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Organizational Internal Market Orientation (IMO): Developing an Integrative Framework

Ahmed Shahriar Ferdous. Deakin University. aferdous@deakin.edu.au

Michael Polonsky*. Deakin University. Michael.Polonsky@deakin.edu.au

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Abstract

Recent advances in internal marketing (IM) have focused towards the development and adoption of internal market orientation (IMO) which is analogous to the traditional external market orientation (MO). Though IMO is developed at the organizational level frontline service employees are the ones who implement it. Thus it is essential for firms to understand the views of frontline employees about organizational IMO. Though most IMO studies have focused on the consequences of IMO on various organizational outcomes less have focused on explaining the stages through which organizational IMO can be executed successfully involving frontline employees. This paper develops an integrative framework which describes the stages of IMO implementation from both a strategic and tactical perspective. A number of propositions are outlined based on the links between the components of the proposed framework.

* Presenting Author
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Introduction

Internal Marketing (IM) has been viewed as a managerial approach to effectively serve external customers through the fulfillment of frontline service employees’ needs (Berry, 1981; Grönroos, 1985; Lings, 2004). Failure to undertake successful IM might be anticipated to result in employees providing poor service delivery, customer dissatisfaction, which in turn lowers firm performance through consumer defection or other negative customer outcomes (Dabholkar & Abston, 2008). To implement effective IM strategies, management have to identify and satisfy the wants and needs of internal customer (i.e. employees), which then ideally serves as a prerequisite to satisfy the wants and needs of external customers (Lings, 2004). Firms are now adopting and developing internal marketing orientation (IMO) to enact this process of understanding employees’ needs and responding accordingly by delivering the right ‘job’ product (Gounaris 2006; Lings 2004; Lings & Gordon 2010). This is analogous to how firm uses traditional market orientation (MO) to gather information and then respond to external customers’ needs (Kohli & Jaworski, 1990; Kohli, Jaworski, & Kumar, 1993). IMO has been conceptualized as specific set of managerial behaviors, represented through three major information dimensions namely, internal information generation, internal dissemination of information and internal managerial responsiveness (Gounaris, 2006; Lings, 2004; Lings & Greenley, 2005; Lings & Gordon, 2010).

From the perspective of IM, it has been argued that even though management may craft the most carefully developed strategic IMO, the successful implementation of programs are contingent on how frontline service employees respond to the tactical activities (Gounaris, 2008a; Gounaris, Aikaterini, & Kalliopi, 2010). Thus an understanding of the underlying strategic and tactical IMO implementation is essential for firms to achieve positive employee outcomes. IMO related research has mostly focused on either the conceptualizing of IMO (Gounaris, 2006; Lings & Greenley, 2005) or examining the relationship between organizational level IMO and its antecedents and consequences (Gounaris, 2006; Gounaris, 2008a; Lings & Greenley, 2005; Panigyrakis & Theodoridis, 2009; Tortosa et al., 2009).

However, studies on IMO haven’t focused on explaining the stages through which organizations can implement IMO. Thus developing a conceptual framework explaining the underlying stages of successful strategic focused organizational IMO implantation adds to the existing IMO literature as well contributes to practices of internal marketing. This paper therefore focuses its attention on developing an integrative conceptual framework linking the strategic and tactical stages through which firms implement IMO. Subsequently an effective design and implementation of IMO is supposed to result in effective employee outcomes such as job satisfaction, identification with the organization and customer oriented behavior (Ahmed, Rafiq, & Saad, 2003; Gounaris, 2008a; Wieseke, Ahearne, Lam, & Dick, 2009), which should be linked to organisational performance, such as customer satisfaction. A number of propositions are provided based on the relationships of components within our framework.
The implementation framework

The proposed conceptual IMO implementation framework is illustrated in Figure 1, although we are only focused on the first four internal stages. Previous IM studies have suggested organizations develop and adopt IMO as a strategic move to influence various practices of IM at the tactical level which is parallel to how conventional strategic focused market orientation (MO) influences tactical marketing practices (Dobni, & Luffman 2003; Gounaris, 2008). Thereby, the framework developed for this paper considers the adoption of IMO at the organizational level as strategic initiative to tactically implement the IMO concept whereas the implementation stages of IMO (i.e., IM programs and employee perceived IMO) focus on tactical initiatives. The framework describes how the implementation of successful IMO should result in positive employee outcomes and in turn positive organisational outcomes. Each of the components (i.e., the first four internal stages) will be explored and how the components are linked to each other will be further examined.

![Figure 1 Implementation framework of IMO](image)

**Strategic Initiative**

**Strategic focused organizational IMO**: Studies have treated IM as a strategy of motivating employees towards customer-consciousness by applying the marketing like techniques internally (Berry et al, 1976; George, 1990; Gronroos, 1985). IM has also been viewed as a strategic process that operates across the functional departments and between staff and management (Ballentyne 2000; Varey 1995). The interest in IM as a strategy partly can be attributed to Piercy’s (1995) suggestion that companies have to attempt develop symmetry between activities focused on external (customer) orientation and their internal (employee) orientation. This has lead to conceptualising internal marketing orientation (IMO) as a means of operationalising IM as a firm’s strategic initiative (Carter and Gray 2007; Lings and Greenley, 2005; Gounaris, 2006). IMO has been conceptualized as three specific set of managerial behaviors that facilitates the employer-employee exchange process (Lings 2004, Gounaris 2006; Lings and Greenley, 2010; Tortosa-Edo et al., 2009). First, the generation of internal information identifying the benefits that employees seek from their jobs and what they are ready to exchange for obtaining these benefits. Second, the internal dissemination of the informations generated internally. Third, the responsiveness where the ‘right job product’ is designed and delivered. Wheatley (1987) claimed that an internal market orientation enhances an organisation’s knowledge of their services, capabilities, awareness of market opportunities and marketing skills. Thus the adoption of
strategic IMO enables the development of market capability throughout the organization by including the efforts of employees (Carter and Gray 2007) which positively influences the various practices of IM within organization (Gounaris 2008a).

Gounaris (2008a and b) found that firms adoption and development of strategic IMO influences the practices (i.e. programs) of IM, including empowering employees, more employee integration in decision making and formalizing communications between employers and employees. This work is important as it provides empirical evidence to the existing theory that adoption of the IMO concept (i.e., strategy) drives the use of IM activities and associated outcomes (Ahmed et al., 2003; Gounaris 2008a). Thus, like externally focused marketing orientation focuses on identifying and meeting customer needs and expectations, IMO focuses on developing IM programs that meet the needs and expectations of employees (i.e. an internal focus) (Ahmed et al., 2003; Gounaris, 2008a; Rafiq and Ahmed, 1993; Tansuhaj et al., 1988). All this research taken together suggests that development of IMO can be categorized as the strategic initiative of operationalizing IM, which, in turn, influences the tactics used to achieve IMO objectives. Thus it is proposed:

P1: The adoption of organizational IMO is a strategic initiative by firms to tactically implement the IMO concept.

Tactical Initiative

IM programs: Ahmed et al. (2003) identified a range of tactical human resource (HR) focused IM mix tools that could be used achieve IM strategic objectives, such as; empowerment, reward, staffing, internal communication and training and development. Other studies relating to implementation of internal marketing have built on the internal marketing mix perspective and have suggested a variety of different elements could be incorporated and which have been referred to using various terms to describe these IM practices (see, for example, Ballantyne, 2000; Foreman and Money, 1995; Gounaris, 2008a; Keller 2006). Nonetheless, the objective is always to achieve IM outcomes regardless of the terminology and elements used to describe IM implementation. Not surprisingly, Gournaris (2008a) identified that companies using IMO strategically where more likely to use tools associated with implementing IM, no matter how these were defined. For example, recent studies thus have depicted IM programs as encompassing (i) employee empowerment, (ii) employee participative decision making and (iii) the formalization of communication among employees and employer (Gounaris, 2008a, 2008b). However, a job position entailing greater degree of empowerment and participation in decision making might not be equally attractive for all employees (Hales 2004). Thereby Gounaris (2008a) argues that IM programs without prior commitment to adoption of strategic IMO are an effort to “sell” jobs or employment irrespectively of employees’ needs. This would be akin to the selling orientation within marketing where firms have a product to sell, but don’t consider the customers’ needs (Gournaris 2008a; Kohli and Jaworski 1990). Adopting strategic IMO should allow the company to develop better targeted IM programs (Ahmed et al 2003) meeting the needs of existing and targeted future employees. Previous IM studies have also empirically revealed that organizational level strategic IMO impacts positively on employees perceptions of tactical IM activities (Ahmed et al., 2003; Gounaris, 2008a). Thus it is posited that:

P2: Strategic focused organizational IMO influences the implementation of tactical IM programs.
From the perspective of internal marketing (IM), it can be argued that even though management may craft the most carefully developed organizational IMO to encourage employees to positively respond to management demands associated with exhibiting customer oriented behaviours, the success of these programs are contingent on how employees respond to IMO, which may differ than how management believes employees respond or perceive IMP programs (Gounaris 2008a, 2008b). Thus, it is vital that employees positively perceive organization’s IMO strategic initiatives and the specific programs implemented at the tactical level. Studies focusing on the adoption of conventional market orientation (MO) reported that even though organizations may develop and adopt market orientation, service employees’ are often reluctant and resistant to the adoption of a market oriented culture within organizations (Gounaris, 2008a; Harris, 2002; Kelley, 1992). Harris (2002) identified four factors that leads to employee resistance towards adopting MO which includes employees perceiving: a) MO is politically motivated, b) MO unfairly distributes resources to one particular department c) MO as less urgent in comparison to other organizational strategies and d) MO initiatives entails unreasonable market oriented expectations from employees. In a similar view, Gounaris (2008a) argued that frontline employees who ultimately have to respond to organizational IMO may also be reluctant of ‘buying in’ organizational IMO. This is because the ‘job product’ resulting from organizational IMO might be perceived as having excessive employee demands involving a) higher expectations of meeting sales targets and, b) required standards of customer consciousness with lesser degree of empowerment and participation (Gounaris 2008a; Harris 2002, Kelly 2002, Papasolomou, 2002). Papasolomou (2002) qualitatively examined the relationship between internal and external marketing orientation in UK retail banking and found that even though the internal ‘job products’ were aimed to align employees with company’s marketing objectives, employees perceived corporate IMO responses focused on manipulating the attitudes and actions of ‘targeted’ employees, rather than developing an effective employee-employer relationship. As such, frontline service employees resisted firm’s IMO (i.e. did not adopt the desired), as they saw it focusing more on meeting sales objectives rather than assisting them in undertaking employees role requirements. Thus previous studies on IM have pointed out that management has to effectively implement IM programs, if these are to positively influence employees’ view of strategic IMO (Carter and Gray, 2007, Gounaris 2008; Gounaris et al. 2010). However, there are no studies to empirically test the underlying theoretical link between IM programs and employees’ perceptions of IMO. This under-researched link between firm’s IM programs and employee perceptions of strategic focuses organizational IMO warrants investigation. Thus it is posited that:

**P3: IM programs positively impact on employee perceived organisational IMO**

**Employee outcomes:** Carter and Gray (2007) posited that employees’ positive perceptions of organizational IMO should result in their positive job outcomes because employees’ believe they have been provided the ‘right job product’ through higher levels of strategic IMO, which provides employees with psychological, social and economic benefits. It has also been argued in the IM literature that supportive management behavior through implementing IMO programs fosters employees’ organizational identification and reduced employee dysfunctional behaviors (Lings, 2004, Lings and Greenley, 2005, Lam et al., 2010). Thereby, employees are more likely to respond, or comply with, organizational strategies (i.e. strategic focused IMO) aimed at creating external customer satisfaction. Employee outcomes such as job satisfaction, organizational identification and customer oriented behavior have been discussed as the
significant outcomes of IM (Ahmed et al., 2003; Dabholkar & Abston, 2008; Gounaris, 2008a; Lings & Gordon, 2010; Tortosa et al., 2009; Wieseke et al., 2009). Past studies on IM, have found that both IMO and IM programs significantly impacts employee job satisfaction (Ahmed et al., 2003; Gounaris, 2008a; Tortosa et al., 2009). The IM literature also suggests that implementing IM positively impacts employees' organizational identification or sense of belongingness (Wieseke et al., 2009). Further, it has been argued that active IMO fostered on creating employee identification with the firm reduced employee dysfunctional behaviors. The effective implementation of IMO through its various programs therefore can result in employees who are more likely to buy into firm's marketing objectives and behave in a customer oriented way (Lings & Greenley, 2005), if they perceive the IMO programs positively. Thus IM studies have posited that implementing IMO and associated IM programs might lead to satisfied employees, organizational identification and positive customer oriented behavior (Ahmed et al., 2003; Dabholkar & Abston, 2008; Gounaris, 2008a; Grönroos, 1985; Lings & Greenley, 2005; Tortosa et al., 2009; Wieseke et al., 2009), if these IM activities are positively perceived by employees. Therefore it is posited:

**P4: Employee outcomes (i.e. job satisfaction, organizational identification and customer oriented behaviour) are impacted by employee perceived IMO**

**Discussion and Implications**

The proposed framework developed in this paper maps the strategic and tactical stages of IMO implementation. Within the proposed framework the development of organizational IMO is considered as a strategic initiative. Whereas, designing and implementing effective IM programs are tactical initiatives which are evaluated by frontline employees, i.e., positively perceived IMO resulting in positive employee outcomes. As discussed earlier, past IM studies have not focused on detailing the stages through which organizational IMO is implemented. Our proposed integrative framework and its associated propositions contribute to the present IM literature, identifying future research opportunities. The framework presented in this paper not only suggests various propositions for future research paths, but also adds value to the understanding of IM, by connecting organizational IMO, the impact of IM programs on IMO as perceived by frontline staffs.

The constructs identified in the integrative framework of this study can be operationalized in future research to test the propositions proposed. Organizational IMO can be operationalized through internal generation of information, internal dissemination of information and internal responsiveness as suggested by Lings and Greenley (2005). IM programs can be operationalized through three significant dimensions including employee participative decision making, empowerment and communication formalization, as identified by Gounaris (2008). As already discussed in this paper, employee outcomes can be operationalized through IM outcomes such as employees' organizational identification, job satisfaction and customer oriented behavior (Gounaris, 2008a; Peccei & Rosenthal 2001; Wieseke et al., 2009).

Understanding the connections between strategic and tactical initiatives are likely to aid firm in better developing their IMO and tactical IM programs in a way that are positively viewed by employees, which in turn result in positive employee outcomes. This then brings about desired organizational outcomes in regards to interactions with consumers.
References


