Organizational learning capacity and internal customer orientation within strategic sourcing units

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Abstract

Though an internal customer orientation is believed to be indispensable in meeting the highest quality demands of external customers, little is known about the antecedents of internal customer orientation. In line with the resource-based view (RBV) of the firm, our contention is that four first-order factors (team-, systems-, learning-, and memory orientations) collectively contribute to the creation of an intangible strategic resource in the form of “organizational learning capacity” (OLC). OLC, in turn, is positively related to the buyer’s customer orientation towards the internal customers in the strategic sourcing unit, as perceived by the internal strategic business unit (SBU) customer. Data from internal customers within 141 strategic dyadic sourcing units in a multinational corporation (MNC) confirm the theoretical model. The results are robust across 1994 and 1999 data, suggesting that learning offers a persistent tool for managing important outcomes such as the degree of internal customer orientation. © 2001 Elsevier Science Inc. All rights reserved.

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1. Introduction

In order to ensure success, a firm needs to give a superior attention to all customers, including those within the organization (Kohli & Jaworsky, 1990). Our focus is on these “internal customers.” An internal customer orientation is particularly important in multinational corporations (MNCs) where internal customers may be in foreign countries and direct contact with external customers may be limited (Conduit & Mavondo, 2001).

We posit that organizational learning can be a central means to achieving an exceptional emphasis on customer demands. Organizational learning can be defined as the development of new knowledge that has the potential to influence behavior in an organization (Huber, 1991). The focus of this study is on the effects of learning on internal customer orientation within the supply chain. We conceive of the supply chain as an organization of “linked suppliers and customers, each customer is in turn a supplier for the next downstream organization until a finished product reaches the ultimate end user” (Handfield & Nichols, 1999, p. 2). We are particularly interested in the “strategic sourcing units,” which are the linkages in the supply chain between corporate buyers and internal strategic business unit (SBU) customers (Hult, 1998). The main purpose of the strategic sourcing unit is to procure products and services from external suppliers to be used by the internal SBU customers in developing products and services to the MNC’s end customers. This paper discusses and empirically tests how organizational learning capacity (OLC)—the extent to which the organization is disposed toward developing new knowledge—can develop and maintain an internal customer orientation—the extent to which the requirements of internal customers are satisfied (cf. Hult, 1998; Hult, Hurley, Giunipero, & Nichols, 2000).

The resource-based view (RBV) serves as our theoretical foundation. The RBV posits that organizations should strive to improve their performance through amassing and utilizing “strategic” assets and capabilities (Chi, 1994; Hauser, Simester, & Wernerfelt, 1996; Wernerfelt, 1984). We argue that OLC is an intangible resource that is deeply embedded in the fabric of an organization. Consistent with this intangibility, OLC is conceptualized as a second-order construct that arises from four first-order orientations: team-, systems-, learning-, and memory orientations (e.g., Hult, 1998; Hult, Frolick, & Nichols, 1995; Hult et al., 2000). We also contend that, as a strategic resource, OLC influences the quality of the work of both partners in the sourcing unit and the ultimate success of the supply chain (cf. Barney, 1986; Dyer & Singh, 1998). As such, to the extent that a supply chain is disposed toward developing new, behavior-enhancing knowledge, the corporate buyers’ level of customer orientation will be enhanced (cf. Deshpandé, Farley, & Webster, 1993).

The remainder of the paper proceeds as follows. Following a brief review of relevant literature, we draw on the RBV to develop hypotheses pertaining to the composition of the higher-order phenomenon of OLC in a strategic sourcing unit as well as its subsequent effect on the corporate buyer’s level of customer orientation (i.e., the extent to which the buyer tries to fulfill the customer’s needs). The hypotheses are tested using data drawn from surveys obtained in 1994 and 1999 from the internal SBU customers within 141 supply chains of a Fortune 500 MNC. The use of these two data sets made it possible to examine whether the effect of OLC is stable across a 5-year period.
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