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Putting Relational Competence into Internal Marketing

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Abstract

The principal concern of this paper is the consideration of the analysis of individual employee performance of staff and management using an internal marketing framework. Market orientation theory to date uses an external focus when, in fact, it may be the internal marketing within the firm that is the catalyst for a market orientation. Further, this paper argues that the relational competencies of individual employees and managers important influences on performance both within and beyond the firm. Relational competence is offered as an enabling role in the pursuit of business success as it sets the culture and behaviours that are required for the firm's employees, management and customers to interact.

Introduction

Internal market orientation must identify the intra-organisational exchanges in working relationships between employees as well as between the organisation's employees (Harrell and Fors, 1992). This cannot be done without an understanding the relational competence of the employees. Relational competence can be considered as a facilitator of relational behaviour, internal market orientation, and firm performance. Ultimately, this will achieve a competitive advantage. This paper will argue that the relational competencies of individual employees and managers are important influences on performance both within and beyond the firm (Phan et al. 2005). Thus, relational competence is offered as an enabling role in the pursuit of business success as it sets the culture and behaviours that are required for the firm's employees and customers to interact.

Relational Competence and Employee Performance

The relational competence perspective has significant implications for the business employees, managers and other stakeholders as they face a wide range of interpersonal situations as they interact with other internal staff and managers either within their department, or across functional areas, as well as their inter-firm relationships (e.g. customers, suppliers and other stakeholders).

It can be argued that employees who possess a wider range of resource capabilities (i.e. interpersonal, technical, financial, sales and marketing, etc.) should be in a better position to more effectively deal with the range of interpersonal situations that arise in the business setting. However, having capabilities does not mean that they will be applied in an appropriate manner. Thus, the selection of situationally appropriate responses may be facilitated by the ability of the individual employee to respond and adapt to the behaviour of others with whom they come into contact.

To enable employees to perform at their best, managers need to place increased emphasis on interpersonal skills and the negotiation and mediation skills for dealing with the inevitable conflicts that arise in such relationships (Webster 1992). Such relational competence (Carpenter

1993) and leadership (Goleman, 1998, 2000) skills have been able to contribute to the explanation of the performance of both inter-firm relationships and intra-firm cross-functional working relationships (Bond 1997, Bond et al. 2004; Phan, 2003, Phan et al. 2005).

'Interpersonal relational competence' theory developed by Hanson et al. (1984) and Carpenter (1993) argued that the interpersonal characteristics of the individual could significantly influence the initiation and maintenance of interpersonal relationships. Indeed, it is the possession of 'interpersonal relational competence' can "help one to meet the needs of relational partners, strengthening and bolstering the relationships over long and perhaps stressful periods of time" (Hansson et al. 1990).

Dimensions of Relational Competence

The construct of relational competence allows measurement from a number of strategies, although all should focus on attributes of the individual which promote positive relationships. Carpenter (1985) assessed the traditional personality traits as relatively representative of relational competence. With continual research, and refining of the definition of relational competence Carpenter (1993) developed a new scale, the Relational Competence Scale (RCS). This uses a self report approach, although can be adapted to a report by others or to a rating schedule (Carpenter, 1993).

The attributes that comprise the RCS include initiation and maintenance. Initiation in the relational competence context includes "initiating, controlling, and making demands upon relationships" (Hansson and Carpenter 1994, p77). Relevant sub-dimensions of initiation include assertiveness, dominance, instrumental competence, shyness and social anxiety. Maintenance on the other hand includes dimensions "for enhancing and maintaining relationships, thereby making them more accessible, useful, satisfying, and enduring" (Hansson and Carpenter 1994, p77). Relevant sub-dimensions of maintenance include intimacy, trusting ability, interpersonal sensitivity, altruism and perspective taking.

Relational competence has an emphasis on the skills and attitudes relevant to effective social functioning which enables us to better understand interpersonal dynamics. In a workplace setting, it is the various relationships between staff and management that are an important influence on the performance of all individuals within the firm. Thus, it can be proposed that it is the relational competence factors enable (or inhibit) the performance of individual employees.

The importance of the 'interpersonal relational competence' construct for marketing is posited to be that employees with a relatively high degree of 'interpersonal relational competence' will find it easier to influence the market orientation, and more specifically the internal marketing within the firm. This should in turn lead to improved performance in the workplace and for customers and shareholders. Therefore, it is proposed that:

Proposition 1: The greater the relational competence of the employees, the higher the performance of employees

Internal Marketing and Employee Performance

Internal marketing is a process that operates across the functional departments and between staff and management (Varey, 1995). Ballantyne (1991) has highlighted the need for marketers to influence and motivate staff to change the internal process as required,

collaboratively, for effective external market orientation. Market orientation can be modified to the context of employee-employer exchanges in the internal market and develop an internal market orientation (Lings and Greenley, 2005). It would be expected that this will lead to positive consequences for employees and the firm as has been suggested by other scholars (eg. Payne, Holt and Frow, 2000). The managerial activities and behaviours that are associated with operationalisation of internal marketing are some of the dimensions of interest in this paper.

The outcome of interaction between employees is seen as a contributing factor to the end product the customer receives particularly in a service setting (Zeithaml et al, 2001). Wheatley (1987) claims that internal marketing is continuous training to enhance an organisation's knowledge of their services, capabilities, awareness of market opportunities and marketing skills. This is in line with Vandermerwe and Rada (1988) who emphasise corporate knowledge as a distinctive competency of the firm that creates value for customers. Internal marketing can affect a change in behaviours and attitudes to market responsiveness, and thus improve the market orientation of the firm (Wheatley, 1987; Gummesson, 1991). Gounaris (2006) suggests that internal marketing is an internally directed marketing strategy that focuses on jobs (internal products) that satisfy needs of employees (internal customers) with the aim of achieving the company's service objectives and thus market orientation objectives. It is thus, internal market orientation which enables the development of market capability throughout the organization.

Internal marketing can be applied to cross-functional and inter-departmental interactions. These include dealing with staff in other job functions and departments as well as with staff and management at different levels of the organisational hierarchy. Jaworski and Kohli (1993) identify inter-functional factors as antecedents to market orientation. They indicate that conflict between departments reduces market orientation through hindering the dissemination of intelligence between them and the responsiveness of the organization to market conditions. In addition, connectedness between departments is considered as a facilitator of market orientation by dissemination of intelligence between them, yet this is still needs confirmation (Jaworski and Kohli, 1993). Given the link between market orientation and firm performance (Narver and Slater, 1990; Kohli and Jaworski, 1990), it can be seen that internal market orientation may be an antecedent to this process.

Linkages between internal marketing, internal market orientation and individual performance of employees are not addressed in the extant literature. Previous literature has identified internal marketing as providing psychological and social benefits to employees. The consequences of internal marketing as it relates to employee performance will be discussed in the next section.

Kohli and Jaworski (1990) identified three measures of employee responses which are consequences of a market orientation. These include esprit de corps, job satisfaction and organisational commitment of employees. Staff attitudes and satisfaction (Tansuhaj, Randall, and McCullough, 1988; Money and Foreman, 1995; Berry and Parasuraman, 1991) are considered as consequences of internal market orientation. These studies included items relating to development of employees, rewarding employees and the vision of the organisation including goals and objectives.

Staff retention, as a measure of employee performance, and thus, as a consequence of internal market orientation, have been considered by authors including Ozment and Keller (1999), and

Taylor and Cosenza (1998). Whilst money is an important motivator in retaining employees, research has shown that employees are also seeking more interaction with management, more responsibility and control over the decisions affecting them (Taylor and Cosenza, 1998). Open channels of communication that are operationalised in internal market orientation are also enablers to staff retention.

Carruna and Calleya (1998) considered organisational commitment and found a positive relationship with internal marketing. However, it only had a significant effect on the affective dimension of organisational commitment (i.e. the strength of identification and involvement with the organisation) but not the continuance and normative dimensions (Rafiq and Ahmed, 2000). Allen and Meyer (1990) confirm this however they did not make any discovery as to the employee or organisational consequences of commitment such as employee performance. Internal market orientation therefore requires further elaboration to uncover consequences that can distinguish it from the human resource constructs, to be more relevant in a marketing context. In its current context it cannot be reliable as a measure of performance.

Staff compliance may be considered as an alternative construct to commitment, as an employee consequence of internal market orientation. Spitzmuller and Stanton (2006) examined employee compliance identifying that a workplace culture of open communication, clear explanation about the reasons for rules and procedures, and supportive training will lead to increasing employee compliance. These requirements are in line with internal market orientation. Zacharatos et al. (2005) shows evidence of employee compliance resulting from trust in management. Staff compliance is therefore an outcome of behaviours consistent with an internal market orientation (O'Reilly and Chatman, 1986).

Proposition 2: There is a positive and bi-directional relationship between the internal marketing processes as practised in an organisation and employee performance as measured by staff satisfaction, retention and commitment (or compliance).

Linking Relational Competencies and Internal Marketing

Given it is the individual employees who interact with other staff and customers in the implementation of marketing strategies, there is a strong reliance on interpersonal relationships that will either help or hinder their day to day activities. It can be argued that it is the competencies of each employee, and in particular, the interpersonal skills that must be understood before they can be efficiently and effectively allocated to tasks. Given the link between market orientation and firm performance which has previously been demonstrated, internal market orientation is identified as a key enabling competency for market orientation and improved performance that must be given further consideration (Ahmed and Rafiq, 2003; Gilmore, 2000; Gilmore and Carson, 1996).

An understanding of each individual employee's interpersonal skills may assist in identifying any barriers within the human resources of the organization that will inhibit the development of an internal marketing (Piercy, 1995). In this way, employees will be motivated and empowered to follow a set of behaviours and culture that is in line with an internal market orientation.

There must be identification of intra-organisational exchanges in working relationships as well as between the organisation and its customers (Harrell and Fors, 1992). Relationships between employees and managers must be built through shared values and mutually beneficial strategies.

This paper suggests that this cannot be done without first understanding the relational competence of the employees. Relational competence is a facilitator of relational behaviour, intra-firm performance, and inter-organisation performance (Gray 2006). Ultimately, this will assist in the achievement of a competitive advantage. It can be argued that the interpersonal capability of individual employees and managers is an important influence on performance both within and beyond the firm (Phan et al. 2005).

An internal market orientation crosses marketing and human resource management functional boundaries. The role of the manager is to influence employee behaviours in ways that will affect customers' perceptions of the levels of service they receive (Hartline and Ferrell, 1996). Managerial activities are thus operationalised as an internal market orientation. As such, these managerial behaviours can be viewed as the equivalent of an external market orientation within the firm. The behavioural dimensions of internal market orientation as adapted from Kohli and Jaworski (1990), involving the generation of information, dissemination of intelligence pertaining to the needs and wants of employees, and the design and implementation of appropriate responses to meet these needs and wants. Within the context of internal market orientation, it is the behaviours of these elements as displayed by employees that will lead to their improved performance (Lings and Greenley, 2005). However, the relational competencies of individual employees must also be a consideration.

Proposition 3: The relational competencies (as a capability of employees) are an antecedent to internal marketing processes will lead to improved employee performance

Conclusions and Future Research

The synthesis of the literature in this review has led to an integrated understanding of a number of different considerations of internal market orientation. The principal concern is how individual employee performance of staff and management can be analysed using an internal marketing framework. Further work is needed to uncover why some employees are more successful than others and the relational competence framework is a suggested tool for analysis. The relationship between internal marketing, internal market orientation, relational competence and employee performance can thus be considered. In this way, organisations' human resource management and internal, (and by implication, external) market orientation, may be enhanced, as a means to improving both employee and firm performance.

It is within this context that research is required to examine the nature and role of the individual employees' performance and relational competence as an antecedent to the internal market orientation.

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