**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.
Research limitations: While this study is conducted in the Chinese context, future research may consider testing the framework in different sectors and geographical areas. In addition, more objective measures of firm performance could be used in future studies and other mediating and moderating variables may be added to further advance our understanding of the subject at large.

Keywords: internal market orientation, interdepartmental relationships, employee satisfaction, organizational performance.

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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.
Interdepartmental conflict if managed ineffectively generates huge costs every year. Based on the CPP Global Human Capital Report (2008), managing workplace conflict has been estimated to account for over US$350 billion worth of paid hours for employees. Rivalry and conflict arise due to departments competing for power, influence and resources. Many organizational structures or cultures unconsciously encourage departments to resent and distrust each other. Such negative affect among employees from different departments can lead to employee dissatisfaction, poor engagement and low quality work (Jehn et al., 2012). As with romance, high degrees of conflict in a relationship can bring about anxiety. This can distress individuals as they may perceive that other departments do not respond timely to them, or positively, leading to dissatisfaction and employee withdrawal behavior (Campbell et al., 2005).

Individuals in relationships where conflict exists are often dissatisfied because of increased anxiety and distress concerning their potential future. The same applies within organizations when there is conflict between interdepartmental relationships. In such situations, staff are less likely to communicate effectively or cooperate with one another. In these instances, employees tend to spend their time and energy either trying to resolve or ignore the conflict, rather than focusing on performance-related tasks (Campbell et al., 2005; Jehn et al., 2012). Therefore, in order for an organization to perform well, a common understanding of organizational goals and shared information is necessary to distil social integration well (Dineen et al., 2007).

Effective coordination among an entire set of departments is often needed for delivering a successful new product or service to end-users. Inevitably some conflict will occur when
departments work to achieve shared goals. To resolve conflict, the organization needs to develop an effective structure to share knowledge, duties and responsibilities. When interactions between departments are easier to be predicted, each party is more likely to cooperate effectively in achieving goals and employees are more satisfied (Jehn et al., 2012).

Therefore, based on the cognitive processing view of conflict and the social information processing approach, an organizational process should be in place to discover what causes conflict between employees from different departments, to assess communication and monitor any negative atmosphere (Carucci, 2018). The establishment of an organizational process that employees from different departments agree on can help generate a more positive view from employees, so as to make them feel more content and considerate of others to facilitate better performance (Jehn et al., 2010).

Internal market orientation (IMO) which can be considered as an organizational process including identifying, communicating and responding to internal customers’ needs, may provide an answer to the earlier mentioned issues. Previous IMO research has tended to focus on employer-employee value exchange, recognizing employees as internal customers. No empirical research has attempted to examine the impact of IMO at the departmental level involving relationships between different departments that may be considered as internal customers and suppliers of one another i.e., in line with Grönroos’s (1996) suggestion that everyone in the organization has an internal customer and supplier. Therefore, through acknowledging internal value exchange between departments, IMO can enable different departments to effectively work together for the shared value and collective success, thus reducing interdepartmental conflict (Boxall et al., 2011; Jiang et al., 2013).
This study therefore makes an initial attempt to empirically test the IMO construct at the
departmental level and consider its impact on different outcomes by aiming to address the
following research questions: how may IMO at the departmental level influence employee
satisfaction and interdepartmental relationships; and what is the effect of IMO on employee
satisfaction and interdepartmental relationships in leveraging firm performance? To address
these research questions, the study draws on data from 816 individuals across three different
managerial functions in 272 organizations.

The findings of the study contribute to the literature through positing IMO as an initiator
for enhancing interdepartmental relationships and employee satisfaction, which in turn
positively influences performance. The research provides legitimacy for adopting IMO for
facilitating and improving internal customer-supplier exchange relationships across different
functional areas. In this respect, it aims to advance earlier work by not only focusing on
employees as internal customers but seeks to extend the literature to support IMO at the
departmental level for facilitating relational exchange within the organization.

The study offers a conceptual contribution that managers can easily comprehend.
Through implementing IMO i.e., gathering information to understand internal customers,
facilitating communication, and responding to the needs of their internal customers,
companies can enhance interdepartmental connectedness, reduce conflict, and improve
employee satisfaction. Moreover, the findings offer fresh insights on the pivotal role of
employee satisfaction in linking IMO and interdepartmental relationships with market
performance. Overall, this study provides creative managerial insights for organizations to
seek better ways to improve cross-functional collaboration, resolve interdepartmental
conflict, generate employee satisfaction, and enhance organizational performance.

2. Theoretical Background

The social information processing approach argues that individuals have a flexible attitude and behavior in order to effectively adapt to different social contexts facing them. This relates to a continuous process, drawing on past and present experience to predict future behavioral outcomes (Salancik and Pfeffer, 1978). Individuals often use cues in the environment to interpret events and construct perceptions (Thomas and Griffin, 1983). Internal market orientation (IMO) begins through recognizing the existence of an internal market with internal customers and suppliers. Internal customers can represent different subjects that are involved in internal value exchange, such as the employer, an employee or a functional department (Foreman and Money, 2010). Different departments, such as manufacturing, quality control, marketing and R&D, may serve as key subjects in social information processing.

In reality, businesses operate through combining the resources of various functions or departments to provide products and services for their customers (Asif et al., 2010). Businesses with relatively independent functions, often face communication and collaboration challenges (Lau, 1999; Strese et al., 2016). Many organizations operate without any platforms or processes to bring different functional departments together to discuss potential problem areas. Without pre-determined agreements on service quality, information sharing and product quality standards, employees may find it hard to coordinate with colleagues from other departments. Misunderstanding and distrust can also easily emerge between groups (Carucci, 2018). This could be particularly true for small and medium sized
companies where systematic management of departmental relationships is often missing.

In light of such challenges, previous research has attempted to investigate interdepartmental relationships from different perspectives. Nauta and Sanders (2001) for example examined the relationship between departments’ perceptions of organizational goals, interdepartmental coordination and conflict. They found there was more conflict and less coordination among departments when the perception gap associated with such goals is wide. Guenzi and Troilo (2006) illustrated the importance of departmental integration and confirmed that better interdepartmental relationships between marketing and sales can lead to the delivery of better customer value. Chen et al.’s (2010) study highlighted the relevance of interdepartmental integration for influencing new product development following mergers and acquisitions. Chari et al. (2017) meanwhile emphasized the role of interdepartmental connectedness for achieving organisational objectives.

Existing studies have argued the importance of creating a harmonious and cooperative climate between workgroups, which can lead to better goal alignment, positive employee attitudes and integration among functions. What has been missing from the current departmental relationship research is the lack of philosophy and soft process to resolve proposed challenges. This study considers IMO as an organizational process, that draws on marketing concepts and practices to facilitate value exchanges from the social information processing perspective.

3. Conceptual Development

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

3.1 IMO and interdepartmental relationships

Through acknowledging interfunctional relationships between departments, this study
presents IMO as a multi-level construct consisting of three sub-dimensions that play a
pertinent role at the departmental level, i.e., information collection, internal information
communication, and responsiveness to internal information (Lings and Greenley, 2005; Yu et
al., 2018). The awareness and identification of internal customers are considered the starting
point for sharing common beliefs, and serve as a prerequisite for delivering good internal
service (Dibb and Simkin, 2000). It may be difficult to discuss problems when individuals
disagree on the existence of such problems. For example, employees from a particular
department may expect others to have the same perceptions as themselves, and when this is not the case, confusion and inefficiencies may occur (Milton and Westphal, 2005). If employees from different departments do not share the same perception of these existing issues, there is a strong likelihood that inefficient communication will prevail.

The lack of awareness or ignorance of problems faced by departments may cause frustration and withdrawal among those employees who are considered internal customers. Therefore, to alleviate such issues, the first step of the process is to collect information regarding internal customers’ needs and wants, which both internal customers and suppliers can agree on. Research has argued that it is better for members of the organization to agree on negative assessment, rather than having differing viewpoints on what is occurring (Jehn et al., 2010). Second, complex and inefficient internal communication may also result in a misunderstanding of responsibilities and unnecessary interdepartmental conflict (Braun and Hadwich, 2017; Yu et al., 2020). It is not uncommon for employees to experience staff from different departments sitting in meetings and arguing with each other over responsibilities. Such conflict may damage any willingness to exchange information and will jeopardize idea generation, stifle creativity, thus impeding quality and performance (Choi and Thompson, 2005; Mason and Griffin, 2003).

Unfortunately, much interdepartmental information exchange tends to stop here. When no further actions are undertaken in terms of accommodating internal customers’ needs, departments are reluctant to participate in the initial steps of the process (Braun and Hadwich, 2017; Yu et al., 2020). Employees from such departments often interpret this as being a sign of a lack of respect for their opinions, and will cause negative feelings or hinder the sharing
of ideas in the future (Sleebos et al., 2006). Individuals who hold more negative views consider others less cooperative and responsive. Unsatisfied individuals will spend extra time and energy attempting to protect themselves, which detract them from constructive performance (Salas et al., 2016). In contrast, effective communication can help departments be clear about their capabilities, challenges and potential risks when dealing with different tasks. Problematic situations can also be analyzed and resolved accordingly (Ahmed and Rafiq, 2002).

Third, without responsiveness, the whole process becomes meaningless as employees would not want to engage in such activities if nothing is changed. In behavioral terms, this becomes a vicious circle, as employees will be less receptive to the ideas of others, communicate less, contribute in a deconstructive way to the organization, which unfortunately leads to poorer individual performance. An inefficient organizational process will therefore lead to decreased employee satisfaction, less trust, and low performance levels (Mathieu et al., 2006). In contrast, reciprocated feelings can be strengthened when employees from different departments share commonalities and agree on the process. When employees from different departments feel their voice and opinions are listened to and acted upon, they will feel more committed and satisfied in their employment, which will lead to a more positive organizational atmosphere and greater social influence among parties (Jehn et al., 2010; Bogaert et al., 2012). Based on the discussion, it is hypothesized that IMO as an organizational process will improve employee satisfaction and interdepartmental relationships through enhancing connectedness and reducing conflict:

Hypothesis 1: IMO at the departmental level has a direct and positive impact on
interdepartmental connectedness.

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

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

3.2 Interdepartmental relationships, employee satisfaction and market performance

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

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

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

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

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

Thus, it is hypothesized that:

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

Existing research suggests that when employees are satisfied, they are more likely to be productive at work, have increased organizational citizenship, demonstrate supportive behavior and have less intention to leave (Yu et al., 2018, 2019). In contrast, unsatisfied employees are less motivated to engage with high-quality job performance and may also
conduct unethical or even damaging behavior (Zhang, 2020). When employees feel respected, are openly communicated with and listened to, they are more likely to be motivated and satisfied. Organizational performance, especially external customer satisfaction and sales, can be enhanced through employees who are satisfied (Bansal et al., 2001; Yu et al., 2018). Therefore, it is hypothesized that: 

Hypothesis 6: Employee satisfaction has a significant and positive impact on organizational market performance.

3.3 The mediating role of employee satisfaction

Although the interdepartmental relationship has been intuitively accepted among practitioners as having a positive bearing on performance, empirical research has found different outcomes, especially regarding the influence of interdepartmental conflict. Open and constructive conflict may play a useful and positive role in work performance (Wood et al., 2011). However, no matter how connected or conflicting the relationship between departments is, employees are the ones who are participants in relationships and are directly affected by the quality of the value exchange. As such, employee satisfaction is likely to predict workplace behavior (Zhang, 2020). When interdepartmental relationships are healthy and positive, employees tend to have less pressure to request assistance and help from colleagues in other departments (Yu et al., 2020). Through better interaction between colleagues in different departments, employees feel less stressed and are more satisfied with their roles (Boxall et al., 2011). Such positive feelings can therefore improve the quality of interdepartmental relationships, which leads to employees experiencing positive work attitude, to enhance productivity and achieve shared goals.
Nevertheless, interdepartmental conflict often occurs when dealing with complex tasks. When employees perceive their interactions with people from other departments negatively (e.g., conflict), they are more likely to feel diminished and disrespected as they feel their view is not reciprocated, their concerns are not heard and their ideas are not respected (Jehn et al., 2010). The most frequent consequence of conflict is that employees feel upset, anger, tension, anxiety and stress. Such negative emotions and attitudes in turn lead to personal frustration that can adversely affect performance (Yu et al., 2020). Therefore, it is argued that employee satisfaction is considered to have a significant mediating effect between interdepartmental relationships and organizational performance, and it is hypothesized that:

Hypothesis 7: Employee satisfaction significantly mediates the relationships between a) interdepartmental connectedness and organizational performance, and b) interdepartmental conflict and organizational performance.

4. Methodology

Based on the pertinent IMO literature, a pool of items was generated corresponding to each of the IMO components at the initial stage of the primary research process. The clarity and appropriateness of using potential measurement scales to depict the constructs were largely debated and discussed among three management academics. Following this procedure, several minor modifications were made, and the instrument was translated into Chinese. To verify its linguistic equivalence, this was later back-translated into English by an experienced translator (Wong et al., 2003).

In order to make sure the whole survey process could be as accurate as possible, three
managers were recruited from different firms and asked to work through the questions and further consider each of the items for any ambiguity or other potential problems. Based on feedback from these managers, several of the items were removed. A further pre-test was administered among nine managers to critically evaluate the items and constructs. Each was asked to work through the proposed instrument and comment about the language and potential ambiguity surrounding the questions. Based on their suggestions, several items were further eliminated, and others revised to improve their precision.

Finally, before commencing the fieldwork, another phase of pre-tests involving onsite completion of the questionnaire by 30 managers from different firms was conducted. With the support of the Small and Medium-Sized Enterprise (SME) Association in Zhejiang, China, the study was undertaken with such SMEs. Anecdotal experience suggests that accessing large companies may prove more difficult to obtain representative or accurate views from staff on organizational level issues. As it was intended to capture measures at the organizational level and be sure that each informant was eligible to provide organizational level responses, three different respondents were recruited from each company surveyed. Based on initial exploratory research and discussions with HR scholars, human resource managers were approached, due to their knowledge and awareness, to complete questions relating to the working relationships and employee satisfaction.

Similarly, marketing or financial managers were approached to answer questions relating to organizational performance. Finally, mid-level managers were consulted to provide responses relating to IMO. Through administering the survey with three different respondents within each organization, the research approach adopted was designed to
mitigate against the risk of common methods bias that occurs due to single respondents answering questions (Lindell and Whitney, 2001). Finally, three informant questions (i.e., how familiar, how knowledgeable and how confident) were asked to make sure the respondents were appropriate individuals for completing the survey (Kumar et al., 1993).

As this study required high involvement of three staff working within each organization, it was expected that the response rate would not be too high (despite each organization being offered a copy of the research findings). For the complex design of the study, only hard copies of questionnaires were disseminated. A research assistant from the Association was recruited to contact the firms, drop off the hard copies, chase up and then collect the questionnaires. Most responses were collected and about 15% of the questionnaires were returned via scanned emails.

Three hundred and seventy-eight questionnaires were initially returned from six hundred and fifty firms contacted. From these, a hundred and six did not meet the full requirements as they either failed to provide complete responses from all three respondents, or the three informant question scores (1-7 Likert scales) were considered too low. In total two hundred and seventy-two useable cases were collected (yielding a 41.8% response rate), each of which included three levels of response. Table 1 presents the sample profile ($n=272$). The company respondents were not too dissimilar to the population. Over 80% were small or medium sized, with an almost equal balance between service and non-service firms being represented. In addition, a check against the non-response bias of the sample was undertaken by comparing early and late responses. No significant difference was found between the two sub-samples, suggesting non-response bias does not likely pose a problem with the data (Armstrong and
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”.
Organizational market performance was operationalized through five items adapted from Govindarajan and Gupta (1985). These items included sales growth, market share growth, profitability, new market development and new product development. Each respondent was asked to compare their company’s performance against their objectives based on seven-point scales for the last three years, ranging from “far worse than” to “far better than”. Table 2 presents a complete list of the measurement items and a summary of the constructs. The data confirmed that the measurement scales accurately reflected the constructs that they set out to measure.

5. Analysis and Model Testing

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

5.1 Measurement model

First, the measurement model was examined which represented the relationships between each construct and its corresponding items to evaluate internal consistency, individual item
reliability and convergent validity (Hair Jr. et al., 2017a). All the first-order constructs were assessed as reflective measures and the Cronbach’s alpha (α) was calculated to measure the internal consistency, which provides an estimate of the reliability based on the intercorrelations of the observed indicators (Hair Jr. et al., 2017a). All the items had a high degree of internal consistency (Cronbach’s α >0.70) (see Table 2). The construct level reliability was measured by using composite reliability to indicate whether items under the same construct showed a strong relationship with each other. High values indicate high levels of reliability. The composite reliability for each construct in this study was above 0.70, which is considered satisfactory (Nunnally and Bernstein, 1994; Preacher and Hayes, 2004).

Outer loadings were used for each item as well as the average variance extracted (AVE) to evaluate convergent validity, measuring how much the items of a construct should converge or share a high proportion of variance (Hair Jr. et al., 2017a). High outer loadings on a construct indicate that the items used have much in common. The lowest outer loading of all items used in this study was 0.732, which is greater than the recommended 0.708. The AVEs were also examined to measure the convergent validity of the constructs. An AVE value above 0.50 signals that each construct explained more than half of the variance of its indicators (see Table 2).

Discriminant validity is used to show how much a construct is truly different from other constructs. The Fornell-Larcker criterion was initially used to assess if each construct was unique. By comparing the square root of the AVE values with the latent variable correlations, it is evident that discriminant validity was achieved as the square root of the AVE values for each construct was greater than its highest correlation with any other construct (Hair Jr et al.,
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).

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).
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.

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
of IMO leading to interdepartmental connectedness, interdepartmental conflict and employee satisfaction had $R^2$ values of 0.18, 0.08 and 0.24 respectively (see Table 7). Apart from testing the magnitude of the $R^2$ values for predictive accuracy, the Gtone-Geisser $Q^2$ value was also applied to consider the model’s predictive relevance. By using the blindfolding procedure for an omission distance $D=7$ (Chin, 1998), the model is believed to have predictive relevance ($Q^2 > 0$). For this structural model, all the endogenous variables had a $Q^2$ greater than 0, which provides support for the model’s predictive relevance (Hair Jr et al., 2017a) (see Table 7).

5.4 The mediating effects

Zhao et al.’s (2010) and Preacher and Hayes’s, (2008) procedure was administered to test for the mediating effects. The first step was to assess the significant indirect effect between the independent variable and the proposed mediator, and then between the mediator and the dependent variable. H7 hypothesized employee satisfaction as the mediator between a) interdepartmental connectedness and market performance and b) interdepartmental conflict and market performance. PLS bootstrapping was run with samples set at 5000 and a confidence level of 95% to obtain the indirect effects of interdepartmental connectedness/conflict and market performance via employee satisfaction.

The results of the bootstrapping analysis showed that the indirect effect of $H7a = 0.153$, 95% bias-corrected, CI [0.077, 0.230], $t$-value $= 3.925$, $p < 0.001$, and $H7b = -0.134$, 95% bias-corrected, CI [-0.231, -0.059], $t$-value $= 3.053$, $p < 0.01$ were statistically significant, respectively (Hair Jr et al., 2017a). Table 8 demonstrates the mediating role that employee satisfaction plays in the relationship between interdepartmental connectedness/conflict and market performance.
satisfaction plays regarding H7a and H7b. The statistics revealed that employee satisfaction had an indirect-only mediation effect on both relationships, i.e., a) interdepartmental connectedness and organizational market performance; and b) interdepartmental conflict and organizational market performance. H7a and H7b are both supported, which illustrates the fact that the quality of the interdepartmental relationship does not reflect directly on market performance, but it does impact employee satisfaction, which in turn leverages market performance (see Figure 2).

6. Discussion and Implications

In line with the opening statement that emphasized the importance to look into the relationships between functional departments within an organization, Toegel and Barsoux (2016) commented on the critical role surrounding internal relationships involving different teams: “Team conflict can add value or destroy it. Good conflict fosters respectful debate and yields mutually agreed-upon solutions that are often far superior to those first offered. Bad conflict occurs when team members simply can’t get past their differences, killing productivity and stifling innovation.” (p.79). This study has empirically confirmed that IMO at the departmental level as an organization process can effectively influence interdepartmental relationships and employee attitudes. Based on the findings several theoretical and practical implications are extracted from the study.
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
cooperative climate between different functional areas, employees tend to be more satisfied. Similarly, when staff members are happy in their roles, they are often likely to be well-connected with colleagues in other departments, which further enhances performance (Bogaert et al., 2012). Third, whereas previous research has attempted to highlight the outcomes resulting from integrated departmental relationships, such as successful new product development (Chen et al., 2010; Chari et al., 2017), this study did not reveal a direct relationship with market performance, but instead employee satisfaction played a significant role in linking interdepartmental relationships with performance.

Taking interdepartmental conflict as an example, it is a challenge to decipher its impact, as it may be both functional or dysfunctional (Wood et al., 2011; Magnotta and Johnson, 2020). Research argues that acknowledging conflict and making an effort to resolve it works much better than ignoring its existence (Yu et al., 2020). It is often the negative organizational atmosphere generated from poor interdepartmental relationships that matters the most, and these can have a severe detrimental impact on employees’ attitudes. Therefore, it is argued here that it is not conflict that leads to performance pitfalls, but it is more about how conflict is managed, as captured in the CPP Global Human Capital Report (2008, p.2):

“when channeled through the right tools and expertise, conflict can lead to positive outcomes, 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
destructive relationships among individuals and departments can easily lead to decreased organizational performance, such as the loss of customers, good employees or brand reputation, the management challenge lies in identifying what causes unproductive relationships (Jehn et al., 2010). Hence, to facilitate IMO as an organizational process, having an internal customer-supplier relationship mindset is essential to start the process.

By focusing on internal customers’ needs, internal service quality standards and delivery can be determined between departments (Bendig et al., 2018). Managers need to pay attention to relevant and salient issues surrounding the needs of employees. Some burning issues may have a direct and immediate impact on emotions and behavior, while others may be more prevalent in the future (Jehn et al., 2010). For example, departments which have an immediate labor shortage need the human resources department to understand their difficulties and work efficiently in the recruitment process. In contrast, some departments may have special requirements for skilled employees that call for more long-term planning and a different deliberation process regarding resource allocation. Communication and the ability to plan in advance may therefore be critical. Senior management needs to demonstrate commitment to the internal customer mindset and moreover ensure all functional departments are willing to participate in the process.

Second, the findings of this study reiterate the importance of open, timely, tailored and constructive communications among different departments (Lucas, 2015). It is argued for the necessity of having targeted and focused communication, rather than circulating redundant or non-useful information. The content of communication and the way information is exchanged between staff from different departments needs to focus on identifying concerns, developing
mutual understanding, negotiating responsibilities and formulating solutions (Smidts et al., 2001; Kunisc et al., 2014). A healthy two-way dialogue between internal customers and suppliers should be based on needs. Communication quality is more important than quantity. With the increasing adoption of digital communication (emails, work-process systems, online meetings etc.), it is strongly recommended to not forget the advantages that face-to-face dialogue can bring (Franken et al., 2021).

Effective internal communication should also focus on how departments listen to other departments’ problems and share crucial information that can help in maintaining the organization’s competitive position (Grönroos, 1985; Wright et al., 2003). Each employee should have the opportunity to participate actively, voice their opinion and get involved in designing processes and decision making that can resolve interdepartmental issues (Nguyen et al., 2018). Identifying and understanding the needs of others ought to be encouraged and employees should be urged to put themselves in the shoes of others and consider others’ point of view (Jehn et al., 2010).

Management may also consider measuring the effectiveness of communication by keeping a track record of communications or meetings and checking on how many issues raised are resolved over time. Through mutual understanding of potential challenges to achieve shared goals as well as organizational objectives, employees are more likely to have a positive attitude towards difficulties rather than blame each other for misconduct and shovel responsibilities. This is in line with previous studies advocating that employee attitudes and emotions can lead to the delivery of high-quality customer value, creativity and productivity (Bogaert et al., 2012; Hon and Chan, 2013; Toegel and Barsoux, 2016).
Third, when needs have been identified, resolution plans can proceed. Firms should make a committed effort and be responsive to agreed issues that need to be resolved. Being responsive involves establishing appropriate performance measurement, evaluation and reward policies. Prompt and effective feedback to staff is needed in response to managing expectations and requests, which can serve as a powerful tool for motivating change (Bell et al., 2004). Departmental managers therefore need to be trained to understand the IMO process and learn how to resolve conflict in a positive and constructive way.

Finally, it is recommended that organizations which operate with centrally planned and controlled mechanisms should look to eliminate the constraints that such bureaucracy brings. For example, some departmental units within firms operate as monopolies, i.e. accounting, R&D and HR departments, and these are often unaware of or unresponsive to the needs and desires of their internal users (Nguyen et al., 2018). Similarly, wherever possible, internal suppliers should compete with external suppliers for internal customers’ business. This will force internal departments to be more responsive rather than acting as pure monopolistic suppliers (Yu et al., 2019). All in all, instead of creating a step-by-step action menu for implementing IMO, senior management should adopt a flexible and soft approach to create the organizational atmosphere that focuses on internal customer-supplier exchange to achieve internal customer satisfaction.

7. Future Research

Based on its empirical nature, this study confirms the significant positive impact of IMO as an organizational process on interdepartmental relations and employee satisfaction. In particular, it is evident that IMO can provide benefits for many departments within firms and
can positively influence individuals and departments per se (Yu et al., 2020). The study advocates that IMO at the departmental level should be considered as an overall managerial ethos, an organizational process as well as a long-term investment. There may not be immediate effects reflected on market performance, but over time it will certainly help improve the atmosphere and morale surrounding employees and internal relationships between functional departments (Boukis et al., 2017).

However, there are limitations inherent in the study that restrict its interpretation and generalizability. Future research may consider testing the framework in different sectors and geographical areas. For example, comparing service industries with manufacturing or agricultural settings could offer interesting insights, as would be comparisons in different continents, such as North America, Africa, and the Middle East. It would be insightful to see what lessons can be learnt from different countries and industries.

Using subjective measures to gauge market performance poses another limitation. Objective measures, such as the actual financial data relating to turnover and profits of firms may provide further legitimacy, although obtaining such data may not always be so simple. Future research may consider using longitudinal research designs and tracking a series of companies over time to increase precision, especially in terms of such objective performance measures.

Based on social exchange theory, particularly that employees may engage with organizational activities and conduct citizenship behavior if the organization is internal market oriented, it may also be interesting therefore to include and test other potential mediating variables, such as employee engagement (Hanaysha, 2016) and citizenship
behavior (e.g., Chow et al., 2015). Organizational innovative capabilities can also be measured in future studies to see how IMO can play its role in increasing the knowledge transfer and learning within an organization (Fang et al., 2015). Some moderating factors could be considered, such as the industrial sectors which organization belong to, the size of the organization, and the types of organizational culture or structures (Yu et al., 2019).

Turbulence surrounding the marketplace may also prove to be an interesting variable, particularly bearing in mind the Covid-19 pandemic and the havoc it has caused on different societies. With such turbulence and uncertainties facing businesses, the way staff collaborate in work and across different departments has never been so prevalent. Virtual contacts have made departments less connected than ever before (Feng et al., 2020). Due to such physical separation among colleagues, companies and scholars may consider going beyond traditional approaches to managing internal relationships and seek more innovative managerial approaches (Steven and William, 2020).

In this sense, it may prove fruitful if more studies on IMO that conceptually and empirically test for its potential contribution in helping firms to better manage internal relationships and employee attitudes were administered. Accessing multiple stakeholders for example may provide fresh and novel insights on the subject, as we grapple with the issues surrounding these troublesome pandemic times. Such research in these areas is likely to advance our understanding of the subject and provide further contributions to the literature at large.
References:


305.


Table 1: Sample Profile

<table>
<thead>
<tr>
<th>Demographic variables</th>
<th>N</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td><strong>Industrial types</strong></td>
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<td></td>
</tr>
<tr>
<td>Service</td>
<td>140</td>
<td>51</td>
</tr>
<tr>
<td>Non-service</td>
<td>132</td>
<td>49</td>
</tr>
<tr>
<td><strong>Firm size (by numbers of employee)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 50 persons</td>
<td>79</td>
<td>29</td>
</tr>
<tr>
<td>51-200</td>
<td>83</td>
<td>31</td>
</tr>
<tr>
<td>201-500</td>
<td>77</td>
<td>28</td>
</tr>
<tr>
<td>&gt; 500</td>
<td>33</td>
<td>12</td>
</tr>
<tr>
<td><strong>Years from being established (years)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;5 years</td>
<td>43</td>
<td>16</td>
</tr>
<tr>
<td>6-10</td>
<td>132</td>
<td>48.5</td>
</tr>
<tr>
<td>11-20</td>
<td>71</td>
<td>26</td>
</tr>
<tr>
<td>&gt; 20</td>
<td>26</td>
<td>9.5</td>
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Table 2: Measurement Model Evaluation for First-order Constructs

<table>
<thead>
<tr>
<th>Item</th>
<th>Construct</th>
<th>loadings</th>
<th>α</th>
<th>CR</th>
<th>AVE</th>
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<tbody>
<tr>
<td>IMO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IG1</td>
<td>In this company, we take views from other departments as if they were customers.</td>
<td>.78</td>
<td>.87</td>
<td>.69</td>
<td></td>
</tr>
<tr>
<td>IG2</td>
<td>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.</td>
<td>.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IG3</td>
<td>In this company, we have interdepartmental meetings at the management level routinely to understand departmental needs.</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IC1</td>
<td>In this company, departmental managers regularly meet to discuss problems and listen to what other departments have to say.</td>
<td>.81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IC2</td>
<td>In this company, if a department in this company is faced with a serious problem, the relevant department will become aware of it promptly.</td>
<td>.76</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IC3</td>
<td>In this company, we have cross-department meetings at least once a quarter to discuss how to cooperate to achieve organizational goals.</td>
<td>.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IC5</td>
<td>In this company, we communicate well with other departments to ensure we understand their ongoing requirements.</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IR1</td>
<td>In this company, departmental needs drive the nature of the service we provide.</td>
<td>.75</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IR3</td>
<td>As a company, we periodically review our internal products / services to ensure that they are in line with what other departments want.</td>
<td>.85</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IR4</td>
<td>Several departments get together periodically to plan a response to changes taking place in our internal work environment.</td>
<td>.82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDC1</td>
<td>In this company, it is easy to talk with virtually anyone you need to, regardless of rank or position.</td>
<td>.73</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDC2</td>
<td>There is ample opportunity for informal “hall talk” among individuals from different departments in this business unit.</td>
<td>.85</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDC3</td>
<td>In this company, employees from different departments feel comfortable calling on each other when the need arises.</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDC5</td>
<td>Staff members from different departments are quite accessible to one another.</td>
<td>.73</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DCF1</td>
<td>Most departments in this business get along well with each other. *</td>
<td>.76</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DCF4</td>
<td>Employees from different departments feel that the goals of their respective departments are in harmony with each other. *</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DCF6</td>
<td>There is little or no interdepartmental conflict in this business unit. *</td>
<td>.76</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES1</td>
<td>I am very satisfied with this company.</td>
<td>.92</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES2</td>
<td>I am generally satisfied with the kind of work I do in this job.</td>
<td>.88</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES3</td>
<td>I never think of quitting this job.</td>
<td>.88</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MP1</td>
<td>Sales growth rate</td>
<td>.82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MP2</td>
<td>Market share</td>
<td>.80</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>MP3</td>
<td>Company profitability</td>
<td>.75</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MP4</td>
<td>The development of new product</td>
<td>.81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MP5</td>
<td>The development of new market</td>
<td>.88</td>
<td></td>
<td></td>
<td></td>
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</table>
Table 3: Correlation matrix (Discriminant validity)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMO</td>
<td>0.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interepartmental connectedness</td>
<td>0.43</td>
<td>0.79</td>
<td></td>
<td></td>
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<tr>
<td>Interdepartmental conflict</td>
<td>-0.29</td>
<td>-0.45</td>
<td>0.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>0.48</td>
<td>0.51</td>
<td>-0.37</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>Market performance</td>
<td>0.32</td>
<td>0.20</td>
<td>-0.13</td>
<td>0.54</td>
<td>0.82</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>IMO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDF</td>
<td>0.330</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESAT</td>
<td>0.510</td>
<td>0.437</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDC</td>
<td>0.472</td>
<td>0.595</td>
<td>0.589</td>
<td>1</td>
<td></td>
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<tr>
<td>MKTPERF</td>
<td>0.371</td>
<td>0.186</td>
<td>0.307</td>
<td>0.240</td>
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</table>

Table 5: Assessing the Hierarchical Model for IMO

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Loading</th>
<th>α</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
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<tr>
<td>IMO</td>
<td>.88</td>
<td>.90</td>
<td>.48</td>
<td></td>
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<tr>
<td>Information generation</td>
<td>.79</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information communication</td>
<td>.90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsiveness to information</td>
<td>.84</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Table 6. Path coefficients with no mediating effect

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

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

Table 7. Results of $R^2$ and $Q^2$ values

<table>
<thead>
<tr>
<th>Endogenous latent variable</th>
<th>$R^2$ Value</th>
<th>$Q^2$ Value</th>
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</thead>
<tbody>
<tr>
<td>Interdepartmental connectedness</td>
<td>0.18</td>
<td>0.10</td>
</tr>
<tr>
<td>Interdepartmental conflict</td>
<td>0.08</td>
<td>0.05</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>0.24</td>
<td>0.21</td>
</tr>
<tr>
<td>Market performance</td>
<td>0.05</td>
<td>0.05</td>
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</table>
Table 8. Mediating effect of employee satisfaction

<table>
<thead>
<tr>
<th>Direct Path coeff</th>
<th>SE</th>
<th>Absolute t-value</th>
<th>Indirect Path coeff</th>
<th>SE</th>
<th>Absolute t-value</th>
<th>H7a</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDC-&gt;PERF c'=0.096</td>
<td>0.122</td>
<td>0.787</td>
<td>IDC-&gt;ESAT c =0.592 ***</td>
<td>0.065</td>
<td>9.146</td>
<td>Indirect-only mediation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>ESAT-&gt;PERT c=0.252*</td>
<td>0.104</td>
<td>2.417</td>
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<tr>
<td>H7b</td>
<td></td>
<td></td>
<td>IDF-&gt;ESAT c=-0.448***</td>
<td>0.085</td>
<td>5.287</td>
<td>Indirect-only mediation</td>
</tr>
<tr>
<td>IDF-&gt;PERF c'=-0.026</td>
<td>0.087</td>
<td>3.446</td>
<td>ESAT-&gt;PERT c=0.299**</td>
<td>0.106</td>
<td>0.245</td>
<td></td>
</tr>
</tbody>
</table>

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

Appendix

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

<table>
<thead>
<tr>
<th></th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Bias</th>
<th>2.50%</th>
<th>97.50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDF-&gt; IMO</td>
<td>0.33</td>
<td>0.335</td>
<td>0.006</td>
<td>0.188</td>
<td>0.49</td>
</tr>
<tr>
<td>ESAT -&gt; IMO</td>
<td>0.51</td>
<td>0.51</td>
<td>0</td>
<td>0.382</td>
<td>0.621</td>
</tr>
<tr>
<td>ESAT -&gt; IDF</td>
<td>0.437</td>
<td>0.44</td>
<td>0.002</td>
<td>0.27</td>
<td>0.607</td>
</tr>
<tr>
<td>IDC -&gt; IMO</td>
<td>0.472</td>
<td>0.476</td>
<td>0.004</td>
<td>0.347</td>
<td>0.584</td>
</tr>
<tr>
<td>IDC -&gt; IDF</td>
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<td>0.595</td>
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**Figure 1:** Conceptual Framework

[Diagram of the conceptual framework showing relationships between internal market orientation, interdepartmental connectedness, employee satisfaction, and market performance.]

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

[a] Interdepartmental Connectedness

\[ \beta = 0.592, \ p<0.001 \]

[b] Interdepartmental Conflict

\[ \beta = -0.446, \ p<0.001 \]