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How internal marketing drive customer satisfaction in matured and maturing European markets?

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ABSTRACT

This study examines the indirect effect of internal marketing, via cross-functional goal compatibility, on customer satisfaction at differing levels of salesperson cross-functional connectivity, across matured and maturing market contexts. Using data from salespeople in a large financial services organization operating in matured Central European and maturing South and Eastern European markets, the study finds that the effect of internal marketing on customer satisfaction is mediated by cross-functional goal compatibility in both markets. In addition, the results show that at high levels of cross-functional connectivity, the effect of goal compatibility on customer satisfaction is strengthened in maturing markets. The theoretical and practical implications of these findings are discussed.

1. Introduction

In today's competitive business environment, salespeople's collaborative efforts play a major role in building and sustaining buyer-seller relationships (Darmon, 2004). Importantly, efforts to build productive buyer-seller relationships and to execute customer-centric tasks require close collaboration between salespeople and members of other functional units within the organization; to the extent that achieving customer satisfaction demands collaborative exchanges between a diverse set of organizational members (Enz & Lambert, 2015; Steward, Walker, Hutt, & Kumar, 2010). While collaborative efforts between salespeople and members of other functional units may help create greater customer satisfaction outcomes, the nature of the sales function mandates that salespeople operate beyond the borders of their organization, which consequently limits their involvement in internal organizational social exchange processes (Dubinsky, Nataraajan, & Huang, 2004). As boundary spanners committed to forming and nurturing relationships with external customers, there is a risk that salespeople may become alienated from internal organizational stakeholders, potentially jeopardizing smooth collaborative exchanges between salespeople and members of other functional units (Tanner, Tanner, & Wakefield, 2015). Despite its importance to sales organizations, scholarly understanding of how and when internal collaborative exchanges between salespeople and other organizational members is developed and leveraged for customer satisfaction remains under-researched.

To address this gap in the sales literature, this study draws insights from the intra-firm knowledge, social identity and social exchange literature (e.g. De Clercq & Sapienza, 2006; Floyd & Lane, 2000; Tajfel & Turner, 1979) to propose that customer satisfaction is enhanced when firms leverage resources across functional units to aid salespeople's efforts to address customer needs. However, the process of satisfying customer needs is surrounded by evolving uncertainties with respect to the level of the resource contribution of key internal stakeholders. The knowledge exchange literature suggests that the resources under consideration (e.g. sales knowledge, market information, customer database, knowledge on competition) required to reduce this uncertainty about customer satisfaction creation is often dispersed across different functional units, usually used as a source of power, and therefore not readily shared among functional units (Kim & Mauborgne, 1998). Leveraging such dispersedly distributed resources to create a superior market offering requires collaborative exchanges among all organizational members in possession of such resources (Nonaka, 1994).

On this front, this study proposes that internal marketing (IM) may play a vital role in fostering collaborative exchanges between salespeople and members of other functional units. The study argues that a firm's ability to align and attain compatibility in terms of customer satisfaction goals across functional units is a channel through which IM can lead to customer satisfaction. Furthermore, following social identification and social exchange theories, this study argues that the effect

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of IM on customer satisfaction via cross-functional goal compatibility is strengthened when salespeople are effectively connected to other organizational members outside the sales function. The study contends that the more a salesperson is willing to engage with employees from other functional units in an organization (e.g. finances, accounting, manufacturing, and marketing), the more likely it is that cross-functional goal compatibility becomes a successful transfer mechanism of IM activities to customer satisfaction outcomes. Thus, this study proposes the notion of *salesperson cross-functional connectivity* as a potential moderator of the indirect effect of IM, via cross-functional goal compatibility, on customer satisfaction.

Previous empirical research focuses on the behavioral outcomes of IM within a single country market, often from a matured and industrialized market perspective, offering little guidance with regard to how an organization's IM practices operate across different market conditions. This study further enriches the sales literature by examining how the proposed conditioned indirect effect of IM on customer satisfaction varies across matured and maturing market European contexts. By so doing, this study broadens scholarly understanding on how and when IM activities influence customer satisfaction.

2. Theoretical background and hypotheses development

2.1. Internal marketing activities and customer satisfaction

Internal marketing (IM) has been the focus of a great deal of scholarly research, generating several conceptual and operational definitions (e.g., Boukis & Gounaris, 2014; Lings, 2004). Importantly, researchers have studied the IM construct from strategic and functional perspectives. From a strategic standpoint, IM is conceptualized as an organization-wide strategic approach predicated on treating employees as internal customers. This approach to IM incorporates a set of managerial activities directed at motivating employees to become customer-oriented in order to enhance market performance (Lings, 2004; Lings & Greenley, 2010). From a functional perspective, IM is theorized as organizational activities that apply marketing and human resource practices to achieving desired organizational goals (Boukis & Gounaris, 2014). In this later literature stream, IM is seen as a set of functional activities that provides top managers with a tool to shape employee behavior in terms of desired behavioral outcomes (Lings & Greenley, 2005). Within this functional frame of reasoning, it is argued that organizations should focus on designing job roles that engage employees in such a way as to enhance market performance (Lings, 2004).

In following the functional approach, this study defines IM as an organizational activity that applies marketing tools to address employee needs and expectations (Lings, 2004), with the aim of converting employee satisfaction and the quality of work to external customer satisfaction (Frost & Kumar, 2000). Accordingly, three managerial practices are identified as defining elements of IM: internal market research (Piercy, 1995); internal communications (Reynoso & Moores, 1996); and employee training (Tansuhaj, Randall, & McCullough, 1988).

Understanding and addressing employee needs and expectations are priorities for an organization applying IM and, as such, it is of uttermost importance for such an organization to collect, evaluate and make sense of relevant job-related information through internal market research (Kohli & Jaworski, 1990). Internal market research enables the organization to identify key employee segments, their specific needs and characteristics for the purpose of designing and implementing targeted strategies for each segment. In addition, communication of company strategic objectives and marketing strategies to all employees in a consistent and comprehensive manner helps promote shared understanding and purpose among employees. This process entails acting upon information generated with regard to employees' needs by creating appropriate internal communication strategies and communicating information that is linked to customer value creation and satisfaction (Lings, 2004). Internal market communication, therefore, serves the purpose of raising awareness of interdependences between all employees as a pre-requisite for increasing productivity and the quality of service delivered to external customers (e.g. Boukis & Gounaris, 2014). Furthermore, literature suggests that employee training is a vital IM activity (Gronroos, 1983) that enables a firm to mobilize employees to acquire required sets of skills, knowledge and know-how in order to improve job performance (Lings & Greenley, 2010).

Taken together, a greater degree of IM, grounded on an organization's propensity to undertake research on employee needs, to communicate its' strategic goals to employees, and to train employees to improve their job performance, can help a firm generate an enhanced sense of togetherness on the part of its employees, while ensuring that employees possess the expertise necessary to develop and sustain greater collaboration across multiple functional units (Lings & Greenley, 2010). Greater collaborative efforts on the part of employees across functional units within an organization should, therefore, help generate greater external customer satisfaction (Ahmed & Rafiq, 2003).

2.2. The role of cross-functional goal compatibility

The literature suggests that IM is an organization-wide approach to serving external customer needs through the activities of internal employees. A contention is that by engaging employees as internal customers, organizations are able to use their customer-oriented employees as a conduit to delight external customers (Lings, 2004; Lings & Greenley, 2010). While this logic is intuitively interesting, it does not explain the internal organizational structural processes through which IM activities influence customer satisfaction. We draw on the literature on organizational alignment and the differentiation-integration approach (Lawrence & Lorsch, 1967) to explore this vital issue.

The literature on organizational alignment suggests that two types of internal organizational alignments can be identified: vertical and horizontal alignments. While vertical alignment captures the extent of "…configuration of strategies, objectives, action plans, and decisions throughout the various levels of the organization" (Kathuria et al., 2007, p. 505), horizontal alignment refers to the coordination of efforts and goals across and within functional units. In focusing on horizontal alignment, two subcategories are identified in the literature: cross-functional and intra-functional integration. While cross-functional integration refers to how organizational functions interact and coordinate their efforts and activities to achieve a common goal (e.g. Bharadwaj, Bharadwaj, & Bendoly, 2007), intra-functional integration connotes the degree of coherence across decision areas within a functional unit (Kathuria & Porth, 2003). Taking the perspective of cross- rather than intra-functional integration, and taking into account the primary condition for creating a collaborative environment across functional units (Lusch & Brown, 1996), this study proposes the notion of *cross-functional goal compatibility*. We define this as a firm's ability to synchronize the goals of multiple functional units in order to arrive at mutually acceptable outcomes for the organization. The study reasons that this harmonization of functional goals is particularly relevant to the functional level in the strategy hierarchy (e.g. Peltier, Zahay, & Lehmann, 2013). For example, a greater compatibility of objectives and the goals of sales, marketing and R & D functional units helps ensure consistency of decisions across units, enabling members of these units to complement and support the efforts of one another towards attainment of customer satisfaction goals.

Our focus on cross-functional goal compatibility is in line with the differentiation-integration approach that argues that organizations are segmented into a variety of functions/departments, where each department is responsible for dealing with a specific part of the external environment (e.g., Van der Vegt & Bunderson, 2005). Such