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Citation: Yu, Qionglei, Barnes, Bradley Richard and Ye, Yu (2022) Internal market orientation, interdepartmental relationships and market performance: the pivotal role of employee satisfaction. *European Journal of Marketing*, 56 (5). pp. 1464-1487. ISSN 0309-0566

Published by: Emerald

URL: <https://doi.org/10.1108/ejm-11-2020-0800> <<https://doi.org/10.1108/ejm-11-2020-0800>>

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Internal Market Orientation, Interdepartmental Relationships and Market

Performance: The Pivotal Role of Employee Satisfaction

Purpose: The study signals the relevance of internal market orientation (IMO) as an organizational process for improving interdepartmental relationships and employee satisfaction, which in turn serves to leverage performance. The study has three main objectives: a) to consider the adaptation of IMO at the departmental level, whereby internal departments are identified as internal customers, b) gauging the impact of IMO on interdepartmental relationships, employee satisfaction and organizational performance, and c) testing the mediating role of employee satisfaction in linking interdepartmental relationships i.e., connectedness and conflict with organizational performance.

Design/methodology/approach: The study observes the proposed relationships by drawing on a sample of 816 managers from 272 companies. Through accessing three respondents in each organization and asking them to focus on different constructs, the study's methodology avoids common methods bias. Partial least square was used to test the hypotheses posited in the concept.

Findings: The findings confirm that IMO at the departmental level is critical for facilitating interdepartmental relationships within the organization. In particular, high levels of IMO can enhance interdepartmental connectedness, reduce interdepartmental conflict and improve employee satisfaction. Employee satisfaction not only influences firm performance directly, but also plays a mediating role in linking interdepartmental relationships i.e., connectedness and conflict with performance.

Implications: The identification of IMO at the departmental level can help firms collect ideas from staff across different departments, facilitate open and constructive communication and react promptly to other departments. Through a social information processing lens, this leads to the creation of a positive organizational atmosphere, contributing significantly to enhancing employee satisfaction and firm performance.

Originality: The findings of the study contribute to the area by supporting the legitimacy of IMO at the departmental level and its positive impact on internal relationships and employee satisfaction, which in turn leverages performance advantages for the firm.

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4 **Research limitations:** While this study is conducted in the Chinese context, future research may
5 consider testing the framework in different sectors and geographical areas. In addition, more
6 objective measures of firm performance could be used in future studies and other mediating and
7 moderating variables may be added to further advance our understanding of the subject at large.
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14 **Keywords:** internal market orientation, interdepartmental relationships, employee satisfaction,
15 organizational performance.
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23 **Acknowledgements:** The authors wish to thank Professor Greg W. Marshall (Editor-in-Chief)
24 and Professor Debbie I. Keeling (Regional Editor) for their very constructive feedback and
25 guidance during the review process.
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Journal of Marketing

Internal Market Orientation, Interdepartmental Relationships and Market

Performance: The Pivotal Role of Employee Satisfaction

Organizations naturally fragment as they grow, pulling people apart into silos and creating functional borders that can set rivalry in motion. If you see fraying cross-functional relationships, don't resort to superficial solutions like team building or conflict training. Dig deeper to understand what's really causing those fractions and take steps together to set up your functions for mutual success (Ron Carucci, Co-Founder and Managing Partner of Navalent, 2018).

1. Introduction

In response to increasing environmental uncertainty and market turbulence, the development of effective and collaborative interdepartmental relationships can often play a crucial role in contributing to the overall organization atmosphere and employee satisfaction (Gebauer *et al.*, 2012; Pereira *et al.*, 2018). Despite such collaborative workings, it's not uncommon within organizations for there to be some degree of conflict, confrontation and disputes between different functional areas (Grönroos, 1996; Yu and Barnes, 2010). Typical examples include the incompatible views between R&D and Operations departments, whereby on the one hand, the former considers the latter for wasting opportunities, while on the other hand, the latter views the former as wasting time and resources. Other conflicts between, for example, production and marketing, as well as sales and distribution are also common in the workplace.

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4 Interdepartmental conflict if managed ineffectively generates huge costs every year.
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6 Based on the CPP Global Human Capital Report (2008), managing workplace conflict has
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8 been estimated to account for over US\$350 billion worth of paid hours for employees.
9
10 Rivalry and conflict arise due to departments competing for power, influence and resources.
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12 Many organizational structures or cultures unconsciously encourage departments to resent
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14 and distrust each other. Such negative affect among employees from different departments
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16 can lead to employee dissatisfaction, poor engagement and low quality work (Jehn *et al.*,
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18 2012). As with romance, high degrees of conflict in a relationship can bring about anxiety.
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20 This can distress individuals as they may perceive that other departments do not respond
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22 timely to them, or positively, leading to dissatisfaction and employee withdrawal behavior
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24 (Campbell *et al.*, 2005).
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32 Individuals in relationships where conflict exists are often dissatisfied because of
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34 increased anxiety and distress concerning their potential future. The same applies within
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36 organizations when there is conflict between interdepartmental relationships. In such
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38 situations, staff are less likely to communicate effectively or cooperate with one another. In
39
40 these instances, employees tend to spend their time and energy either trying to resolve or
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42 ignore the conflict, rather than focusing on performance-related tasks (Campbell *et al.*, 2005;
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44 Jehn *et al.*, 2012). Therefore, in order for an organization to perform well, a common
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46 understanding of organizational goals and shared information is necessary to distil social
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48 integration well (Dineen *et al.*, 2007).
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55 Effective coordination among an entire set of departments is often needed for delivering
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57 a successful new product or service to end-users. Inevitably some conflict will occur when
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4 departments work to achieve shared goals. To resolve conflict, the organization needs to
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6 develop an effective structure to share knowledge, duties and responsibilities. When
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8 interactions between departments are easier to be predicted, each party is more likely to
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10 cooperate effectively in achieving goals and employees are more satisfied (Jehn *et al.*, 2012).
11
12 Therefore, based on the cognitive processing view of conflict and the social information
13
14 processing approach, an organizational process should be in place to discover what causes
15
16 conflict between employees from different departments, to assess communication and
17
18 monitor any negative atmosphere (Carucci, 2018). The establishment of an organizational
19
20 process that employees from different departments agree on can help generate a more
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22 positive view from employees, so as to make them feel more content and considerate of
23
24 others to facilitate better performance (Jehn *et al.*, 2010).
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32 Internal market orientation (IMO) which can be considered as an organizational process
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34 including identifying, communicating and responding to internal customers' needs, may
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36 provide an answer to the earlier mentioned issues. Previous IMO research has tended to focus
37
38 on employer-employee value exchange, recognizing employees as internal customers. No
39
40 empirical research has attempted to examine the impact of IMO at the departmental level
41
42 involving relationships between different departments that may be considered as internal
43
44 customers and suppliers of one another i.e., in line with Grönroos's (1996) suggestion that
45
46 everyone in the organization has an internal customer and supplier. Therefore, through
47
48 acknowledging internal value exchange between departments, IMO can enable different
49
50 departments to effectively work together for the shared value and collective success, thus
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52 reducing interdepartmental conflict (Boxall *et al.*, 2011; Jiang *et al.*, 2013).
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4 This study therefore makes an initial attempt to empirically test the IMO construct at the
5
6 departmental level and consider its impact on different outcomes by aiming to address the
7
8 following research questions: how may IMO at the departmental level influence employee
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10 satisfaction and interdepartmental relationships; and what is the effect of IMO on employee
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12 satisfaction and interdepartmental relationships in leveraging firm performance? To address
13
14 these research questions, the study draws on data from 816 individuals across three different
15
16 managerial functions in 272 organizations.
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22 The findings of the study contribute to the literature through positing IMO as an initiator
23
24 for enhancing interdepartmental relationships and employee satisfaction, which in turn
25
26 positively influences performance. The research provides legitimacy for adopting IMO for
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28 facilitating and improving internal customer-supplier exchange relationships across different
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30 functional areas. In this respect, it aims to advance earlier work by not only focusing on
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32 employees as internal customers but seeks to extend the literature to support IMO at the
33
34 departmental level for facilitating relational exchange within the organization.
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40 The study offers a conceptual contribution that managers can easily comprehend.
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42 Through implementing IMO i.e., gathering information to understand internal customers,
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44 facilitating communication, and responding to the needs of their internal customers,
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46 companies can enhance interdepartmental connectedness, reduce conflict, and improve
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48 employee satisfaction. Moreover, the findings offer fresh insights on the pivotal role of
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50 employee satisfaction in linking IMO and interdepartmental relationships with market
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52 performance. Overall, this study provides creative managerial insights for organizations to
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54 seek better ways to improve cross-functional collaboration, resolve interdepartmental
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4 conflict, generate employee satisfaction, and enhance organizational performance.
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6 **2. Theoretical Background**

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9 The social information processing approach argues that individuals have a flexible attitude
10 and behavior in order to effectively adapt to different social contexts facing them. This relates
11 to a continuous process, drawing on past and present experience to predict future behavioral
12 outcomes (Salancik and Pfeffer, 1978). Individuals often use cues in the environment to
13 interpret events and construct perceptions (Thomas and Griffin, 1983). Internal market
14 orientation (IMO) begins through recognizing the existence of an internal market with
15 internal customers and suppliers. Internal customers can represent different subjects that are
16 involved in internal value exchange, such as the employer, an employee or a functional
17 department (Foreman and Money, 2010). Different departments, such as manufacturing,
18 quality control, marketing and R&D, may serve as key subjects in social information
19 processing.
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38 In reality, businesses operate through combining the resources of various functions or
39 departments to provide products and services for their customers (Asif *et al.*, 2010).
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42 Businesses with relatively independent functions, often face communication and
43 collaboration challenges (Lau, 1999; Strese *et al.*, 2016). Many organizations operate without
44 any platforms or processes to bring different functional departments together to discuss
45 potential problem areas. Without pre-determined agreements on service quality, information
46 sharing and product quality standards, employees may find it hard to coordinate with
47 colleagues from other departments. Misunderstanding and distrust can also easily emerge
48 between groups (Carucci, 2018). This could be particularly true for small and medium sized
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4 companies where systematic management of departmental relationships is often missing.
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6 In light of such challenges, previous research has attempted to investigate
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8 interdepartmental relationships from different perspectives. Nauta and Sanders (2001) for
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10 example examined the relationship between departments' perceptions of organizational goals,
11
12 interdepartmental coordination and conflict. They found there was more conflict and less
13
14 coordination among departments when the perception gap associated with such goals is wide.
15
16 Guenzi and Troilo (2006) illustrated the importance of departmental integration and
17
18 confirmed that better interdepartmental relationships between marketing and sales can lead to
19
20 the delivery of better customer value. Chen *et al.*'s (2010) study highlighted the relevance of
21
22 interdepartmental integration for influencing new product development following mergers
23
24 and acquisitions. Chari *et al.* (2017) meanwhile emphasized the role of interdepartmental
25
26 connectedness for achieving organisational objectives.
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35 Existing studies have argued the importance of creating a harmonious and cooperative
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37 climate between workgroups, which can lead to better goal alignment, positive employee
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39 attitudes and integration among functions. What has been missing from the current
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41 departmental relationship research is the lack of philosophy and soft process to resolve
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43 proposed challenges. This study considers IMO as an organizational process, that draws on
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45 marketing concepts and practices to facilitate value exchanges from the social information
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47 processing perspective.
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53 **3. Conceptual Development**

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55 In order to perform well, departments within the organization need to collaborate and
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57 cooperate (Dineen *et al.*, 2007). Before they are able to work on the accomplishment of
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4 shared goals, employees from different departments need to understand each other and
5
6 effectively communicate openly. This can collectively bring individuals together, creating
7
8 shared emotions, attitudes and perceptions (Jehn *et al.*, 2010). It has been noted in the
9
10 literature that friction between departments is often systemic, which stems from how
11
12 departments exchange information or respond to issues associated with work processes.
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17 Departments may develop contentious goals and discriminate against others due to distrust
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19 and a lack of empathy (Carucci, 2018). Poor internal relationships may lead to employees
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21 being frustrated, disappointed and unsatisfied, which will jeopardise productivity, motivation
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23 and innovation (Bogaert *et al.*, 2012; Hon and Chan, 2013; Toegel and Barsoux, 2016).
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27 Therefore, by considering departments as internal customers, it is argued here that
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29 organizations adopting IMO at the departmental level, as a formal process are readily able to
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31 exchange information with other departments and be responsive to internal customers'
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33 requests to enhance interfunctional relationships (Yu *et al.*, 2020).
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37 **3.1 IMO and interdepartmental relationships**

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40 Through acknowledging interfunctional relationships between departments, this study
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42 presents IMO as a multi-level construct consisting of three sub-dimensions that play a
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44 pertinent role at the departmental level, i.e., information collection, internal information
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46 communication, and responsiveness to internal information (Lings and Greenley, 2005; Yu *et*
47
48 *al.*, 2018). The awareness and identification of internal customers are considered the starting
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50 point for sharing common beliefs, and serve as a prerequisite for delivering good internal
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52 service (Dibb and Simkin, 2000). It may be difficult to discuss problems when individuals
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54 disagree on the existence of such problems. For example, employees from a particular
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4 department may expect others to have the same perceptions as themselves, and when this is
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6 not the case, confusion and inefficiencies may occur (Milton and Westphal, 2005). If
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8 employees from different departments do not share the same perception of these existing
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10 issues, there is a strong likelihood that inefficient communication will prevail.
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14 The lack of awareness or ignorance of problems faced by departments may cause
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16 frustration and withdrawal among those employees who are considered internal customers.
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18 Therefore, to alleviate such issues, the first step of the process is to collect information
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20 regarding internal customers' needs and wants, which both internal customers and suppliers
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22 can agree on. Research has argued that it is better for members of the organization to agree on
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24 negative assessment, rather than having differing viewpoints on what is occurring (Jehn *et al.*,
25
26 2010). Second, complex and inefficient internal communication may also result in a
27
28 misunderstanding of responsibilities and unnecessary interdepartmental conflict (Braun and
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30 Hadwich, 2017; Yu *et al.*, 2020). It is not uncommon for employees to experience staff from
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32 different departments sitting in meetings and arguing with each other over responsibilities.
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34 Such conflict may damage any willingness to exchange information and will jeopardize idea
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36 generation, stifle creativity, thus impeding quality and performance (Choi and Thompson,
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38 2005; Mason and Griffin, 2003).
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48 Unfortunately, much interdepartmental information exchange tends to stop here. When
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50 no further actions are undertaken in terms of accommodating internal customers' needs,
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52 departments are reluctant to participate in the initial steps of the process (Braun and Hadwich,
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54 2017; Yu *et al.*, 2020). Employees from such departments often interpret this as being a sign
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56 of a lack of respect for their opinions, and will cause negative feelings or hinder the sharing
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4 of ideas in the future (Sleebos *et al.*, 2006). Individuals who hold more negative views
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6 consider others less cooperative and responsive. Unsatisfied individuals will spend extra time
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8 and energy attempting to protect themselves, which detract them from constructive
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10 performance (Salas *et al.*, 2016). In contrast, effective communication can help departments
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12 be clear about their capabilities, challenges and potential risks when dealing with different
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14 tasks. Problematic situations can also be analyzed and resolved accordingly (Ahmed and
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16 Rafiq, 2002).
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22 Third, without responsiveness, the whole process becomes meaningless as employees
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24 would not want to engage in such activities if nothing is changed. In behavioral terms, this
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26 becomes a vicious circle, as employees will be less receptive to the ideas of others,
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28 communicate less, contribute in a deconstructive way to the organization, which
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30 unfortunately leads to poorer individual performance. An inefficient organizational process
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32 will therefore lead to decreased employee satisfaction, less trust, and low performance levels
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34 (Mathieu *et al.*, 2006). In contrast, reciprocated feelings can be strengthened when employees
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36 from different departments share commonalities and agree on the process. When employees
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38 from different departments feel their voice and opinions are listened to and acted upon, they
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40 will feel more committed and satisfied in their employment, which will lead to a more
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42 positive organizational atmosphere and greater social influence among parties (Jehn *et al.*,
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44 2010; Bogaert *et al.*, 2012). Based on the discussion, it is hypothesized that IMO as an
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46 organizational process will improve employee satisfaction and interdepartmental
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48 relationships through enhancing connectedness and reducing conflict:
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58 Hypothesis 1: *IMO at the departmental level has a direct and positive impact on*
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4 *interdepartmental connectedness.*

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6 Hypothesis 2: *IMO at the departmental level has a direct and negative impact on*
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9 *interdepartmental conflict.*

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11 Hypothesis 3: *IMO at the departmental level has a direct and positive influence on employee*
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13
14 *satisfaction.*

15 16 17 **3.2 Interdepartmental relationships, employee satisfaction and market performance**

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19 Existing research has signaled the importance for organizations to devote attention to
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21 interdepartmental relationships in a bid to improve performance (e.g., Chen *et al.*, 2010;
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23 Chari *et al.*, 2017; Zhang, 2020). Acting on the premise that the frequent exchange of
24
25 information can reduce misconceptions and misunderstandings, IMO provides an opportunity
26
27 for departments to coordinate and integrate their resources to better achieve a company's
28
29 overall objectives (Yu *et al.*, 2020). The notion of coordination and connectedness between
30
31 functional departments reflects well on interdepartmental relations (Dibb and Simkin, 2000;
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33 Green and Rossler, 2019), and is generally considered useful for generating better business
34
35 performance (Droge *et al.*, 2004; Ellinger *et al.*, 2008; Flynn *et al.*, 2010). In particular, it is
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37 expected that organizational performance in terms of customer satisfaction, brand loyalty and
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39 profitability will increase when there is effective coordination and cooperation between
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41 departments. Based on this discussion it is hypothesized that:

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50 Hypothesis 4: *Interdepartmental connectedness has a significant and positive impact on*
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53 *organizational market performance.*

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56 While interdepartmental connectedness usually has a positive relationship with
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58 organizational performance, conflict represents a process whereby one party perceives that its
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4 interests are being opposed or negatively affected by another (Wall and Callister, 1995).

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6 Interdepartmental conflict refers to the tension between individuals across departments and it
7
8 often prohibits any willingness to share information or be cooperative (Boven and Thompson,
9
10 2003). Xie *et al.* (1998) pointed out that interdepartmental disputes often occur when there
11
12 are perceived differences in goals and ideologies across departments. Because of conflict, a
13
14 department can develop aggressive goals as well as increased discrimination against other
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16 groups. Growing favoritism toward the in-group may result in cognitive distortion from other
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18 groups. Growing favoritism toward the in-group may result in cognitive distortion from other
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20 groups, certain individuals or even the entire organization (Wall and Callister, 1995).

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25 When there is interdepartmental conflict, it is more likely that communication is
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27 inhibited across departments and less intelligence is disseminated (Jaworski and Kohli,
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29 1993). It is not surprising therefore to discover that interdepartmental conflict has a negative
30
31 association with group productivity (Braun and Hadwich, 2017; Nguyen *et al.*, 2018; Yu *et*
32
33 *al.*, 2020). With the prohibition of information sharing, conflicting interdepartmental
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35 relationships can reduce responsiveness to the external environment and damage
36
37 organizational market performance (Conduit and Mavondo, 2001; Nguyen *et al.*, 2018).

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41 Thus, it is hypothesized that:

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45 Hypothesis 5: *Interdepartmental conflict has a significant and negative impact on*
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47 *organizational market performance.*

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50 Existing research suggests that when employees are satisfied, they are more likely to be
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52 productive at work, have increased organizational citizenship, demonstrate supportive
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54 behavior and have less intention to leave (Yu *et al.*, 2018, 2019). In contrast, unsatisfied
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56 employees are less motivated to engage with high-quality job performance and may also
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4 conduct unethical or even damaging behavior (Zhang, 2020). When employees feel
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6 respected, are openly communicated with and listened to, they are more likely to be
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8 motivated and satisfied. Organizational performance, especially external customer
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10 satisfaction and sales, can be enhanced through employees who are satisfied (Bansal *et al.*,
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12 2001; Yu *et al.*, 2018). Therefore, it is hypothesized that:
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17 Hypothesis 6: *Employee satisfaction has a significant and positive impact on organizational*
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19 *market performance.*
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22 **3.3 The mediating role of employee satisfaction**

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24 Although the interdepartmental relationship has been intuitively accepted among practitioners
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26 as having a positive bearing on performance, empirical research has found different
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28 outcomes, especially regarding the influence of interdepartmental conflict. Open and
29
30 constructive conflict may play a useful and positive role in work performance (Wood *et al.*,
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32 2011). However, no matter how connected or conflicting the relationship between
33
34 departments is, employees are the ones who are participants in relationships and are directly
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36 affected by the quality of the value exchange. As such, employee satisfaction is likely to
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38 predict workplace behavior (Zhang, 2020). When interdepartmental relationships are healthy
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40 and positive, employees tend to have less pressure to request assistance and help from
41
42 colleagues in other departments (Yu *et al.*, 2020). Through better interaction between
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44 colleagues in different departments, employees feel less stressed and are more satisfied with
45
46 their roles (Boxall *et al.*, 2011). Such positive feelings can therefore improve the quality of
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48 interdepartmental relationships, which leads to employees experiencing positive work
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50 attitude, to enhance productivity and achieve shared goals.
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4 Nevertheless, interdepartmental conflict often occurs when dealing with complex tasks.
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7 When employees perceive their interactions with people from other departments negatively
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9 (e.g., conflict), they are more likely to feel diminished and disrespected as they feel their
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11 view is not reciprocated, their concerns are not heard and their ideas are not respected (Jehn
12
13 *et al.*, 2010). The most frequent consequence of conflict is that employees feel upset, anger,
14
15 tension, anxiety and stress. Such negative emotions and attitudes in turn lead to personal
16
17 frustration that can adversely affect performance (Yu *et al.*, 2020). Therefore, it is argued that
18
19 employee satisfaction is considered to have a significant mediating effect between
20
21 interdepartmental relationships and organizational performance, and it is hypothesized that:
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25 Hypothesis 7: *Employee satisfaction significantly mediates the relationships between a)*
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27 *interdepartmental connectedness and organizational performance, and b) interdepartmental*
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29 *conflict and organizational performance.*
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36 INSERT FIGURE 1 ABOUT HERE
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39 **4. Methodology**

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41 Based on the pertinent IMO literature, a pool of items was generated corresponding to each of
42
43 the IMO components at the initial stage of the primary research process. The clarity and
44
45 appropriateness of using potential measurement scales to depict the constructs were largely
46
47 debated and discussed among three management academics. Following this procedure, several
48
49 minor modifications were made, and the instrument was translated into Chinese. To verify its
50
51 linguistic equivalence, this was later back-translated into English by an experienced translator
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53 (Wong *et al.*, 2003).
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60 In order to make sure the whole survey process could be as accurate as possible, three

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4 managers were recruited from different firms and asked to work through the questions and
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6 further consider each of the items for any ambiguity or other potential problems. Based on
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8 feedback from these managers, several of the items were removed. A further pre-test was
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10 administered among nine managers to critically evaluate the items and constructs. Each was
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12 asked to work through the proposed instrument and comment about the language and
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14 potential ambiguity surrounding the questions. Based on their suggestions, several items were
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16 further eliminated, and others revised to improve their precision.
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22 Finally, before commencing the fieldwork, another phase of pre-tests involving onsite
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24 completion of the questionnaire by 30 managers from different firms was conducted. With
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26 the support of the Small and Medium-Sized Enterprise (SME) Association in Zhejiang,
27
28 China, the study was undertaken with such SMEs. Anecdotal experience suggests that
29
30 accessing large companies may prove more difficult to obtain representative or accurate
31
32 views from staff on organizational level issues. As it was intended to capture measures at the
33
34 organizational level and be sure that each informant was eligible to provide organizational
35
36 level responses, three different respondents were recruited from each company surveyed.
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38 Based on initial exploratory research and discussions with HR scholars, human resource
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40 managers were approached, due to their knowledge and awareness, to complete questions
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42 relating to the working relationships and employee satisfaction.
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50 Similarly, marketing or financial managers were approached to answer questions
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52 relating to organizational performance. Finally, mid-level managers were consulted to
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54 provide responses relating to IMO. Through administering the survey with three different
55
56 respondents within each organization, the research approach adopted was designed to
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4 mitigate against the risk of common methods bias that occurs due to single respondents
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6 answering questions (Lindell and Whitney, 2001). Finally, three informant questions (i.e.,
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8 how familiar, how knowledgeable and how confident) were asked to make sure the
9
10 respondents were appropriate individuals for completing the survey (Kumar *et al.*, 1993).
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14 As this study required high involvement of three staff working within each organization,
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16 it was expected that the response rate would not be too high (despite each organization being
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18 offered a copy of the research findings). For the complex design of the study, only hard
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20 copies of questionnaires were disseminated. A research assistant from the Association was
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22 recruited to contact the firms, drop off the hard copies, chase up and then collect the
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24 questionnaires. Most responses were collected and about 15% of the questionnaires were
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26 returned via scanned emails.
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32 Three hundred and seventy-eight questionnaires were initially returned from six hundred
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34 and fifty firms contacted. From these, a hundred and six did not meet the full requirements as
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36 they either failed to provide complete responses from all three respondents, or the three
37
38 informant question scores (1-7 Likert scales) were considered too low. In total two hundred
39
40 and seventy-two useable cases were collected (yielding a 41.8% response rate), each of which
41
42 included three levels of response. Table 1 presents the sample profile ($n=272$). The company
43
44 respondents were not too dissimilar to the population. Over 80% were small or medium sized,
45
46 with an almost equal balance between service and non-service firms being represented. In
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48 addition, a check against the non-response bias of the sample was undertaken by comparing
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50 early and late responses. No significant difference was found between the two sub-samples,
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52 suggesting non-response bias does not likely pose a problem with the data (Armstrong and
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Overton, 1977).

INSERT TABLE 1 ABOUT HERE

4.1 Measures

Based on earlier studies by Kohli, Jaworski and Kumar (1993), Lings and Greenley (2005) and Yu *et al.* (2018), the measurement items for IMO at the departmental level included three sub-dimensions, i.e., internal information generation (six items), internal communication (six items), and responsiveness (six items). Following the exploratory research process described and the subsequent pre-tests, the final IMO scale at the departmental level consisted of three items pertaining to internal information generation, four measures relating to internal communication, and three items capturing the internal responsiveness of the organization. Each IMO item was operationalized using a seven-point Likert scale, ranging from “strongly disagree” to “strongly agree”.

Employee satisfaction measures were adopted from the study of Wieseke *et al.* (2009) and included items such as employees’ overall attitudes towards the company and the job. Interdepartmental connectedness and conflict items were adapted from Jaworski and Kohli (1993). Items of connectedness tapped into notions of the extent to which individuals in a department were networked and connected to employees from other departments within the organization. Meanwhile, items for interdepartmental conflict captured the extent to which the goals of the different departments were incompatible, and tension prevailed in interdepartmental interactions. Measures for these constructs were captured using seven-point scales ranging from “strongly disagree” to “strongly agree”.

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4 Organizational market performance was operationalized through five items adapted
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6 from Govindarajan and Gupta (1985). These items included sales growth, market share
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8 growth, profitability, new market development and new product development. Each
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10 respondent was asked to compare their company's performance against their objectives based
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12 on seven-point scales for the last three years, ranging from "far worse than" to "far better
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14 than". Table 2 presents a complete list of the measurement items and a summary of the
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16 constructs. The data confirmed that the measurement scales accurately reflected the
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18 constructs that they set out to measure.
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25 INSERT TABLE 2 ABOUT HERE
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28 **5. Analysis and Model Testing**

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31 Partial least squares structural equation modelling (PLS-SEM), via a two-stage approach, was
32
33 used to test the hypotheses (Hair Jr. *et al.*, 2017a). As this research had an overall sample size
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35 of 272 and five constructs with several indicators, PLS-SEM is appropriate. PLS-SEM can be
36
37 advantageous over factor-based SEM approaches. This is because PLS does not estimate all
38
39 model relationships simultaneously, rather, the approach allows for complex models to be
40
41 estimated with small (or large) sized samples (Hair Jr. *et al.*, 2017b). The use of PLS-SEM
42
43 avoids the constraints of LISREL and AMOS, and was considered to be a better alternative
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45 for this study than covariance-based SEM (Hair Jr. *et al.*, 2011). The analysis involves a two-
46
47 stage approach to assess measurement and structural models
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54 **5.1 Measurement model**

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57 First, the measurement model was examined which represented the relationships between
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59 each construct and its corresponding items to evaluate internal consistency, individual item
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4 reliability and convergent validity (Hair Jr. *et al.*, 2017a). All the first-order constructs were
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6 assessed as reflective measures and the Cronbach's alpha (α) was calculated to measure the
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8 internal consistency, which provides an estimate of the reliability based on the
9
10 intercorrelations of the observed indicators (Hair Jr. *et al.*, 2017a). All the items had a high
11
12 degree of internal consistency (Cronbach's $\alpha > 0.70$) (see Table 2). The construct level
13
14 reliability was measured by using composite reliability to indicate whether items under the
15
16 same construct showed a strong relationship with each other. High values indicate high levels
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18 of reliability. The composite reliability for each construct in this study was above 0.70, which
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20 is considered satisfactory (Nunnally and Bernstein, 1994; Preacher and Hayes, 2004).
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27 Outer loadings were used for each item as well as the average variance extracted (AVE)
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29 to evaluate convergent validity, measuring how much the items of a construct should
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31 converge or share a high proportion of variance (Hair Jr. *et al.*, 2017a). High outer loadings
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33 on a construct indicate that the items used have much in common. The lowest outer loading
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35 of all items used in this study was 0.732, which is greater than the recommended 0.708. The
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37 AVEs were also examined to measure the convergent validity of the constructs. An AVE
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39 value above 0.50 signals that each construct explained more than half of the variance of its
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41 indicators (see Table 2).
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48 Discriminant validity is used to show how much a construct is truly different from other
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50 constructs. The Fornell-Larcker criterion was initially used to assess if each construct was
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52 unique. By comparing the square root of the AVE values with the latent variable correlations,
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54 it is evident that discriminant validity was achieved as the square root of the AVE values for
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56 each construct was greater than its highest correlation with any other construct (Hair Jr *et al.*,
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2017a) (see Table 3). Moreover, following the recommendation by Hair Jr et al., (2017a) the Heterotrait-Monotrait Ratio (HTMT) was applied. Table 4 illustrates the HTMT values for each pair of constructs in a matrix. All the values are clearly below the conservative threshold value of 0.85 suggested by Hair Jr *et al.*, (2017a). In addition, the bootstrap confidence intervals were computed by running the bootstrapping option at 5000 to test whether the HTMT values are significantly different from 1. The findings suggest that neither of the confidence intervals included the value 1, providing further evidence that discriminant validity was achieved (Hair Jr *et al.*, 2017a) (see the Appendix).

INSERT TABLE 3 and 4 ABOUT HERE

5.2 Higher-order construct measurement

A higher-order model involves testing second-order structures that contain two layers of components (Ringle *et al.*, 2012). IMO at the departmental level was posited as a reflective second-order measure, consisting of three reflective first-order latent variables (internal information generation, internal communication and responsiveness). For the reflective measurement models, the relationships between the reflective latent variables and their indicators were estimated using outer loadings (see Table 5). All outer loadings of the reflective constructs were well above the threshold value of 0.708, suggesting sufficient levels of indicator reliability. All three composite reliability values exceeded the threshold of 0.70, reflecting high levels of internal consistency. The AVE values were used to assess convergent validity. Following the repeated indicators approach to estimate higher-order constructs with PLS (Ringle *et al.*, 2012), the results signaled good reliability for all the measures (see Table 5) (Hair Jr *et al.*, 2017a).

INSERT TABLE 5 ABOUT HERE

5.3 Structural model assessment

After confirming the construct measures, the structural model results were considered. First, collinearity among the constructs was examined before conducting the path coefficient estimation. The results showed that each set of predictors in the structural model for collinearity and each predictor had a VIF value lower than 3.3 (Hair Jr *et al.*, 2017a). Following this initial step, the significance of the path coefficients was assessed to investigate the hypothesized relationships. All path coefficients were tested using 5,000 bootstraps to produce the t-statistics (see Table 6). The statistics revealed that the impact of IMO on organizations' interdepartmental connectedness and conflict was both significant (H1: $\beta=0.407$, $p<0.001$; H2: $\beta= - 0.263$, $p<0.001$) and the effect of IMO on employee satisfaction was also significant and positive (H3 $\beta=0.456$, $p<0.001$). Neither of the impacts of interdepartmental connectedness or interdepartmental conflict on market performance had a significant path coefficient (H4: $\beta=0.086$, $p>0.05$; H5: $\beta= - 0.028$, $p>0.05$), but the path coefficient of employee satisfaction and market performance was significant and positive (H6: $\beta=0.222$, $p<0.01$). Hence, H1, H2, H3 and H6 were all supported, while H4 and H5 were rejected.

INSERT TABLE 6 ABOUT HERE

The structural model was also evaluated by the coefficient of determination (R^2 value) to indicate the model's predictive accuracy. The R^2 value is supposed to be between 0 and 1 with higher levels suggesting more predictive accuracy. In this case, the predictive accuracy

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4 of IMO leading to interdepartmental connectedness, interdepartmental conflict and employee
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6 satisfaction had R^2 values of 0.18, 0.08 and 0.24 respectively (see Table 7). Apart from
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8 testing the magnitude of the R^2 values for predictive accuracy, the Gtong-Geisser Q^2 value
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10 was also applied to consider the model's predictive relevance. By using the blindfolding
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12 procedure for an omission distance $D=7$ (Chin, 1998), the model is believed to have
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14 predictive relevance ($Q^2 > 0$). For this structural model, all the endogenous variables had a Q^2
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16 greater than 0, which provides support for the model's predictive relevance (Hair Jr *et al.*,
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18 2017a) (see Table 7).
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25 INSERT TABLE 7 ABOUT HERE
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28 **5.4 The mediating effects**

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30 Zhao *et al.*'s (2010) and Preacher and Hayes's, (2008) procedure was administered to test for
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32 the mediating effects. The first step was to assess the significant indirect effect between the
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34 independent variable and the proposed mediator, and then between the mediator and the
35
36 dependent variable. H7 hypothesized employee satisfaction as the mediator between a)
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38 interdepartmental connectedness and market performance and b) interdepartmental conflict
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40 and market performance. PLS bootstrapping was run with samples set at 5000 and a
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42 confidence level of 95% to obtain the indirect effects of interdepartmental
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44 connectedness/conflict and market performance via employee satisfaction.
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52 The results of the bootstrapping analysis showed that the indirect effect of H7a = 0.153,
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54 95% bias-corrected, CI [0.077, 0.230], t-value = 3.925, $p < 0.001$, and H7b = -0.134, 95%
55
56 bias-corrected, CI [-0.231, -0.059], t-value = 3.053, $p < 0.01$ were statistically significant,
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58 respectively (Hair Jr *et al.*, 2017a). Table 8 demonstrates the mediating role that employee
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4 satisfaction plays regarding H7a and H7b. The statistics revealed that employee satisfaction
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6 had an indirect-only mediation effect on both relationships, i.e., a) interdepartmental
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8 connectedness and organizational market performance; and b) interdepartmental conflict and
9
10 organizational market performance. H7a and H7b are both supported, which illustrates the
11
12 fact that the quality of the interdepartmental relationship does not reflect directly on market
13
14 performance, but it does impact employee satisfaction, which in turn leverages market
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16 performance (see Figure 2).
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23 INSERT FIGURE 2 ABOUT HERE
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27 INSERT TABLE 8 ABOUT HERE
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30 **6. Discussion and Implications**

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32 In line with the opening statement that emphasized the importance to look into the
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34 relationships between functional departments within an organization, Toegel and Barsoux
35
36 (2016) commented on the critical role surrounding internal relationships involving different
37
38 teams: *“Team conflict can add value or destroy it. Good conflict fosters respectful debate and*
39
40 *yields mutually agreed-upon solutions that are often far superior to those first offered. Bad*
41
42 *conflict occurs when team members simply can’t get past their differences, killing*
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44 *productivity and stifling innovation.”* (p.79). This study has empirically confirmed that IMO
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46 at the departmental level as an organization process can effectively influence
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48 interdepartmental relationships and employee attitudes. Based on the findings several
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50 theoretical and practical implications are extracted from the study.
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6.1 Theoretical Implications

From the theoretical perspective, this study contributes to the existing literature in three areas.

First, the study advocates that internal relationship improvement is feasible via adopting an internal customer-supplier exchange relationship across different functional departments (Yu *et al.*, 2020). The findings expand previous research from merely taking employees as internal customers to consider their internal working group or department. Through embedding the IMO construct from a social information processing perspective, the study extends the literature in support of IMO at the departmental level in providing a useful organizational process that entails the managerial practices for facilitating internal relationships and employee attitudes.

Second, drawing on social information theory, the organizational atmosphere and the department as a group is shown here to play an important part in generating employees' perceptions and ultimately their satisfaction (Yu and Barnes, 2010; Greer *et al.*, 2011). When the organizational process supports shared values - a group consensus of an agreement among members in the organization can prevail that facilitates better employee interactions, more collaboration and less conflict (Boven and Thompson, 2003). The findings therefore contribute to the existing literature by confirming the role of IMO at the departmental level, i.e., in understanding internal customers, facilitating communication and responding to their needs. IMO serves to resolve interdepartmental conflict, garner solidarity and improve employee satisfaction (Nguyen *et al.*, 2018).

With mutual trust and understanding, departments can work towards common goals with less interdepartmental friction (Nauta and Sanders, 2001). Where there is a harmonious and

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4 cooperative climate between different functional areas, employees tend to be more satisfied.
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6 Similarly, when staff members are happy in their roles, they are often likely to be well-
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8 connected with colleagues in other departments, which further enhances performance
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10 (Bogaert *et al.*, 2012). Third, whereas previous research has attempted to highlight the
11
12 outcomes resulting from integrated departmental relationships, such as successful new
13
14 product development (Chen *et al.*, 2010; Chari *et al.*, 2017), this study did not reveal a direct
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16 relationship with market performance, but instead employee satisfaction played a significant
17
18 role in linking interdepartmental relationships with performance.
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24 Taking interdepartmental conflict as an example, it is a challenge to decipher its impact,
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26 as it may be both functional or dysfunctional (Wood *et al.*, 2011; Magnotta and Johnson,
27
28 2020). Research argues that acknowledging conflict and making an effort to resolve it works
29
30 much better than ignoring its existence (Yu *et al.*, 2020). It is often the negative
31
32 organizational atmosphere generated from poor interdepartmental relationships that matters
33
34 the most, and these can have a severe detrimental impact on employees' attitudes. Therefore,
35
36 it is argued here that it is not conflict that leads to performance pitfalls, but it is more about
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38 how conflict is managed, as captured in the CPP Global Human Capital Report (2008, p.2):
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*“when channeled through the right tools and expertise, conflict can lead to positive out-
comes, such as a better understanding of others, improved solutions to problems or
challenges, and major innovation.”*

6.2 Managerial Implications

Based on the research findings, several implications are proposed for practitioners who are grappling with trying to improve internal relationships and employee satisfaction. Although

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3
4 destructive relationships among individuals and departments can easily lead to decreased
5
6 organizational performance, such as the loss of customers, good employees or brand
7
8 reputation, the management challenge lies in identifying what causes unproductive
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10 relationships (Jehn *et al.*, 2010). Hence, to facilitate IMO as an organizational process, having
11
12 an internal customer-supplier relationship mindset is essential to start the process.
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17 By focusing on internal customers' needs, internal service quality standards and delivery
18
19 can be determined between departments (Bendig *et al.*, 2018). Managers need to pay
20
21 attention to relevant and salient issues surrounding the needs of employees. Some burning
22
23 issues may have a direct and immediate impact on emotions and behavior, while others may
24
25 be more prevalent in the future (Jehn *et al.*, 2010). For example, departments which have an
26
27 immediate labor shortage need the human resources department to understand their
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29 difficulties and work efficiently in the recruitment process. In contrast, some departments
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31 may have special requirements for skilled employees that call for more long-term planning
32
33 and a different deliberation process regarding resource allocation. Communication and the
34
35 ability to plan in advance may therefore be critical. Senior management needs to demonstrate
36
37 commitment to the internal customer mindset and moreover ensure all functional departments
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39 are willing to participate in the process.
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49 Second, the findings of this study reiterate the importance of open, timely, tailored and
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51 constructive communications among different departments (Lucas, 2015). It is argued for the
52
53 necessity of having targeted and focused communication, rather than circulating redundant or
54
55 non-useful information. The content of communication and the way information is exchanged
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57 between staff from different departments needs to focus on identifying concerns, developing
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4 mutual understanding, negotiating responsibilities and formulating solutions (Smidts *et al.*,
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6
7 2001; Kunisc *et al.*, 2014). A healthy two-way dialogue between internal customers and
8
9 suppliers should be based on needs. Communication quality is more important than quantity.
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11 With the increasing adoption of digital communication (emails, work-process systems, online
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13 meetings etc.), it is strongly recommended to not forget the advantages that face-to-face
14
15 dialogue can bring (Franken *et al.*, 2021).
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20 Effective internal communication should also focus on how departments listen to other
21
22 departments' problems and share crucial information that can help in maintaining the
23
24 organization's competitive position (Grönroos, 1985; Wright *et al.*, 2003). Each employee
25
26 should have the opportunity to participate actively, voice their opinion and get involved in
27
28 designing processes and decision making that can resolve interdepartmental issues (Nguyen
29
30 *et al.*, 2018). Identifying and understanding the needs of others ought to be encouraged and
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32 employees should be urged to put themselves in the shoes of others and consider others' point
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34 of view (Jehn *et al.*, 2010).
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41 Management may also consider measuring the effectiveness of communication by
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43 keeping a track record of communications or meetings and checking on how many issues
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45 raised are resolved over time. Through mutual understanding of potential challenges to
46
47 achieve shared goals as well as organizational objectives, employees are more likely to have
48
49 a positive attitude towards difficulties rather than blame each other for misconduct and shovel
50
51 responsibilities. This is in line with previous studies advocating that employee attitudes and
52
53 emotions can lead to the delivery of high-quality customer value, creativity and productivity
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55 (Bogaert *et al.*, 2012; Hon and Chan, 2013; Toegel and Barsoux, 2016).
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4 Third, when needs have been identified, resolution plans can proceed. Firms should
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6 make a committed effort and be responsive to agreed issues that need to be resolved. Being
7
8 responsive involves establishing appropriate performance measurement, evaluation and
9
10 reward policies. Prompt and effective feedback to staff is needed in response to managing
11
12 expectations and requests, which can serve as a powerful tool for motivating change (Bell *et*
13
14 *al.*, 2004). Departmental managers therefore need to be trained to understand the IMO
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16 process and learn how to resolve conflict in a positive and constructive way.
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22 Finally, it is recommended that organizations which operate with centrally planned and
23
24 controlled mechanisms should look to eliminate the constraints that such bureaucracy brings.
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26 For example, some departmental units within firms operate as monopolies, i.e. accounting,
27
28 R&D and HR departments, and these are often unaware of or unresponsive to the needs and
29
30 desires of their internal users (Nguyen *et al.*, 2018). Similarly, wherever possible, internal
31
32 suppliers should compete with external suppliers for internal customers' business. This will
33
34 force internal departments to be more responsive rather than acting as pure monopolistic
35
36 suppliers (Yu *et al.*, 2019). All in all, instead of creating a step-by-step action menu for
37
38 implementing IMO, senior management should adopt a flexible and soft approach to create
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40 the organizational atmosphere that focuses on internal customer-supplier exchange to achieve
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42 internal customer satisfaction.
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50 **7. Future Research**

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53 Based on its empirical nature, this study confirms the significant positive impact of IMO as
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55 an organizational process on interdepartmental relations and employee satisfaction. In
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57 particular, it is evident that IMO can provide benefits for many departments within firms and
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4 can positively influence individuals and departments per se (Yu *et al.*, 2020). The study
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6 advocates that IMO at the departmental level should be considered as an overall managerial
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8 ethos, an organizational process as well as a long-term investment. There may not be
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10 immediate effects reflected on market performance, but over time it will certainly help
11
12 improve the atmosphere and morale surrounding employees and internal relationships
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14 between functional departments (Boukis *et al.*, 2017).
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20 However, there are limitations inherent in the study that restrict its interpretation and
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22 generalizability. Future research may consider testing the framework in different sectors and
23
24 geographical areas. For example, comparing service industries with manufacturing or
25
26 agricultural settings could offer interesting insights, as would be comparisons in different
27
28 continents, such as North America, Africa, and the Middle East. It would be insightful to see
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30 what lessons can be learnt from different countries and industries.
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35 Using subjective measures to gauge market performance poses another limitation.
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37 Objective measures, such as the actual financial data relating to turnover and profits of firms
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39 may provide further legitimacy, although obtaining such data may not always be so simple.
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41 Future research may consider using longitudinal research designs and tracking a series of
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43 companies over time to increase precision, especially in terms of such objective performance
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45 measures.
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50 Based on social exchange theory, particularly that employees may engage with
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52 organizational activities and conduct citizenship behavior if the organization is internal
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54 market oriented, it may also be interesting therefore to include and test other potential
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56 mediating variables, such as employee engagement (Hanaysha, 2016) and citizenship
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4 behavior (e.g., Chow et al., 2015). Organizational innovative capabilities can also be
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6 measured in future studies to see how IMO can play its role in increasing the knowledge
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8 transfer and learning within an organization (Fang *et al.*, 2015). Some moderating factors
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10 could be considered, such as the industrial sectors which organization belong to, the size of
11
12 the organization, and the types of organizational culture or structures (Yu *et al.*, 2019).
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16
17 Turbulence surrounding the marketplace may also prove to be an interesting variable,
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19 particularly bearing in mind the Covid-19 pandemic and the havoc it has caused on different
20
21 societies. With such turbulence and uncertainties facing businesses, the way staff collaborate
22
23 in work and across different departments has never been so prevalent. Virtual contacts have
24
25 made departments less connected than ever before (Feng *et al.*, 2020). Due to such physical
26
27 separation among colleagues, companies and scholars may consider going beyond traditional
28
29 approaches to managing internal relationships and seek more innovative managerial
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31 approaches (Steven and William, 2020).
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38 In this sense, it may prove fruitful if more studies on IMO that conceptually and
39
40 empirically test for its potential contribution in helping firms to better manage internal
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42 relationships and employee attitudes were administered. Accessing multiple stakeholders for
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44 example may provide fresh and novel insights on the subject, as we grapple with the issues
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46 surrounding these troublesome pandemic times. Such research in these areas is likely to
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48 advance our understanding of the subject and provide further contributions to the literature at
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51 large.
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Table 1: Sample Profile

Demographic variables	N	%
Industrial types		
Service	140	51
Non-service	132	49
Firm size (by numbers of employee)		
< 50 persons	79	29
51-200	83	31
201-500	77	28
> 500	33	12
Years from being established (years)		
<5 years	43	16
6-10	132	48.5
11-20	71	26
> 20	26	9.5

Table 2: Measurement Model Evaluation for First-order Constructs

Item	Construct	loadings	α	CR	AVE
	IMO				
	Information Generation		.78	.87	.69
IG1	In this company, we take views from other departments as if they were customers.	.83			
IG2	In this company, we undertake research with other departments to assess the quality of our department's product / service offerings at least once per year.	.84			
IG3	In this company, we have interdepartmental meetings at the management level routinely to understand departmental needs.	.83			
	Information communication		.82	.88	.65
IC1	In this company, departmental managers regularly meet to discuss problems and listen to what other departments have to say.	.81			
IC2	In this company, if a department in this company is faced with a serious problem, the relevant department will become aware of it promptly.	.76			
IC3	In this company, we have cross-department meetings at least once a quarter to discuss how to cooperate to achieve organizational goals.	.80			
IC5	In this company, we communicate well with other departments to ensure we understand their ongoing requirements.	.83			
	Responsiveness to information		.73	.85	.65
IR1	In this company, departmental needs drive the nature of the service we provide.	.75			
IR3	As a company, we periodically review our internal products / services to ensure that they are in line with what other departments want.	.85			
IR4	Several departments get together periodically to plan a response to changes taking place in our internal work environment.	.82			
	Interdepartmental connectedness		.80	.87	.62
IDC1	In this company, it is easy to talk with virtually anyone you need to, regardless of rank or position.	.73			
IDC2	There is ample opportunity for informal "hall talk" among individuals from different departments in this business unit.	.85			
IDC3	In this company, employees from different departments feel comfortable calling on each other when the need arises.	.83			
IDC5	Staff members from different departments are quite accessible to one another.	.73			
	Interdepartmental conflict		.69	.83	.62
DCF1	Most departments in this business get along well with each other. *	.76			
DCF4	Employees from different departments feel that the goals of their respective departments are in harmony with each other. *	.83			
DCF6	There is little or no interdepartmental conflict in this business unit. *	.76			
	Employee satisfaction		.87	.92	.80
ES1	I am very satisfied with this company.	.92			
ES2	I am generally satisfied with the kind of work I do in this job.	.88			
ES3	I never think of quitting this job.	.88			
	Market performance		.87	.91	.66
MP1	Sales growth rate	.82			
MP2	Market share	.80			
MP3	Company profitability	.75			
MP4	The development of new product	.81			
MP5	The development of new market	.88			

Table 3: Correlation matrix (Discriminant validity)

	1	2	3	4	5
1. IMO	0.66				
2. Interdepartmental connectedness	0.43	0.79			
3. Interdepartmental conflict	-0.29	-0.45	0.79		
4. Employee satisfaction	0.48	0.51	-0.37	0.89	
5. Market performance	0.32	0.20	-0.13	0.54	0.82

Table 4: Discriminant validity (Heterotrait-Monotrait Ratio HTMT)

	1	2	3	4	5
1. IMO	1				
2. Interdepartmental conflict (IDF)	0.330	1			
3. Employee satisfaction (ESAT)	0.510	0.437	1		
4. Interdepartmental connectedness (IDC)	0.472	0.595	0.589	1	
5. Market performance (MKTPERF)	0.371	0.186	0.307	0.240	1

Table 5: Assessing the Hierarchical Model for IMO

Constructs	Loading	α	CR	AVE
IMO		.88	.90	.48
Information generation	.79			
Information communication	.90			
Responsiveness to information	.84			

Table 6. Path coefficients with no mediating effect

Paths	H	Expected sign	Path coeff.	SE	Absolute t-value	Supported
IMO->IDC	H1	+	c=0.407***	0.05	8.17	Yes
IMO->IDF	H2	-	c=- 0.263***	0.07	4.20	Yes
IMO->ESAT	H3	+	c=0.456***	0.05	8.47	Yes
IDC->MKTPERF	H4	+	c=0.086	0.08	1.02	No
IDF->MKTPERF	H5	-	c=-0.028	0.07	0.38	No
ESAT->PERT	H6	+	c=0.222**	0.08	2.85	Yes

***p<0.001, ** p<0.05, * p<0.01.

Table 7. Results of R² and Q² values

Endogenous latent variable	R ² Value	Q ² Value
Interdepartmental connectedness	0.18	0.10
Interdepartmental conflict	0.08	0.05
Employee satisfaction	0.24	0.21
Market performance	0.05	0.05

Table 8. Mediating effect of employee satisfaction

Direct Path coeff	SE	Absolute t-value	Indirect Path coeff	SE	Absolute t-value	
H7a						
IDC->PERF c' = 0.096	0.122	0.787	IDC->ESAT c = 0.592 ***	0.065	9.146	Indirect-only mediation
			ESAT->PERT c = 0.252*	0.104	2.417	
H7b						
IDF->PERF c' = -0.026	0.087	3.446	IDF->ESAT c = -0.448***	0.085	5.287	Indirect-only mediation
			ESAT->PERT c = 0.299**	0.106	0.245	

***p<0.001, ** p<0.05, * p<0.1.

Appendix

Discriminant Validity (HTMH) Bootstrapping at 5000 samples: Confidence Intervals Bias Corrected

	Original Sample (O)	Sample Mean (M)	Bias	2.50%	97.50%
IDF-> IMO	0.33	0.335	0.006	0.188	0.49
ESAT -> IMO	0.51	0.51	0	0.382	0.621
ESAT -> IDF	0.437	0.44	0.002	0.27	0.607
IDC -> IMO	0.472	0.476	0.004	0.347	0.584
IDC -> IDF	0.595	0.595	0	0.412	0.76
IDC -> ESAT	0.589	0.59	0.001	0.449	0.707
PERF-> IMO	0.371	0.374	0.003	0.238	0.497
PERF -> IDF	0.186	0.202	0.016	0.088	0.338
PERF-> ESAT	0.307	0.308	0.001	0.171	0.437
PERF -> IDC	0.24	0.252	0.012	0.12	0.369

Figure 1: Conceptual Framework

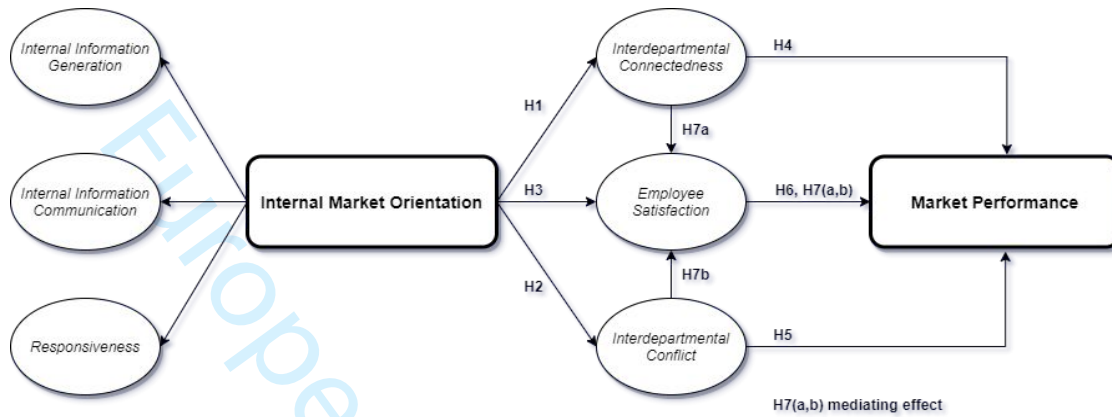


Figure 2: H7-The mediating effect of employee satisfaction between a) Interdepartmental Connectedness and Market Performance; b) Interdepartmental Conflict and Market Performance.

a



b

