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RESEARCH ARTICLE

The Role of Internal Communication in Enhancing Organizational Competitiveness A Case Study of Retail Industry in Visakhapatnam

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ABSTRACT:

The present article examines the role of Internal Communication in stimulating the individual employee outcomes and Organizational outcomes in the era of Globalization. The study investigates the relationship between Internal communication and Organizational competitiveness. A sample of 150 respondents from Retail Industry in Visakhapatnam consisting of various Departments viz Logistics and Supply chain Management, Information systems, Accounting and Human Resource management are taken as respondents. A Hypothesis is formulated to examine the relationship between constructs of Internal communication and Organizational competitiveness. Exploratory Factor Analysis is conducted and Varimax Rotation is applied for all the items of variables. The statistical results conclude that Internal Communication plays a significant role in enhancing Organizational competitiveness.

KEY WORDS: Internal communication, Organizational Learning, Organization communication policy, Organizational Competitiveness, Globalization

INTRODUCTION:

During the last few decades there are number of inter-disciplinary studies highlighting the issues of Organizational competitiveness. Despite spread over diversified disciplines, significant amount of Knowledge management strategies has been devised regarding Organizational competitiveness. The approaches for promoting Organizational competitiveness have a common theme among the participants in Organization. The current Globalization trends put Organizations under tremendous pressure with higher degree of complexity and challenges.

The ever-changing Global markets are characterized by small product margins and product life cycles (Ulrich, 1998). The way of achieving Organizational competitiveness is to re-define utilization of Organization resources with focus on ever-changing harsh Global Markets. This is the main theme of RBV of the firm. (Resource Based View theory) (Barney, 1991). Barney's RBV economic theory primarily focuses on effective Utilization of Organization resources to achieve sustainability and competitiveness. Human Resources utilization are considered as an effective means, in formulating strategic pathway for achieving competitiveness (Rose and Kumar, 2006). The present state of reasoning and awareness regarding the role of Organizational resources for achieving Organizational competitiveness is widely accepted by Academicians and practicing managers (Luthans and Sommer, 2005; Orlitzky, 2007). The conclusions and Research are outcomes of several decades practical work with prime focus on the role of Utilization of Organization resources

to achieve Organizational competitiveness (Sanchez-Gardey, 2008). Various specific fields of Research have contributed for the strong foundation and development of empirical knowledge regarding utilization of Organizational resources in achieving Organizational competitiveness (Gomes and Neves, 2010).

Internal Communication:

Internal communication plays a prominent role in facilitating competitive contributes for achieving Organizational competitiveness (D' Almeida and Libart, 2000). It involves in a nutshell all the required Communication Acts and strategies which are essential for gaining competitive edge. Internal Communication focuses on competitive contributes for Organization effectiveness and co-ordination among the participants in Organization. (Kunsch, 2003). It is also concerned and connected with the overall development of Organizational culture, competitive environment (Brault, 1992) and Cohesion (Thevenet, 1997). These competitive contributes are in focus during the last two decades since several Academicians and Practitioners have established that Internal Communication (IC) offers wide variety of inputs for achieving Organizational competitiveness. (Westphalen, 1998). In Organization, Internal Communication has to be properly planned and managed in order to achieve competitiveness. Internal Communication should not be developed in isolation and Internal communication (IC) needs to be aligned with a two-way strategic reference model

- 1) The Organizational communication policy
 - 2) The Organizational Global Development policy
- This model helps in designing strategic model for Internal Communication and supports the functions which are commonly attributed to Internal Communication (IC.)

Organizational Communication Policy (OCP):

The Organizational Communication Policy (OCP) deals with all the strategic communications activities designed and developed by Organizations. Internal Communication (IC) needs to be integrated with Organizational Communication Policy for achieving competitiveness. On the other way, dis-integration and incoherent communication leads to several internal and external implications. The importance of integration demand has been widely acknowledged by Academicians and Practitioners who insisted upon Integrated communications system in Organizations (Kunsch, 2003, 2007; Argenti *et al.*, 2005; Van Riel and Fombrun, 2007). This further states that all communication goals and objectives needs to be strategically aligned with respective identities in Organization considering the Diversity of respondents who will receive communication (Kapferer, 1994; Van Riel, 1995, Argenti *et al.*, 2005). The importance of

Internal communications with respect to Organizational Communication Policy (OCP) needs to be highlighted as it presents an interesting framework (Kunsch's ,2003). The content and the extension of Organization communication policy with focus on achieving competitiveness. The model proposes a communication framework which integrates four main communication components viz:

1. Administrative communication
2. Internal Communication
3. Market Communication
4. Institutional Communication

Administrative Communication refers to the type of Communication which is processed within the Organization in view of administrative functions and makes viable the entire Organizational system with its networks (Kunsch, 2003). The Organizational structure, coherence between identity, mission, the values and the Organization image are widely focused. Internal Communication focuses on the various modes of communication which are directed towards the Internal publics of the Organization. Market Communication primarily focuses on sending messages regarding the marketing purposes of the Organization. This form of Communication integrates wide range of techniques which aim to attain the Organization's product promotion and services. Institutional communication focuses on highlighting the Brand image and Identity building by means of effective public relations management. It seeks to establish long-lasting relationship and trust among all the stakeholders. The Organization vision, mission, values and objectives are considered in formulating a policy for Institutional Communication. The Organizational Global communication policy lays emphasis on formulating important guidelines for leveraging management sub-systems (Ex: human resource management, marketing, finance, production and operations etc). Based on this policy it provides a strong and strategic initiatives for inputs in Internal Communication (IC).

Literature Review:

According to Henderson and McAdam (2003), effective communication lends itself to Organizational learning, comprised of knowledge acquisition, information distribution and interpretation (Argyris and Schon, 1996) in order to solve or overcome Organization problems. A learning organization strives to make learning central rather than peripheral. Lampel *et al.* (1998) outline the basic fabric of the learning organization in a set of five principles:

- (1) Organizations can learn as much, if not more, from failure as from success.
- (2) A learning organization facilitates change and Knowledge management.

(3) Learning organizations assume that managers and workers closest to the design, manufacturing, distribution and sale of the product often know more about these activities than their superiors.

(4) A learning organization actively seeks to move knowledge from one part of the organization to another to ensure that relevant knowledge finds its way to Organization competitiveness

(5) Learning organizations spend a lot of time looking outside their own boundaries for knowledge management.

Competitive Advantage:

The literature suggests that competitive advantage is a mediated outcome of internal communication, a result of effects more directly produced by the communication process. Competitive advantage results in part from knowledge sharing, service focus, change acceptance, trust and employee satisfaction, all of which can result from an effective internal communication process. Kalla (2005) points out that the knowledge sharing function of internal communications helps to maintain a competitive edge (Doz et al, 2001; Grant, 1996; Kogut and Zander, 1993; Spender, 1996). Dolphin (2005) states that at times of change or stress the internal message enables management to get employees on its side, contributing towards winning and sustaining a competitive advantage. Further, where conditions of trust, trustworthiness and cooperation exist between Organizations and their stakeholders, opportunistic behavior is minimized and the contracts between the parties may be executed more efficiently, reducing costs and creating a source of competitive advantage (De Bussy et al. 2003). As we have seen, internal communication plays a key role in employee satisfaction, which leads to satisfied customers, better customer retention and, ultimately, a sustainable competitive advantage (Asif and Sargeant, 2000; Gronroos, 1988; Berry, 1981; George, 1990; Morvis, 1984). In general, internal communication as a source of competitive advantage derives from the importance now widely attributed to human capital (and to everything that enhances its value). The increasingly competitive environment has forced Organizations to consider the role that their employees play in achieving competitive advantage. Internal communication has thus acquired added significance as Organizations strive to communicate customer needs, Organizational values, and other key information to staff at every level and to encourage a two-way dialogue with management (Asif and Sargeant 2000).

Research Hypothesis and Model of Analysis:

As per Myers and Myers (1982), Internal Communication has primarily three functions: (1) Co-ordination and regulation of Production activities (2) Integration and Socialization of Organizational Human Resources (3) workplace Innovation. As per Brault

(1992), Internal Communication has seven main functions which offer precious inputs for competitive Organization:

1. Informative
2. Integrative
3. Retroactive
4. Signaling
5. Behavioral
6. Organizational change promoter
7. Image management

As per Westphalen(1998) Internal Communication has three main global functions

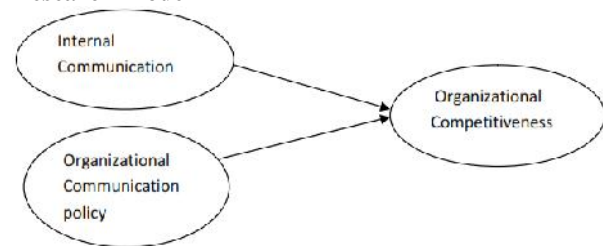
1. Information exposition and presentation
2. Information transmission
3. To counsel and include employees in the Organization day to day functions

Hypothesis Formulation"

Ho1: Internal Communication(IC) plays a significant role in achieving Organization competitiveness

Ha1: Internal Communication(IC) do not play a significant role in achieving Organization Competitiveness.

Research Model



Research Methodology:

Methods and Procedure:

The total number of respondents for the Research study are 150 employees in the Retail Industry. The employees are from various departments viz: logistics and supply chain, Accounting, Information Systems and Human Resource Management departments. The drafted Questionnaire is pre-tested with Academicians and practicing managers in the area of Logistics and Supply chain management. The sample characteristics consists of majority male respondents (60%) and with Integration in various departments. The Qualification of the respondents varied from Diploma, Graduation to Post Graduation. The respondents were informed that the filled in Information will be used only for Research purpose and primarily to evaluate the Organization competitiveness. Several precautionary measures were taken into consideration for minimizing and to control the potential systematic errors which occur in the validation of data. In the validation and analysis of the Data we have followed Lee and Podasakoff, 's(2003) recommendations. Much emphasis is laid on controlling

the impact of potential systematic errors which occur in any area of Research viz: item characteristics, item adaptation (equidistance assumed between all points of scale), context and construct of items (combination of items of different constructs which are from the same sections in the Questionnaire. The different Items categorized for measures are Internal Communication (6 items), Organizational communication policy (5 items), Organizational competitiveness (3 items).

ANALYSIS AND RESULTS:

To test the collected Data ‘Harman’s Single Factor Test’ is performed to assure that the Data do not account for a significant common method bias (Podsakoff, Mackenzie, Lee and odsakoff, 2003).

Table I: Factor Analysis of the Constructs

Constructs	Factor Weights		
	1	2	3
Internal Communication			
Informative	0.812	0.256	0.091
Integrative	0.842	0.128	0.272
Retroactive	0.810	0.110	0.190
Signaling	0.723	0.027	0.312
Behavioral	0.732	0.180	0.380
Change Management	0.710	0.175	0.095
Organization Communication policy			
Administrative communication	0.121	0.812	0.120
Institutional communication	0.110	0.725	0.190
Market communication	0.120	0.710	0.010
Internal communication	0.250	0.720	0.092
Intra communication	0.210	0.730	0.268
Organizational competitiveness			
Competitiveness	0.151	0.120	0.812
Change management	0.345	0.040	0.755
Globalization	0.320	0.280	0.715

Extraction method: Principal Component Analysis
 Rotation method: Varimax and Kaiser Normalization

After performing the test Exploratory factorial analysis (EFA) with varimax rotation is applied for all the items of variables. The above table 1 exhibits the results of

Exploratory Factor analysis (EFA) performed with all the given items loaded resulting in a tri-component structure. It further corresponded to the study variables and accounted for 65% common variance. The composite variables are formulated based on the results of Exploratory Factor Analysis. The factorial weights above 0.40 (which are relevant for interpretation in reference). (Hair, Anderson, Tatham and Black, 1998).

Table II Descriptive Statistics and Correlation among Constructs

S. No	Constructs	Mean	Standard Deviation	1	2	3
1	Internal communication	4.0	1.35		(0.88)	
2	Organizational communication policy	5.3	1.29	0.42		(0.85)
3	Organizational competitiveness	4.2	1.30	0.62	0.37	(0.75)

All Variables intercorrelated at P<.01

The above table II shows the Mean and Standard Deviations for the Variables Internal communication, Organizational communication policy and Organizational Competitiveness. The reliability values for the variables demonstrate the scales reliability and fitness. From the values mentioned above it is found that Internal communication is positively and significantly correlated with Organizational communication policy and Organizational competitiveness. Therefore this statistical evidence supports the Ho1 Hypothesis which states that Internal communication plays a significant role in achieving Organizational competitiveness. Baron and Kenny’s (1986) Linear Regression Method is used to examine the existence of mediation effect which states that (1) Predictor variable should affect the mediator variable in the first Regression equation and (2) the Predictor variable needs to be affected by the Dependent variable in the second equation and (3) the Mediator variable should affect the Dependent variable in the Third Regression equation.

Table III : Regression Model on Dependent Variable Organizational Communication policy

Model	Un-Standardized Co-efficient		Standardized Co-efficient	t	Sig	Correlations			Co linearity Statistics	
	B	Std. Error				Zero Order	Partial	part	Tol.	VIF
	Internal communication	0.612	0.069	0.615	9.31					

Dependent Variable: Organizational communication policy

IV: Regression Model on Dependent Variable Organizational competitiveness

Model	Un-Standardized Co-efficient		Standardized Co-efficient	t	Sig	Correlations			Co linearity Statistics	
	B	Std. Error				Zero Order	Partial	part	Tol.	VIF
	Internal communication	.341	.072	.342	4.612					
Internal communication Organization	0.161	0.090	0.162	1.792	0.75	0.334	0.145	0.135	0.625	1.562
Communication policy	0.286	0.08	0.28	3.120	0.002	0.400	0.256	0.240	0.625	1.562

Dependent Variable: Organizational competitiveness

From the above Table III, following the procedure we found that Internal communication and Organizational communication policy were positively and significantly related ($B=.615$; $p<.01$). Based on the statistical results we have verified that internal communication and Organizational competitiveness have revealed positive and significant results.

Table:

From the above Table IV, the statistical results mean that effective internal communication facilitates Organizational communication policy which will further lead to enhancement of Organizational competitiveness. In the process employees after being involved in internal communication have the feeling and satisfaction that they are participating in the overall communication policy of the Organization which in itself is the foundation for achieving Organizational competitiveness. The employees usually feel that being part of the Organization would also like to contribute to the overall competitiveness and development of the Organization

DISCUSSION AND CONCLUSIONS:

In the last few decades there is tremendous amount of Research on Internal Communication which is well addressed by Academicians, Practitioners and Professionals. There is a consensus that internal communication is an important component in the overall design and implementation of Organizational communication policy. There are number of contributions by Researchers in the area of internal communication which lay emphasis on innovative internal communication practices to stimulate Organizational competitiveness. During the last few decades, over the years, several Academicians and Researchers in the area of Internal communication have contributed wide array of functions and innovative practices. (Thévenet, 1997; Henriet and Boneu, 1990). From the analysis we have come to a conclusion that there is a possibility of articulation between internal communication and Organizational competitiveness with various reference pillars viz: effective design of Organization communication policy, Organizational growth and development, the employee participation in the design and implementation of internal communication in internal publics of the Organization. Based on the empirical evidence it may be stated that internal communication do have a positive effect on employee attitude formation which will influence the internal environment and Organizational competitiveness. In view of the statistical results and findings in the area of internal communication and its impact on Organizational competitiveness, subsequent research challenges may be addressed on employees attitude formation and behavioral changes. The ideas from the study are consistent with the global trends of

Organizational communication policy design with varied Diversity and interdisciplinary nature at the work place. (Passos, 2002). Taking into consideration the articulation between the constructs may highlight the positive outcomes in terms of stimulating Diversity at work place and achieving respective objectives. It is also important for Organizations to apply strategic internal communication practices when dealing with core Human resource functions viz: Job Descriptions, Promotions, Internal communication conflicts, performance appraisals, employee motivation and participation etc. The Limitations of the study do exist, and the statistical results need to be interpreted with given conditions and different characteristics of the sample taken for the study. It should be made clear that inspite of various procedures which are applied to minimize and control systematic analytical methods; there is still scope for common errors. It is important to note that the present model for the study is recursive and it is theoretically driven based on previous research papers. Further research and analysis in these areas will further contribute to Literature and achieve stability and refinement in the statistical results.

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