



## Research Article

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# Interfunctional Coordination and its Influence on Customer Success

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**Abstract:** The purpose of the paper is to expand the knowledge about interfunctional coordination (IFC). The term IFC has been used for 50 years and it extends to many branches. The most popular ones are in marketing, logistics and IT management. The purpose of IFC is to develop collaboration between the diverse departments within an organization. The goal of the paper is to describe the relationship between IFC on the B2B market, especially if IFC in one company can influence customer success in business. The research was undertaken with companies producing electronic components and electrical equipment in the region of South Moravia in the Czech Republic. 60 SME have answered the questionnaire. The Spearman's rank correlation test was used to analyse the influence of IFC of companies on the success of their customers. The results show that the implementation of IFC in a company has a positive relationship on the success of its customers.

**Keywords:** Interfunctional coordination, customer success, market orientation, business performance, Czech Republic.

**JEL Classification:** M10, M31.

## 1 Introduction

Many scientific studies outline various approaches to exploration of new and improved possibilities of working both on the markets and at an internal capacity. It is necessary to be familiar with the fields, activities and processes which are related within a company and on the contrary, which fields, activities and processes are independent of each other. Simultaneously, managers must be aware of all the external factors which influence the company from the surrounding environment and all the subjects which are influenced by the company. This knowledge can help companies in creating strategies. These strategies must respond to all information derived from both the external and internal environments and promptly implement new changes into the decision process. Many researchers try to detect and offer the best solution for the companies and to help them succeed.

One of the often-mentioned approaches is interfunctional coordination (IFC). IFC is of scientific interest in many fields, such as marketing, management, logistics, informatics or human resources and so forth: it is inspirational for businesspersons. Tay and Tay (2007) defined IFC as the harmonization of all processes and functions within an organization. The main objective of IFC is to encourage the coordination of all processes and activities in a company and allow the effective flow of information within and outside of the company. IFC is often mentioned with market orientation; IFC creates one of the significant parts of market orientation. Market orientation has become popular through works by Kohli and Jaworski (1990) or Narver and Slater (1990). Market orientation is aimed at the internal and external elements and activities

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influencing a company. External factors particularly relate to customers, suppliers, distributors and competitors. IFC and employees are considered as the internal factors.

Customers are one of the most important subjects for a company. The perfect situation for a company is to have many satisfied and loyal customers. The situation is valid for every company; it is not dependent on a company which is doing business on the B2B or B2C market. Managers on the B2B markets can follow the behaviour of their customers, especially if their philosophy, activities, processes or products help to the success of the customers. The paper focusses on this issue. The objective of this paper is to describe the influence of IFC on the B2B market, especially if IFC in one company can influence customer success in business activities. The methods used in the writing of this paper are description, analysis and synthesis. The relationship between IFC and customer satisfaction is analysed using the Spearman correlation.

## 2 Literature review

The first reference to IFC was connected with intercompany cooperation in the sense of supply chain management. Lawrence and Lorch (1967) were the first researchers who presented the first definition from a marketing point of view. According to them, IFC is defined as the integration of sale quality and cooperation between different departments. The aim of IFC was to create successful demand. Porter (1985) followed on from their work. He demonstrated that IFC creates value for the customers of a company and it allows a quick reaction to the wants and wishes of customers. Shapiro (1987) presented a new type of IFC definition, identifying it as cross-functional coordination, which helps in the coordination of all processes and functions in a company.

The development of market orientation at the beginning of the nineties produced new views regarding the use of IFC. According to Jangl (2016), market orientation involves information acquisition, dissemination and integration in the company as well as response. IFC makes up a significant part of the internal factors of market orientation. Market orientation cannot be implemented without IFC. The implementation of market orientation is based on the relation between the philosophy and the goals of the company and the integration of all the activities aimed at obtaining and retaining satisfied customers. IFC in the sense of a market orientation approach helps in the cooperation of customers, takes care of information obtained from the market, investigates current and potential resources and helps with the formulation of business strategy. In around 30 years, hundreds of scientific studies dealing with market orientation have been published. The main reason for this is that a positive correlation between business performance and market orientation was identified. These outcomes were verified with many pieces of research which were conducted in companies of various sizes, at different branches of the business and in different countries, e.g. Jaworski and Kohli (1993), Narver and Slater (1990), Matsuno and Mentzer (1995), Gray et al. (1998), Deng and Dart (1999), Akimova (2000), Langerak (2001), Vázquez (2002), Hooley et al. (2003), Woodside (2005), Menguc et al. (2007), Sousa and Lengler (2011), Smirnova et al. (2011), Julian et al. (2014), Wilson et al. (2014), Šályová et al. (2015), Joensuu-Salo and Kettunen (2016) or Bodea and Duțu (2016).

Min et al. (2007) connected market orientation with supply chain management. He noticed that this connection is possible through IFC by reason that both market orientation and supply chain management are based on IFC. New research studies show that profit and market effort are higher at companies that are more integrated and manufacturer-led in the idea of the supply chain (Yoo and Seo, 2017). Market performance is possible to measure through customer satisfaction. Customer satisfaction is result of customer orientation; customer satisfaction is a significant factor affecting the firm's policy (Vo et al., 2017)

Many authors (e.g., Helfert et al., 2002; Hajjat, 2002; Vázquez et al., 2002) think that customer orientation and IFC are the most important components of market orientation and they do not mention other components of market orientation. Mohr et al. (2014) mentioned that IFC is the fundamental part of market orientation. According to them, it includes gaining and disseminating information about the market, integration of knowledge, and the coordination and response to this information. In summary, IFC in the sense of market orientation is understood as the coordination of all resources and the creation of better customer value (Narver and Slater, 1990; Montoya-Weiss, Massey and Song, 2001).

There are some other trends in perceiving IFC. Firstly, IFC is connected with internal marketing. According to Caruana and Calleya (1998), IFC is the main criterion of internal marketing. Kaura et al. (2015) also agree with this statement. Secondly, IFC is perceived as communication. IFC associates formal and informal mechanisms of social adaptation (Zahra and George, 2002). Woodside (2005) noticed that it is a very important channel for communication with customers, it helps in communication with employees, and it allows workplace harmonization and cooperation. For this reason, it has a positive effect on reaching goals, increasing effectivity, gaining competitive advantage and increasing business performance. Thirdly, IFC helps companies with the transformation to learning organisations (Baker and Sinkula, 2009). Fourthly, IFC is an instrument for sharing information, cooperation between departments and coordination of all the activities of a company (e.g., Tay and Tay, 2007). Bouranta et al. (2005) and Peng and George (2011) extended this approach and noted that IFC involves sharing information, cooperation of all the activities of a company and moreover, it helps with the sharing of resources. Fifthly, IFC helps in the relationship with employees (e.g., Mohsen and Eng, 2013). Sixthly, IFC is based on flexibility which is limited to strategic management, financial management and human resource management (Carrasco, Angeles and Marroquin-Tovar, 2016). Seventhly, IFC is described according to its impacts (e.g., Sousa and Lengler, 2011).

It is possible to extend current conception of IFC. It can be divided into two fields. The first field includes only the narrower conception of IFC and forms the core of IFC. This narrower conception involves fundamental information acquisition, information coordination and coordination activities. The second field is based on a wider conception of IFC that relates to all activities and processes connected with the narrower conception of IFC, but extends beyond this to include cooperative arrangements, expertise, company culture, communications, ethics and goodwill, leadership style, coordination, organizational structure, control.

### 3 Hypothesis development

IFC is a component of market orientation. Customer orientation is the second most important component of market orientation. Customer orientation from the market orientation point of view analyses especially if the company is successful in gaining new customers, if it reflects the changing needs of customers, offers products which fulfil requirements and if it maintains a perfect relationship with customers.

Much research has been undertaken to determine the influence of IFC. One area of this research investigates the relationship between IFC and innovations. According to Gatignon and Xuereb (1997), Woodside (2005) or Kanovska and Tomaskova (2014), IFC has a positive impact on innovations. The second area of this research has analysed the relationship between IFC and business performance. Kozlowski and Bell (2003) showed that the implementation of IFC leads to the creation of a cross-functional team which may lead to better team performance. Dezso, Grohsjean and Kretschmer (2012) offer a similar attitude. They stressed that IFC helps to coordinate the expertise and activities of managers more effectively. The third area analyses the relationship between IFC and management. Farzard et al. (2008) noticed that the position of IFC is between structure and strategy. Gurkov (2010) mentioned that IFC impacts on the strategy of a company.

As mentioned above, the relationship between IFC, customers and their success has not been analysed. Some scientific studies have touched on this subject, however, e.g., Zhou et al. (2009). They stressed that IFC reflects the coordination of customer oriented activities and resources within a company. Luo et al. (2006) and Jüttner et al. (2007) noted that IFC is key for creating customer value and in reaching business performance. Tsiotsou (2010) showed that IFC helps to offer special value for customers. For this reason, analysis of the dependence between IFC and customer success determines the subsequent stage of knowledge surrounding the impacts of IFC.

Regarding the results mentioned above, hypothesis H was formulated: “IFC has a positive relationship on the success of the companies’ customers.”

It may be interesting to know whether IFC exceeds the border of a company and can help in the business matters of the companies’ customers. We assume that if IFC has a positive relationship on business performance, strategy and innovation, it can help to create products according to the wishes of customers; and satisfied customers on B2B markets can better fulfil the needs and wishes of their customers.

## 4 Research design

Research related to IFC is realized through a questionnaire. The questionnaire focusing on IFC is a part of a larger questionnaire aimed at both IFC and services at electrical engineering companies. Services can help to lengthen product life cycles, increase revenue or establish long-term relationship that eliminates competitors (Kanovská, 2015). The questionnaire involves items built up from the conclusions of the antecedent research and new items extending the current conception. The section of the questionnaire connected with IFC involves 22 items. These items are divided into the nine elements: cooperative arrangements, company culture, expertise, leadership style, communications, ethics and goodwill, coordination, organizational structure and control. The element of coordination (the narrower conception of IFC) is possible to divide into coordination activities, fundamental information acquisition and information coordination. Each element involves two items; the narrower conception of IFC includes six items. The fifteen items were selected from the “New Method” measured market orientation by Tomaskova (2005), two items of cooperative arrangements were suggested by Mentzer (2001), one item of company culture was suggested by Homburg and Pflesser (2000), and four items of expertise, ethic, fundamental information acquisition and information coordination are new. The questionnaire has a Likert scale technique; the range is from 1 (No, I don't agree) to 5 (on the contrary, Yes, I agree).

The questionnaire was measured on reliability by method Cronbach alpha. According to this, the value of reliability of the questionnaire is 0.863 (Tomaskova and Kanovska, 2016). The sections related to customer success involve one item.

The respondents were managers or directors of SMEs from the South Moravia Region in the Czech Republic. Products of these companies are electrical equipment and electronic components. According to Krejci, Strielkowski and Cabelkova (2015), SMEs contain an extensive segment in the technology, communications sector and introduce significant tasks in the economics of the state. The production of these companies is important for the economics of the Czech Republic; these companies are often suppliers for the car and mechanical engineering industry. Their business was classified in CZ-NACE 26 (specifically CZ-NACE 266, CZ-NACE 2651, CZ-NACE 26.3, CZ-NACE 26.1) and CZ-NACE 27 (specifically CZ-NACE 27, CZ-NACE 271, CZ-NACE 273, CZ-NACE 274, CZ-NACE 275, CZ-NACE 279). The Czech Statistical Office declares that 107 of these companies are in the mentioned region. 60 fully filled questionnaires were received, which means 56 % of existing companies. The complete database was analysed by using descriptive statistics and other methods like Pearson's correlation, Spearman correlation coefficient.

## 5 Findings

The verification of relationships between the wider conception of IFC and customer success are analysed using the Spearman correlation coefficient. The first number shows Spearman's rank correlation named Spearman's rho, the second number shows p-value. If  $p > 0,05$ , then we confirm the null hypothesis ( $H_0$ : analysed items are independent), i.e., confirm that it is possible to give reasonable evidence to support the alternative hypothesis ( $H_A$ : items are dependent). The correlations are shown at Table 1.

Most elements of the wider conception of IFC show a positive correlation with the item customer success ( $p < 0.05$ ). These elements are cooperative arrangements, expertise of workers, communication, ethics and goodwill and control (strategy). Beyond those, only one item of the elements leadership style, company culture and organizational structure demonstrate an affirmative relationship. The item related to minimum strictness and formality is independent of the item of customer success ( $p = 0.252$ ). The same situation is with the item related to flexibility; it is also independent of the item of customer success ( $p = 0.146$ ). The item related to the preference of external environment shows a negative correlation with the item of customer success ( $p = 0.012$ ).

Table 2 shows the relationship between the narrower conception of IFC and customer success analysed using the Spearman correlation coefficient.

**Table 1.** Wider conception of IFC and customer success, the Spearman's rank correlation was used (Source: Author)

IFC (wider conception)		Customer success (p-value)
Cooperative Arrangements	Monitoring the activities	0.299 (0.039)
	Determination of activities	0.432 (0.001)
Expertise	Experienced specialists	0.415 (0.001)
	Further educated	0.332 (0.012)
Communication	Organize meetings	0.561 (0.000)
	Analyse remarks	0.349 (0.009)
Leadership style	Team-work and cooperation	0.433 (0.001)
	Low level of strictness and formality	0.154 (0.252)
Company culture	Preference of external environment	-0.334 (0.012)
	Innovation	0.413 (0.001)
Ethics and goodwill	Ethical decisions	0.356 (0.007)
	Identification of workers with the company	0.596 (0.000)
Organizational Structure	Competency and responsibility	0.339 (0.010)
	To be flexible	0.197 (0.149)
Control (Strategy)	Reaching of long-term goals	0.381 (0.004)
	Support of the main goal	0.444 (0.001)

**Table 2.** Narrower conception of IFC and customer success, the Spearman's rank correlation was used (Source: Author)

IFC (Coordination - narrower conception)		Customer success (p-value)
Fundamental Information Acquisition	Information by stakeholders	0.627 (0.000)
	Information about new resources	0.447 (0.001)
Coordination Activities	Gain information	0.366 (0.006)
	Implement information	0.368 (0.005)
Information Coordination	Coordination between departments	0.388 (0.003)
	Coordination to environment	0.315 (0.017)

All items connected with the narrower conception of IFC show a high positive correlation with the item customer success ( $p < 0.05$ ). The main positive correlation is in the fundamental information acquisition ( $p < 0.02$ ).

## 6 Discussion

In summary, the results show that most items of IFC have a positive correlation with items related to customer success. It is possible to confirm the hypothesis.

The high level of positive correlation of the wider conception is shown in ethics and goodwill and control (strategy). Some scientific studies have been published which deal with the relation between IFC and ethics, e.g. Manurung et al. (2015). They noted that workers want to work consistently with ethical principles and they do not wish to break the rules. Cheng a Wang (2015) mentioned that high levels of ethics in a company increase the identification of workers with the company. Bigné et al. (2003) stressed that ethics can influence workers and that the relation between workers and ethics can lead to an increase of IFC and in return, can lead to the higher satisfaction of workers. All these scientific studies deal with the influence of ethics on the internal environment. The results also show that it can have positive influence on the external environment too. This may be because with only 10 million inhabitants, Czech Republic ranks as a small country. Czech customers perceive the business of one company as an interconnected whole:

they are interested in the activities of companies and their contacts and they make decisions according to this information. High levels of ethics and the goodwill of business partner increases the emotional reasons for choosing products from a particular company.

Control (strategy) shows the high level of positive correlation with customer success. Some authors mentioned the positive impact of the implementation of IFC on strategy, e.g. Farzard et al. (2008), Gurkov (2010) or Mira and Ahranjani (2016). Kok and Driessen (2012) stressed that the assumption of success is with the approach of top management and the willingness to improve. It is possible to see that all these studies are aimed at the internal environment. As the results show, it is possible to have an impact on the external environment. To be successful means to have many satisfied customers and satisfied B2B customers are successful customers. It is necessary to realize this type strategy which allows the success of one's company and the customers as well.

All items from the narrower conception of IFC show a high positive influence on customer success. As mentioned above, IFC has positive relationship with business performance, e.g. Woodside (2005), Luo et al. (2006), Jüttner et al. (2007) or Kanovska and Tomaskova (2014). Zhou et al. (2009) mentioned that the main benefit of IFC is the coordination of resources and customer oriented activities. Coordination has a positive influence on the internal environment of a company; however, it also exceeds the company. The reason may be that good coordination in a company brings advantage to its customers through quick and precise responses on the needs and wishes of customers. These factors can contribute to the success of companies on the B2B market.

Contrarily, preference towards the external environment shows a negative influence on customer success. The reason may be that IFC is above all aimed at the internal environment and it brings more effectiveness of total production. IFC is one of the most part of internal marketing, e.g. Caruana and Calleya (1998), Rafiq and Ahmed (2000), Farzard et al., (2008) or Kusluvan et. al. (2010). Farzard et al. (2008) stressed that implementation of IFC involves especially an analysis based on processes inside of a company and relationships with outside environment. However, this field may be of interesting for subsequent research.

Relationship between item connected with strictness and formality and item connected with customer success shows independence. The assumption was that better cooperation in companies is associated with lower levels of strictness and formality. This approach was presented by Shapiro (1987) or Harris (2000). The result confirmed outcomes by Kennedy, Goolsby and Arnould (2003) who noted that it is important to keep formal and informal contact between employees. Formal and informal contact contributes to higher information and experience dissemination and utilization. Bouachouch and Mamad (2014) also agree with this attitude.

The same situation is with flexibility. Item connected with flexibility and item connected with customer success shows independence. Tay and Tay (2007) noticed that IFC is based on flexibility. However, results from the research confirmed the outcomes by Grewal and Tansuhaj (2001). According to them, flexibility has no influence on business performance. For this reason, flexibility does not necessarily have influence on customer success. Flexibility and its impact on the internal and external environment may again be an interesting theme for subsequent research.

## 7 Conclusions

At present, it is possible to develop many techniques to manage companies. Overall, the goal of all techniques is to improve earnings through satisfying customers. IFC is one of these approaches. IFC can be identified as the spirit of a company. It brings many advantages for a company because it is established on the cooperation and coordination all of activities and processes in the company. It has a positive influence on the internal environment; however, it also affects external environment positively. Results of the research show the positive influence of IFC on customer success. The high level of positive correlation is shown especially in ethics and goodwill, control (strategy) and all items of the narrower conception of IFC (fundamental information acquisition, coordination activities, information coordination).

Future research should go beyond the limits of this paper. It should be oriented to foreign markets. It will be interesting to know if the same or similar conclusions will arise from manufacturers of electrical

equipment and electronic components occurring in different countries. The interesting data can offer a comparison of IFC in SMEs and large companies. Likewise, next research can be aim at the analysis of the influence of IFC on other subjects or detailed analysis of flexibility, strictness and formality in internal and external environments.

This paper offers a new view on the consequences of IFC. The results of this paper also have implications for praxis. It can help companies in their attitude towards IFC. The results show that IFC has a positive influence in a company; furthermore, its implementation has a positive influence on the customer success of a company.

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## Appendix

**Table with the wider conception of IFC items**

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**IFC (wider conception)**

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Cooperative Arrangements	We monitor separately every activities connected with different type of business. It is clear determined activities of every department and every worker.
Expertise	We focus on having experienced specialists on our team. We focus on further educating our workers
Communication	We organize meetings about new opportunities and threats, specify new tasks and discuss with middle and lower level management regularly. We analyse remarks of workers.
Leadership style	We prefer teamwork and mutual cooperation Relationship between superiors and subordinates are not strict and formal.
Company culture	We aim mostly on external environment than on internal environment We take a positive approach to innovations.
Ethics and goodwill	We focus to be ethic and realize ethic decisions in our business. Workers identify with a company and strengthen its image.
Organizational Structure	Every worker knows his competency and responsibility. We try to be flexible.
Control (Strategy)	We prefer reaching long-term goals to short-term ones and the achievement of a certain market share to financial goals All part goals come from the main goal of the company and all part goals support achieving the main goal of the company.

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**Table with the narrower conception of IFC items**

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**IFC (Coordination - narrower conception)**

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Fundamental Information Acquisition	We have positive attitude toward all information advised by our stakeholders. We check information about potential resources.
Coordination Activities	We gather and analyse all important information regularly. We implement the information gained into our decisions.
Information Coordination	We focus on information coordination between all company departments. We focus on information coordination from the company to its environment.

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