ABSTRACT

Market orientation contributes to organizational performance but what are the antecedents to superior market orientation. This paper empirically tests and establishes the relationship between internal customer orientation and market orientation. The paper informs on the antecedents to internal customer orientation and market orientation.

INTRODUCTION

Internal Customer Orientation

Recent marketing literature has emphasized the importance of developing a market orientation within an organization (Kohli & Jaworski 1990; Narver & Slater 1990). Underlying this literature is the notion that to develop a market orientation, employees should be encouraged to not only focus on the needs of the end customer but to also recognize other employees as internal customers (Mohr-Jackson 1991). As both suppliers and customers to other employees they must provide high quality products within the firm to ensure the satisfaction of the final customer (Lukas & Maignan 1996).

An internal customer orientation should be part of an organizational culture (Lukas & Maignan 1996), and guide the attitudes and behaviors of organization members to deliver quality to other employees (Lukas & Maignan 1996). Mohr-Jackson (1991) proposed that a customer orientation should include the following activities: “(1) understanding internal customers' requirements that affect external customer needs and preferences, (2) obtaining information about external customers' needs and preferences through internal customers, and (3) creating additional buyer value by increasing internal customer benefits” (p. 460).

Berry (1981) acknowledged the importance of employees in dealing with the external customer, recognizing that employees’ satisfaction and support of the overall marketing strategy was essential for external customer satisfaction. This link between internal customer satisfaction and external customer satisfaction has since been widely advocated (George 1990) but with little supporting empirical evidence.

Market Orientation

Narver and Slater (1990) define market orientation as “the organization culture that most effectively creates the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for the business” (p. 21). This desire drives an organization to create and maintain a culture that will produce the necessary market oriented behavior from employees (Narver & Slater 1990).

Narver and Slater’s (1990) model of market orientation consists of three behavioral constituents; customer orientation, competitor orientation and inter-functional coordination. This model has been found to be the most robust measure of market orientation, both in terms of its application by other researchers and according to confirmatory factor analysis (Matear, Boshoff, Gray & Matheson 1997).

The benefits of a market orientation can be theoretically supported, as market orientation provides a unifying focus and clear vision to an organization’s strategy (Kohli & Jaworski 1990). As internal customer orientation is a critical part of an organizational culture (Lukas & Maignan 1996) it would provide similar benefits. These similarities provide an implicit link between market orientation and internal customer orientation that is often assumed in the literature (Lukas & Maignan 1996), but yet to be empirically verified. Hence:

H1: Internal customer orientation has a significant and positive relationship with market orientation.
ANTECEDENTS TO AN INTERNAL CUSTOMER ORIENTATION

By defining internal marketing as a management philosophy that provides a framework for managing employees toward a market orientation (Gronroos 1990), recent literature suggests it be considered an antecedent to internal customer orientation and market orientation. For the purposes of this paper, typical internal marketing processes have been identified and classified to reflect those categories proposed by Gronroos (1990); market training and education, management support, internal communication, and human resource management. Particular organizational dynamics should be encouraged to assure the development of an internal customer orientation and a market orientation. Jaworski and Kohli (1993) illustrate that interdepartmental connectedness and interdepartmental conflict are antecedents to market orientation, and suggest that organizational commitment may also be. The empirical relationship between intelligence generation and intelligence dissemination (Kohli and Jaworski 1990) and customer and competitor orientation (Narver and Slater 1990) is unclear and should be investigated further. It is important to look at each of these variables to examine their contribution to an internal customer orientation.

Market Training and Education

On-going education and training can foster the required skills and favorable attitudes required to develop a market orientation (Mohr-Jackson 1991; Ruekert 1992). If employees feel they receive adequate training for their jobs, they perceived a more favorable customer service climate (Lux, Jex & Hansen 1996). Training can also assist employees in developing a holistic view of how a service strategy works and an understanding of the role of each individual in relation to other individuals, functions within the firm and customers (Gronroos 1990). It is therefore proposed that training can be utilized to develop both an internal customer orientation and a market orientation within an organization.

H2a: Employee market training and education has a significant and positive relationship with internal customer orientation.

H2b: Employee market training and education has a significant and positive relationship with market orientation.

Management Support

Recent literature has seen the role of senior management emerge as an essential prerequisite to fostering both an internal customer orientation and a market orientation (Gronroos 1990; Jaworski & Kohli 1993). Organizational leaders are role models and as such their everyday actions must demonstrate their dedication to internal customers (Lukas & Maignan 1996) and external customers (Jaworski & Kohli 1993). It can therefore be hypothesized that the greater management support for an internal customer orientation and a market orientation, the more visible they will be throughout the organization.

H3a: Management support to employees has a significant and positive relationship with internal customer orientation.

H3b: Management support to employees has a significant and positive relationship with market orientation.

Internal Communication

Employees need information to be able to perform their tasks as service providers to internal and external customers (Gronroos 1990). They need to communicate their own requirements (internal customer orientation) as well as their findings regarding external customer needs (Gronroos 1990). It can therefore be hypothesized that effective internal communication will improve the internal customer orientation and market orientation.

H4a: Internal communication has a significant and positive relationship with internal customer orientation.

H4b: Internal communication has a significant and positive relationship with market orientation.

Human Resource Management

The design and implementation of human resource policies can improve the market orientation of an organization (Gronroos 1990). Previous research has illustrated that reward can provide the motivation for employees to adopt new behaviors and attitudes consistent with a market orientation (Hauser et al. 1996). If internal customer values are required then the incentives should reward any effort aimed at providing internal customers with the best possible quality (Hauser et al. 1996).

H5a: Human resource practices have a significant and positive relationship with internal customer orientation.

H5b: Human resource practices have a significant and positive relationship with market orientation.