Re-designing Internal Market Orientation and Its Impact on Employees' Productivity

xini hu canterbury christ church university Qionglei Yu University of Kent

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Abstract

With the increasing challenges of employee management, internal market orientation (hereafter IMO) is proved to be able to satisfy employees' needs and wants by collecting, disseminating and responding to internal market intelligence. This paper extends the previous IMO framework by including the employees' needs and wants relating to their family situations as well. By collecting data from 417 domestic migrant workers in China, the results suggested that the extended IMO impact positively on employees' happiness and morale in the manufacturing industry in China. Findings of this research re-emphasise the profound impact of IMO on organisational performance, in particular its contributions to enhancing employees' positive attitudes and productivity. We argue that morale has a positive effect on both employee productivity and intention to stay. However, happiness does not affect intention to stay but does lead to higher productivity. This study extends existing theory and practice by employing work-family balance theory and developing an extended IMO construct. The results also show that the new IMO framework has its significant contributions for employees to achieve work and family balance as well as productivity, not only in the service sector but also in the manufacturing context.

Keywords: Internal Market Orientation; Work and Family Balance, Chinese Manufacturing Industry

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1. Introduction

With the increasing pressure from the employee management in the new era to manage new generations, it becomes increasingly critical for the management team to understand employees' expectations not only from their work perspective but also from their family (Baral and Bhargava, 2010). To help employers to manage their employees' productivity in the workplace, employers need to seek for a management tool that can help employees to achieve a balance between work and personal life (Smith, 2010). Previous research proved that internal market orientation (hereafter IMO) is useful to satisfy employees' needs and wants by collecting, disseminating and responding to internal market intelligence. However, the existing IMO construct only emphasises on satisfying workers' needs at the work aspect, whilst the employees' needs in family or life are not considered. To response to the importance of work and family balance, we re-designed an extended IMO construct (hereafter EIMO) by including the internal market intelligence on family issues too, for the first attempt and be fit into Chinese context. Therefore, in accordance with the social exchange theory, border theory and the theory of work-family enrichment, this study uses a quantitative method via collecting data from 417 domestic migrant workers in China to test the relationships between EIMO, employees' happiness and morale, and ultimately their productivity and intention to stay in the manufacturing industry in China.

2. Work-family Balance and IMO

People who are border-crossers make daily transitions between the domains of work and family, through which people shape their environments and, conversely, people are shaped by them (Clark, 2000). Because work and family influence each other in our daily life, it is important for organisations to understand the conflicts existing among workers as boarder-crossers need to respond to both work and family commitments (Clark, 2002; Cowan and Hoffman, 2007). Researchers have increasingly examined relationships between work and family lives and confirm the positive interdependencies between work and family roles. For example, marriage and the presence of children have been found to be positively related to income and satisfaction; income derived from work has been found to be positively related to marital quality and well-being (Grzywacz, 2002; Greenhaus and Powell, 2006). Hence, employees are actively seeking balance between their work and family lives but sometimes it becomes extremely difficult.

Internal marketing (hereafter IM) was firstly introduced by Berry et al. (1976) who defined IM is the task of successfully hiring, training and motivating employees to serve customers well. It regards employees as internal customers and jobs as internal products (Berry, 1981). Based on social exchange theory, when organization satisfies properly their employees' expectation not only at work but also in life, employees will reciprocate their organization via offering trust, loyalty, motivation to engage and commitment of psychological contract (Cropanzano and Mitchell, 2005). However, Rafiq and Ahmed (2000) argued that IM was lack of clarity regarding the functional responsibility for the implementation. In addition, as IM tends to be a long-term strategic management philosophy rather than a short-term operational strategy (Gyepi-Garbrah and Asamoah, 2015), it has been criticised for its practical feasibility as an efficient management tool (Sincic and Vokic, 2012). In response, Lings and Greenly (2005) constructed an instrument to measure IMO. Developed out of market orientation (MO) proposed by Kohli and Jaworski (1990), IMO is proposed to echo manager-employee exchanges in an organisation's internal market (Lings and Greenley, 2005). IMO is thus considered to be a facilitator for employee-employer exchanges, aiming at

balancing employees' perceptions of what they contribute to their jobs and what benefits they can get (Lings, 2004).

Existing research proved that IMO can affect an organization's performance at three different levels, namely the employees level, the customers level, and the organizational level. At the employee level, successful IMO leads to greater motivation among service staff (e.g. Lings and Greenly, 2009), higher employees' satisfaction (e.g. Gounaris, 2006) and commitment (e.g. Domingues-Falcon et al., 2017), more trust (e.g. Tortosa-Edo, 2015) and motivation among service staff (e.g. Lings and Greenly, 2010). At the customer level, IMO is perceived to be able to affect customers' perceptions of service quality directly and higher customer satisfaction (e.g. Tortosa, et al., 2009). At the organisational level, IMO has positive impacts on organisational financial (e.g. Pool et al., 2017) and non-financial performance such as employees' retention (e.g. Yu et al., 2017), and more external market orientation behaviour (e.g. Dominguez-Falcon et al., 2017).

Regarding the research context, existing IMO studies have traditionally emphasised its importance in the service sector (e.g. hotels, banks, hospitality, and tourism), with only a few of studies in the manufacturing sectors (e.g. Yu et al., 2017). In terms of research context, IMO research was popular initially in the US and in European countries (e.g. Spain, Greece, UK, and Portugal). Recently, IMO research has gained global attention from many other places, such as Southeast Asia (e.g. India, Malaysia, Taiwan, and China), in Africa (e.g. Ghana, Nigeria, Jordan, and Sudan), in Middles East (e.g. Pakistan and Iran) and in Australia.

3. Conceptual Framework and Hypotheses

Most of the existing research in IMO has included IMO dimensions of the formal information generation, the information dissemination and the responsiveness to the information (Lings and Greenly, 2005; Gounairs, 2006; Yu et al., 2017). In general, the existing IMO construct relating to the mentioned dimensions only relating to employees' wants and needs in their job roles. The information generation is about how to identify and collect information on employees' needs and wants (Lings and Greenley, 2005). Internal intelligence dissemination relates to the communication between managers and employees and communication channels applied. The purpose of the information communication is not only for communicating new marketing strategies or objectives with employees but also for managers to listen to their employees (Gouraris, 2006). As for the responsiveness to intelligence, this pertains a series of management activities to satisfy the employees' needs, such as developing new skills and capabilities that their jobs require. However, there is a negligence of employees' expectations relating to their family issues while being employed. Hence, we propose that the extended IMO should include both work and family needs and wants:

Hypothesis 1: The extended IMO is determined and measured by internal information collection, internal information dissemination and responsiveness to the information at both work and family levels.

Employee morale is defined as the fostering of group solidarity and an attitude of satisfaction with the desire to strive for the goals of a particular group (Baehr and Renck, 1958). When an organisation demonstrates their care for their employees via reward their work, improve working environment, employees' job satisfaction and morale tend to be high Vasantham (2014). Furthermore, when organization organises social gatherings, such as company picnics for both employees and their families, holiday parties, and travelling, these conduces to employees sense of belongs which will ultimately lead to higher morale (Hopkins,

1995). Because original IMO boosters the achievement of these activities at work, which conduce to employees' satisfaction (Gounaris, 2006), and EIMO extends the satisfaction to these family needs as well. Hence,

Hypothesis 2: EIMO has a significant positive effect on employee morale.

Employees who have high morale at work have less intention to leave (Barnes, et al., 2004), whilst low staff morale causes the unrest among employees and may generate a higher employee turnover rate (Proctor and Doukakis, 2003). Johnsrud and Rosser (2002) argue that high employees' morale indicates that employees may have more enthusiasm and efforts to pursue organizational goals, which means higher productivity and less turnover intention. Hence, we propose that:

Hypothesis 3: The staff morale has a positive impact on a) employees' intention to stay; b) employees' productivity.

Happiness is one of the categories in individuals' psychological well-being, which refers to the subjective experiences of individuals (Grant et al., 2007). IMO has been discussed to positively affect employees' satisfaction (e.g., Tortosa et al., 2009). EIMO argues its capabilities to balance the needs between work and family through facilitating work-related and family friendly practices. Hence we argue that when employees are satisfied with work and family should have positive effects on their happiness, life satisfaction, and perceived quality of life (Greenhaus and Powell, 2006). We propose that:

Hypothesis 4: EIMO has a significant positive impact on employees' happiness.

Existing studies revealed that when workers feel happy at workplace, they will be more effective along fulfilling organizational objectives (Abedi, 2002). In other words, happiness at the workplace is crucial for improving productivity in organization, and happy employees are able to pay more attention to their task and are productive compared with the one unhappy (Wesarat, et al., 2014). In addition, Bohem and Lyubomirsky (2008) indicated that when person experiences less emotional fatigue, they are less likely to quit their job and are more committed to the organization. When employees' needs and wants are satisfied with both their work and family, they tend to have less willingness to leave their current status. Hence, we propose:

Hypothesis 5: The happiness has a positive effect on a) employees' intention to stay; b) employees' productivity.

4. Method

This study applied a quantitative method by collecting data from Chinese domestic migrant workers in manufacturing factory. The survey is designed to test the above hypotheses (see Figure 1). Data were collected from Guangdong Province where presents a heavy presence of manufacturing factories (HKTDC Research, 2018). Guangdong province is called "the world's factory" due to its prosperous manufacturing industry. Of the city's 8.34 million people, only 1.91 million are registered as residents, and 75 per cent of the population being migrant workers (Keegan, 2018). Since 2004, the manufacturers in China has been facing a severe labour shortage and a high employee turnover rate, which have seriously affected the manufacturing product quality and productivity. Different from the older generation of domestic migrant workers, the new generation of migrant workers seek for more than satisfied, income, but more focus on good working environment, flexible working time, and the care for their families.

4.1. Sampling and data collection

This study used a purposive sampling method. According to the information from the Guangdong Manufacturers Association, there is a list of top 500 manufacturers in Guangdong province. Before the main study, a pilot study was conducted to ensure that the questionnaire is readable, understandable, and logical. The result of the pilot study shows that the questionnaire is suitable for the main study and we successfully recruited 38 manufacturers to participate in this survey. We contacted the HRM managers in these 38 manufacturers and got their permission to proceed with the data collection. HRM managers in these factories helped to distribute hard copy questionnaires to their workers in the factory. Totally, we received 422 questionnaires, of which 417 are usable.

4.2. Measurement scales

The scales for the questionnaires are developed and modified from our previous qualitative study and existing scales (see Table 1). Based on our interview results, we developed our new dimensions of EIMO relating to their family aspect by including migrant workers' family responsibility, living condition, on time salary, and clean, safe, harmony, and friendly working environment. Among these, the family responsibility captured 53%, and the family responsibility concludes children's caring, elderly caring, and family support. Overall, the survey in present study contains 61 questions in total, and within which 6 questions proposed to collect a categorical data including employee gender, age, marital situation, position in organisation, tenure, and numbers of kids. Except categorical questions, the others incorporated a seven-point likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree) to measure the variables in this conceptual framework.

	Items in	Items after	Author	Example
	survey	model		
		modification		
Employee	4 items	4 items	Hart et al. (2000).	There is good team
morale				spirit in this
				organization
Happiness	9 items	4 items	Hills and Argyle,	I often experience joy
			(2002).	and elation.
Intention to	5 items	3 items	Markowitz, (2012);	I plan to stay at this
stay			Erturk and Vurgun	organization as long as
-			(2014).	possible.
Employee	4 items	4 items	Belanger, et al. (2011);	My work-day today is
productivity			Rogelberg, et al. (2006).	productive.
Extended	32 items	22 items	Yu (2009); Lings and	Supervisors in this
internal			greenley (2005); Sahi et	company are never too
marker			al., (2013); Zhang, et al.,	busy if one of their
orientation			(2012).	subordinate wishes to
				meet personally.

Table 1. Measurement scales

5. Analysis and Results

We ran a path analysis through structural equation model (hereafter SEM) to test the hypotheses. The testing process involved two-stage SEM analysis: 1) testing EIMO measurement model and testing; and 2) testing the full SEM (Hair et al., 2006).

5.1. Confirmatory factor analysis of EIMO constructs

To confirm the dimensionality of EIMO as a new established construct, we initially ran the confirmatory factor analysis (hereafter CFA). Developed from the original IMO model which posits three factors, i.e. internal information collection at work (ICW), internal information dissemination at work (IDW), and responsiveness to work (RESW), EIMO extends beyond its original proposition by including new dimensions relating to the family aspect, i.e. internal information collection on family issues (ICL), internal information dissemination on family issues (IDL), and responsiveness to family issues (RESL). We applied AMOS 25 to run the second-order CFA, and checked the results of goodness of model fit (see Table 2).

Acceptable cut-off points for a good-fitting model are CFI, GFI and AGFI >0.9, and RMSEA<0.08 (Byrne, 2010; Hair et al., 2010). Via checking the goodness-of-fit statistics, the single model fits the data very poor as shown by the CFI of 0.86, NFI of 0.833 and RMSEA of .101. For the purpose of modifying the model, we deleted 10 items to achieve a better model fit, and modified the model as 2^{nd} order model consisting of six factors: ICL, IDL, RESL, ICW, IDW, and RESW. Compared with single model, the revised fits the data well as shown by the GFI of 0.901, CFI of .966, NFI of 0.945, and RMSEA of .006.

Single Measurement model	Ν	Р	GFI	NFI	CFI	IFI	RMSEA
Model (32 items)	417	0	0.684	0.833	0.86	0.85	0.101
2nd order measurement							
Inodel							
Model (32 items)	417	0	0.716	0.851	0.878	0.879	0.094
Final Model (22 items)	417	0	0.901	0.945	0.966	0.966	0.06

Table 2. Model fit indices

5.2. Construct reliability, convergent and discriminant validity

For the purpose of generating a better data fit, we fulfilled the evaluation of the composite construct reliability, convergent and discriminant validity. Construct validity is the extent to which a set of measured items actually reflects the theoretical latent construct (Hair et al., 2010). A composite reliability of 0.7 or higher as a rule of thumb suggests good reliability (Byrne, 2010). As table 3 demonstrates, the result of all the CRs is greater than 0.7 which indicates good composite reliability.

Cronb	ICL	IDL	RESL	ICW	IDW	RES	Happi	Intenti	produ	Moral
ach α						W	ness	on To	ctivity	e
								Stay		
	0.934	0.899	0.845	0.942	0.896	0.909	0.794	0.824	0.857	0.929

Table 3. Factor Reliability

Based on the thresholds (Hair et al., 2010), all the AVEs are over 0.5, CR are over 0.7, and all the CR of variables are larger than AVE, these suggest that each of them demonstrate adequate convergence (see Table 4). Also, all of the AVE are larger than squared correlation, thus the discriminate validity is established (see Table 5).

C V	IC L	IC W	ID L	ID W	RE SL	RE SW	EI M O	Mor ale	Inten tion to stay	Loy alty	Produc tivity	Happi ness	CV
А									Ť				
V	0.6	0.7	0.6	0.7	0.7	0.7	0.8	0.76	0.72	0.54			Establi
E	72	04	97	01	08	16	73	9	243	857	0.579	0.746	shed
С	0.9	0.9	0.9	0.9	0.9	0.9	0.9		0.88	0.97			Establi
R	35	43	02	03	24	1	76	0.93	617	792	0.843	0.922	shed

Table 4. Convergent validity of constructs

Table 5. Discriminant validity

Discriminant Validity	Factor	Correlation	AVE1 <> AVE2	Discriminant Validity
	Contenation	Squared	0.7.0	
Morale<>Happiness	0.655	0.429025	0.769 0.746	Established
Morale<>Intention to	0.348	0.121104	0.769 0.7224	Established
stay				
Morale<>Productivity	0.589	0.346921	0.769 0.579	Established
Morale<>EIMO	0.819	0.670761	0.769 0.873	Established
Happiness<>Intention	0.253	0.064009	0.746 0.7224	Established
to stay				
Happiness<	0.612	0.374544	0.746 0.579	Established
>Productivity				
Happiness<>EIMO	0.551	0.303601	0.746 0.873	Established
Intention to stay<-	0.27	0.0729	0.7224 0.579	Established
>Productivity				
Intention to stay<-	0.269	0.072361	0.7224 0.873	Established
>EIMO				
Productivity<>EIMO	0.58	0.3364	0.7224 0.873	Established

5.3.Hypotheses test

The completed data analysis based on CFA and SEM provided an empirical evidence to support or not support manifested hypotheses (see Figure 1).



Figure 1. Conceptual framework

All the hypotheses are supported except H5a. In consistence with the goodness model fit indices, the standardized regression confirms that EIMO is a 2nd order measurement construct constituting of ICL, IDL, RESL, IDW, ICW, and RESW (see Table 6). EIMO will influence positively on morale (β =0.836, p<0.001) and happiness (β =0.576, p<0.001), thus H2 and H4 are supported. Moreover, morale has an effect on productivity (β =0.354, p<0.001) and intention to stay as well (β =0.309, p<0.001), hence support H3a and H3b. In support of H5, the results show that happiness has a significant positive effect on employees' productivity (β =0.405, p<0.001), this support H5b. However, the happiness does not impact on intention to stay (β =0.63, p<0.05), thus H5a is rejected.

	Hypotheses	Estimate	P Value	Supported?
H1	EIMO>ICL	0.907	***	Yes
	EIMO>IDL	0.958	***	Yes
	EIMO>RESL	0.94	***	Yes
	EIMO>ICW	0.955	***	Yes
	EIMO>IDW	0.899	***	Yes
	EIMO>RESW	0.947	***	Yes
H2	EIMO>Morale	0.836	***	Yes
H3a	Morale>Intention to stay	0.309	***	Yes
H3b	Morale>Productivity	0.354	***	Yes
H4	EIMO>Happiness	0.576	***	Yes
H5a	Happiness>Intention to stay	0.062	0.299	No
H5b	Happiness>Productivity	0.405	***	Yes

Table 6. Hypotheses test

6. Conclusion

This study concludes that IMO should go beyond its original scope of construct and extend to include employees' family aspect. The newly developed EIMO demonstrates its potential positive impact on increasing employees' happiness and morale at their workplaces and at home. When employees have high morale, they are more likely to stay; at the

meanwhile, when employees are happy, their productivity tends to be high. This research is important as it proves that when organisations applies EIMO to improve the employeremployee relationship, they manage to create a happier, stable workforce which in return contribute to the organisational overall performance as well as to the society in the long run.

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