Hence, managers must understand its potential effect of internal customer to reach to the superior business performance. Besides, management support (i.e. effective skills for obtaining, encouraging, developing, and maintaining employees) and internal communication (i.e. the interfunctional coordination) had been raised with the improved organization performance in some extent.

## Management Support

Management support is generally defined as the willingness of management to promote or support organizational behavior. It was defined as the top level management established a climate for a market orientation and encouraged market oriented among employees (Conduit & Mavondo, 2001). The effects of management support on internal

customer orientation were found (Chaston, 1994; Conduit & Mavondo, 2001; Forst, 2002). Chaston (1994) found that managers interested in service internal customer. According to Conduit & Mavondo's empirical finding (2001), the relationship between management support and internal customer orientation was significant and positive. Similarly, Forst (2002) also supported the management and internal customer oriented by using management tools. It showed that management support had the strong effect to the internal customer orientation (Forst, 2002). Therefore, the associated relationship between management support and the internal customer orientation is predicted.

H1: There is a positive relationship between management support and internal customer orientation.

The effects of management support on organization performance were purported (Forst, 2002; Pfau, Detzel, & Geller, 1991; Tulung & Ramdani, 2016). Tulung & Ramdani, (2016) was found that the positive significant relation between top management team composition and performance. In line with Forst (2002), management support was one of the primary key of management tools to the organization performance. Pfau and his associates found top that management emphasized on working with other people for achieving objectives (Pfau, Detzel, & Geller, 1991). Therefore, the positive relationship of management support and organization performance is predicted.

H2: There is a positive relationship of management support and organization performance.

The joint occurrence of management support and internal communication on internal customer orientation was found (Chaston, 1994; Mohr-Jackson, 1991; Pfau et al., 1991). Mohr-Jackson identified the interfunctional coordination depending on everyone in the organization (Mohr-Jackson, 1991). Chaston's finding (1994) showed that the nature of information flow was the primary means of communication between staff and managers (Chaston, 1994). Pfau and associates explained the primary factor for the management style by communicating for achieving performance objectives (Pfau, et al., 1991). Thus, the joint occurrence of the management support and internal communication has a positive effect on internal customer orientation being derived.

H3: There is a positive relationship of both management support and internal communication on internal customer orientation.

The joint occurrence of management support and internal communication on organization performance was supported by various scholars (Berman, 2000; Eichorn, 2004; Lee & Chen, 2005). Berman demonstrated that managers and appropriate communications both formal and informal, employees responded better to their demands and, finally, organization performance (Berman, 2000). Eichorn stressed that the results of improve performance as measured by various metrics including ease of communication, process



efficiency and effectiveness which was supported from management (Eichorn, 2004). Lee & Chen clarified that management support and internal communications was promoting services culture to organization performance (Lee & Chen, 2005). Thus, it is expected that a joint occurrence of the management support and internal communication has a positive effect on organization performance.

H4: There is a positive relationship of both management support and internal communication on organization performance.

### Internal Communication

It was the extent to which the effective communication was to develop and contribute to the organization and its customers within an organization (Conduit & Mavondo, 2001). Mohr-Jackson (1991) identified the key concept of management in the organization was the interfunctional coordination / everyone in the organization. Besides, Berman (2000) mentioned that internal communication by the manager responded as adequate feedbacks, the employees feel significant and value which lead to employee's loyalty. "Strengthening relationships with internal customers improves relations with external ones" was stated from Pfau et al. (1991, p.11). The effect of internal communication on the internal customer orientation was supported by the past studies (Chaston, 1994; Conduit & Mavondo, 2001; Mohr-Jackson, 1991). According to Conduit & Mavondo's empirical finding (2001), the relationship between internal communication and internal customer orientation was significant and positive. Chaston (1994) found that the departmental managers needed to communicate with internal customer otherwise there were no consistency of service standards. Mohr-Jackson (1991) revealed that the coordinated integration of the organization's function in creating superior value for customer was linked to the customer orientation. Then, the associated relationship between internal communications and the internal customer orientation is predicted.

H5: There is a positive relationship between internal communication and internal customer orientation.

The effect of internal communication on organization performance was strong and supported by many researchers (Berman, 2000; Eichorn, 2004). Likewise, Eichorn (2004) demonstrated that the organization was a set of inter-connected processes and network type operations and communication mechanism as system thinking and total quality management (TQM) toward organization performance. In line with Berman, Berman emphasized on the appropriate communications both formal and informal by managers, then employees responded better to their demands and, at the end, organization performance (Berman, 2000). Therefore, the positive relationship of internal organization and organization performance is predicted.

H6: There is a positive relationship of internal communication and organization performance.

## Internal Customer Orientation

The concept of internal customer orientation was relating to the term of internal marketing in the literature (Lee & Chen, 2005). Internal customer orientation was individual's tendency or predisposition to meet customer's need in the organization context (Yu, Yen, Barnes, & Huang, 2019). All employees in their organizations were internal customer (Conduit & Mavondo, 2001; Mohr-Jackson, 1991). Referring to Kohli & Jawosky, the heart of a market orientation was the entire customer (Kohli & Jarwoski, 1990). While Narver and Slater's description of customer orientation was the creation of superior value for buyers and superior performance (Narver & Slater, 1990). The concept of customer orientation that proposed by Kohli and Jarwoski's description or Narver & Slater's description was not entirely consistent. Mohr-Jackson (1991) illustrated that internal customer was the ultimate creators of products and services, and creation of customer satisfaction. Chaston (1994) suggested that the greater awareness of internal customers was vital for the firm survival. Also, Pfau et al. (1991) in line with Chaston's notion by adding the concept of internal staff functions as fundamental elements of customer service. Boukis pointed out that internal market orientation was a value creation mechanism for the firm's internal market (Boukis, 2019).

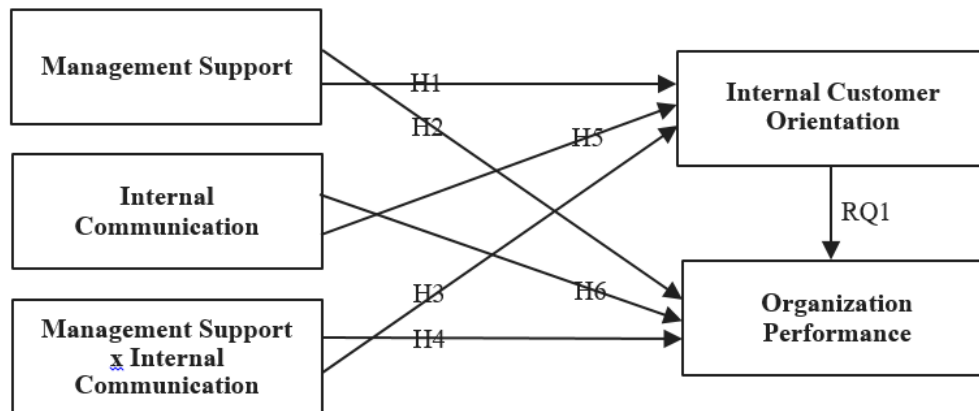
For the mediating role of internal customer orientation, internal customer orientation was important to the firm performance (Berman, 2000; Chaston, 1994; Mohr-Jackson, 1991; Yu et al., 2019). Eichorn (2004) found internal customer relationship management increased firm performance. Yu and associate's found the effect of internal market orientation on corporate performance. Feng and associates found the positive relationship of customer orientation for enhancing performance (Feng, Wang, Lawton, & Lau, 2019). As a result, internal customer orientation is related to organization performance, both directly and indirectly the employees within its organization.

RQ1: All else being equal, being mediated by the assessment of the internal customer orientation, it is influenced by (a) management support (b) internal communication (c) the joint occurrence of its management support and internal communication related indirectly to the organization performance

## Organization Performance

One of the major construct and a main endogenous variable in the research discipline was organization performance (Chaston, 1994; Eichorn, 2004; Forst, 2002; Mohr-Jackson, 1991; Yu et al., 2019). In general, organization performance was the actual output comparing with intended outputs. Moorman & Rust's defined firm performance as the perceptions of strategic market performance & financial performance in terms of 1) firm financial performance, 2) customer relationship performance, and 3) new product performance (Moorman & Rust, 1999). Narver & Slater described performance as customer performance and financial performance

(Narver & Slater, 1990). Referring to Figure 1, the proposed framework is the assessment of the nature of management support, and the extent to which the internal communication, or the joint occurrence will be related to organization performance, both directly and indirectly, being mediated by the internal customer orientation of the employees within its organization. It is composed of six hypotheses and one research question.



**Figure 1:** The proposed path diagram combining mediation and moderation.

### Research Methodology

This research was designed as an exploratory research to gain an in-depth understanding of the roles of management support, internal communication, internal customer orientation, and organization performance. Sample will be collected from two key informants within the organization to reduce the potential of common method bias (Podsakoff, MacKenzie, & Jeong-Yeon, 2003). Followed by the past research, survey questionnaires are recommended. The key informant will have the knowledge and background to complete the questionnaire. About the sample size, the formula of  $G^*$  power will be applied and selected organization headquartered in metropolitan areas with nationwide operations in Thailand (Erdfelder, Buchner, & Lang, 2009).

### Measurement

All key constructs are multi-item measures on seven-point likert scale, ranging from (1) strongly disagree to (7) strongly agree. The initial questionnaire will be developed in English and then translated into Thai. To verify its linguistic equivalence, this was later back translated into English by an experienced translator to ensure accuracy (Hair, William C. Black, & Barry, 2006). The measure of management support, internal communication, and internal customer orientation are adopted from Conduit & Mavondo (2001) included 14 items in 3 dimensions, 13 items in 4 dimensions, and 6 items respectively. The measure of organization performance are adopted from Moorman & Rust (1999) included 10 items in 4 dimensions.

## Data Analysis

Firstly, Cronbach's alpha ( $\alpha$ ) will be used to measure the reliability coefficient (Hair et al., 2006; Ho, 2006). Secondly, for the effects of joint occurrence / the interaction effects, regression analysis will be applied to compare both main effect and interaction effects. For model comparison, lastly, estimation will be suggested Analysis of Moment Structures as a Structural Equation Modeling that extends standard multivariate analysis methods to perform Confirmatory Factor Analysis (CFA) of the survey items based on the dimensions of all constructs. The CFA will be conducted to test the measurement model of all constructs. The adequacy of the measurement model reports the overall fit of the indices, reliability, convergent and discriminant validity. According to Ho's (2006) guideline, the common model-fit indices are used to evaluate the model's overall goodness-of-fit, the ratio of the Chi square to the degree of freedom (d.f.), Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Adjusted Goodness of Fit Index (AGFI), Normed Fit Index (NFI), and Comparative Fit Index (CFI). The findings of this measurement model will be illustrated the acceptable goodness of fit between the observed data and the measurement model. All measures should pass and be reach to the minimum requirement recommended by Ho (2006) and Hair et al. (2006).

Next, the proposed model will be estimated by the path analysis option of AMOS (Ho, 2006). Lastly, for testing the mediating effects role of internal customer orientation (Baron & Kenny, 1986) the data can be analyzed by using AMOS Graphic by conducting the multi-model analysis (1) defining the full direct model as in Figure 1 and (2) defining the indirect model in which the three direct paths linking management support and internal communication to internal customer orientation will be constrained to zero (MS $\rightarrow$ ICO; IC $\rightarrow$  ICO; MSxIC $\rightarrow$ ICO), (Ho, 2006). With this, the causal path coefficients of the structural model will be interpreted by the standardized regression weights. To conclude, the summary of the hypotheses and the corresponding statistical treatments include the measurement model, the structural model, and the path diagram employed to portray the relationship between all of the constructs and multiple latent constructs as being fundamental to the SEM.

## Discussion and Recommendations

Drawing upon the role of the organizational context and managerial actions, without empirical, the finding will not be completed in the entire premise of this management research discipline, thus the empirical evidence is required. An empirical evidence of the direct effects of management support and internal communication, on firm performance and the indirect effects of management support and internal communication on firm performance, being mediated by internal customer orientation would reveal whether it's indeed useful in enhancing the firm performance. Also, in order to test the direction of causal relationships, therefore future studies should utilize the longitudinal study designs.



The research has academically enabled the uncovering of a complex set of relationships. Following this, the paper contributes to marketing and management discipline by extending the RBV and SNT theory on how key resources can be used to enhance organization performance in the emerging economy. Thus, this paper simplifies and provides all key measuring constructs that is applicable for organizational performance studies in other contexts.

Despite the theoretical evidences, top level executives practically foster the formal & informal communication among employees within the firm for a firm's full performance potential. The study has provided insights on the types of decisions that management teams will be engaged in on a day-to-day basis. For instance, in order to create high performance organization, managers may consider what kind of communication techniques they will apply for their employees. Formally, they may declare corporate's purposes and directions in yearly basis. Informally, they may discuss with each business unit via the meeting, the working space, or the virtual community in regular basis. At last, internal customer orientation will be proved to be effective and necessary for a better performance of employees and organizations. Those companies will be rewarded the long-term competitive advantages over their competitors if they expresses strong beliefs about the way things should be done from customer within.

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