

# Study on Relationship among Internal Customer Orientation, Market Orientation and Organizational Performance of Theme Restaurants

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## ABSTRACT

*This study takes theme restaurants as an example to discuss the relationship model of internal customer orientation, market orientation and organizational performance. The results suggest that internal customer orientation has significant positive impact on market orientation, which has no significant direct impact on organizational performance, which will be significantly impacted positively by internal customer orientation. Research results can provide theme restaurants with references of promoting internal customer orientation and market orientation for the purpose of facilitating the organization to acquire market orientation, hence to increase organizational performance and establish competitive advantage.*

**Keywords:** *Internal Customer Orientation, Market Orientation, Organizational Performance, Theme Restaurants*

## INTRODUCTION

With the cultural opening in Taiwan and the change of consumer structure, theme restaurants have become an emerging and hot form of catering industry in recent years. Theme restaurants with diversified flavors can be seen in consumer market. Either on tangible appearances including decoration, tableware and facilities or on the intangible atmosphere of the restaurant, all of them create differences due to the themes they focus on, providing consumers eating at their places with pleasant and comfortable dining environment.

Because the production and consumption of catering industry happen simultaneously, there involves intangibility, perishability, heterogeneity, inseparability and a characteristic of high contact between employee and customer. If an enterprise wants to stay in an invincible position, it must be able to understand and grasp customers while establishing a customer-oriented culture. However, former literature related to customer orientation tended to the discussion of external customers (Mohr-Jackson, 1991; Lukas & Maigman, 1996) and paid little attention to the role of internal customers (Mohr-Jackson, 1991). Though internal customers might limitedly contact directly or indirectly with external customers, to an organization, the development of internal customer orientation is especially important (Conduit & Mavondo, 2001).

Grönroos (1982) points out that the internal market formed by employees of an enterprise can impact and promote customer consciousness, market orientation and sales volume effectively by methods and activities similar to marketing. Kohli and Jaworski (1990) consider that market-oriented organizations should find customers' real demand in-depth, collect relevant information, make it reach a consensus through internal marketing or interdepartmental spread, combine the power of the entire organization, pertain to demands of different target markets and provide differentiated marketing mix.

It can be discovered from past researches, though the direct causal relationship between market orientation and organizational performance was supported (Narver & Slater, 1990; Deshpande & Farley, 1998), some researches also discovered that there was no significant correlation between these two (Han, Kim & Srivastava, 1998) or their relationship could only be established through other Mediator such as environment moderating variable and innovation etc (Shien, 2001; Fang, 2003). In light of these, the importance of market orientation is mainly based on the better satisfaction of customers' current or future demands than competitors so as to acquire the competitive advantage of an enterprise.

From all the above, this study will construct the relationship model of internal customer orientation, market orientation and organizational performance; taking theme restaurants as an empirical example to verify the relationship hypothesis of the model and then to clarify the relationship among internal customer orientation, market orientation and organizational performance.

## LITERATURE REVIEW

### Internal Customer Orientation

From an internal customer point of view, every employee inside an organization is a customer and meanwhile a supplier to other employees (Grönroos, 1981; Foreman & Money, 1995). Internal customer orientation should be a part of organizational culture and guide the attitude and behavior of organization members when delivering quality to other employees (Lukas & Maignan, 1996). Through internal customer orientated organizational culture, the new entrants will learn consistent standard and objective (George, 1990). Greene, Walls and Schrest (1994) think, in the service industry with high customer contact, sales should be performed to internal customer employees before selling to external customers. Only when the product and service are recognized by employees, can there be satisfactory external customers.

In addition, there are scholars who extend the implication of internal marketing to activities of human resource management (Berry, 1981), emphasizing that internal marketing is to attract, develop, encourage and retain excellent employees who meet the corporation's demand through developing work products that meet employee's demand. This is a kind of management philosophy that regards employee as customer and meanwhile a strategic application of satisfying employees by developing work products that comply with corporation demand. Internal customers provide commodities and services for end customers. In terms of internal customer, employees must acquire the most rational product quality from the upper stream in the production chain so as to provide high quality products to the lower stream (Lukas & Maignan, 1996).

Berry (1981) points out, when dealing with external customers, the importance of employees is recognized unanimously, confirming that employees' satisfaction and support on overall marketing strategy is indispensable to the satisfaction of external customers. The connection between satisfactions of both internal customers and external customers has been widely supported (Flipo, 1986; George, 1990), but verifiable supporting evidences are very few. The review of former literature related to internal customer orientation arrives at conceptual discussion mostly. Except Conduit and Mavondo (2001), who have developed internal customer orientation scale systematically, there are no scholars who develop tools of measuring internal customer orientation. Hence this study will quote the unidimensionality Inventory developed by Conduit and Mavondo (2001) as the measuring tool of internal customer orientation.

### Market Orientation

Market-oriented organizations have the capacity of properly dealing with current and potential customer demands as well as grasping customer information, from where they develop the resolution on market, sharing and communicating the experience of resolution with every department, then forming a kind of consensus and belief, which will be responded and conducted by the organization accordingly (Kohli, Jaworski & Kumar, 1993). Many empirical studies indicate that there exist positive correlation between market orientation and organizational performance (Slater & Narver, 2000).

The measurement of degree and focus of market orientation can be divided into two from theoretical definition: from behavior perspective, it can be interpreted as the collection, delivery and response of information; from culture perspective (Kohli & Jaworski, 1990; Kohli, Jaworski & Kumar, 1993; Matsuno & Menter, 2000), it can be interpreted as customer orientation, competitor orientation and interdepartmental coordination (Narver & Slater, 1990; Moorman, 1995; Slater & Narver, 1995; Hurley & Hult, 1998). Additionally, Chen (2001) has proposed a new interpretation and review on the implication of market orientation by combining Kohli, Jaworski and Kumar's (1993) behavior perspective of market orientation and Narver and Slater (1990) culture perspective.

This study suggests that the organizational culture perspective is the most significant in market orientation. Because organizational culture is the value and specifications that organization members share, which can facilitate employees inside an organization to achieve the objectives and behaviors expected by the organization, market orientation must be blended with organizational culture to perform its due functions. Therefore, this study adopts Narver and Slater (1990) organizational culture point of view as the basis of research structure.

### **Organizational Performance**

Miller(1980) expresses that performance measurement can be evaluated from six aspects including Return on Investment (ROI), cash flow of the investment, market share, stability of the share, original price disparity, productivity of employees. Woo and Willard (1983) reduce the 14 commonly-used performance measurement indicators into four: profit rate, relative market position, change of cash flow, sales volume and change of market share. The performance measurement method of Venkatraman and Ramanujam (1986) include financial performance and business performance and they include organizational effectiveness into measurement factors, as will enable the organization not only to be aware of the performance of external performance clearly but to acknowledge the working effectiveness inside the organization. But Chakravarthy (1986) considers that performance measurement indicators should be more complete, therefore, the performance should include short-term economic achievement, satisfaction to stakeholder demand, corporation ability to deal with future etc.

According to the above, the indicators and methods of performance measurement have significant differences due to industries and research subjects. This study will use the method that Venkatraman and Ramanujam (1986) applied to measure performance as the measurement tool of organizational performance.

## **THE RELATIONSHIP BETWEEN INTERNAL CUSTOMER ORIENTATION, MARKET ORIENTATION AND ORGANIZATIONAL PERFORMANCE**

### **The Relationship Between Internal Customer Orientation and Market Orientation**

In enterprises implementing internal customer orientation, every employee can consider problems from the angle of internal customer demand (Varey, 1995), every employee can provide superior value for employees in the lower stream of value chain, thus they can certainly provide the highest quality products and services for external customers (Lukas & Maigan, 1996). Therefore, by implementing internal customer orientation, external customers can receive products and services with superior value and the customer satisfaction will be increased accordingly (Berry, 1981; Mohr-Jackson, 1991). From all the above, this study hereby propose and will verify the following hypotheses:

H1: Internal customer orientation has positive significant impact on market orientation

### **The Relationship Between Market Orientation and Organizational Performance**

Narver and Slater (1990) took the 113 strategic business units of an American corporation as sample and use MKTOR table to measure market orientation. Research results proved that market orientation had positive correlation with return on assets (ROA). Jawoski and Kohli (1993) applied MARKOR scale to measure market orientation, and the results also showed that there existed positive correlation between market orientation and overall performance. Deshpande et al.(1998), Deng and Dart(1994), Pelham and Wilson(1996), Balakrishnan (1996)and Gary et al.(1998)took enterprises in the U.S, Japan and Canada as subjects respectively and reproved the positive correlation between market orientation and organizational performance(Fred , 2003).

It can be concluded from the above analysis, market-oriented companies use market orientation as the fundamental concept for business operation and develop new products that meet customer demands according to the acquired market information and hence increase the organizational performance. From all the above, this study hereby proposes and will verify the following hypotheses:

H2: Market orientation has positive significant impact on organizational performance

## The relationship between internal customer orientation and organizational performance

Varey (1995) points out, implementing internal customer orientation will facilitate all employees of an enterprise to build up customer and service consciousness, make sure employees realize the importance of internal customer in deed and conduct proper behavioral ways in the practical work. Meanwhile, in enterprises implementing internal customer orientation, the employees will have customer consciousness no matter when contacting directly or indirectly with external customers and they can serve customers with all their efforts (Yang, 2005).

Literature of internal marketing points out that internal attention will improve the internal perspectives of organizational performance (employee retention, motivation and moral of employee, employee satisfaction and organization commitment). The improvement of internal performance of an organization will finally improve its external performance (e.g. service quality, customer satisfaction and financial performance etc). From all the above, this study hereby proposes and will verify the following hypotheses:

H3: Internal customer orientation has positive significant impact on organizational performance.

## RESEARCH METHOD

### Research Framework

By combining the above discussion on research motivation and literature review, this study constructs the relationship model of customer orientation, market orientation and organizational performance as displayed in Figure 1.

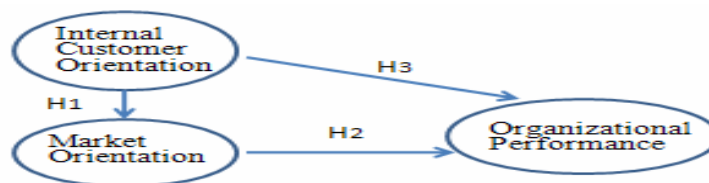


Figure 1: The research framework

### Data Collection and Questionnaire Design

This study chose 52 theme restaurants that had good reputations on the Internet and magazine as sample and collected information through interviews with managers or managing persons of theme restaurants. The questionnaire of this study consists of 4 parts, including internal customer orientation scale, market orientation scale, organizational performance scale and background information of enterprises and subjects. The following is detailed illustrations:

*Internal customer orientation scale.* This study applies the definition of internal customer orientation proposed by Conduit and Mavono (2001), i.e. internal customer orientation is a kind of organizational culture that encourages employees to create and provide superior value for internal customers and then promote the quality of final products as well as increase external customer satisfaction. Due to the reason of reliability and validity, Conduit and Mavono (2001) delete the first question from the scale, so there are only 6 questions in the final scale. Considering that “Regular and systematic measurement of employee satisfaction” should be an important indicator of measuring employee orientation, this study still keeps it in the scale and choice will be made according to the reliability and validity of empirical tests later.

*Market orientation scale.* This study uses Gary et al. (1998) scale when measuring market orientation, including: (1)customer orientation, collecting information of customer demands and preference changes; (2)competitor orientation, paying attention to the movement of competitors; (3)interdepartmental coordination, sharing market information among departments within organization; (4) intelligent response, responding rapidly to changes of customer demands and movements of competitors; (5) concerns on profit, tracking customer sources of profit-making products. The scale consists of 20 questions. This study adopts 5-point Likert scale to measure 5 perspectives of market orientation.

*Organizational performance scale.* Whereas market orientation has impacts on financial performance and non-financial performance of an organization, this study measures the two perspectives including financial and non-financial performances of the organization and uses 5-point Likert scale.

## EMPIRICAL ANALYSIS

### Factors Analysis

This study employs the Kaiser-Meyer-Olkin (KMO) and Bartlett sphere test measure of sampling adequacy to examine the proceedings on factors analysis of each construct. If Kaiser-Meyer-Olkin measurement reaches 0.70, Bartlett's sphere test reveals that the approximated p-value is 0, indicating that the sampling is excellent for factor analysis. On research outcomes, the KMO value on internal customer orientation, market orientation and organizational performance is: 0.899, 0.929, and 0.827 respectively, while Bartlett sphericity test indicates that all of the constructs reach remarkably standard. This indicates that the female community's correlation matrix has a common existence factor to favor conducting factor analysis.

### Reliability Analysis

There are altogether 7 questions under the internal customer orientation aspect. We conduct Cronbach's  $\alpha$  reliability analysis and discover that the value is 0.912, greater than 0.7, to indicate good reliability. There are altogether 18 questions under the market orientation aspect, and we extract four factor aspects as a result of factor analysis. The characteristic value of various factor aspects are all greater than 1, and their total accumulated explained variance amount reaches 72.252%. We also conduct Cronbach's  $\alpha$  reliability analysis on these four factor aspects and discover that their values are all greater than 0.7, to indicate good reliability. Factor analysis aspects are named: customer orientation, interdepartmental coordination, concerns on profit, competition orientation respectively. There are altogether 6 questions under the organizational performance aspect, and we extract two factor aspects as a result of factor analysis. The characteristic value of various factor aspects are all greater than 1, and their total accumulated explained variance amount reaches 70.707%. We also conduct Cronbach's  $\alpha$  reliability analysis on these four factor aspects and discover that their values are all greater than 0.7, to indicate good reliability. Factor analysis aspects are named: financial performance, marketing performance respectively.

### Validity Analysis

The questionnaire, designed in accordance with the issues explored in this study, is based on theories proposed by scholars, but modified to suit the characteristics of the research objects. On construct validity, this research is inspected the item to total between the score in each category and the total score. As long as the coefficient value reaches greater than 0.5, the combination reliability (0.9~0.95) > 0.7, and the extract variance amount (0.74~0.82) > 0.5, these can then be considered high validity. Hence, according to factor analysis, every inquiry matter generally possesses high construct validity.

### Internal Customer Orientation Standard of Theme Restaurants

There are 7 measurement indicators of internal customer orientation of theme restaurants, as illustrated in Table 1. The ensemble average is 3.59. It suggests: theme restaurants are insufficient in performances of employee satisfaction (3.55), interdepartmental service (3.58), interdepartmental cooperation (3.50) and acknowledgement of interdepartmental demand (3.49) and so on, which require improvement.

### Market Orientation Standard of Theme Restaurants

Market orientation reflects the degree of market orientation of theme restaurants through the measurement of 4 perspectives including customer orientation, competition orientation, interdepartmental coordination and concerns on profit, which are indicated in Table 2. This study applies market orientation scale with 18 measurement indicators illustrated in the following:

*Overall description.* The ensemble average of market orientation is 3.71, reflecting the overall score of market orientation is relatively low. At the same time, among scores of all perspectives, the average score of customer orientation is 3.87, competition orientation is 3.86, interdepartmental coordination is 3.54 and concerns on profit is 3.64. The scores of customer orientation and competition orientation are above the average, as indicates, relatively speaking, theme restaurants pay more attention to customer orientation and competition orientation. This also associates with

characteristics of service industry. Due to high contact with customers, customer demand and satisfaction must be emphasized and movements/behaviors of competitors must be paid full attention.

**Table 1: T test on internal customer orientation**

T test of Single Sample		Test Coefficient =4				Test Coefficient =3			
		1	2	3	4	2	3	4	
Internal Customer Orientation	3.59	F1: Regular and systematic evaluation of employee satisfaction	3.55	-3.61	0.00	-0.45	4.39	0.00	0.55
		F2: Consistent commitment of every department to provide better service or product to other departments	3.58	-3.78	0.00	-0.42	5.12	0.00	0.58
		F3: Taking other departments of the corporation as every department's customer in the interdepartmental cooperation	3.50	-4.48	0.00	-0.50	4.40	0.00	0.50
		F4: Acknowledgement of work demand of relevant department through cooperation	3.49	-3.50	0.00	-0.36	6.14	0.00	0.64
		F5: Capacity of providing product and service with positive values for relevant departments	3.69	-3.05	0.00	-0.31	6.81	0.00	0.69
		F6: Systematic evaluation by every department on product or service quality that relevant departments provide	3.64	-4.53	0.00	-0.51	4.30	0.00	0.49
		F7: Emphasis on the critical importance of regarding other departments as customers	3.72	-2.45	0.00	-0.28	6.20	0.00	0.72

Note: 1: Mean; 2: T-value; 3: Significant test; 4: Mean Difference

*Indicator description.* In customer orientation perspective, all indicators are significantly higher than 3, only the score of customer satisfaction is significantly lower than 4. This suggests: most enterprises of service industry have relatively strong sense of responsibility to customers (4.11); they care about customers' complaints (3.83) and after-sale service (3.81); they provide more value (3.82) and make customer satisfied (3.79).

In competition orientation perspective, all indicators are significantly higher than 3. This reflects: most theme restaurants are very concerned about competitors' marketing activities (4.21). Relatively speaking, they perform worse in collecting information (3.83) and attention to employees (3.52).

In the aspect of interdepartmental coordination, the performance of all indicators is apparently higher than 3 while less than 4. This indicates: theme restaurants display apparent lacking in aspects like sharing marketing information (3.57), integrating department activity (3.50), communicating among departments (3.62) and responding to competitors' price (3.56). There is still a big room for improvement.

In the aspect of concerns on profit, the performance of all indicators is apparently higher than 3 while less than 4. This tells: the performance of theme restaurants should improve in rapidly determining the profit information of each service (3.73), of each agent or retailer (3.49), or each customer (3.62) and of each sales territory (3.74).

### Verification of Structure Model

This study uses the following three types of indicators to evaluate the global fitness of structural relationship model (SRM) of market orientation, internal customer orientation and organizational performance.

1. Absolute fit measures: the degree to determine how the model can predict covariance matrix and relevant matrix. It mainly includes 4 indicators: Chi-Square ( $X^2$ ), Goodness of Fit Index (GFI), Standardized Root Mean Square Residual (SRMR) and Root Mean Square Error of Approximation (RMSEA).
2. Parsimony fit measures: the degree of parsimony used for evaluating a model. It mainly includes 2 indexes: Parsimony Normed Fit Index (PNFI) and Parsimony Goodness of Fit Index (PGFI).
3. Incremental fit measures: the comparative result between theoretical model and null model. It mainly includes two indexes, i.e. Normed Fit Index (NFI) and Goodness of Fit Index (GFI).

The evaluation standard and the model fit result of the above three indicators are illustrated in Table 2. It can be concluded from comparison that the model fit meets the above three types of indicators.

**Table 2: Market orientation level of theme restaurant**

T test of Single Sample		Test Coefficient =4				Test Coefficient =3		
		1	2	3	4	2	3	4
Customer Orientation 3.87	B1: Encourage customers to complain to make the job better	3.83	-1.36	0.18	-0.19	5.89	0.00	0.81
	B4: After-sale service is the operating strategy of a corporation	3.81	-1.16	0.25	-0.15	6.56	0.00	0.85
	B5: Always make efforts to provide customers with more value and interests	3.82	-1.47	0.15	-0.20	5.88	0.00	0.80
	B10: Regular measurement of customer satisfaction	3.79	-3.14	0.00	-0.45	3.84	0.00	0.55
	B20: Strong sense of responsibility to customers	4.11	-0.10	0.92	-0.01	7.81	0.00	0.99
Competition Orientation 3.86	B2: Close attention to competitors' marketing activities	4.21	1.32	0.19	0.15	10.08	0.00	1.15
	B6: Frequent collection of competitors' information for the purpose of making marketing plans	3.83	-2.31	0.02	-0.30	5.38	0.00	0.70
	B15: Require all employees of corporation to concern about and report competitors' activities	3.52	-4.35	0.00	-0.63	2361	0.00	0.38
Interdepartmental Coordination 3.54	B7: Departments can share marketing information for the purpose of making decisions	3.57	-4.46	0.00	-0.54	3.84	0.00	0.46
	B9: Work well in integrating every department's activities	3.50	-4.46	0.00	-0.54	3.84	0.00	0.46
	B12: Marketing personnel communicate with employees of other departments regularly	3.62	-5.71	0.00	-0.75	1.90	0.00	0.25
	B13: Respond rapidly to competitors' price changes	3.56	-3.08	0.00	-0.44	3.96	0.00	0.56
	B17: Marketing personnel discuss with employees of other departments regarding customer demand regularly	3.69	-4.27	0.00	-0.46	3.32	0.00	0.44
	B19: All departments participate in enterprise operating plans	3.33	-6.84	0.00	-0.94	0.46	0.00	0.06
Profit Concern 3.64	B3: Determine the profit information of each service rapidly	3.73	-2.91	0.00	-0.38	4.85	0.00	0.63
	B11: Determine the profit information of agent or retailer rapidly	3.49	-4.85	0.00	-0.71	1.96	0.00	0.29
	B16: Determine customer profit information rapidly	3.62	-3.93	0.00	-0.56	3.05	0.00	0.44
	B18: Determine the profit information of sales territory rapidly	3.74	-3.57	0.00	-0.50	3.57	0.00	0.50

Note: 1: Mean; 2: T-value; 3: Significant test; 4: Mean Difference

**Table 3: Constructs Model Fit**

Indicator	$\frac{X^2}{df}$	Absolute Fit			Parsimony Fit		Incremental Fit	
		GFI	SMSEA	RSMSEA	PNFI	PGFI	NFI	CFI
Evaluation Standard	<3	>0.9	<0.08	<0.06	>0.5	>0.5	>0.9	>0.9
Research Outcome	1.69	0.95	0.07	0.06	0.81	0.84	0.94	0.93

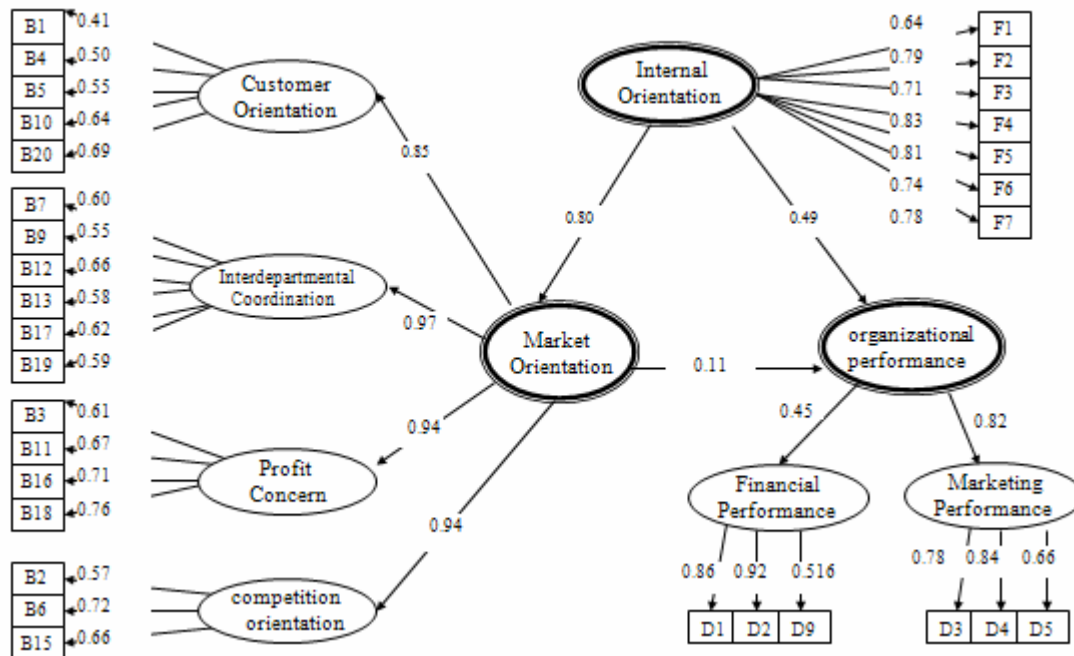
**Hypothesis Testing**

The structural model constructed for testing H<sub>1</sub>, H<sub>2</sub> and H<sub>3</sub> are shown in Figure 2 along with the test results. The test results of research hypothesis are indicated in Table 4, among which two hypotheses (H<sub>1</sub> and H<sub>3</sub>) receive supports while H<sub>2</sub> is denied. Detailed explanation of test results is as follows:

1. Relationship between internal customer orientation and market orientation: This study assumes that internal customer orientation has positive significant impact on market orientation ( $H_1$ ). The path coefficient between internal customer orientation and market orientation is 0.80, which reaches significant standard ( $P < 0.001$ ) and  $H_1$  is verified. This represents, in service industries, the higher the internal customer orientation of an enterprise is, the higher its degree of market orientation will be. This research result echoes with the analysis result of some inter-industrial researches (Conduit & Mavondo, 2001; Yang, 2005).
2. Relationship between market orientation and organizational performance: This study assumes that market orientation has positive significant impact on organizational performance ( $H_2$ ). The path coefficient between market orientation and organizational performance is 0.11, which is insignificant ( $P = 0.58 > 0.05$ ) and  $H_2$  is false. This indicates: if the market orientation standard of a theme restaurant is higher, its organizational performance is not certainly better.
3. Relationship between internal customer orientation and organizational performance: The study assumes that internal customer orientation has significant positive impact on organizational performance ( $H_3$ ). The path coefficient between internal customer orientation and organizational performance is 0.49, which reaches significant standard ( $P < 0.05$ ) and  $H_3$  is supported. This illustrates: the higher the internal market orientation of a theme restaurant is, the better its organizational performance is. This research result is different from inter-industrial research result (Yang, 2005). It implies that the internal customer orientation of theme restaurants is more important and enterprises should pay more attention to the promotion of internal market orientation.

**Table 4: Validation on Hypotheses**

Hypotheses	path coefficient	P value	Validation
$H_1$ : Internal customer orientation has positive significant impact on market orientation	0.80	0.000	Accept
$H_2$ : Market orientation has positive significant impact on organizational performance	0.11	0.580	Reject
$H_3$ : Internal customer orientation has positive significant impact on organizational performance.	0.49	0.041	Accept



**Figure 2: Structure Model and Validation Results**

## CONCLUSIONS AND RECOMMENDATIONS

### The Results and Discussion

1. The standards of market orientation and internal customer orientation are both low

Research results display that the standards of market orientation and internal market orientation are both low, as exists a big room for improvement. The result of analyzing perspectives of market orientation indicates: the performances of customer orientation and competition orientation are relatively higher while the performance of interdepartmental coordination and concerns on profit are relatively lower.

2. Internal customer orientation has significant positive impact on market orientation

The test result of hypothesis 1 shows that internal customer orientation has positive significant impact on market orientation. This research result echoes with the analysis results of some inter-industrial researches (Conduit & Mavonodo, 2001; Yang, 2005). It reflects the importance of developing internal customer orientation in theme restaurants.

3. Market orientation has no significant direct impact on organizational performance

This study finds that market orientation has no significant direct impact on organizational performance, i.e. the enterprise performance is not necessarily better when the market orientation standard of a theme restaurant is higher. This research result is against the analysis results of most inter-industrial researches (Narver & Slater, 1990; Jaworski & Kohli, 1993; Deshpande et al., 1998; Deng & Dart, 1994; Pelham & Wilson, 1996; Balakrishnan, 1996; Gary et al., 1998; Yang, 2005). It means, to theme restaurants, applying market orientation cannot have direct impact on organizational performance. This reflects the significant characteristic of service industry that is different from other industries, indicating that the market orientation of service industry must use other ways to impact organizational performance.

4. Internal customer orientation has significant positive impact on organizational performance.

Through the test of hypothesis 3, this study finds that internal customer orientation has significant positive impact on organizational performance. This illustrates: the higher the internal market orientation of a service enterprise is, the better its organizational performance is. This research result does not match with the inter-industrial research results (Yang, 2005), reflecting that internal customer orientation of theme restaurants is more important to improving organizational performance, comparing to market orientation. It is an important finding of this study.

### Managerial Implications

The major objective of this study is to explore the relationship among customer orientation, market orientation and organizational performance. The results show the importance of internal customer orientation to the development of market orientation. From management point of view, an organization should develop, maintain and promote internal customer orientation and market orientation simultaneously. If satisfaction to employee demand is not emphasized, higher value is not provided in every phase of value chain, end customers cannot acquire most ideal product or service. Internal customer orientation not only has direct impact on market orientation, it is also the mediated relation between various antecedents and market orientation.

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