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# **The nexus of internal market orientation and international HR management**

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## **Abstract**

This paper examines Internal Market Orientation (IMO) in the context of international businesses (Multinational Corporations, MNCs) that execute international human resources management (IHRM) to manage their workforce overseas. Grounded in conventional IMO theory, this study suggests a novel *i*IMO framework that introduces the utilisation of ICTs in IMO and sets business performance metrics as an outcome of *i*IMO implementation. The viability of the *i*IMO model was verified following empirical research, which included surveying 650 employees who represent 147 international organisations in the Russian Federation. This paper posits the suitability of the *i*IMO concept application in the IHRM and affirms its efficacy in the improvement of the MNCs' business performance.

## **Keywords**

internal market orientation, market orientation, international human resource management, international companies, multi-national companies, organizational performance, business performance, IMO, MNC, IHRM, SEM-PLS.

## **1. Introduction**

International businesses have long been seeking solutions to increase personnel efficiency because it leads to performance improvements (O'Donnell et al., 2019). One of these solutions involved implementation of the marketing concept within an organisation where employees are reckoned as internal customers (Bowen and Schneider, 1988). Academia coined this approach as internal marketing (Berry, 1981). According to this concept, a job is deemed a product that an organisation markets to the external labour market to acquire talents and 'sells' to its employees in order to improve their job satisfaction (Tortosa-Edo et al., 2010). If done successfully, the latter improves job performance and customer orientation (González-Porrás et al., 2019). Nevertheless, the literature asserts that managers considered internal marketing a blurry stratagem that lacks specificity in its operationalisation (Lings, 2004).

Consequently, the concept of internal marketing was succeeded by that of internal market orientation (IMO) as it provided more substantial and useful tools for internal value creation and exchange in the organisation (Yu et al., 2019). It has received a notable amount of attention from researchers until most recently and is accepted as a contemporary internal marketing paradigm by academia (Boukis, 2019). Also, IMO is recognised in the

international business environment (Li et al., 2013).

Simultaneously, in accord with the increasing pace of internationalisation of businesses, the extant body of the literature denotes a proliferation in international HR management (IHRM) studies. A growing body of research recognises the importance of IHRM, as it has a pivotal role in managing MNCs' subsidiaries (Bos-Nehles et al., 2017). To promote their core corporate values, companies with overseas operations endeavour to align their HRM across all subsidiaries by transferring relevant policies and practices to remote offices (Ahlvik et al., 2016). In this regard, researchers formulated a crucial research question in IHRM studies as 'how are people managed in multinational corporations, and what are the practical implications for international management?' (Björkman and Welch, (2015), p.137).

This critical question is further emphasised by academia, as it seeks to solve the renowned global-local dilemma in HR management that concerns MNCs (Trompenaars and Greene, 2016). It is about the determination of the right balance between corporate and local HR management by replication of the universal policies set by MNC headquarters (standardisation) and consideration of the local context that facilitates the development of the unique HR practices (localisation) for every single foreign subsidiary (Pudelko and Harzing, 2007). As businesses strive for new heights in their performance, the proper global-local IHRM balance leads to these improvements (Björkman and Welch, 2015; Kazakov, 2016).

In our opinion, a noted focus on this essential, but still monosyllabic, question in IHRM studies potentially narrows the research scope in this field. We argue that such an approach can lead to progressive myopia in IHRM research, as the current stream of studies is dominated by examination of the most common practices in MNCs home countries in IHRM, and gauging the outcomes of their transfer to affiliated offices overseas while ignoring other relevant concepts that evolve in adjacent academic areas. We believe IMO is one of these concepts that have been underestimated in IHRM research until most recently. Interestingly, the literature in the domain of international business reveals few precedents to evaluate the feasibility and effects of the broader, e.g., external (targeting extrinsic customers), market orientation transfer from corporate headquarters to subsidiaries (Dahms, 2019).

Similar to IHRM studies, the accumulated research in the IMO realm also tends to put an emphasis on a limited range of research questions. A significant number of IMO studies are dedicated to identification and conceptualisation of its antecedents that altogether constitute the framework of IMO (Lings and Greenley, 2009; Gounaris et al., 2010; Rodrigues and Carlos Piñho, 2012; Ruizalba et al., 2014). Furthermore, the literature witnesses that the scope of IMO research includes studies accomplished in various international contexts, which

have been most relevant to domestic firms but did not extend to the context of MNCs (Ruizalba et al., 2016). Studies that consider local cultures, labour codes, and remuneration systems in IMO overseas deployment have not been well-documented in the literature. As the concept of IMO receives recognition by both academia and practitioners while its implementation in the IHRM context remains unclear to academia, the literature would benefit from the examination of IMO and IHRM synthesis.

Given these two critical issues, it is essential to investigate and assert the rationale of IMO implementation in MNCs. We accomplish this by empirical verification of recently introduced *i*IMO antecedents framework (Kazakov, 2019) in IHRM settings. Both classic IMO and the novel *i*IMO approaches have received consideration in the marketing academia but remain unexplored in the context of IHRM. We then gauge the effects of IMO implementation in MNCs. By doing so, we posit that the IMO is a practical concept that MNCs can be utilised as a conventional IHRM procedure to improve business performance. Based on the posed research goal, we articulate the following research question to be addressed in this study:

*RQ: Does iIMO help MNCs maintain a positive business performance in IHRM settings?*

To deal with this research question, the rest of the paper unfolds in four forthcoming sections. In the literature review, we succinctly analyse the relevant pieces of prior research to build grounds for the suggested set of hypotheses. Next, the paper delineates a research methodology developed for this study. After this, we discuss the theoretical contribution and speculate on the implications of managerial research relevant to IHRM. The paper concludes with the limitations section and closing remarks that were not addressed before in the present paper.

## **2. Literature Review**

### *2.1. Research stream on transfer of IHRM practices*

There is a consensus in academia that corporate strategy shapes the way IHRM is implemented in an MNC, including its foreign subsidiaries (Björkman and Welch, 2015). International businesses routinely face a challenge in the transfer of IHRM practices. The accumulated research has determined the methods of such transfer, including implementation, integration, internalisation (Ahlvik and Björkman, 2015) or scenarios, namely ignoring, imitation, and, again, integration (Bos-Nehles et al., 2017). Some studies have posited a convergence between MNC country of origin, corporate values, the choice, and implementation of specific HRM transfer scenarios, that may be changed afterwards as

IHRM evolves gradually under the influence of learning and international experience accumulation (Pudelko and Harzing, 2007).

The literature has pointed to IHRM practices that are commonly considered feasible for a transfer. They include personnel recruitment and placement, remuneration, career planning, KPIs and employee assessment, training and development (Björkman and Welch, 2015). These practices are critical for business performance of the MNC subsidiary (Boon et al., 2019). Researchers have highlighted the importance of alignment between IHRM and other corporate business functions (Ahlvik et al., 2016). Several studies have investigated the perception of IHRM practices by the local employees and determined the differences between countries where MNC executes its operations and employee position in the subsidiary in this respect (Ali et al., 2019).

Alongside the IHRM research mainstream, the literature revealed studies that mix IHRM with theories, frameworks, and concepts from other areas of business research. One seminal research theme in this respect is credited to Minbaeva (2015). It is relevant to organisational knowledge that can be successfully transferred to MNC subsidiaries in the format of IHRM policy. Along the same lines, Simonin and Özsoy (2009) had earlier highlighted the framework of learning orientation as IHRM policy that elicits performance of MNC.. This proliferating stream demonstrates the flexibility of IHRM research and is consistent with the researchers' point of view that it is a 'dynamic, growing, but somewhat fragmented field' (Björkman and Welch, 2015:143).

These noted facets of prior studies imply availability of opportunities in IHRM research and build a rationale to investigate the conceptualisation of the IMO framework in IHRM settings.

## *2.2. The IMO concept*

The concept of IMO has been well-documented in the literature. Until most recently, researchers have mostly focused on determining which particular organisational behaviors and activities constitute IMO antecedents. They comprise elements such as working environment intelligence, interior communications, and management strategies implementation (Lings, 2004; Gounaris, 2006, Yu et al., 2015; 2019). These have been coined as antecedents (or prerequisites) that should be executed to activate IMO implementation in the firm (Gounaris et al., 2010). IMO implementation in the organisation, indeed, has consequences that have been less examined to date. It is especially true for the ultimate IMO consequences pursuant to the business performance metrics of the organisation.

A profuse stream of the prior studies has based IMO conceptualisation on the idea of the MARKOR model of (external) market orientation originally proffered by Kohli and Jaworski (1990). MARKOR entails behavioural approach to market orientation activation, which emphasises market data intelligence, its internal dissemination, and, more importantly, the organisational response planning and execution (Kohli and Jaworski, 1990). As the basic MARKOR concept intrinsically concentrates on market orientation antecedents rather than consequences, many of the earlier IMO researches had the limitation relevant to the scant understanding of IMO's aftermaths.

As highlighted above, internal marketing is known as another essential building block of the IMO concept. By integration the principles of the marketing philosophy with an internal firm's environment, internal marketing led to substantial changes in HR management. As a result of an internal marketing application, organisations received a momentum for improvements in employee productivity, job satisfaction, and commitment (Yu et al., 2019). Nevertheless, literature witnesses that internal marketing is not without operationalisation issues (Pitt and Foreman, 1999). It demands certain underlying items of marketing management to enact internal marketing deployment in the organisation. In our belief, IMO is capable of delivering such missing operationalisation elements. Correspondingly, IMO can be recognised as a successor of internal marketing.

### *2.3. Research hypotheses development*

#### *2.3.1. The iIMO framework*

Besides the identified gaps in the IMO theory that we delineated earlier, the analysis of literature elicits a conclusion that the conventional IMO concept has several additional limitations. First, it is not adequately suited to the new challenges as its established mix of antecedents does not consider the consequences that total digitalisation generates for international businesses. Prior literature determined ICTs deployment can increase HR processes efficiency (Bondarouk et al., 2017). In an accord with this proposition, one of the most recent studies suggested improvements to the classic IMO framework by incorporating the dimension of ICTs in each of its structural constructs (Kazakov, 2019). In this study, we plan to validate this thesis empirically. The prefix of 'i' was added to reflect the digitalisation of IMO and discern it from its preceding framework.

Second, we posit that the amassed research has not routinely considered trending practices that have been recently adopted by business organisations. We discovered in the literature that contracting an outsourced workforce is one of these overlooked trends that

needs further examination. At last, previous studies have not shed sufficient light on MNCs performance measurement following the implementation of IMO, whereas business performance metrics impose a greater concern for a firm (Slater and Narver, 2000). Figure 1 represents a mockup of the proposed nomological *i*IMO conceptual framework that is considered in this study. In the next subsection, we present a rationale for reshaping the IMO concept by arguing a set of research hypotheses that we have formulated.

### 2.3.2. *The antecedents of iIMO*

The proposed *i*IMO theoretical framework (Fig.1) contains several novelties. First, as noted above, we heeded the recommendations by the founders of market orientation concepts who suggested theory developers include a common conceptual element that ties together all the constructs in their hypothesised model (Jaworski and Kohli, 2017). ICTs denote this integrating element in the proposed *i*IMO framework. Second, we simplified the proposed theoretical model by amalgamating previously separated first-order latent variables, namely communications between employees and communications between the HR department and employees (Tortosa-Edo et al., 2015) into the single latent *i*IMO model construct labeled interior communications.

Such an assumption is grounded in the role of informal communications between employees who may absorb the disseminated internal market intelligence, then comprehend, transcode and interpret it in a way not akin to the managers' viewpoint when conveying the information to their fellow current or former employees. This proposition is supported by the existing literature (Cai et al., 2017). Furthermore, such employee-to-employee informal communications may extend to online social networking platforms (Wu et al., 2013). Many studies also unveiled the bias in the quintessence of the information which is disseminated towards employees from two different origins, namely managers and human resource department (De Chernatony et al., 2006) while other studies suggest the broader utilisation of ICTs for HR managers when communicating with employees (Van Gramberg et al., 2014; Papagiannidis and Marikyan, 2020)..

We anticipate that the concept of *i*IMO proves important for IHRM academia and practitioners, thus:

*H<sub>1</sub>: ICT-supported organisational behaviours of working environment intelligence, interior communications, and management strategies implementation cooperatively enact the iIMO activation in international firms.*



### *2.3.3. The consequences of iIMO implementation*

As mentioned above, internal market orientation adopted a fundamental approach from the broader marketing concept that implied treating employees as internal customers (Bowen and Schneider, 1988). Organisations that seek alignment with this philosophy must create and deliver value for their respective employees (Gounaris, 2006). Similar to conventional marketing, where value serves as a tool to attain external customer satisfaction, the creation and exchange of internal value that hinges on appropriate management policies, corporate communications, and inter-functional coordination can result in employee satisfaction with their jobs and working environment (Yu et al., 2019). Motivated and satisfied employees tend to perform better at their respective positions (Domínguez-Falcón et al., 2017). This then leads to an increase in external customer satisfaction (Tortosa et al., 2009). The latter can be particularly important for international businesses operating in service industries. These findings are well-documented in the literature and explain the rationale behind creating, improving, and maintaining employee job satisfaction (Ruizalba et al., 2014; Tortosa-Edo, 2015). In line with these previous inferences, we posit that:

*H<sub>2</sub>: iIMO will produce a positive effect on employee job satisfaction in international business organisations.*

Within this research, we found it possible to realign several causal paths between internal market orientation outcomes in the proposed iIMO framework. Ruizalba et al. (2014) suggested that employee commitment was directly impacted by IMO operationalisation, a finding supported by both prior and more recent studies (Lings, 2004; Gounaris, 2006; Yu et al., 2019). This can be indeed accepted, but marketing academic literature pertinent to the ‘satisfaction → loyalty’ dyad suggests that customer satisfaction activates customer loyalty (Hult et al., 2017). In this study, we examine a dyad of ‘employee satisfaction → employee loyalty’ that is better understood in practice whereas job commitment is a product of employee loyalty (Yusuf, 2020). Therefore, we hypothesise that:

*H<sub>3</sub>: Employee job satisfaction produces a positive impact on employee loyalty.*

As noted above, recent studies have focused mostly on the examination of the endogenous antecedents that constitute IMO. However, several researchers investigated and confirmed positive IMO effects on various facets of performance including employee market-oriented behaviours (Lings and Greenley, 2009); perceived service quality and customer satisfaction (Tortosa et al., 2009); service innovation activation (Ordanini and Maglio, 2009);

job satisfaction and employee job commitment (Ruizalba et al., 2014); and employer brand enactment (Boukis et al., 2017, Yu et al., 2018). With very few exceptions the extant studies, however, have not sufficiently encompassed business performance indicators. (Rodrigues and Carlos Pinho, 2012). This study focuses on these more precise metrics to measure the utter consequences of *i*IMO application in the international setting, hence:

*H<sub>4</sub>: Employee loyalty has a positive effect on business performance metrics.*

HR management literature unveils a vibrant stream of studies aimed at gauging the impact of contracting outsourced personnel on various facets of firm's operations. They have found that outsourcing staff generates various plentiful benefits for organisations, but, simultaneously, meaningful implications may stem from it, affecting both businesses and employees (Velocci, 2002). Researchers have pointed to the negative perceptions regular employees hold of their outsourced colleagues, who are feared to assume regular job functions and replace full-time employees at their positions (Gilani et al., 2016). An increase in part-time and remote workers is a reason for growing concern for regular employees as businesses may substitute more functions by contracting outsourced human resources in the near term (Imm et al., 2016). Moreover, researchers have documented the reduction in job satisfaction after businesses shift to outsourced personnel contracting (O'Meara, 2003; Shao and David, 2007).

MNCs are inclined to a considerable amount of outsourced personnel contracting (Galanaki and Papalexandris, 2007). Researches argue that personnel outsourcing is a critical issue for MNCs as it impedes IHRM policies application aiming to maintain job satisfaction (González-Ramírez et al., 2019). Conversely, several studies insist that regulars' job satisfaction increases as outsourced staff are often assigned to carry out monotonous and wearying routine job functions that regular personnel are unwilling to fulfil (Walker et al., 2009). We believe this dilemma needs to be addressed in this study. Apart from the point that there are no previous studies about the moderating role of outsourced personnel on the relationships between *i*IMO and employee job satisfaction, it is noteworthy to add that many studies that have addressed the role of outsourced personnel moderating other relationships show some contradictory findings (Irwin et al., 2018). Therefore, it is worth to investigate this possible moderating effect; thus:

*H<sub>5</sub>: Contracting outsourced personnel moderates the positive effect of iIMO on employee job satisfaction.*

### **3. Research Methodology**

#### *3.1. Sample and data collection.*

MNCs subsidiary offices located in the Russian Federation were targeted as sampling units for data collection. According to the local business database, 753 organisations met this criterion. We approached them via a local reputable HR consultancy and circulated an invitation to participate in the research. This letter was supplemented with materials explaining the benefits of participation. The first cycle of distribution returned acceptance letters from the Russian offices of 147 MNCs, implying a 19% return rate. It complied with the recommended threshold values of survey return rates between 15% and 20% (Mennon et al., 1996). The sampled MNCs originated from Germany (22%), USA (20%), France (14%), Switzerland (10%), Japan (10%), South Korea (6%), UK (4%), other countries (14%), and operated in manufacturing (30%), food FMCG (18%), trade (18%), non-food FMCG (16%), tobacco (6%), and other industries (22%). By this the attained sample representativeness, we can posit that our study encompasses a sufficient variety of cultures, industries, and managerial approaches to IHRM.

Participating firms shortly received a link to an online survey form. As these firms varied in many facets, especially in employee count, we asked each organisation to select 5 random employees representing middle and low hierarchical job positions to complete the survey. This was done to ensure an even sample distribution and to avoid so called ‘clumping’ factor in the sample (Tooze et al., 2002). Ultimately, our research team collected 735 completed questionnaire forms that were screened for missed responses and possible inconsistencies. We also checked if survey participants represented the positions in their respective organisation that we asked for; or if companies did not implement a random approach to employee selection or submitted another quantity of filled questionnaire form sheets than we had asked. As a result, 650 usable survey forms were secured for data analysis, examined in the following section.

#### *3.2. Questionnaire, scales, and measurements*

The data for this study was collected using a questionnaire. It comprised eight items pertaining to the categorical descriptive statistics and forty scale items that were essential for gauging *i*IMO antecedents. Another ten scales were added to analyse *i*IMO consequences while three more scaling variables were included to examine the moderating effect of outsourced personnel on job satisfaction. The opening section of the questionnaire included questions to collect demographic data, namely employee gender and age, their position in the

organisation; the location, size, volume and type of business; types of target markets, and the industry of operation. The section for measuring *i*IMO antecedents was adapted from Ruizalba et al. (2014) and incorporated an ordinary five-point Likert scale. It included seven novel IMO measurement items grounded in Bondarouk et al., (2017) that were essential to gauge the significance of articulated ICT support for *i*IMO antecedents.

Regarding the consequences of *i*IMO, the means of measuring job satisfaction was based on the scale suggested by Hartline and Ferrell (1996), while employee loyalty was evaluated using Rusbult et al. (1988)'s scale complemented by a simplified measurement of employer branding grounded in Knox and Freeman (2006). As recent studies have routinely considered employer branding (Boukis et al., 2017) in IMO studies, we found it important to validate this dimension in the *i*IMO. Business performance metrics were based on the calibration approach recommended by Kazakov (2016). Overall, the complete questionnaire contained 61 questions to measure *i*IMO antecedents and consequences (Annex I), and it was released online for data collection.

## **4. Data Analysis**

### *4.1. iIMO framework construct validity*

In order to test the hypotheses, we utilised the Structural Equation Modelling (SEM) method with the help of Stata and LISREL software. SEM is a versatile technique that has many data analytical capabilities, and makes it possible to run confirmatory factor analysis (CFA). CFA facilitates an application of a post hoc approach to econometric modelling, which renders it an appropriate choice for verification of the hypothesised nomological model. Various algorithms can compute it, but partial least squares (PLS) is the most reliable multivariate method for testing the reliability of modelled scales and the validity of constructs in a dataset with many parameters, as the literature suggests (Hair et al., 2013).

We utilised a standard max likelihood computation technique to run CFA as the produced dataset did not contain any missing values and the data was not normally distributed (Mardia mSkewness = 890.2;  $\chi^2= 96901.10$ ;  $p = 0.000$ ; Mardia mKurtosis = 4349.12;  $\chi^2= 81451.25$ ;  $p = 0.000$ ; Henze-Zirkler = 1.10;  $\chi^2= 4.04e12$ ;  $p = 0.000$ ; omninormality test (Baum and Cox, 2007): Doornik-Hansen value = 1830.31;  $p = 0.000$ ; asymptotic test statistic = 3577.43;  $p = 0.000$ ). Model goodness of fit statistics revealed its overall acceptability ( $\chi^2= 364.29$ ;  $\frac{df}{\chi^2} = 2.68$ ; RMSEA = 0.057; CFI = 0.95; TLI = 0.91).

**Table 1**  
The applied tests **iIMO data validation properties** produced unequivocal

Model items	Cronbach $\alpha$	AIC	AVE	ASV	CR	MSV
<i>i</i> IMO antecedents						
Measurement model (first level constructs)						
(WENINT) — Working environment intelligence						
(PERRES)   Personnel research	0.86	0.57	0.51	0.25	0.74	0.20
(PERSEG)   Personnel segmentation	0.82	0.63	0.52	0.26	0.75	0.20
(LABRES)   Labor market research	0.84	0.55	0.52	0.21	0.72	0.37
(ICTUMI)   ICTs utilisation in market intelligence	0.87	0.68	0.67	0.28	0.82	0.40
(MANSTR) — Management strategies & implementation						
(MANCAR)   Management concern & care	0.89	0.57	0.52	0.27	0.74	0.31
(TRADEV)   Training and development	0.86	0.57	0.51	0.30	0.72	0.45
(WLBAL)   Work-life balance	0.86	0.66	0.53	0.27	0.70	0.45
(REMPOL)   Remuneration policies: salary and incentives	0.84	0.59	0.64	0.21	0.73	0.12
(JOBFUN)   Job essence & functions	0.84	0.57	0.53	0.32	0.74	0.20
(ICTMSI)   ICT in management strategies and implementation	0.79	0.51	0.57	0.28	0.76	0.25
Structural model (second level constructs)						
(WENINT)   Working environment intelligence	0.94	0.52	0.54	0.34	0.73	0.45
(INTCOM)   Interior communications	0.90	0.52	0.54	0.40	0.82	0.45
(MANSTR)   Management strategies implementation	0.96	0.45	0.52	0.38	0.78	0.45
Structural model (third level construct)						
<i>i</i> IMO	0.89	0.24	0.65		0.74	
<i>i</i> IMO consequences						
(JOBSAT)   Job satisfaction	0.83	0.57	0.68	0.11	0.84	0.20
(EMPLOY)   Employee loyalty	0.83	0.63	0.61	0.15	0.76	0.20
(BUSPERF)   Business performance metrics	0.86	0.57	0.57	0.13	0.75	0.13
(OUTPER)   Outsourced personnel	0.27	0.19	0.64	0.00	0.82	0.00

results for model reliability as the average variance extracted (AVE) remained above the

threshold value of 0.5 for the first, second, and third-order of the *i*IMO antecedent constructs. Composite reliability (CR) indices were also above the threshold of 0.7. We gauged additional measurements, including average shared squared variance (ASV) and maximum shared squared variance (MSV). They are helpful for building additional support for the reliability and validity of the nomologically developed model.

Based on these measurements, we can also confirm the convergent and discriminant validity of the suggested *i*IMO framework is plausible as the validity requirements (convergent validity:  $CR > AVE$ ; discriminant validity:  $AVE > ASV$ ,  $AVE > MSV$ ) were met (Hair et al., 2013). The results of the scales reliability and *i*IMO construct validity tests are exhibited in Table 1.

#### 4.2. *i*IMO hypotheses testing

The theoretical framework outlined in Figure 1 was suggested to illustrate the conceptual links and effects that were formalised by the five research hypotheses. Following the application of SEM CFA and path analysis, four out of five hypotheses divulged in the current study can be confirmed (Tables 2 and 3). The standardised factor loading values of three *i*IMO latent constructs were notably above 0.5 and statistically significant. CFA outputs

**Table 2.**  
**Hypotheses testing ( $H_1$ )<sup>\*</sup>**

	<i>i</i> IMO framework	Factor loadings, $\Phi_{CFAy \rightarrow i}$ (CFA, standardised, $p = 0.000$ )	$p$	Factor loadings, $\Phi_{EFAy \rightarrow i}$ (EFA, normalised, $p$ $= 0.000$ ) <sup>**</sup>	Result
$H_1$	(WENINT)   Working environment intelligence $\leftarrow$ <i>i</i> IMO	0.75	0.000	0.89	Accepted
$H_1$	(INTCOM)   Interior communications $\leftarrow$ <i>i</i> IMO	0.69	0.000	0.78	
$H_1$	(MANSTR)   Management strategies implementation $\leftarrow$ <i>i</i> IMO	0.96	0.000	0.98	

<sup>\*</sup> — SEM CFA further validated by pairwise correlations and exploratory factor analysis

<sup>\*\*</sup> — EFA was applied with an utilisation of orthogonal varimax rotation and specified one single factor common for all three endogenous variables ( $\chi^2(3) = 1589.09$ ,  $p = 0.000$ ,  $KMO = 0.77$ )

were additionally verified by Pearson pairwise ( $\rho$ ) correlation (Fig. 2) and exploratory factor analyses (EFA, Table 2) to double-check the results of  $H_1$  testing. These procedures determined  $H_1$  credibility. The result of  $H_1$  evaluation revealed greater importance of MANSTR for the implementation of internal market orientation in comparison with the rest of the conceptual *i*IMO elements.

The squared MANSTR factor loading had a value nearly two times higher than INTCOM, while it was also one and a half times higher than WENINT ( $[\varphi_{CFAiMO \rightarrow MANSTR}]^2 = 0.92$ ;  $[\varphi_{CFAiMO \rightarrow INTCOM}]^2 = 0.48$ ;  $[\varphi_{CFAiMO \rightarrow WENINT}]^2 = 0.56$ ). This implies that management strategies and their implementation form the most significant facet of *i*IMO application in MNCs. These outcomes are consistent with the findings of previous studies (Gounaris et al., 2010; Ruizalba et al., 2014).

The rest of the hypotheses required a different statistical approach. We used the SEM path analysis technique to test the range of  $H_2$  to  $H_5$  (Table 3). This revealed *i*IMO had a positive influence on employee job satisfaction; thus,  $H_2$  can be accepted. Next, the path analysis exhibited statistical support for  $H_3$ , implying that *i*IMO-generated job satisfaction actuates employee job loyalty, maintains employees' loyalty to their employer, and strengthens the employer's brand. The results of testing  $H_4$ , as exhibited in Table 3, indicate that it is also supported. Despite the noted gradual decline of the indirect effect of *i*IMO on business performance ( $\beta_{std}: 0.46 \rightarrow 0.35 \rightarrow 0.22$ ) via endogenous variables that represent consequences of *i*IMO implementation, it produces a considerable total outcome on the

**Table 3**  
**Hypotheses testing ( $H_2$  —  $H_5$ )**

		$\beta_{std}$	$z$	$p$	Result
$H_2$	<i>i</i> IMO $\rightarrow$ (JOBSAT)   Job satisfaction	0.46	5.98	0.000	Accepted
$H_3$	(JOBSAT)   Job satisfaction $\rightarrow$ (EMPLOY)   Employee loyalty	0.35	2.80	0.000	Accepted
$H_4$	(EMPLOY)   Employee loyalty $\rightarrow$ (BUSPERF)   Business performance	0.22	1.70	0.048	Accepted
$H_5$	(OUTPER)   Outsourced personnel $\rightarrow$ ( <i>i</i> IMO $\rightarrow$ (JOBSAT)   Job satisfaction)) (total effect)	-0.01	0.11	0.91	Rejected

organisations' operational results, as unveiled by the supplementary linear regression

procedure ( $\beta_{DIRECTiMOstd} = 0.8, p = 0.000, t = 29.80, p_t = 0.000; \alpha = -1.66, p = 0.000; F = 887.74, \text{Prob} > F (p) = 0.000, R^2 = 0.58; \rho_{iMO \rightarrow \text{BUSPERF(one way)}} = 0.76$ ). The total *i*MO effect on business performance is visualised by Figure 3. This finding supports the plausibility for the positive resolution of the research question established for this study.

Finally, following the extracted statistically insignificant moderator path coefficient value, we accept the null hypothesis and reject  $H_5$ . This outcome signals that employing outsourced personnel does not moderate job satisfaction of the regular employees in MNCs. We discuss this and the other findings in the section that follows.

## 5. Discussion

By this study, we contribute to marketing and management scopes of research by suggesting IMO as a novelty dimension of IHRM for academia in international management and IHRM as a research perspective for academic research in marketing. An increasing competition compels firms to align business goals with the available internal resources. Among these resources, the workforce is considered as the main asset of the organisation. According to Gounaris (2006), marketing strategies implementation should be synchronised with internal HR programs and policies for a greater effect.

International business environment implies more severe level of competition in comparison with domestic markets (Ahlvik and Björkman, 2015). Hence, the alignment of market development strategies with effective IHRM practices is a critical issue for MNCs. In this line, we propose an innovative *i*MO framework as a solution for effective IHRM implementation. As our study determined that business performance improved as a result of *i*MO application, this paper introduces *i*MO as an effective solution for managing an international workforce and making MNCs globally competitive. It presents an interest for marketing and IHRM academia, and also for managers who are engaged in development of IHRM strategies and those ex-pat managers who implement them locally.

### 5.1. Theoretical implications

The completed study has some important implications for the theory. First, as discussed in the literature review, there is an ongoing dispute in the IHRM stream of research regarding the transfer of HR practices from MNC headquarters to their respective foreign subsidiaries (Boon et al., 2019). Such discussion is inevitable, because of the so-called ‘glocal’ dilemma that is, in its turn, driven by the natural, cultural differences between an MNC’s country of origin and the countries where it executes its business operations (Malik et al., 2020). The



results of our study constitute a substantial contribution to IHRM theory since they demonstrate that *i*IMO is a solution to manage this ‘glocal’ dilemma as it facilitates the integration of currently fragmented IHRM practices into a single framework. It is supported by empirical evidence of the developed *i*IMO framework reliability, convergent, and discriminant validity as explicated earlier in this manuscript.

Although *i*IMO is a hierarchical concept and may seem complicated initially, many of its elements (remuneration, career planning, training, and development) are not unique for IHRM and, in accord with Björkman and Welch (2015), can be transferred from headquarters and adopted locally by the subsidiaries. The rationale for *i*IMO transfer is grounded in the finding that revealed the improvement in MNCs' business performance, because it was proven by our study that encompassed 147 international organisations representing 37 countries.

Second, from the perspective of the literature surrounding IMO, as we noted a paucity of the studies that have investigated operationalisation of IMO in the context of international business organisations, this research forms a substantial contribution to the conventional theory of IMO. Within the limited scope of past research, IMO has been examined solely as a minor element among other conceptual items of IHRM. Conversely, our study extends IMO theory by introducing IHRM as the new research perspective. In line with the prior studies, we hypothesised that *i*IMO is constituted by three key behavioural elements of the organisation, namely working environment intelligence, interior communications, and management strategies implementation. Our proposition is supported by the empirical verification of the proposed *i*IMO concept in IHRM settings. The findings of our research concur with the earlier IMO studies applied in various contexts (Lings, 2006; Gounaris, 2006; Lings and Greenley, 2009; Gounaris et al., 2010).

Third, the completed study has a further theoretical contribution that is important for academia. As noted earlier in the literature review, recent literature has points to the significance of the utilisation of ICTs in HR management (Gaur, 2019). We examined this critical facet of the modern era in our study. As the extant body of research on the topic of ICTs deployment in the concept of IMO is very poor, in our opinion, this study is the first examination that blends the phenomenon of ICTs with the concept of IMO. The outcome of this research demonstrated that ICTs can be embedded into all *i*IMO constituents to build a basis for IMO implementation resulting in business performance improvement.

Interestingly, but unlike several prior studies (Hodari et al., 2014; Imm et al., 2016; González-Ramírez et al., 2019), our study did not observe a moderation effect of outsourced

personnel on *i*IMO consequences. This particular finding signifies no reduction in employee job satisfaction following the implementation of *i*IMO in MNC. It is likely to be explained by the fact, that among other factors, MNC employees do not consider the outsourced workforce as a potential threat to the likelihood of eventual replacement. On the other hand, simultaneously, contracting outsourced HR does not increase job satisfaction of the MNC regular employees either. Perhaps, as the questionnaire did not specify the outsourced job functions precisely, the survey participants could be misguided when generating their responses.

Furthermore, employees may consider the lowest-level job routines solely in their replies by default, as they are traditionally done by outsourced staff (e.g., office cleaning or security services). In the latter case, we agree with Walker et al. (2009), who determined an increase in regular employees' job satisfaction following the outsourced personnel contracting by their employing companies. More recent studies also support this finding (Espino-Rodríguez and Ramírez-Fierro, 2018; Nayak et al., 2019).

Finally, we contribute to the theory by demonstrating the impact of empirically proven *i*IMO on the business performance of the MNCs. We articulated the positive *i*IMO outcomes on job satisfaction and employee loyalty in our research hypotheses that were empirically confirmed following the data analysis. The results of our examination are also in line with the findings of previous studies (Kazakov, 2016; Ruizalba et al., 2014). Moreover, we further extended the purpose of our study and measured business performance as the outcome of *i*IMO implementation. We established the positive influence of *i*IMO on business performance metrics, including sales, revenue, and customer retention. Therefore, the completed research suggests a dimension that is capable of measuring the effects of IMO more precisely.

## *5.2. Managerial implications*

Findings stemming from this research are significant for managers who have responsibilities in IHRM at MNC headquarters or subsidiary offices. The present study proposes *i*IMO as an integrated approach to IHRM that can be successfully deployed in international businesses and produce tangible benefits. The essential advantage of *i*IMO is that it is a set of 'how to' principles to improve business performance. *i*IMO can be applied in various cross-cultural contexts, but, indeed, managers should consider the development of strategies that are adequate to the local environment where their business operates. Besides, *i*IMO is an integrated approach to IHRM and makes it possible to phase out a non-systematic

dissemination of IHRM practices. Thus, *i*IMO is capable of facilitating an effective transfer of IHRM from MNC headquarters to its offices overseas.

Managers can operationalise the *i*IMO concept by focusing on the three core elements outlined in this manuscript. First, it is essential to establish research and analytical procedures to generate intelligence about the external labour market. This objective pivots around organisational knowledge which is a recognised concept in IHRM (Minbaeva, 2015). In this respect, it would be quite beneficial to set up a knowledge generation stream cycle that will collect data about the available HR expertise and remuneration expectations. The latest developments, especially in data science, are capable of automating this process (Baykal, 2020). The intrinsic labour market is also essential in the IHRM context because available interior vacancies motivate employees who consider them a good chance for career advancement, especially if an internal employment opportunity implies cross-border relocation with a better package and fringe benefits.

Second, IHRM can benefit from the approach to internal communications suggested by *i*IMO. Openness, freedom to communicate a problem, information dissemination that keeps employees knowledgeable about organisation are the major standards of *i*IMO. Managers can achieve this by organising regular meetings with personnel, corporate events, and ICTs utilisation via viable intranet websites, employee mobile applications, and messengers (Alleyne et al., 2007).

Third, it is imperative to develop and implement IHRM strategies that activate *i*IMO in an international organisation. As suggested by Ahlvik and Björkman (2015) for IHRM practices transfer, integration of *i*IMO strategies between the headquarters and its subsidiaries may be the most effective method of *i*IMO dissemination and implementation MNC-wide. We also agree with Pudelko and Harzing (2007) suggestions and encourage subsidiary to embed unique elements to its *i*IMO strategy development based on the local specifics, learning curve journey, and experience evolution.

At last, managers may know much about the labor market and openly communicate with their associates, but it does not necessarily mean that *i*IMO would generate an advantage if bounded to these activities. The right *i*IMO strategy built on the intelligence, understanding the needs of employee groups, and strategic planning may improve job satisfaction, job loyalty and, ultimately, business performance. These accomplishments altogether would imply the successful operationalisation of the *i*IMO concept in international business organisation.

## **6. Limitations and future research**

This study contains several limitations. First, as little has been known in academia about IMO implementation in the context of international business, our study lacked ample theoretical grounding relevant to this particular topic. Second, examination of the literature revealed a seminal stream of studies relevant to the relationship between national culture and business performance (Nazarian et al., 2017). This issue was not addressed in our study. Future examinations completed in the cross-cultural context will benefit the theory of *i*IMO.

Third, our study did not ascertain the influence of contracted outsourced workforce on job loyalty perceived by the regular employees. This finding contradicts the findings unveiled by previous mainstream studies (Hodari et al., 2014). More appropriate wording that thoroughly explains the sense of the relevant questions would ensure more precise measurement in this respect. Moreover, employees at different levels of organisational hierarchy bear varied attitudes towards numerous internal circumstances (Tear et al., 2020). Therefore, as regular employees may differently perceive the implications that arise from outsourced personnel for them personally, future taxonomy studies would be beneficial to shed more light on this questionable finding.

Furthermore, in the same way this paper suggested a concept that incorporated outsourced personnel as an exogenous variable, studies in the near future may feed IMO theory by consideration of alternative ambient effects in their respective methodologies. In this line, we noticed a seminal and rapidly progressing stream of research in the literature which pertains to the noteworthy ‘generations’ theory and examines the changes in HR affected by the blending of differently aged employees in the organisation. These studies have found dissimilarity in values, attitudes, and perceptions of employees belonging to different generations and have suggested that these differences between the perspectives of different generations should be considered in HR management research (Gyurák Babel’ová et al., 2020). We believe that this research question should be further addressed in future studies dedicated to *i*IMO.

## **7. Conclusion**

The completed study complements both the research streams in IHRM and IMO domains. It addresses the paucity of studies dedicated to the theme of IMO examination in the context of international business and IHRM. Prior IHRM studies have focused on the peculiarities of intrinsic transfer of HR policies from corporate headquarters to international subsidiary offices and have been attempting to set theoretical grounds for the ‘glocal’

dilemma in IHRM.

Our research hypothesised that IMO implies an effective solution for transfer of IHRM practices and implementation in the local MNC offices. Recent studies depicted the concept of IMO and determined the managerial activities that constituted then enabled its deployment in the organisation (Gounaris et al., 2010). However, the accumulated research exhibits some imperfection, as it has not considered several emerging phenomena that have demonstrated an influence on businesses. In this vein, we noted a possible relevance of ICTs' support for IMO implementation. Also, previous research explored the efficacy of IMO application in the settings of domestic firms (Ruizalba et al., 2014), but this concept has been scantily investigated in the international context.

To address these noted imperfections, the purpose of this study was twofold. First, we aimed to validate the relevance of blending conventional IMO elements with ICTs for its novel conceptualisation in the international context, regarded as *i*IMO framework in this study. Then, we intended to gauge the consequences of *i*IMO implementation in the international setting. This involved the measurement of both the direct effects of *i*IMO on business performance indicators. The latter also represents a novelty for academia as prior studies were limited mainly to the measurement of organisational performance metrics. Additionally, this research targeted a measurement of the influence of outsourced personnel on a reduction in employees' job loyalty.

To meet these established research objectives, we developed a questionnaire that was distributed among the offices of local MNCs. This data collection tool secured a sample of  $n=650$ . It yielded an ample amount of data for subsequent analysis with the help of SEM PLS CFA and path analysis statistical techniques. The results provided substantial evidence to posit that ICTs possess a capability of *i*IMO elements improvement. Another significant finding is that *i*IMO implementation leads to increase of business performance, while outsourced personnel does not imply a nuisance for the international firm in attaining it.

We hope that the developed *i*IMO framework and the results of our study represent an interest for IHRM and marketing academia. We expect that future researchers will further contribute to the internationalisation, conceptualisation and operationalisation of IMO theory in the domain of MNCs and international businesses. The authors also anticipate that their findings implicate an interest for IHRM managers and other engaged practitioners who are looking for effective IHRM solutions to improve business performance of their firms.

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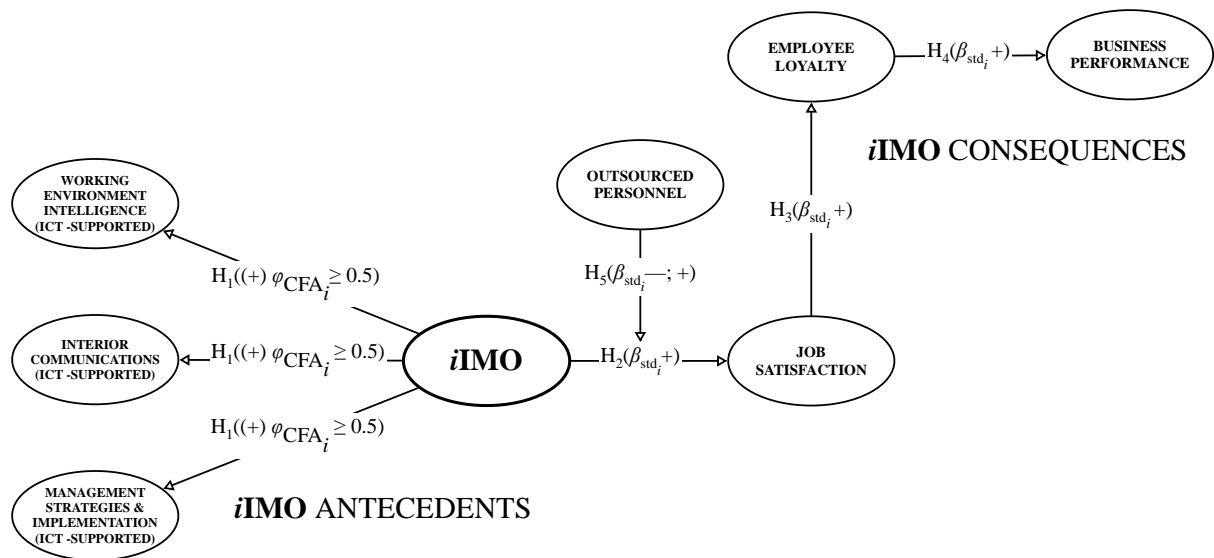
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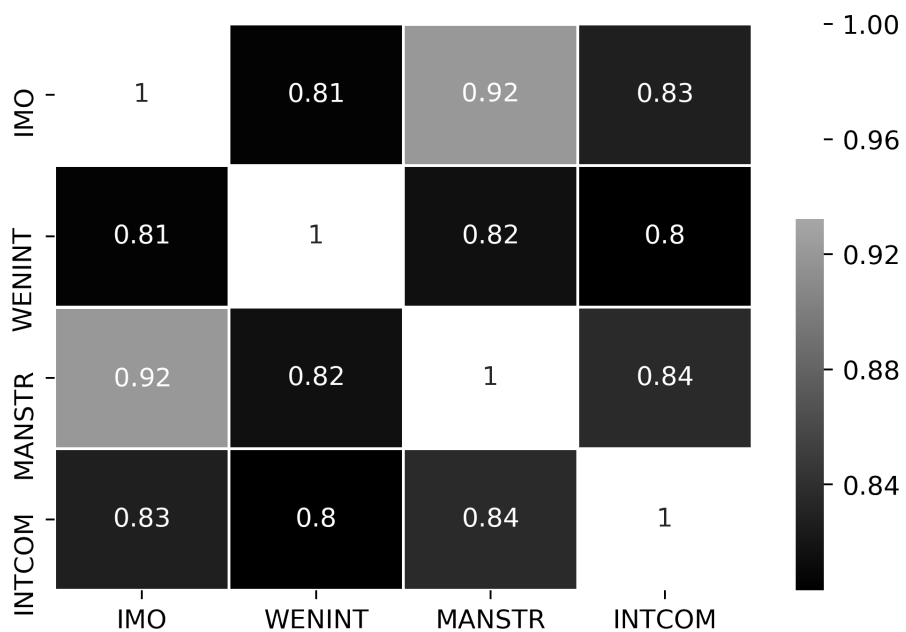
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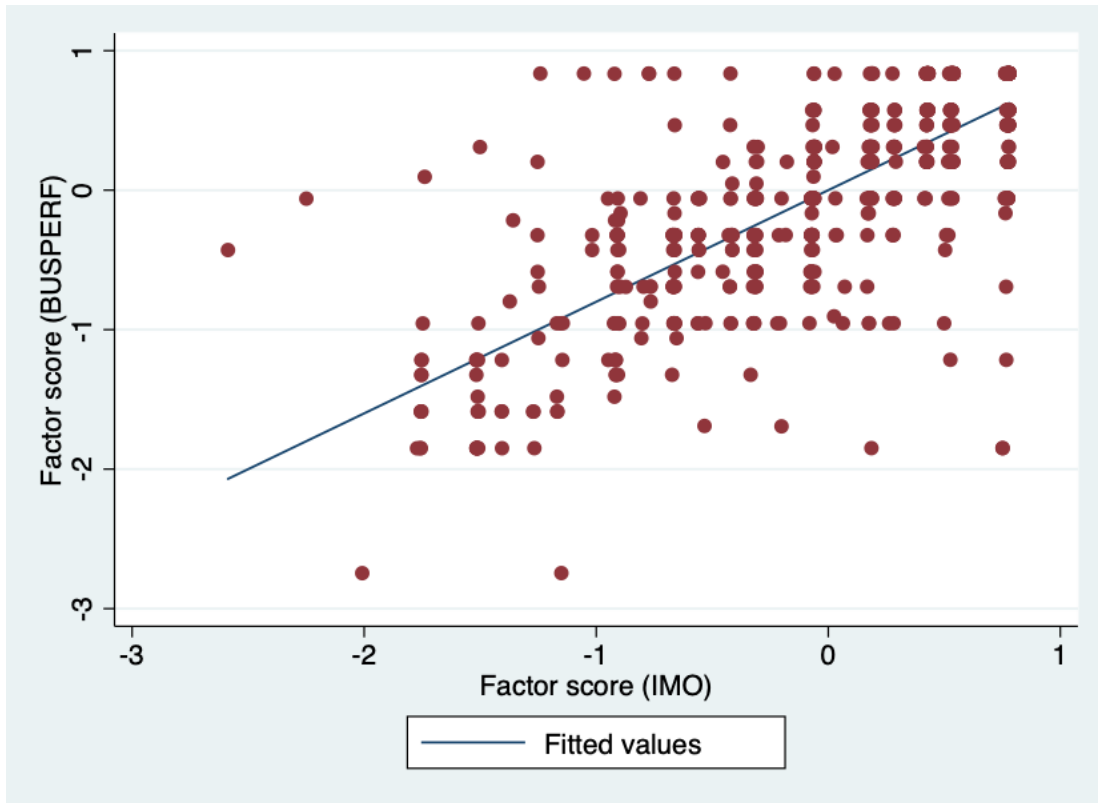
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**Figure 1. iIMO theoretical framework**





**Figure 3. IMO → BUSPERF factor scores two-way scatter plot**

## Annex I

### iIMO questionnaire scales

Code	Label
	<i>iIMO ANTECEDENTS (Ruizalba et al., 2014)</i>
<i>PERRES</i>	<i>Personnel research (1st order construct)</i>
perres_nud	Understanding the needs of employees before any decisions are made
perres_emun	Supervisors meet face to face with employees to understand better their needs
perres_sin	Regular studies to identify employees' needs and expectations
perres_chs	Checking whether employees are satisfied with their job and to identify any problems they might have
<i>PERSEG</i>	<i>Personnel segmentation (1st order construct)</i>
perseg_es	Employees classification into well-defined groups according to their individual needs
perseg_psa	Policies development considers effects on different segments of employees with similar needs and characteristics
perseg_ete	All employees are treated in exactly the same way, regardless of their needs and individual characteristics
<i>LABRES</i>	<i>Labor Market Research (1st order construct)</i>
labres_imp	Management is aware of open positions in the external labour market that can appeal to employees
labres_lmc	Organisation continuously monitors remuneration packages and fringe benefits offered by organisations in the external labour market
labres_riv	Management is aware of the remuneration packages and fringe benefits offered by its competitors
<i>ICTUMI</i>	<i>ICTs Utilisation in Market Intelligence (1st order construct) (Bondarouk et al., 2017)</i>
ictumi_isu	Organisation utilises electronic means for internal surveys
ictumi_ltu	Organisation uses the latest technologies (Data Science, AI, Machine Learning) for labour market data collection
ictumi_hra	Organisation employs a specialised analyst for external and internal HR and labour market analysis
<i>MANCAR</i>	<i>Management Concern &amp; Care (1st order construct)</i>
mancar_irn	Supervisors invest resources (time and/or money) where needed in order to satisfy the specific needs or requirements of employees
mancar_pmn	The needs of employees are taken seriously by managers, and policies are developed with the aim of satisfying these needs
mancar_mgs	Supervisors are clearly geared toward solving any problems that employees may have and providing them with the support they need to perform their job well
mancar_mie	Supervisors are genuinely interested in employees as people, regardless of how well they perform their job or the results they achieve
mancar_mif	Supervisors are genuinely interested in hearing about and understanding their employees' feelings insofar as these affect their work

<b>Code</b>	<b>Label</b>
<i>TRADEV</i>	<i>Training and development (1st order construct)</i>
tradev_etc	Prior to implementing a new service, or modifying an existing one, employees are given extensive training in relation to the change and how it will affect their way of working
tradev_cot	The company systematically and continuously organizes training seminars so that employees can develop their skills
tradev_tem	If employee is moved to a new task or department, his/her new supervisor will personally provide training in relation to the new role
<i>WLBAL</i>	<i>Work-life balance (1st order construct)</i>
wlbal_mun	Supervisors understand the family needs of employees
wlbal_mse	Supervisors support employees so that they can combine their work and family commitments
wlbal_efb	Employees are able to find a balance between work and family life
<i>REMPOL</i>	<i>Remuneration policies: salary and incentives (1st order construct)</i>
rempol_obj	Remuneration raise and career advancement depends solely on employee performance
rempol_ass	Remuneration raise and career advancement is grounded on regular employee evaluation with the help of KPIs
rempol_yer	Remuneration raise and career advancement is linked to years of service, educational level increase, professional communities memberships etc.
<i>JOBFUN</i>	<i>Job essence &amp; functions (1st order construct)</i>
jobfun_jod	Job description is realistic to attain employee KPIs
jobfun_ada	Employee assumes assignments solely upon his/her agreement
jobfun_car	Employee assignments, functions and KPIs endorse his/her career advancement
<i>ICTMSI</i>	<i>ICT in management strategies and implementation (1st order construct) (Bondarouk et al., 2017)</i>
ictmsi_cab	Organisation runs an electronic service where employees may obtain an information on their evaluation scores, remuneration, benefits and other relevant data of employment
ictmsi_cit	Employee receives training and does not have difficulties with connection to intranet services, corporate email etc.
ictmsi_app	Organisation runs special IT services, provides specialised software etc. (e.g., Salesforce, corporate messengers, CRM) for successful job implementation in every business function
<b>STRUCTURAL MODEL</b>	
<i>WENINT</i>	<i>Working Environment Intelligence (2d order construct)</i>
<i>INTCOM</i>	<i>Interior Communications (2d order construct)</i>
intcom_moh	Supervisors communicate with employees and listen to what employees have to say about their work, any problems they might have, and the suggestions they put forward
intcom_prp	Employees may report a personal problem that has a negative effect on their performance, organisation encourages employees to talk to about it with supervisor
intcom_mrm	Supervisors are always available to meet personally with an employee if such a meeting is requested

Code	Label
intcom_met	Supervisors spend time with employees, explaining them the company's objectives and how these objectives affect what the company expects from each individual employee
incom_evt	Corporate events (parties, team building workshops) are beneficial for the company and valued by employees
intcom_inf	Employees are aware of what is going on in the organisation
intcom_ict	Organisation actively utilises electronic means (email, intranet, corporate messengers) of internal communications
MANSTR	Management Strategies Implementation
	STRUCTURAL MODEL
iIMO	<i>(Digitally empowered) Internal Market Orientation (3d order construct)</i>
	iIMO CONSEQUENCES
	MEASUREMENT MODEL
JOBSAT	<i>Job satisfaction (1st order construct) (Hartline and Ferrell, 1996)</i>
jobsat_srb	Employee perceived satisfaction with the relationship with his/her respective supervisors
jobsat_sup	Employee perceived satisfaction with the support received from the organisation
jobsat_ssc	Employee perceived satisfaction with the career opportunities I have in this company
EMPLOY	<i>Employee loyalty (1st order construct) (Rusbult et al., 1988; Knox and Freeman, 2006; Yu et al., 2018)</i>
employ_cdb	This company deserves that employees do their best at work
employ_etc	Employees feel the emotional tie to the company
employ_gil	Employee would feel guilty if he/she had to leave the organisation right now.
employ_bra	Employee believe that organisation is widely regarded as a highly prestigious employer and can be recommended to friends
BUSPERF	<i>Business performance metrics (1st order construct) (Kazakov, 2016)</i>
busperf_sls	Employee's strong confidence that company increased its sales last fiscal year
busperf_pft	Employee's strong confidence that company increased its profit last fiscal year
busperf_cus	Employee's strong confidence that company increased its number of customers last fiscal year
OUTPER	<i>Outsourced personnel (moderator construct) (1st order construct) (Hodari et al., 2014)</i>
outper_use	Employees are certain that contracting outsourced personnel is beneficial for organisation
outper_rep	Employees are certain that their job cannot be completed by outsourced personnel
outper_rel	Supervisors do not change their attitude for employees if organisation contracts outsourced personnel nor replace more regular jobs with it.