The Influence of Intra-organizational Trust and Interaction on Marketing Capability and Performance

Shu-Hua Chien* and Jyh-Jeng Wu

* Department Banking Insurance, National Taichung Institute College, Taichung, Taiwan.

b Graduate School of Business Administration, Providence University, Taichung, Taiwan.

Accepted in March 2006
Available online

Abstract

This research aims to examine the effect of both intra-organizational trust and interaction on marketing capability, and to present how marketing capability behaves within an overall model. The information service industry in Taiwan is used as an example. Results of factor analysis and Structural Equation Model (SEM) analysis, show that intra-organizational trust and interaction has a positive effect on marketing capability, thereby influencing performance, in which marketing capability acts as a mediator variable; both intra-organizational trust and interaction have a positive effect on marketing capability, and marketing capability has a positive effect on performance.

Keywords: Intra-organizational interaction; Information service industry; Intra-organizational trust; Marketing capability

1. Introduction

“What gives rise to competitive advantage and better performance?” Although competitive advantage is defined in multiple, often non-compatible ways both within and across the marketing and resource-based view (RBV) domains, from the resource-based view, capabilities are the most important source of competitive advantage. These are defined as managerial skills and accumulated knowledge for deploying assets to create a competitive advantage (Day, 1994; Grant, 1991; Mahoney, 1995; Teece et al., 1997; Wu et al., 2004). At the same time, attention has also been extended to networking capabilities, such as managing relationships with suppliers and other strategic partners (Egan, 1995; Grönroos, 1994; Gummerson, 1999). Thus, creating industry value through business and customer partnership (intra-organizational trust and interaction) is regarded as a basic requirement in business management. Denise and Famzi (2001) argue that in the future, three factors will influence the competitive advantage of an organization: intra-organizational cooperation, network linkage, and flexible company framework.

In an industry, a good intra-organizational trust help both to provide an ever-lasting partnership and better competitive performance, and to elevate industry value (Sethuraman, et al. 1988; Lee and Kim, 1999); in addition, it helps the industry to face either a stable or variable environment. However, in order to persistently innovate and to create as well as to keep industrial competitive advantage, interaction also plays an important role. Good interaction helps suppliers and corporation partners establish an identical goal and an equivalent attitude to maintain their competence (Haeckel, 1998; Lin et al., 2005). When relationships change, intra-organizational trust becomes significant; in other words, intra-organizational trust is the foundation of cooperation when relationships alter (Milne and Boza, 1999). Scholars generally believe that such changes influence the cooperation among individuals, organizations and groups (Mayer, et al. 1995; McAllister, 1995; Tjader et al. 2004). While organizations search for new ways to promote intra-organizational cooperation and to elevate industry value, development of mutual intra-organizational trust would be the main concern. Therefore, a confirmation of a positive effect of intra-organizational trust and interaction on performance could contribute the business.

This research discusses the relationship among marketing capability and performance by taking “intra-organizational interaction” and “intra-organizational trust” as the premises. The major purposes are, firstly to discuss the influence of interaction and trust on marketing capability, and secondly to discuss the mediating role of marketing capability within an overall framework.

2. Literatures and Hypotheses

2.1. Information Service Industry in Taiwan

In Taiwan, the term “information service industry” generally refers to a broad range of service businesses, which provide information services to businesses and in-
individuals. The information service industry has become quite diversified in accordance with the expansion of social information standards. (Http://www.find.org.tw, 2004) The unique features of these service industries are: The product/service consists of both the visible and the invisible; Production/service activity are both designed and manufactured. Products made as applied systems combine customer knowledge and professional informative concepts. During the development process, the knowledge of the customers interacts with professional information management and development concepts.

In a study of the information service industry in Taiwan, the Information Strategy Committee found that companies pay attention to market development and emphasize differences, especially in the after-service period. In such a competitive environment, manipulating external resources and integrating intra-organizational resources so as to achieve identical goals in a customerization era are the keys to attaining business competence. In this rapidly-evolving environment, industry needs to think ways to increase customer value and reduce costs.

The market scale of the electronic service industry in Taiwan is predicted to develop from US$202.43 million in 2000 to US$1,310.2 million in 2005, with a compound growth rate of 42.33%. The e-service industry in Taiwan accounts for 5% of the Asia-Pacific total. However, MIC (Market Intelligence Center, Taiwan’s leading IT industry analysis and consulting service provider) predicts that from 2000 to 2005, the compound growth rate of the electronic service industry in Taiwan will be lower than the global compound growth rate (47%), even lower than the average compound growth rate of the Asia-Pacific area (62%). Taiwan’s industry will fail to pace growth rates among its advanced neighbors in Asia: 50.78% in Australia, 87.74% in Mainland China, 51.81% in Hong Kong, 48.95 in South Korea, and 49.22% in Singapore.

2.2. Marketing Capability

Marketing capabilities are classified by Day (1994) into three types. (1) Outside-in capabilities: help in understanding and participating in markets, such as understanding customers and creating relationships. (2) Inside-out capabilities: contribute to effective market participation, such as financial, human resource and marketing management. (3) Spanning capabilities: integrate inside-out and outside-in capabilities, such as developing new products, and internal communications.

The job of marketing capability is to find an appropriate location. Market-oriented companies aim to find a niche market, and having an operating location in a professional market draws less attention from rivals (Chang and Grub, 1992). A successful industry creates customer value via its own competence and develops new products and marketing capability in accordance with the needs of target customers. In order to develop adjustability, the industry must improve technology and marketing capability and management.

Marketing capability has three main contributions to information technology. (1) through marketing orientation, the industry could obtain marketing information, expand the market, and become familiar with the industrial environment; (2) successful products could inspire the organization, enhance the self-confidence and conviction of managers and encourage them to confront challenges (Wheelwright and Clark, 1992); and (3) as proposed by Grant (1991), marketing capability unites the various functions of different departments, increasing efficiency. Marketing capability refers to dealing with product in a more beneficial way than one’s competitors. The capability to build a defensible market position is seen as a key element of a firm’s marketing activity (Hooley and Saunders, 1993).

Day (1994) suggests that capability is strongly related to organization process. Capability in an organization at developing new product and service delivery; it is the combination of technique and accumulated study. Organizational activity could be integrated by organization capability. Moreover, every industry needs various capacities to present its products and services by means of a value chain.

Marketing capability emphasizes resources for marketing operations, including tangible and intangible resource capacities such as brands, sales, channels, and service (Kapferer, 1992); it expects to provide customers with divergent marketing services. The firm needs to maintain a good relationship with the partners of the supply chains in order to provide higher customer value. On the same time, Weerawardena and O’cass (2004) also argue that marketing capability acts as a mediator variable and leads to sustained competitive advantage.

In sum, organizational performance can be enhanced by marketing capability. Thus, this research proposes hypothesis 1:

Hypothesis 1: Marketing capability acts as a mediator among intra-organizational interaction and the trust and the performance of organizations.

2.3. Relationship between Intra-organizational Trust and Marketing Capability

As the competitive advantage of the firm is generated not only from corporate resources housed within the firm but also external resources beyond their boundaries (Dyer and Singh, 1998), trust from both internal and external sources becomes crucial. To better understand each other and increase intra-organizational trust, firms can share knowledge and increase their marketing capability. In the search for answers to questions such as why and how the properties of relationships facilitate value creation and
resource exchange, much of the extant research, especially those studies on social capital, has suggested that trust and shared vision (Tsai and Ghoshal, 1998; Yli-Renko et al., 2001) are important determinants of effective knowledge transfer.

Most organizations rely on each other, and business is usually done openly through trust. The key to a successful business is to authorize employees and establish a persistent relationship with suppliers to win customer trust. Based on interviews in select industries, Smeltzer (1997) concludes that partners and suppliers should: be consistent and ever-lasting; share concepts, technology, and knowledge in order to save on costs; communicate openly; and have mutual trust.

Mayer et al. (1995), after reviewing scholarly opinion on the subject, has also provided three characteristics for trust:

(1). Capability: refers to a kind of technique or ability that offers suppliers professional knowledge or provides the ability to enhance cooperative satisfaction and increase trust.

(2). Goodness: refers to special emotions and loyalty that excludes self-concern.

(3). Honesty: in terms of making agreements before cooperation. If one is unable to follow the principles of the agreement, both sides would be unable to work towards an identical goal.

Wigand (1997) thinks that intra-organizational trust is broadly regarded as one of the impact factors of marketing activity and communication relationship in an industry and among industries. Ross et al. (1996) considers that organizations take common responsibilities and risks; they have mutual trust and communication. In order to make good use of limited information, they need to enhance intra-organizational learning. Organizational learning derives from the stimulus of the internal and external environments; it is the capability to make the organization take effective actions (Meyers, 1990).

In the literature reviews on the subject of intra-organizational trust, we find that psychiatrists in the 1960s have already discussed the concept of trust. Many scholars from different fields—such as sociology, economics, organizational behavior, and marketing—have studied this subject. At the current environment, organizations no longer focus on short-term corporation; instead, they look for long-term partnerships. Moreover, the industry believes through trust, the buyer and supplier could obtain better performance. To establish intra-organization trust has become more important in confronting uncertainty of the environment. As a result, this research forms a second hypothesis and two sub-hypotheses:

H2: Intra-organizational trust has a positive effect on marketing capability.
H2a: Maintaining relationship has a positive effect on marketing capability.
H2b: Justice recognition has a positive effect on marketing capability.

2.4. Relationship between Intra-organizational Interaction and Marketing Capability

“Interaction” refers to when an individual and an organization can directly communicate with others without considering distance and time (Blattberg and Deighton, 1991). Steuer (1992) in his communication model of computer media, also suggests that intra-organizational interaction means that users could participate in or revise the form or content of a mediating environment at any time.

To look at “intra-organizational interaction” from the viewpoint of relationship management, it can be regarded as a “process.” The quality of intra-organizational interaction is strongly related to the relationship between departments; in terms of communication flow, intra-organizational interaction can be divided into low and high levels of technology. Rice (1987) defines interaction while examining communication process and controlling level. He indicates that interaction is a kind of capability whereby the participant presents his feedback speed, role exchange, and converting relations through communication. Ku (1992) has similar presumptions with Rafaeli (1996). Rafaeli (1996) exclaims that interaction is a quality in communication process, and it can be defined through the response and dialogue in a communication activity.

Haeckel (1998) suggests that through a good interactive relationship, various resources, knowledge, or experience can all be shared in an organization, so that the best benefit could be obtained. The followings are the definitions of intra-organizational interaction:

(1). It is a bilateral communication, and the feedback is rapid.
(2). It is a bilateral communication for each department and the feedback is expected from another department.
(3). It refers to converting information simultaneously.
(4). It impacts persons or events during role exchanges.
(5). It refers to the mutual relationship between two or more organizations.
(6). It is a series of communication changes.

In order to elevate its own resource and capability, a manufacturing firm would seek to learn techniques and ability dynamically through alliances (Gulati et al. 1994).
Grant (1996) takes that process as a learning mechanism in an organization when knowledge exchange, sharing, conversion, rearrangement, or integration is improved through intra-organizational interaction. Likewise, intra-organizational interaction helps the departments in an organization acquire mutual or complementary resources and abilities. Incentives to organizational learning are provided by both the internal and external environments; Incentives to organizational learning is the capability of an industry to encourage the organization to take effective action (Meyers, 1990; Kim, 1993). Furthermore, many scholars agree that through intra-organizational interaction, an organization can attain more knowledge and skills, and at the same time, establish its competitive advantage (Lorenzoni and Lipparini, 1999; Dussauge, 2000). In other words, when there is high frequency in intra-organizational interaction, organizational capability could be inspired. Thus, when there is more intra-organizational interaction in a company, resources and information would be increased accordingly; that is to say, customer demands could be developed and the organizational capability could be enhanced. As a result, a third hypothesis (and two sub-hypotheses) can be made:

H3: Intra-organizational interaction has a positive effect on marketing capability.

H3a: Communication coordination has a positive effect on marketing capability.

H3b: Resources sharing has a positive effect on marketing capability.

2.5. Performance

As part of the literature on performance, Tan et al. (1998) thinks that measurement of performance should be from different views. He proposes eight operation performance measurements: cash flow; market growth; yearly average rate of business income growth; average growth rate of cash flow; average of manufacturing cost; overall service standard; overall manufacture quality; and overall competence. In information service industry, the more complete that business is done in every segments, the better performance would be presented in organizational management. The development of the relationship between an industry and its partners would strongly affect supply chain performance. Establishing a good partnership would bring short-term interest to the industry, including reducing discontinued or overlapping hours, speeding up productive efficiency; and diminishing inventory. Establishing such a partnership would also bring long-term benefits to the buyer, benefits that could enhance competence advantage, such as reducing cost framework, increasing sales, and improving product quality (Stuart, 1993). Therefore, partnership is the best weapon to reduce costs, elevate service, and strengthen competitive advantage (Lambert et al. 2000).

In addition, Richardson et al. (1985) suggests that the measurements of the performance of a firm should include financial and marketing performance. Financial performance contains Return on Asset (ROA), sales recompense rate, pre-tax net profit, sales, and sales growth rate; measurement for marketing performance then merely concentrates on market share. In accordance with hypothesis 1, where we proposed that marketing capability acts as a mediator among intra-organizational interaction and trust and the performance of organizations, hypothesis 4 is made:

H4: Marketing capability has a positive effect on performance.

3. Research Design

3.1. Research Framework

According to Contingency Theory (Fiedler, 1967), an industry in a different environment needs to adjust its structure and strategy in order to provide a better performance. This research tries to extend the concept of Social System in an organization. When the system accepts the changes of the environment and further overtakes the process where Input was converted into an organizational structure, performance is affected (Walker and Ruekert, 1987). Figure I introduces the framework for this research: Contingency determinants-Structural-Performance.

In the selection of contingency factors, intra-organizational interaction and trust could enhance the exchange of knowledge, sharing, converting, rearrangement, or integration, which are regarded as learning mechanisms in an organization (Homburg et al., 1999); This process means complementary resources and skills could be mutually learned and obtained. As some scholars observe that organizational learning is stimulated by inside and outside environment and that is a capability applied to take effective actions for an organization (Meyers, 1990; Kim, 1993).

In terms of the construct of organizational structure, the major concern of this research is marketing capability (Homburg, et al. 1999). Even though the development of information technology diminishes the boundary of the function of the industry, the expansion of marketing function still shows its influence inside the industry (Day, 1994). In addition, marketing capability is an important structural variable, which could intensify intra-organizational interaction of departments and elevate performance (Atuahene-Gima, 1995).

In the construct of performance, the profit rate might not be the only consideration (Robbins, 1990). This research emphasizes the measurement of joint-performance presented by both inside and outside of the corporation. As
for an appropriate measurement standard, this research prefers to use the enhancement of satisfaction and the improvement of relationships (Walker and Ruekert, 1987).

3.2. Research Design

The questionnaire was designed on the basis of the theory of some reference information, as well as the research purpose and hypotheses. All the items in the questionnaire are measured by Likert’s 7-point scale. The initial questionnaire was reviewed by two manufacturing experts and three scholars specified in marketing. The questionnaire was not considered complete until being revised after the pre-test taken by 35 EMBA students of a university.

Based on a literature review, this research provides a definition for every construct, as shown in Table 1. All responses in this questionnaire were measured in a Likert seven-point measure: 1 signifying total disagreement and 7 signifying complete agreement.

The subjects of this research are corporations that emphasize marketing capability. We choose the information service industries in Taiwan by means of stratified random sampling. From the directory of the Taiwan’s Software Society and Taipei Computer Trade Association, we sent out 750 questionnaires to be filled out by middle- or high-ranking company managers. In order to urge the distribution and return of questionnaires, we contacted questionnaire takers by phone. Moreover, we followed up with a confirmation inquiry about ten days after distribution. In order to further enhance the return rate, we sent out questionnaires again when necessary. The sampling period was from March to April of 2002. We received 178 questionnaires, 17 of which were ineffective, leaving 161 effective questionnaire sheets returned (a rate of 21.46%). (Table 2).

### Table 1. Definition of the Constructs and the Reference

<table>
<thead>
<tr>
<th>Construct</th>
<th>Definition</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing capability</td>
<td>Establishing position of product appropriately and have a better service quality offer to customers.</td>
<td>Deshpande, et al. (1993)</td>
</tr>
<tr>
<td>Performance</td>
<td>Uplifting satisfaction and improving relationships.</td>
<td>Hooley and Saunders (1993)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hooley et al. (2000)</td>
</tr>
</tbody>
</table>

### Table 2. Descriptive Statistics of Questionnaire Response

<table>
<thead>
<tr>
<th>Questionnaire sheets</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective distributed questionnaire</td>
<td>750</td>
</tr>
<tr>
<td>Returned questionnaire</td>
<td>178</td>
</tr>
<tr>
<td>Ineffective returned questionnaire</td>
<td>17</td>
</tr>
<tr>
<td>Effective returned questionnaire</td>
<td>161</td>
</tr>
</tbody>
</table>
We set three stages as measurement for a firm to exercise informational operation. Within the returned samples, there were 55 answers on stage one, improving process, taking up 34.1%; 56 takers are on stage two, integrating intra-departments, taking up 34.7%; and there are 50 takers, 31.0% of firms showing their advancement on the third stage of informational operation, where they share information among the corporations. As for employees, there are 82.6% of firms have employees less than 100. Additionally, the returned samples demonstrate that the average of traffic duration between the upstream and downstream corporations is 5.76 years.

Furthermore, we also note the response of different sizes in the dimension of performance (uplifting satisfaction and improving relationships). In order to control the ‘size effect’ we compared the different sized data with the ANOVA. The result was significant at the  p<0.05 levels, which suggested that there was no significant difference between the different sizes. Accordingly, it was permissible to combine the data of different sizes.

This research uses SPSS to execute factor analysis. The data were submitted to factor analysis using principle components extraction and varimax rotation, as indicated through our interpretation of the screen plot and eigenvalue greater than 1. Table 4 shows the results of the factors analysis. According to the principle method, the research has found the most persuasive factor construct.

4. Results

To test the structure model, this research applies the Structural Equation Model (SEM) to work on data analysis. The result indicates chi-square is 1.245 calculated by SPSS AMOS 3.6. As degree of freedom is 3, p value=0.742, GFI=0.997, RMR=0.011, CFI=0.995, AGFI=0.982. Such results prove that the structure model fit is good. This research also adds the variables of path of trust and interaction impact on performance, yet the outcome does not fit the model. Thus, the model of hypothesis 1—Marketing capability that acts as the mediating variable—provides a result consistent with the findings of such scholars as Slater and Narver (1994), Gulati et al. (1994), Jones and George (1998) and Combs and Ketchen (1999). Marketing capability is an important mediating variable, affecting intra-organizational trust and interaction through ‘marketing capability’ to influence performance, providing support to the capability theory of RBV theory. Although the capability-base theory assigns a dominant role of ‘capability’, this relationship has not been examined in prior research. The findings are relevant for understanding marketing capability and the role of marketing in the strategy dialogue (Day, 1994).

We also try to use competing model by separate “marketing department” and “none-marketing department”. However, the limits of sample size made Structural Equation Model (SEM) non-converge.
Table 4: Factor Analysis

<table>
<thead>
<tr>
<th>Construct</th>
<th>Factors</th>
<th>Items</th>
<th>Factor Loading</th>
<th>Eigenvalue</th>
<th>Cumulative(%)</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-organizational</td>
<td>Communication</td>
<td>Information can be exchanged and acknowledged</td>
<td>.872</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction</td>
<td></td>
<td>Information sharing and learning among departments are available</td>
<td>.812</td>
<td>2.890</td>
<td>41.28</td>
<td>0.7055</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bilateral communication is adapted and feedback is expected</td>
<td>.799</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improving mutual understanding so as to put forward the further communication</td>
<td>.740</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sharing resources</td>
<td>Overcoming the insufficient resources of the firm through cooperation</td>
<td>.840</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Elevating the competence advantage by using the complementary resources of the departments</td>
<td>.816</td>
<td>2.39</td>
<td>75.467</td>
<td>0.8263</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Encouraging the departments to achieve the identical goals</td>
<td>.747</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intra-organizational</td>
<td>Maintaining</td>
<td>That it is profitable to keep a long-term relationship with other departments</td>
<td>.842</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>relationship</td>
<td>Maintaining a long-term relationship with other departments</td>
<td>.795</td>
<td>2.555</td>
<td>42.58</td>
<td>0.8230</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expecting the behaviors of other departments corporations are beneficial and no harm</td>
<td>.760</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maintaining the relationship with the other departments</td>
<td>.744</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Justice recognition</td>
<td>Completely trust other departments;</td>
<td>.922</td>
<td>1.88</td>
<td>73.998</td>
<td>0.8501</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other departments treat the us justly and rightly</td>
<td>.887</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Marketing capability</td>
<td>Providing the products that meet consumers demand;</td>
<td>.944</td>
<td>1.977</td>
<td>60.45</td>
<td>0.7045</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Providing better service to customers;</td>
<td>.718</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Providing better price to customers;</td>
<td>.958</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Performance</td>
<td>ELEVATING MUTUAL PROFIT RATE;</td>
<td>.899</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>THE IMPROVEMENT OF SATISFACTION;</td>
<td>.854</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>UPLIFTING PROFIT-MAKING CAPABILITY OF THE FIRM;</td>
<td>.829</td>
<td>3.976</td>
<td>70.52</td>
<td>0.9250</td>
</tr>
<tr>
<td></td>
<td></td>
<td>INCREASING MARKET SHARE;</td>
<td>.806</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>AUTOMATICALLY PROLONGING THE PARTNERSHIP.</td>
<td>.791</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5. Correlation Coefficient among Factors

<table>
<thead>
<tr>
<th>Communication coordination</th>
<th>Sharing Resources</th>
<th>Maintaining Relationship</th>
<th>Justice Recognition</th>
<th>Marketing Capability</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication coordination</td>
<td>0.550**</td>
<td>0.384**</td>
<td>0.389**</td>
<td>0.386**</td>
<td>0.404**</td>
</tr>
<tr>
<td>Sharing resources</td>
<td>0.427**</td>
<td>0.373**</td>
<td>0.361**</td>
<td>0.408**</td>
<td>0.404**</td>
</tr>
<tr>
<td>Maintaining relationship</td>
<td>0.228*</td>
<td>0.373**</td>
<td>0.475**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice recognition</td>
<td>0.358**</td>
<td>0.352**</td>
<td>0.361**</td>
<td>0.386**</td>
<td></td>
</tr>
<tr>
<td>Marketing capability</td>
<td>0.384**</td>
<td>0.393**</td>
<td>0.475**</td>
<td>0.408**</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *: p < 0.05, **: p < 0.01

Hypothesis 2 exists mainly to verify the concept that organizational interaction exercises a positive effect on marketing capability. Table 6 shows that organizational interaction does demonstrate a positive effect on marketing capability. The beta coefficient for the relationship of “communication coordination” and “resource sharing” is 0.105 and 0.148 respectively, and coefficient P is significant (P<0.05). The result is congruent with Lorenzoni and Lipparini (1999), Dussauge (2000) and Gulati et al. (1994).

Hypothesis 3 verifies the model that intra-organizational trust presents a positive effect on marketing capability. In Table 6, the beta coefficient for the relationship in “maintaining relationship” and “justice recognition” is 0.205 and 0.212 respectively; in addition, p value is significant (p<0.05). This outcome is congruent with Deshpande et al. (1993) and Narver and Slater (1990).
Table 6. The Concept Structure Model between Organizational Interaction and Trust against Performance

<table>
<thead>
<tr>
<th>Goodness-of-fit indicator</th>
<th>Coefficient</th>
<th>T-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal goodness-of-fit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communicate coordination→ Marketing capability</td>
<td>0.105</td>
<td>1.745*</td>
</tr>
<tr>
<td>Share resources → Marketing capability</td>
<td>0.148</td>
<td>2.455**</td>
</tr>
<tr>
<td>Maintain relationship → Marketing capability</td>
<td>0.205</td>
<td>3.480**</td>
</tr>
<tr>
<td>Justice recognize → Marketing capability</td>
<td>0.212</td>
<td>3.732**</td>
</tr>
<tr>
<td>Marketing capability → Performance</td>
<td>1.155</td>
<td>6.123**</td>
</tr>
<tr>
<td>External goodness-of-fit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(\chi^2)</td>
<td>1.245</td>
<td></td>
</tr>
<tr>
<td>P-value</td>
<td>0.742</td>
<td></td>
</tr>
<tr>
<td>GFI</td>
<td>0.997</td>
<td></td>
</tr>
<tr>
<td>AGFI</td>
<td>0.992</td>
<td></td>
</tr>
<tr>
<td>CFI</td>
<td>0.995</td>
<td></td>
</tr>
<tr>
<td>PMR</td>
<td>0.011</td>
<td></td>
</tr>
</tbody>
</table>

Note: *: \(p < 0.05\), **: \(p < 0.01\)

5. Conclusions and Recommendations

The study presumes marketing capability to be an intermediary, suggesting the effect of organizational trust and interaction demonstrating on performance; this research has verified that intra-organizational trust and interaction affect marketing capability and furthermore exerts an effect on performance. The implication verifies the theory that intra-organizational trust and interaction positively relate to organizational performance (Smith and Barclay, 1997). At the same time, this research confirms the vital role of marketing capability reacting to the positive effect on performance. Based on a review of the literature, we found that most scholars discuss the effect of intra-organizational trust and interaction on performance. Their findings fall into three conditions: (1) positive and significant corrections; (2) the corrections are insignificant; and (3) no significant correlations. Conversely, other scholars have added mediating variables to examine their relationships—these other variables include organizational innovation and organizational learning (Slater and Narver, 1994; Dyer, 2000), trust (Smith and Barclay, 1997), and knowledge sharing (Dyer, 2000). Through discussion and empirical verification, the study integrates and clears up the relationships among those constructs.

The result shows intra-organizational trust and interaction exert a positive effect on marketing capability. This implication proves that intra-organizational trust and interaction are antecedent variables to marketing capability. Some scholars suggest checking the market-orientation organizations from the perspective of organizational culture, a culture that could offer creative power in efficiency and function and provide higher value for customers; as a result, it presents a better performance for the information service industry (Deshpande et al. 1993; Atuahene-Gima, 1995). The concept of “market-driven” that Day (1994) purposed is that the coordination of market information flow and effective activity could help the industry to achieve competitive advantage; consequently, he suggests the coordinating capability of market-driven organization could improve performance.

The results show that marketing capability exerts a significant effect on performance. This implies that we need more understanding in customers’ demands and pref-
ferences. In his study, Hooley et al. (2000) suggests the industry to focus on its own identity and capability in development. Chang (1996) has also found that the improvement of capability for business marketing and technology would exert significant effects either on current financial performance or organizational performance within business. Such findings are congruent with this research.

This research is an empirical study of the information service industry. The findings contribute to the industry in following aspects: Intra-organizational trust and interaction exert a positive effect on marketing capability. If a business plans to enhance its marketing capability, it therefore needs to coordinate with marketing orientation within the organization, and to intensify the intra-organizational trust and interaction among the various departments. In real business world, a business cannot operate independently; it needs to count on the efforts of all the participants in the value chain in order to obtain the greatest benefit. Therefore, a business should maintain a good interaction among departments, trust all the participants of the value chain, and believe that all business activities are made for the advantage of participants. In other words, only with good intra-organizational interaction and trust can a business enhance its performance effectively.

References


