IMPACT OF IM PROGRAMS ON FLE'S PERCEPTION OF IMO AND PERFORMANCE OUTCOMES

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ABSTRACT

Frontline employees (FLEs) are one of the key sources of competitive advantage (CA) for firms, as consumer experiences and perceptions of firms are influenced by how effectively FLEs deliver services. Firms have adopted internal market orientation (IMO) to ensure FLEs needs and wants are well understood and appropriate 'job products' are delivered. Recent studies have depicted IM programs as encompassing-i) actions (empowerment and participative decision making) and, ii) words/communications (i.e., the formalization of communication between employees and management), and these programs have been argued to improve employees' perception of organization's strategies (i.e. IMO). However, FLEs are not always positively disposed towards IMO and IM programs, but rather, sometimes believe they are designed to increase the firm's demands on its employees. Therefore, it is critical for organizations to understand how FLEs' experience specific IM programs and whether, their experience in turn impact on FLEs' customer oriented behavior (COB) and performance. This paper develops and tests a conceptual framework investigating; i) the relationship between FLEs experience of three types of IM programs and employees' perception of IMO, ii) the relationship between employees perception of IMO and FLE customer oriented behavior and, iii) the relationship between FLE COB and employee performance.

Self-Administered surveys were distributed to 563 customer contact FLEs working for a large general insurance company in Bangladesh. 295 usable surveys were returned representing a response rate of 52%. Structural equation modeling was then undertaken to test the relationships in proposed model presented. The study found that FLEs' communication formality was not significantly related to perception of IMO, whereas, both FLEs' empowerment and participation in decision making were significantly and positively related to FLE's perception of IMO. The study further found significant and positive relationships between perception of IMO and FLEs' COB. FLE's COB was also found to be significantly related to performance. Further, through mediation analysis the study also found that FLE's perception of IMO only indirectly impacted on employee performance through FLEs' COB.

The results contribute to the literature by identifying that action based programs involving employees participating in decision making and being empowered to act positively influence FLEs' views of IMO. However, formal communication, which may or may not accurately reflect organisational actions, does not impact on FLEs' perceptions of IMO. The full mediation effect of FLE's COB between perception of IMO and FLE performance is critical for management. The finding identifies that programs need to directly foster customer oriented behaviour among FLEs if management wants to improve FLEs performance and thus organisational performance.