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## How internal marketing drive customer satisfaction in matured and maturing European markets?

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## ABSTRACT

This study examines the indirect effect of internal marketing, via cross-functional goal compatibility, on customer satisfaction at differing levels of salesperson cross-functional connectivity, across matured and maturing market contexts. Using data from salespeople in a large financial services organization operating in matured Central European and maturing South and Eastern European markets, the study finds that the effect of internal marketing on customer satisfaction is mediated by cross-functional goal compatibility in both markets. In addition, the results show that at high levels of cross-functional connectivity, the effect of goal compatibility on customer satisfaction is strengthened in maturing markets. The theoretical and practical implications of these findings are discussed.

### 1. Introduction

In today's competitive business environment, salespeople's collaborative efforts play a major role in building and sustaining buyer-seller relationships (Darmon, 2004). Importantly, efforts to build productive buyer-seller relationships and to execute customer-centric tasks require close collaboration between salespeople and members of other functional units within the organization; to the extent that achieving customer satisfaction demands collaborative exchanges between a diverse set of organizational members (Enz & Lambert, 2015; Steward, Walker, Hutt, & Kumar, 2010). While collaborative efforts between salespeople and members of other functional units may help create greater customer satisfaction outcomes, the nature of the sales function mandates that salespeople operate beyond the borders of their organization, which consequently limits their involvement in internal organizational social exchange processes (Dubinsky, Nataraajan, & Huang, 2004). As boundary spanners committed to forming and nurturing relationships with external customers, there is a risk that salespeople may become alienated from internal organizational stakeholders, potentially jeopardizing smooth collaborative exchanges between salespeople and members of other functional units (Tanner, Tanner, & Wakefield, 2015). Despite its importance to sales organizations, scholarly understanding of how and when internal collaborative exchanges between salespeople and other organizational members is developed and leveraged for customer satisfaction remains under-researched.

To address this gap in the sales literature, this study draws insights from the intra-firm knowledge, social identity and social exchange literature (e.g. De Clercq & Sapienza, 2006; Floyd & Lane, 2000; Tajfel & Turner, 1979) to propose that customer satisfaction is enhanced when firms leverage resources across functional units to aid salespeople's efforts to address customer needs. However, the process of satisfying customer needs is surrounded by evolving uncertainties with respect to the level of the resource contribution of key internal stakeholders. The knowledge exchange literature suggests that the resources under consideration (e.g. sales knowledge, market information, customer database, knowledge on competition) required to reduce this uncertainty about customer satisfaction creation is often dispersed across different functional units, usually used as a source of power, and therefore not readily shared among functional units (Kim & Mauborgne, 1998). Leveraging such dispersedly distributed resources to create a superior market offering requires collaborative exchanges among all organizational members in possession of such resources (Nonaka, 1994).

On this front, this study proposes that internal marketing (IM) may play a vital role in fostering collaborative exchanges between salespeople and members of other functional units. The study argues that a firm's ability to align and attain compatibility in terms of customer satisfaction goals across functional units is a channel through which IM can lead to customer satisfaction. Furthermore, following social identification and social exchange theories, this study argues that the effect

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of IM on customer satisfaction via cross-functional goal compatibility is strengthened when salespeople are effectively connected to other organizational members outside the sales function. The study contends that the more a salesperson is willing to engage with employees from other functional units in an organization (e.g. finances, accounting, manufacturing, and marketing), the more likely it is that cross-functional goal compatibility becomes a successful transfer mechanism of IM activities to customer satisfaction outcomes. Thus, this study proposes the notion of *salesperson cross-functional connectivity* as a potential moderator of the indirect effect of IM, via cross-functional goal compatibility, on customer satisfaction.

Previous empirical research focuses on the behavioral outcomes of IM within a single country market, often from a matured and industrialized market perspective, offering little guidance with regard to how an organization's IM practices operate across different market conditions. This study further enriches the sales literature by examining how the proposed conditioned indirect effect of IM on customer satisfaction varies across matured and maturing market European contexts. By so doing, this study broadens scholarly understanding on how and when IM activities influence customer satisfaction.

## 2. Theoretical background and hypotheses development

### 2.1. Internal marketing activities and customer satisfaction

Internal marketing (IM) has been the focus of a great deal of scholarly research, generating several conceptual and operational definitions (e.g., Boukis & Gounaris, 2014; Lings, 2004). Importantly, researchers have studied the IM construct from strategic and functional perspectives. From a strategic standpoint, IM is conceptualized as an organization-wide strategic approach predicated on treating employees as internal customers. This approach to IM incorporates a set of managerial activities directed at motivating employees to become customer-oriented in order to enhance market performance (Lings, 2004; Lings & Greenley, 2010). From a functional perspective, IM is theorized as organizational activities that apply marketing and human resource practices to achieving desired organizational goals (Boukis & Gounaris, 2014). In this later literature stream, IM is seen as a set of functional activities that provides top managers with a tool to shape employee behavior in terms of desired behavioral outcomes (Lings & Greenley, 2005). Within this functional frame of reasoning, it is argued that organizations should focus on designing job roles that engage employees in such a way as to enhance market performance (Lings, 2004).

In following the functional approach, this study defines IM as an organizational activity that applies marketing tools to address employee needs and expectations (Lings, 2004), with the aim of converting employee satisfaction and the quality of work to external customer satisfaction (Frost & Kumar, 2000). Accordingly, three managerial practices are identified as defining elements of IM: internal market research (Piercy, 1995); internal communications (Reynoso & Moores, 1996); and employee training (Tansuhaj, Randall, & McCullough, 1988).

Understanding and addressing employee needs and expectations are priorities for an organization applying IM and, as such, it is of utmost importance for such an organization to collect, evaluate and make sense of relevant job-related information through internal market research (Kohli & Jaworski, 1990). Internal market research enables the organization to identify key employee segments, their specific needs and characteristics for the purpose of designing and implementing targeted strategies for each segment. In addition, communication of company strategic objectives and marketing strategies to all employees in a consistent and comprehensive manner helps promote shared understanding and purpose among employees. This process entails acting upon information generated with regard to employees' needs by creating appropriate internal communication strategies and communicating information that is linked to customer value creation and

satisfaction (Lings, 2004). Internal market communication, therefore, serves the purpose of raising awareness of interdependences between all employees as a pre-requisite for increasing productivity and the quality of service delivered to external customers (e.g. Boukis & Gounaris, 2014). Furthermore, literature suggests that employee training is a vital IM activity (Gronroos, 1983) that enables a firm to mobilize employees to acquire required sets of skills, knowledge and know-how in order to improve job performance (Lings & Greenley, 2010).

Taken together, a greater degree of IM, grounded on an organization's propensity to undertake research on employee needs, to communicate its' strategic goals to employees, and to train employees to improve their job performance, can help a firm generate an enhanced sense of togetherness on the part of its employees, while ensuring that employees possess the expertise necessary to develop and sustain greater collaboration across multiple functional units (Lings & Greenley, 2010). Greater collaborative efforts on the part of employees across functional units within an organization should, therefore, help generate greater external customer satisfaction (Ahmed & Rafiq, 2003).

### 2.2. The role of cross-functional goal compatibility

The literature suggests that IM is an organization-wide approach to serving external customer needs through the activities of internal employees. A contention is that by engaging employees as internal customers, organizations are able to use their customer-oriented employees as a conduit to delight external customers (Lings, 2004; Lings & Greenley, 2010). While this logic is intuitively interesting, it does not explain the internal organizational structural processes through which IM activities influence customer satisfaction. We draw on the literature on organizational alignment and the differentiation-integration approach (Lawrence & Lorsch, 1967) to explore this vital issue.

The literature on organizational alignment suggests that two types of internal organizational alignments can be identified: vertical and horizontal alignments. While vertical alignment captures the extent of "...configuration of strategies, objectives, action plans, and decisions throughout the various levels of the organization" (Kathuria et al., 2007, p. 505), horizontal alignment refers to the coordination of efforts and goals across and within functional units. In focusing on horizontal alignment, two subcategories are identified in the literature: cross-functional and intra-functional integration. While cross-functional integration refers to how organizational functions interact and coordinate their efforts and activities to achieve a common goal (e.g. Bharadwaj, Bharadwaj, & Bendoly, 2007), intra-functional integration connotes the degree of coherence across decision areas within a functional unit (Kathuria & Porth, 2003). Taking the perspective of cross- rather than intra-functional integration, and taking into account the primary condition for creating a collaborative environment across functional units (Lusch & Brown, 1996), this study proposes the notion of *cross-functional goal compatibility*. We define this as a firm's ability to synchronize the goals of multiple functional units in order to arrive at mutually acceptable outcomes for the organization. The study reasons that this harmonization of functional goals is particularly relevant to the functional level in the strategy hierarchy (e.g. Peltier, Zahay, & Lehmann, 2013). For example, a greater compatibility of objectives and the goals of sales, marketing and R & D functional units helps ensure consistency of decisions across units, enabling members of these units to complement and support the efforts of one another towards attainment of customer satisfaction goals.

Our focus on cross-functional goal compatibility is in line with the differentiation-integration approach that argues that organizations are segmented into a variety of functions/departments, where each department is responsible for dealing with a specific part of the external environment (e.g., Van der Vegt & Bunderson, 2005). Such

specialization and functional differentiation inevitably results in goal differences. This highlights the question of how to obtain congruence and compatibility in terms of the specialized goals of multiple functional units to simultaneously achieve overall organizational goals. The congruence of goals refers to the “...extent to which firms perceive the possibility of common goal accomplishment” (Jap, 1999, p. 465). It denotes “The degree to which the needs, demands, goals, objectives, and/or structure of one component are consistent with the needs, demands, goals, objectives, and/or structure of another component” (Nadler & Tushman, 1980, p. 40). It can also be conceptualized as the degree of fit, match, agreement or even similarity between two (or more) components within a system (Edwards, 1993).

This study argues that although the goals of different functional units may be incongruent (in terms of degree of similarity/commonality), they can be concurrently compatible. The relationship between marketing and sales units can help illustrate this argument. On the one hand, the marketing unit focuses its efforts around product development, branding and customer relationship-building activities with the ultimate goal of satisfying customer needs in the long-run. On the other hand, the sales goals are often short-term oriented, focusing on closing sales transactions while satisfying immediate customer needs. Although these two functional units may have incongruent goals (marketing concentrating on long-term goals and sales focusing on short-term goals), this divergence in goals does not necessarily mean that the goals pursued by the two units are incompatible. The two goals, although incongruent, are compatible in the sense that they both focus on helping the organization arrive at a mutually acceptable customer satisfaction outcome.

In line with the arguments above, this study proposes the idea that when the goals of different units are compatible, a collaborative internal environment is generated, ensuring unity of effort in achieving overall organizational goals (e.g. Homburg & Jensen, 2007), including customer satisfaction. However, organizations need to create an environment that nurtures collaborative efforts across functions in order to achieve customer satisfaction outcomes. To this end, Chen and Lin (2013) posit that IM has a role to play in bringing together incongruent goals by educating and motivating organizational members in different functional units to re-examine their roles within the organization, and by promoting understanding that every employee performing divergent roles in different functional units is a valuable participant in achieving the firm's overarching goal (Lee & Chen, 2005). By setting up a unifying rationale for exchange with people located in different functional units, IM triggers an atmosphere in which salespeople, although spending a lot of their time outside of the organization, are encouraged to work together with other organizational members, besides other salespeople, towards the achievement of a shared goal (Hughes, Bon, & Rapp, 2013).

The study contends, therefore, that customer satisfaction attainment is driven by the compatibility of goals between sales and other functional units, to the extent that the complexity of the task involved in serving external customers requires that salespeople are dependent on colleagues in other functional units for the resources needed to address customer needs (Kennedy, Ferrell, & LeClair, 2001). Taken together, this study argues that IM helps generate cross-functional goal compatibility, and thus ensures that functionally specialized goals and efforts are synchronized and directed towards greater customer satisfaction. Accordingly, this study argues that:

**H1.** Internal marketing is indirectly related to customer satisfaction via the attainment of cross-functional goal compatibility.

### 2.3. The moderating role of salespeople cross-functional connectivity

While IM is an organizational level prerequisite for fostering cross-functional goal compatibility, the extent to which such compatibility works to channel IM to customer satisfaction is dependent upon degree of proclivity of salespeople to connect with organizational members in

other functional units. This study provides new insights to the sales literature by drawing on social identity theory (Tajfel & Turner, 1979) and social exchange theory (Blau, 1964) to suggest that the effect of IM, via cross-functional goal compatibility, on customer satisfaction outcomes is strengthened when salespeople have a greater propensity to engage in cross-functional connectivity.

Social identity theory suggests that people obtain their sense of identity from membership of a particular social group, such as with colleagues in the same functional unit (Kelman, 1961). Specifically, people derive their self-concept from their knowledge of the “...membership of a social group together with the value and emotional significance attached to that membership” (Tajfel, 1978, p.63). In this sense people seek positive and negative group identities in their perceptions, attitudes and behavior in the form of intergroup differentiation. A greater willingness to connect with other employees from different functional units who are also members of the same organization, could be considered as an in-group behavior that allows basic resource and information sharing, and for employees within an organization to more readily accept a greater diversity of ideas and resources. This increased diversity can be expected to boost the positive effect of IM on cross-functional goal compatibility.

This study argues that under conditions of greater salesperson cross-functional connectivity, the extent to which IM activities influence cross-functional goal compatibility, is strengthened (Cropanzano & Mitchell, 2005). On the other hand, a member of a sales group may differentiate him/herself from members of all other groups within an organization in order to enhance self-identity, which could diminish the benefits of cross-functional collaborative efforts with employees from other departments. In such a situation, social exchange processes are derived from strong sales group identification that can produce strong identification and satisfaction within group members (e.g., the sales department) and strong norms against relationships with what are perceived to be outside groups (i.e. other organizational departments) (Batjargal et al., 2013). Given the propensity of salespeople to focus on finding solutions to external customer needs, there is an increased tendency for salespeople to rely closely on the resources and information available to colleagues within a sales unit, thus potentially alienating salespeople from other functional units (Tanner et al., 2015). This negative out-group bias towards other functional units (derived from low levels of connectivity) may potentially attenuate the positive effects of IM on cross-functional goal compatibility. Accordingly, we hypothesize that:

**H2.** Salesperson cross-functional connectivity moderates the positive effect of IM on cross-functional goal compatibility, and further on customer satisfaction, such that (a) at high levels of cross-functional connectivity, the effect of IM on cross-functional goal compatibility is accentuated, whereas (b) at low levels of cross-functional connectivity the relationship between IM and cross-functional goal compatibility is attenuated.

### 2.4. Institutional contextual considerations

Beyond the expected contributions of the processes and conditions under which IM drives customer satisfaction, the study tackles the question of whether or not these mechanisms hold true across matured and maturing country markets. On the one hand, similarities might be expected, as maturing markets may be argued to be “...at an early stage of the same development path followed by the advanced or developed countries [...] and that market evolution patterns seen previously in developed economies will be replicated in [maturing markets]” (Arnold & Quelch 1998, p. 9). On the other hand, it is equally reasonable to assume that, given the differences in the level of institutional development (Deshpandé, Grinstein, Kim, & Ofek, 2013) and the fact that a firm's fate is tied closely to its unique institutional environment (Bruton, Filatotchev, Chahine, & Wright, 2010; Cavusgil,

Ghauri, & Agarwal, 2002), variations might be seen across different institutional contexts (Hart & Christensen, 2002). Institutional theory, as the basis for developing arguments for potential similarities and differences across matured and maturing European markets, posits that institutional environments can constrain and/or enable firm behavior (Bruton et al., 2010). Institutions are made up of formal rules and regulations, informal shared interactions, and taken-for-granted assumptions that guide organizational behavior (Manolova, Eunni, & Gyoshev, 2008). To this end, institutional theory has been concerned about the extent to which firms “...secure their positions and legitimacy by conforming to the rules and norms of the institutional environment” within which they operate (Bruton et al., 2010, p.422).

Indeed, knowledge is lacking on the extent to which the effect of IM on customer satisfaction varies across matured and maturing markets. It is well-known that simply imposing the managerial practices that exist at headquarters on overseas subsidiaries without taking into consideration potential differences between the two settings, might impede decision-making effectiveness at the local subsidiary level (Souchon & Lings, 2001). In fact, existing research indicates that the level of institutional development varies across such markets (Bruton et al., 2010; Cavusgil et al., 2002), in that indigenous institutional settings carry implications for perceptions, workplace attitudes, and the actions of employees (e.g. Gu, Wang, & Wang, 2016). In line with this contention, this study argues that differences in institutional environments might or might not account for discrepancies in IM practices. Consequently, testing for the universal applicability of IM in order to identify mechanisms of value transfer is a major necessity. This study confronts two such institutional contexts with varying institutional environments - that of matured (Austria, Croatia, Slovenia) and maturing European markets (Bosnia and Herzegovina, Moldova and Romania). We contend that, in testing the proposed model (Fig. 1) across the selected matured and maturing European markets, there is an enhanced potential to provide novel insights into the role of IM as a driver of cross-functional collaboration, and the consequences in terms of customer satisfaction.

### 3. Methods

#### 3.1. The study context and sample

This study focused on countries that provided empirical representations of matured and maturing markets and data that was comparable. Data was collected from sales personnel of a large financial services firm that has established subsidiaries in 13 European markets with differing levels of market and institutional development. The study focused on the firm's operations in 6 countries in Central and Eastern Europe, a region that offers diversity in terms of culture and degree of economic development. Salespeople (i.e. frontline customer-facing personnel) in the selected firm, with a minimum of five years working

experience, were recruited to participate in the study. In line with recent approaches used in the marketing literature (Hohenberg & Homburg, 2016), in using the level of development and the extent of cultural similarity as a basis for classification, the six European countries were grouped into matured (Austria, Croatia, Slovenia) and maturing European markets (Bosnia and Herzegovina, Moldova and Romania).

A sampling frame comprised of 1232 frontline sales personnel employed in the six European countries of financial service firm. Subsequently, an online survey was conducted. After two reminders 290 usable responses were obtained (23.5% response rate on average, from a minimal 12% in Bosnia and Herzegovina to 36% in Romania). On average, each country had 48 participants, which is above the number of participants per country in similar studies (e.g., Hohenberg & Homburg, 2016). The respondents had a mean of 15.93 years of direct customer contact working experience (SD = 8.21), out of which an average of 9.08 (SD = 6.27) years had been spent working for the financial services company. Sixty-four per cent of the respondents were female while 36% were male. While 52% of the respondents had a Bachelor degree, 26% had a Master's degree, 20% had secondary education certificates, and 1% had Doctoral qualifications.

#### 3.2. Measure development

The constructs used in the study were operationalized based on previously validated measures. The measures were carefully adapted to the study's cultural contexts, following systematic guidelines for conducting cross-national research (Craig & Douglas, 2005). More specifically, the scales were distributed to six academics and six sales managers in the financial services industry in all six countries (i.e. one local academic and one local sales professional per country). To fine-tune the scales, the scales were adjusted taking into account feedback received from the experts. Subsequently, an additional in-depth interview was undertaken with two senior managers of the financial service firm, aiming to understand the extent to which the scales are applicable to the context of the study. Finally, an online survey was hosted on the official web domain of all the subsidiaries. An email invitation was subsequently sent to the respondents with a link to the survey instrument.

To ensure a suitable operationalization of the constructs, particular attention was paid to the IM activities of the subsidiaries of the financial service firm. In accordance with established practices within the firm, the Huang and Rundle-Thiele (2015) approach was followed to capture three IM functional activities: internal market research, internal communications and training. Items measuring perceived *cross-functional goal compatibility* among all departments within the firm (in the respondents' home country) were adapted from Jap (1999). Measures capturing the *salesperson cross-functional connectivity* construct were

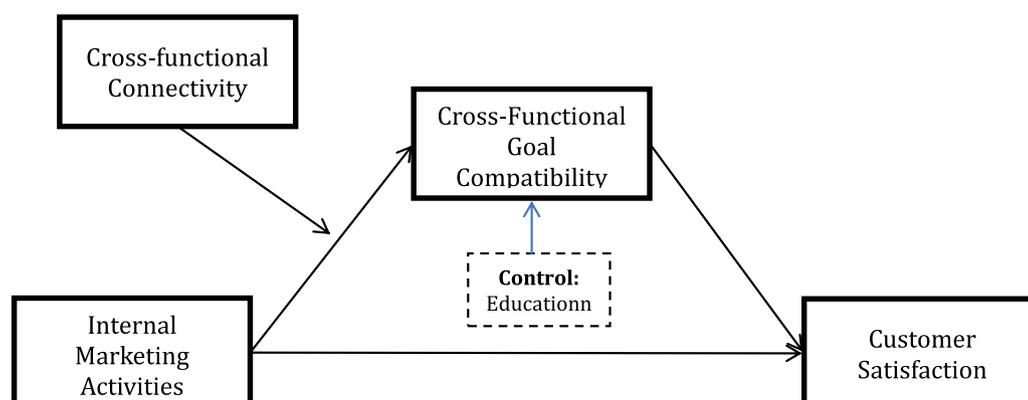


Fig. 1. Conceptual Model.

adapted from Wong and Law (2002) as per Hochschild (1983). The items assessed the extent to which salespeople are willing to connect and engage with colleagues from different functional units (e.g. finances, accounting, manufacturing, marketing) within the organization while performing their sales job. Perceived *customer satisfaction* was measured with items adapted from previous studies (e.g. Rafiq & Ahmed, 2000; Reynoso & Moores, 1996).

## 4. Analyses

### 4.1. Validity assessment

Given that tests for measurement validity and measurement invariance across the six countries would require larger sample sizes for every single country compared to what we have in our sample, in line with previous cross-cultural research (e.g. Hohenberg & Homburg, 2016), two categories of countries that “...share a similar cultural and economic background” (Tellis, Prabhu & Chandy, 2009, p. 18) are created. To this end, Bosnia and Herzegovina, Moldova and Romania were categorized as being part of the maturing markets group, while Croatia, Austria and Slovenia constituted the mature market group. Since at least partial scalar measurement invariance is required to meaningfully compare groups (Steenkamp & Baumgartner, 1998), measurement invariance assessment is conducted between the two groups of respondents. As Table 1 shows, we find that the measures were invariant across the two groups.

The psychometric properties of all the scales used in the study were tested with multi-group confirmatory factor analysis (MG-CFA) using LISREL 8.71. The MG-CFA results given in Table 2 show that all scales exhibit sufficient psychometric properties, as the values of composite reliability (CR) and average variance extracted (AVE) were above the recommended threshold values in both groups (Bagozzi & Yi, 2012). Additionally, the factor loadings for each indicator were significant at 1%, suggesting that the measures are reliable. Fit statistics for the measurement model is acceptable ( $\chi^2 = 482.662$ ; d.f. = 246; RMSEA = 0.081; NNFI = 0.960; CFI = 0.964).

Next, for the purpose of testing discriminant validity of the constructs, the datasets were merged into a single sample in accordance with previous studies (e.g. Boso et al., 2016). In the merged data set, scores for the AVE exceed the required benchmark of 0.50 (Fornell & Larcker, 1981), and were all larger than the shared variances of each pair of constructs, demonstrating discriminant validity of each construct (see Table 3).

### 4.2. Common method bias assessment

Since measures were obtained from a single source, we employed both procedural and statistical remedies to minimize the potential effects of common method bias (Bagozzi, 2011). In the data collection phase of the study, respondents were advised that there were no right or wrong responses to the statements included in the survey, and that only personal opinions were relevant to the study. Additionally, we varied the anchors for the measurement scales throughout the survey instrument used. In addition, we scattered reflective items around the questionnaire so that respondents could not identify items that belong to the

**Table 1**  
Results of invariance test.

Models testing	$\chi^2$ (df)	$\Delta\chi^2$ ( $\Delta$ df)	RMSEA	CAIC	NNFI	CFI
Configural invariance	391.24 (212)		0.077	1018.20	0.964	0.972
Metric invariance	400.17 (223)	8.93 (12)	0.074	953.771	0.965	0.972
Scalar invariance	437.00 (234)	36.83 (11)	0.078	1144.00	0.961	0.967

same factor. Furthermore, we ensured that our theory-driven conceptual model included interaction effect, which is often hard for respondents to predict (Chang, van Witteloostuijn, & Eden, 2010).

Additionally, to further ensure that common method bias does not represent a threat to the study, we performed Harman's single factor test (Podsakoff, MacKenzie, & Podsakoff, 2012) on the merged sample. The results indicate that the data does not suffer from a common method bias problem ( $\chi^2 = 211,410.59$ , d.f. = 170, RMSEA = 2.074, SRMR = 0.839, NNFI = -1.048, CFI = 0.001). Next, in order to control for systematic measurement error on the relationships between the latent constructs, we estimated the baseline model and an alternative model with a single unmeasured latent method factor included (Podsakoff, MacKenzie, Podsakoff, & Lee, 2003). In comparing the baseline model against the model with a single unmeasured latent method factor, we find a consistent pattern of significant direct relationships, indicating absence of common method bias in the data used for the study.

### 4.3. Hypotheses testing

The effect of IM on customer satisfaction (CS) through cross-functional goal compatibility (GC) under varying conditional effects of salesperson cross-functional connectivity (SCC) was tested using the PROCESS procedure (Model 7) (Hayes & Preacher, 2012; Zhao, Lynch, & Chen, 2010) for both the maturing and matured markets. The PROCESS procedure enabled us to estimate the relationships with a bias-corrected 95% confidence interval, and 5000 bootstrap resamples (please see Table 4).

For the maturing market sample, results show a significant moderated-mediation index for GC with coefficient estimates of 0.14 (bias corrected bootstrap confidence intervals: 0.01 to 0.14), indicating that the mediating effects of GC in the relationship between IM and CS differs, depending on levels of SCC. Overall, the model accounts for 44% of variability in CS in the maturing markets. To further analyze the nature of the moderated-mediation effect relationship for the maturing market sample, we probed the conditional indirect effects at low, medium and high levels of SCC. We then plotted the results to illustrate the changes that occur in the slope of the SCC moderator variable (Fig. 2). Findings indicate that the estimated direct effect relationship remains significant and in the expected direction across all levels of SCC, but the effect is stronger at higher levels of SCC compared to lower levels. Hence, H1 and H2 are supported in the maturing market sample.

For the matured market sample, findings show that the positive effect of IM on GC is significant (IM  $\rightarrow$  GC: 0.84; BCCI = 0.45 to 1.22) and the positive effect of GC on CS is significant (GC  $\rightarrow$  CS: 0.15; BCCI = 0.02 to 0.27). Overall, the model accounts for 32% of variability in CS in the matured market sample. Results show that although the indirect effect of IM on CS via GC is confirmed, the effect is not dependent upon the levels of SCC. Thus, while H1 is supported, H2 is not supported in the mature market sample.

## 5. Discussion and implications

### 5.1. Theoretical contributions

Previous research suggests that IM has important salesperson behavioral and organizational consequences (e.g., Lings & Greenley, 2005), including its capacity to influence cross-functional collaboration and customer satisfaction (Rafiq & Ahmed, 2000). However, the organizational structural processes and the salesperson behavioral contingencies that explain how and under what conditions IM influences customer satisfaction remain largely under-researched. Accordingly, this study explores the extent to which cross-functional goal compatibility and salesperson cross-functional connectivity act as a mechanism and a contingency to explain how and when IM influences customer satisfaction. In addition, by exploring and comparing the proposed

**Table 2**  
Results of multi-group CFA.

Items	Loadings	
	Matured markets	Maturing Markets
<b>Internal communication:</b>		
<i>Matured markets: AVE = 0.59, CR = 0.81; Maturing Markets: AVE = 0.69, CR = 0.87</i>		
My organization communicates a clear brand image to me	0.78	0.78
In my organization, communications are appropriate	0.80	0.84
There is an internal communication program for all employees in my organization	0.72	0.86
<b>Training</b>		
<i>Matured markets: AVE = 0.56, CR = 0.80; Maturing Markets: AVE = 0.73, CR = 0.89</i>		
My organization teaches me why I should do things	0.76	0.90
My organization focuses efforts on training employees	0.77	0.93
My organization provided an orientation program for me	0.72	0.72
<b>Internal marketing research</b>		
<i>Matured markets: AVE = 0.75, CR = 0.90; Maturing Markets: AVE = 0.79, CR = 0.92</i>		
My organization regularly seeks employee suggestions	0.88	0.88
My organization gathers employee feedback	0.89	0.94
My organization collects data on employee complaints	0.82	0.85
<b>Salesperson cross-functional connectivity</b>		
<i>Matured markets: AVE = 0.63, CR = 0.77; Maturing Markets: AVE = 0.54, CR = 0.70</i>		
To perform my job well, it is necessary for me to spend most of my work time interacting with people.	0.70	0.70
To perform my job well, it is necessary for me to spend a lot of time with every person whom I work with.	0.88	0.77
<b>Customer satisfaction</b>		
<i>Matured markets: AVE = 0.50, CR = 0.75; Maturing Markets: AVE = 0.69, CR = 0.87</i>		
Our customers are satisfied with the service that they receive.	0.76	0.76
Our customers receive a very friendly service from staff.	0.69	0.75
I would be happy to be one of our customers.	0.67	0.96
<b>Cross-functional goal compatibility</b>		
<i>Matured markets: AVE = 0.71, CR = 0.88; Maturing Markets: AVE = 0.84, CR = 0.94</i>		
Goals of other departments are in harmony with the goals of our (the sales) department	0.92	0.92
Goals of other departments in are in close alignment with sales goals	0.88	0.97
The goals of all our departments can be described as being compatible	0.72	0.85

**Table 3**  
Correlation and discriminant validity (merged data set).

Variables	1	2	3	4	5	6
1. Internal communication	<b>0.652</b>	0.514	0.527	0.107	0.278	0.194
2. Training	0.717**	<b>0.659</b>	0.545	0.105	0.251	0.187
3. Internal marketing research	0.726**	0.738**	<b>0.795</b>	0.058	0.238	0.171
4. Salesperson cross-functional connectivity	0.327*	0.324*	0.240*	<b>0.590</b>	0.070	0.050
5. Customer satisfaction	0.527**	0.501**	0.488**	0.265*	<b>0.614</b>	0.244
6. Cross-functional goal compatibility	0.440**	0.433**	0.413**	0.224*	0.494**	<b>0.767</b>
Mean	5.20	4.00	4.54	4.68	5.61	5.30
Std. deviation	1.06	1.20	1.40	1.32	1.10	1.15

Notes: AVE is on the diagonal; Correlation coefficients are below the diagonal; squared correlations coefficients are above the diagonal.

\*  $p < 0.05$ .

\*\*  $p < 0.001$ .

relationships across matured and maturing market settings, this study helps broaden the IM and sales literatures.

Importantly, institutional theory suggests that social structures, including schemes, rules, norms, and routines, provide guidelines for behavior in a society (Dacin, Goodstein, & Scott, 2002). Studies have noted that firm's behaviours and structures can vary across institutional boundaries (Heugens & Lander, 2009). Along this line, previous research has explored how country-level institutional differences may shape the manner in which firms are structured, and how employees interact within an organization (Miller, Breton-Miller, & Lester, 2013), and such institutional differences have been examined between mature and maturing economies (e.g., Hoskisson, Wright, Filatotchev, & Peng,

2013). Despite the institutional context-bound and the culturally-subjective nature of workplace arrangements, previous studies have not considered the potential differences in IM activities and cross-functional arrangements, and their implications for customer satisfaction among firms operating in matured and maturing firms.

Findings from this study address this gap by showing that cross-functional goal compatibility mediates the effect of IM on customer satisfaction in both matured Central European and maturing South and Eastern European markets. This finding helps expand scholarly understanding of the role of IM activities in driving collaborative exchanges between salespeople and members of other functional units towards customer satisfaction. This finding is in line with previous intercultural research, particularly in relation to national cultural characteristics (e.g., Hohenberg & Homburg, 2016; Kirkman, Lowe, & Gibson, 2017). While national cultural characteristics have been evaluated from multiple perspectives (see House, Hanges, Javidan, Dorfman, & Gupta, V. (Eds.), 2004; Schwartz, 1994; Hofstede, Hofstede, & Minkov, 2010), and notwithstanding the advantages and disadvantages of each perspective, the intercultural implications of the findings from this study can be evaluated from the perspective of individualism and the collectivist dimensions of national cultural characteristics. Specifically, in matured markets where individualistic culture is likely to be high, cross-functional collaboration is a fundamental form of workplace arrangement; hence IM practices tend to incorporate cross-functional coordination, with organizational members exerting closer collaborative efforts towards attainment of overall organizational goal of delivering superior customer value and satisfaction (Russo, Confente, Gligor, & Cobelli, 2017). For this reason, matured market firms are likely to rely on IM practices to create superior customer satisfaction by using the IM activities to develop cross-functional goal compatibility. On the other hand, in maturing European markets, where collectivistic tendencies are likely to be strong, conscious managerial efforts to

**Table 4**  
Moderated-mediation assessment.

	Maturing markets						Matured markets													
	DV: cross-functional goal compatibility			DV: customer satisfaction			DV: cross-functional goal compatibility			DV: customer satisfaction										
	$\beta$	S.E.	t	Lower	Upper	$\beta$	S.E.	t	Lower	Upper	$\beta$	S.E.	t	Lower	Upper					
Constant	4.88	1.28	3.81	2.34	7.40	1.50	0.43	3.49	0.65	2.35	0.98	0.98	1.01	-0.94	2.91	3.08	0.32	9.65	2.46	3.72
Internal marketing activities (IM)	0.18	0.08	2.25	0.09	0.33	0.40	0.08	4.93	0.23	0.54	0.84	0.19	4.33	0.45	1.21	0.38	0.07	5.79	0.25	0.50
Salesperson cross-functional connectivity (SCC)	-0.44	0.29	-1.50	-1.03	0.14	0.38	0.08	4.93	0.25	0.56	0.31	0.21	1.47	-0.10	0.71	0.15	0.06	2.36	0.02	0.27
Cross-functional goal compatibility (GC)	0.11	0.06	1.98	0.01	0.23						-0.06	0.04	-1.46	-0.13	0.02					
IMxSCC	0.11	0.15	0.79	-0.17	0.40						0.06	0.10	0.52	-0.15	0.25					
Education																				
						$R^2 = 0.22$					$R^2 = 0.31$					$R^2 = 0.32$				
						$F(4, 116) = 8.28; p < 0.001$					$F(4, 163) = 18.28; p < 0.001$					$F(2, 165) = 38.51; p < 0.001$				

Notes: BC = Bias corrected; 5000 bootstrapped samples; Significant at  $p \leq 0.05$  if  $|t| \geq 1.645$  (one-tailed test).

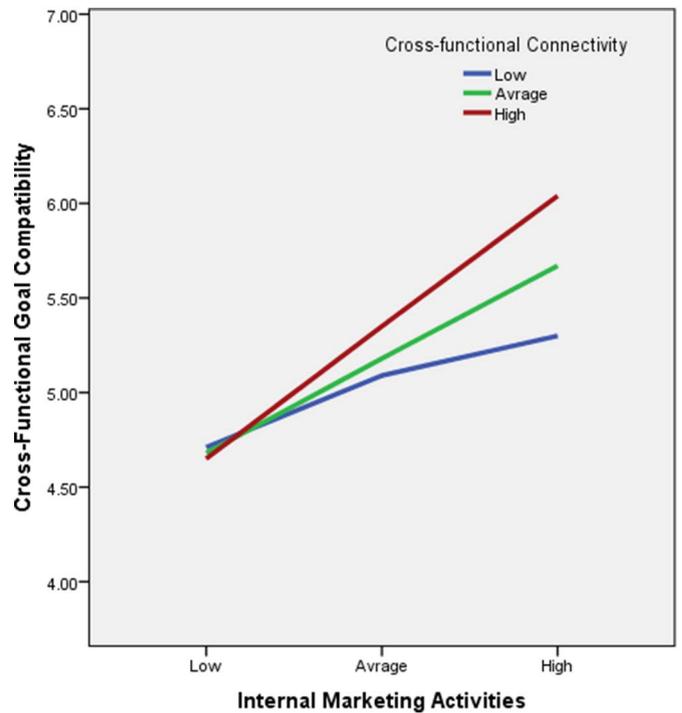


Fig. 2. Moderating effect of Cross-functional Connectivity in maturing markets.

develop organizational structures that ensure consistency of collaborative behavior across functions becomes a necessity (Kathuria et al., 2007). Thus, for different culture-related reasons, IM activities drive customer satisfaction through the processes of cross-functional goal compatibility in both markets.

In addition, the study finds that a greater propensity of salespeople to engage in cross-functional connectivity strengthens the effect of IM on cross-functional goal compatibility in maturing markets. An implication is that the extent to which cross-functional goal compatibility helps channel IM practices to customer satisfaction is dependent upon the degree of salesperson connectivity, and ties to other organizational members. More specifically, at high levels of salesperson connectivity, when salespeople have a high degree of trust for members of other functional units in the execution of customer-relating duties, the effects of IM practices are fully explored through cross-functional goal compatibility to boost customer satisfaction levels. Interestingly, this positive moderating effect is also present under conditions of low levels of salesperson connectivity, although in this case IM is not fully exploited as a driver of customer satisfaction through goal compatibility. We argue, therefore, that a salesperson in a maturing markets with a low proclivity to connect to other functional units, may fail to bring additional value to the transfer of IM to customer satisfaction via goal compatibility. At low levels of connectivity, a salesperson may be unable to fully complement the benefits of IM as a driver of customer satisfaction in the sense that the salesperson might not appreciate the fundamental tenets of cross-functional goal compatibility. However, at high levels of salesperson connectivity, the benefits of cross-functional collaboration are strengthened because a greater propensity to connect with other functional units helps complement the cooperative activities of cross-functional connectivity.

However, this conditional effect is not supported in matured markets. This difference in the findings could also be argued from individualistic and collectivist cultural standpoints. From the perspective of an individualistic cultural setting, in-group identification mostly relates to closer, non-work related relationships and it is seen through the lens of social class, race, beliefs, attitudes, and values (Triandis, 1977). Hence, organizational members in such societies are likely to experience weaker in-group intimacy with organizational members. At the

same time, institutions are well developed in such societies, hence IM is likely to be a more accepted practice, making organizational members knowledgeable of organizational-mandated norms (e.g. cross-functional goal compatibility) that are promoted through IM. Additionally, more advanced market environments are favorable to customer-oriented activities than less developed market environment (e.g. [Deshpandé et al., 2013](#)). Thus, the operating procedures in matured market firms may entail joint responsibility for creating customer satisfaction, and this may be embedded in organizational settings and in the culture of such societies. Therefore, although salespeople in individualistic societies are likely to experience weak within-business unit intimacy and affection, this in-group identification might not of the ability of IM activities to drive cross-functional goal compatibility and subsequently customer satisfaction. On the contrary, in-group identification in collectivist cultures is likely to be characterized by a high degree of intimacy and affection, with group members viewing themselves as members of a family or a community ([Triandis, 1977](#)). In such societies, IM may be relatively less developed; hence for IM to be a vital driver of cross-functional goal compatibility salespersons' willingness to connect with members of other functional units may become an important facilitating force.

## 5.2. Managerial implications

The findings from this study have important implications for managers in both matured and maturing markets. First, the study finds that IM is a strong driver of customer satisfaction in matured European markets. Therefore, matured market firms may not need to educate organizational members about the essence of cross-functional collaboration as a means of generating customer satisfaction. For managers in maturing markets, an implication is that although IM directly influences customer satisfaction, investment in IM may generate greater customer satisfaction benefit when IM activities are used to boost cross-functional goal compatibility. Such an effort can help minimize role duplication and lower role overload, but also increase the frequency and quality of cross-functional interaction ([Kahn & Mentzer, 1998](#); [Tjosvold, 1988](#)).

Additionally, it is important for managers in maturing European markets to be aware that salespeople's relational behavior (i.e. cross-functional connectivity) has important implications for the effect of IM on cross-functional goal compatibility and customer satisfaction. Organizational level prerequisites such as IM and cross-functional goal compatibility are necessary but insufficient conditions for inducing customer satisfaction as it is also contingent upon proclivity of salespeople to connect with organizational members in other functional units. Findings from this study show that when salespeople's cross-functional connectivity is high, they can more easily rely on IM activities to develop collaborative activities with other functional units. However, an issue that needs addressing is how firms can deal with low salesperson cross-functional connectivity. In the case of firms operating in maturing markets, where collectivistic cultural tendencies are high, medium to high levels of cross-functional connectivity may be an optimal approach that firms can use to facilitate the effect of IM practices on cross-functional goal compatibility. Under conditions of low levels of salespeople cross-functional connectivity, it would be wise for firms to consider organizing team buildings, joint events with members of different functional units, or assigning members of other functional units to take turns spending time with salespeople on the field.

## 6. Limitations and direction for future research

The findings presented in this study are limited in several ways, which may reveal new paths for future research. First, this study does not have empirical evidence on cultural variables; hence future research may model the role of cultural values in conditioning the effect of IM on customer satisfaction (e.g. [Hofstede et al., 2010](#); [House et al.,](#)

[2004](#); [Kirkman et al., 2017](#); [Schwartz, 1994](#)). We suggest that individual perceptions of national culture and actual variations in national culture may be contingency forces that may shape how IM activities drive customer. Furthermore, the role of multiculturalism can be observed ([Kirkman et al., 2017](#)) especially if the research context assumes multinational corporations with multiple subsidiaries around the world. In such a study, one may examine the benefits and drawbacks of imposing headquarters' cultural practices on subsidiaries' practices in different cultural settings (e.g. [Souchon & Lings, 2001](#)).

Second, this study focuses on the intervening role of cross-functional goal compatibility (i.e. the *how*) between IM practices and customer satisfaction. Goal compatibility, as defined here, focuses on departmental goals and the ability of a firm to synchronize them across business functions. As such, goal compatibility is conceptually closely related to cross-functional integration which is defined as "...a process of interdepartmental interaction and collaboration in which multiple functions work together in a cooperative manner to arrive at mutually acceptable outcomes for their organization" ([Frankel and Mollenkopf, 2015, p. 18](#)). However, cross-functional integration may entail cross-functional relationships, cross-functional interactivity as well as a more affective and unstructured side of cross-functional relationships (e.g., collaboration) ([Kahn, 1990](#)). For example, collaboration can be conceptualized as a relational exchange that incorporates commitment, trust, resource sharing and mutual understanding and dependence ([Kahn, 1990](#)). Along this line, future research may view cross-functional integration as a collaborative and interactive process, and examine its effect on the relationship between IM practices and cross-functional goal-compatibility.

Third, we acknowledge that business activities do not operate in isolation, and are subject to changes in the external business environment, with a potential implication for the level of harmony that can be achieved across functional goals. Taking into account the importance of functional units' abilities to adapt to external environment circumstances and capacity to accommodate deviations from originally agreed goals and strategies (e.g. [Malshe & Sohi, 2009](#)), future research may argue that functional unit flexibility may be a potential driver of cross-functional goal compatibility in dynamic external environment conditions.

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