STRUCTURED ABSTRACT

**Purpose:** This study examines the differential effect of reciprocal and negotiated social exchanges in establishing workplace relationship cohesion, providing a mediating influence between social constructed initiatives (i.e. internal socialization and support) and internal customers psychological connectedness.

**Design/Methodology/Approach:** Data were gathered via a national online survey of service employees in Australia, representing a diverse range of service industries (e.g. retail (food/non-food), health, financial, administrative support, real estate, household, insurance, education and training etc.)

**Findings:** Reciprocal-exchange relationship quality fully mediates the relationship between internal socialization and psychological connectedness; and negotiated-exchange relationship quality partially mediates the relationship between internal support and psychological connectedness of internal customers.

**Research Limitations/Implications:** While the findings reported herein support the salience of interpersonal relationship quality enhancing the internal performance of the organization, it is essential to consider how the findings link to externally perceived performance (i.e. from the customer’s perspective). Future research is guided by a framework that the authors propose as a result of the study’s findings to facilitate research in this under-researched area.

**Practical Implications:** The development of sound socially-relevant internal marketing strategies is vital to the long-term health and prosperity of the firm and its internal counterparts necessitating a move beyond transactional internal marketing, reflecting “pay for service” organizational thinking.

**Originality/Value:** The examination of internal relationship cohesion and how this effects internal customers’ allegiance to their organizations addresses an important research gap and, thus, provides a significant contribution to both theory and practice.

**KEYWORDS:** internal customers, relationship cohesion theory, social exchange, workplace relationship quality
Relationship Cohesion: An Internal Customers’ Perspective

INTRODUCTION

The seminal work of Vargo and Lusch (2004) established a paradigm shift in marketing thought towards a focus on resource integration (i.e. operand and operant) and value co-creation. Underpinning this concept is the notion that organizational advancement requires the application of internal knowledge, skills and abilities (i.e. operant resources) and collaborative processes with customers, partners and employees (i.e. operand resources) (Lusch et al., 2007; Lusch and Vargo, 2014), thus, emphasizing the important role of internal customers in organizational success. However, as clearly pointed out by Edvardsson, et al., (2011), service exchanges and subsequent value co-creation are embedded in social systems. Therefore, to further understand marketing exchanges it must be through a social-dominant lens. As such, Edvardsson et al., (2011, p.337) suggest that the social roles and exchanges of the various human actors (i.e. internal and external stakeholders), within the social structure of the firm, define service provision.

From an internal perspective, social behavior is shaped by the firm’s social structure, which, in broad terms, represents a shared understanding, or social consensus (Deighton and Grayson, 1995). However, as argued by Grace and Lo Iacono (2015) “it is the degree to which the social consensus, and resultant social structure, supports the goals of the firm’s individuals that will determine the efficacy of the value co-creation process”. More specifically, it is the firm’s socio-structural elements (i.e. material and authority resources; and procedural and moral rules) (Edvardsson et al., 2011) that, ultimately, determine the efficacy of social actions within its confines. In this sense, an understanding of the social dynamics associated with the firm’s operand resources (i.e. socio-structural elements) and its operant resources (i.e. internal customers) is highly informative, although, to date, this research mandate has largely been overlooked.

Additionally, to further complicate matters, the firm has a unique social environment that is characterized by different types of social exchanges. These are best understood as negotiated exchanges (i.e. formal, contractual) and reciprocal exchanges (i.e. friendships). Therefore, while it is important to acknowledge that essentially two very different types of social relationships exist within the firm’s social environment, we have little knowledge of the differential effect of these types of social exchange relationships on organizational success. To address this research gap, we
draw on relationship cohesion theory (RCT) to examine the different types, and differential effects, of social exchange relationships, which embody the firm’s internal social environment. In doing so, the internal marketing literature is significantly enriched and a solid platform for future research is laid.

As a result the contributions of this paper are twofold. Firstly, to the authors’ knowledge, this is the first study to empirically validate the effect of relationship cohesion on an internal customer’s psychological connectedness with organizations. Secondly, this paper offers a conceptual framework for future research to empirically examine the link between internal service quality (i.e. relationship cohesion and psychological connectedness) and external service quality (i.e. external customers’ perceived service quality), which is often not attempted. In doing so, the marketing literature is extended and substantial “food for thought” is offered for astute practitioners.

The remainder of this paper is organized as follows. First, social exchange theory (in particular, relationship cohesion theory) is identified and discussed as the underlying theoretical framework of this study. This discourse then opens the discussion that relates to the antecedents and outcomes of relationship cohesion (in the firm’s internal environment) and provides the foundation for hypotheses development. Following this, the research method is clearly articulated along with the data analyses results. Finally, the implications of the findings are discussed and future avenues for academic inquiry, in this important research domain, are suggested.

THEOTERICAL FRAMEWORK

Grounded within social exchange theory, relationship cohesion theory (RCT) (Lawler and Yoon, 1993; 1996; 1998) provides an appropriate framework to understand the dynamics of the firm’s internal social environment. According to RCT, “emotion is a proximal mechanism in the exchange process, mediating the affects of structural arrangements on behavioral outcomes” (Cook and Rice, 2003, p. 62). More specifically, they propose a causal chain whereby structural power affects the frequency and consistency of emotion (through the exchange process), determining relationship cohesion, which, in turn, affects the individual’s commitment to the relationship. Moreover, they argue that relationship cohesion fully mediates the relationship between aroused emotion (i.e. satisfaction, liking etc.) associated with socio-structural exchange mechanisms (e.g.
power structure, organizational climate etc.) and social bonding (i.e. behavioral and affective commitment).

As relationship cohesion is a cumulative representation of affective reactions to exchange, it is important to acknowledge that there are two types of exchange i.e. negotiated exchange and reciprocal exchange (Lawler and Yoon, 1996; Molm et al., 2013). Negotiated exchange represents those that emerge from the rules negotiated between two parties (Molm et al., 2000; 2013) and relates to the formal actions of the firm. In the context of this study, negotiated exchange is exemplified in the employment contract and, thus, negotiated exchange exists between internal customers and their employing organizations. Reciprocal exchange, on the other hand, does not emerge from negotiations over resources, but rather from repeated acts of reciprocal “giving” i.e. exchanges exemplified in the informal interpersonal relationships of the organization (Molm, 1990; Molm et al., 2013). The fundamental difference between negotiated and reciprocal exchange resides in the level of risk and uncertainty attributable to both (Molm et al., 2000). For example, negotiated exchange comes with a lower level of risk associated with the explication of the roles, responsibilities and expectations of each party in the negotiated exchange process. On the other hand, reciprocal exchange involves non-binding exchanges that rely on the discretionary behaviors of parties within the exchange. Thus, reciprocal exchange is characterized by a great deal of unpredictability and uncertainty (Cook and Rice, 2003; Molm et al., 2000).

*Negotiated Exchange Relationships*

As previously discussed, internal firm relationships, characterized by negotiated exchange, represent those relationships that internal customers have with their employing organisations (i.e. partner in the negotiated employment contract). According to King and Grace (2010), such relationships are evaluated on the basis of the organization’s treatment of their internal customers in terms of respect, co-operation, communication, goal alignment and encouragement. Therefore, internal customers form perceptions of what we refer to here as organizational relationship quality (see Figure 1), defined as “the extent to which internal customers perceive that the organization treats them like human beings (i.e. with respect, is co-operative, communicates well, encourages working towards a common goal)” (adapted from King and Grace, 2010).
According to Coyle-Shapiro and Shore (2007), internal customers attribute human-like qualities to the organization as a result of interaction with the firm’s social make-up (i.e. structure). In this sense, internal customers determine whether the firm’s socio-structural elements reflect the firm’s “human-like” or “resource-like” approach to internal customers. While the employee-organization relationship initially is more transactional in nature, whereby feelings of mutual obligation drive behavior (i.e. negotiated), Coyle-Shapiro and Shore (2007) suggest that over time, a more relational, versus transactional driver emerges, as trust, underpins the relationship. In addition to trust, the health of the employee-organization relationship can be explained by high levels of cooperation, communication, shared goals and values, attachment, balanced power and the absence of damaging conflict (Herington et al., 2009; Tortosa Edo et al., 2015).

Reciprocal Exchange Relationships

Reciprocal exchange processes represent those exchanges that are not embedded in negotiation; but rather are repeated in a “gift-giving” manner at the discretion of each party (Molm, 1990; Molm et al., 2013). From an internal customers’ perspective, reciprocal exchange relationships are those interpersonal relationships that exist between internal customers (i.e. with co-workers). Co-worker relationships can be broadly categorized as being informational, collegial or special (Kram and Isabella, 1985). Informational peer relationships reflect limited self-disclosure and trust, focusing solely on work related content. In contrast, collegial and special peer relationships are more supportive in nature, exhibiting moderate to high levels of trust, self-disclosure and even friendship (Methot et al., 2015). While informational peer relationships are important for organizational learning, collegial and special peer relationships, given their friendship foundations (Sias, 2009), are important for an individual’s social assimilation into the organization (Morrison, 2002). Furthermore, workplace friendships, as reflected in Sias’s (2005) collegial and special peer relationship classification, reflect higher norms with respect to openness, informality and inclusively (Berman et al., 2002).

For the purposes of this investigation, we suggest that the health of reciprocal exchanges in the firm’s internal environment is represented by interpersonal relationship quality (see Figure 1), which we define as the extent to which internal customers perceive the interpersonal relationships with their internal colleagues to be of value. The Randstad (2012) ‘Employee Commitment and Personal Relationships in the Workplace’ survey provides significant evidence to support the importance of quality reciprocal exchange relationships in the workplace. Results indicated that
over 70% of internal customers form close friendships with their colleagues, with 64% engaging in social activities outside of work hours. Astonishingly, 60% of internal customers also reported that pleasant exchanges with colleagues were more important to them than a good salary. From an organizational performance perspective, Riordan and Griffeth (1995) conducted one of the few studies that specifically examined workplace friendships. Their results found that the opportunity for friendships in the workplace had a significant direct effect on job involvement and job satisfaction and an indirect effect on organizational commitment and turnover.

Having a greater appreciation of what types of exchanges (i.e. negotiated and reciprocal) characterize relationships (i.e. organizational and interpersonal) within firms, it is important to understand how the firm’s internal social structure influences the health of these relational exchanges.

**Antecedents to Relationship Cohesion**

Drawing on social exchange theory, the firms’ social structure is a manifestation of the power/dependence relationships within the firm, which signify equality/inequality, and influence the social actors’ (i.e. internal and external customers) assessment of distributive justice (Blau, 1964; Homans, 1961; Jasso, 1989). Giddens (1984) argues that social structure is, therefore, comprised of resources (material and authoritative) and rules (moral and procedural). It is these elements that determine the firm’s social practices, which are brought to life by human conduct, continually re-inventing the firm’s social structure. For the purposes of this investigation, we argue that social structure is manifested through the organization’s internal support and socialization mechanisms via the firm’s allocation of resources (tangible and intangible) and rules (implicit and explicit). On this basis, the firm’s **internal support** and **internal socialization** are important antecedents to relationship cohesion.

**Internal Support**

Our investigation of internal support is underpinned by organizational support theory, which suggests that organizations, valuing and caring about their employees, are more likely to induce increased work effort through the accommodation of socio-emotional human needs inherent in all employees (Baran *et al*., 2012; Krishnan and Mary, 2012; Kurtessis *et al*., 2015). In the marketing literature, considerable attention has been given to the accommodation of the needs and wants of
external markets (Strandvik et al., 2012; Tuli et al., 2007; Urde et al., 2013), with lesser emphasis being given to the needs and wants of internal customers. On this basis, we propose that the firm’s support and responsiveness to the needs of their internal market defined as the extent to which internal customers perceive that the organization is supportive and responsive to their needs and wants, plays a key role in developing relationship cohesion in the firm.

Studies that are grounded in the organizational support framework have surged since 2000 (Baran et al., 2012) and support mechanisms have demonstrated a strong link with employee work performance and employee turnover. In addition, organizational support has previously demonstrated a positive relationship with involvement (e.g., Cheng, 2011; Cropanzano et al., 1997; Wickramasinghe and Wickramasinghe, 2011). As such, O’Driscoll and Randall (1999) conclude that organizations wanting their employees to display high levels of involvement, must demonstrate supportive actions. Furthermore, through a meta-analysis of more than 70 studies of perceived organizational support, Rhoades and Eisenberger (2002) identified fairness, supervisor support and favorableness of organizational rewards and job conditions as the three main categories of antecedents. As such, organizational support studies have tended to emphasize formalized structures, such as organizational policies or practices (i.e. fairness, organizational rewards or job conditions) or supervisor support as being ‘agents’ contributing to the employee-organization relationship (Baran et al., 2012).

Internal Socialization

Internal socialization, defined as the extent to which internal customers perceive the organizational environment assists them to learn and identify organizational values, beliefs and expectations (adapted from King and Grace, 2010), plays an important role in developing employee knowledge. Employee knowledge, which provides the fundamental basis for successful exchange (both internal and external), is the result of explicit and tacit communication (Smith, 2001). The firm’s approach to internal socialization provides the central route for internal customers to learn organizational content so that they effectively adapt to their jobs and the organizational environment (Baroda et al., 2012).

Social exchange, within the organization, facilitates internal socialization and, therefore, largely represents the informal learning environment (Krackhardt and Stern, 1988). The importance of the
informal learning environment is supported by several academics who argue that, as the socialization process is dependent on social interactions, learning is largely derived from the knowledge and understanding of co-workers, interpersonal relationships and experiencing group norms through social interaction (Allen and Shanock, 2013; Sias, 2005; Tang et al., 2014). In fact, co-workers are viewed as key agents in the socialization process (Feldman, 1981; Reichers, 1987); therefore, the quality of interpersonal co-worker relationships is important. On this basis, it is expected that socialization processes, embedded in a firm’s social structure, will play an important role in the facilitation of interpersonal relationship quality (refer Figure 1).

Having identified internal support and socialization as influential socio-structural antecedents in the causal chain implied by relationship cohesion theory (RCT), it is important the turn our attention to the outcomes of relational cohesion. According to RCT, relationship cohesion provides the conduit between [emotional responses to] social structure and social bonding. As such social bonding is further discussed within the context of the present study.

**Outcomes of Relationship Cohesion**

Social bond theory was first proposed by Hirschi (1969) who described social bonding to include such things as attachment, commitment and involvement (in relation to targets of perceived importance), with the theory having its central focus on peers and peer groups of individuals. Given that organizations are comprised of peers and groups of peers, this theoretical approach has particular relevance here. Indeed, the organizational literature is replete with studies that have examined individual aspects of Hirschi’s (1969) definition of social bonding.

Given the relational focus of this study, our interest is focussed on proximal and relevant outcomes of relationship cohesion (the term itself implying bonding). In other words, from an organizational and individual perspective, we need to know what is the outcome of internal relationship strength (both negotiated and reciprocal). One would assume that if strong relational connections are formed between peers and groups of peers within the organization, then internal customers should experience a psychological connectedness (i.e. bond) with the organization as a whole. Funk and James (2001) proposed a model to understand (object-related) psychological connections, using sporting teams/athletes as the object. They argue that psychological connections range on a continuum (which they label and the Psychological Continuum Model –
PCM) from awareness, attraction, attachment and allegiance. For the purpose of our investigation, the object is the organization and, thus, it would be expected that internal customers, forging strong relationships within the firm’s internal environment, would experience strong connectedness with the organization i.e. attachment and allegiance. Those individuals operating within organisations, not characterised by strong internal relationships, are more likely to experience low levels of connectedness i.e. awareness, at most. Therefore, in an organizational setting we liken Funk and James’ (2001) psychological connection to Lawler and Yoon’s social bonding outcome of relational cohesion. As a consequence, we define psychological connectedness as the internal customer’s psychological connection with the organization experienced through feelings of attachment and “oneness”.

Figure 1 is a graphic representation of the preceding discussions, which outlines the use of relationship cohesion theory (RCT) to understand the dynamics of the firm’s internal relationships. Specifically, this model illustrates a network of relationships amongst key variables and, as such, provides the framework upon which the hypotheses of this study are framed.

--- Insert Figure 1 ---

**HYPOTHESES**

In line with RCT, the introduction and positioning of organizational relationship quality in the conceptual model, implies mediation. Based on the contention of King et al., (2013) that organizationally based relational considerations are the key to determining the strength and valence of the association between organizationally generated antecedents and employee centred outcome variables, the mediation hypothesis is supported. We argue that the organization’s support mechanisms (i.e. seeking employee feedback, establishing job diversity, support for employee abilities etc.) do not induce optimal employee performance alone. The organization’s support structure must be communicated through positive social exchanges (Chou and Lopez-Rodriguez, 2013), underpinned by sincerity and equity, in order for relational benefits such as trust, satisfaction and confidence to be realized by employees – in essence, ensuring workplace humanism (Berman et al., 2002). In other words, it is the organization’s perceived support and responsiveness to the needs and wants of internal customers that is important. In being supportive, regardless of what form that may take, employees are more likely to position the organization as an integral and positive part of their lives. On this basis, we hypothesize that:
H1: *Organizational relationship quality* (RQORG) will mediate the relationship between *internal support* (INTSUP) and *psychological connectedness* (PSYCON).

As with organizational relationships, the quality of interpersonal relationships also provides the conduit between internal socialization and the internal customer’s psychological connection with the organization. To the authors’ knowledge, the mediating role of interpersonal relationship quality has not previously been tested; however, the literature provides some direction for speculating this association. For example, Feldman’s (1981) integrated model of socialization suggests that, through social encounters, employees understand group norms and values, thus leading to the involvement of one’s job. Moreover, Jones (1986) argues employees are likely to accept definitions offered by others through a combination of formal (e.g. training) and informal socialization tactics (e.g. learning on the job through social exchanges), resulting in an increased degree of shared common values and attitudes. More recently, Moreland and Levine (2001) and Moreland et al. (2001) argue that as socialization occurs primarily in work groups, the impact of those relationships are much stronger than any organizational initiative, with employees ultimately being more committed to their work group than to the organization. Thus, as interpersonal relationships are formed from common values within work groups (Berman et al., 2002), it would seem logical to assess how such relationships enhance internal customers internalization of organizational values, beliefs and expectations and, therefore, are more likely to embrace the organization as an important part of their lives. On this basis, we hypothesize that:

H2: *Interpersonal relationship quality* (RQINT) will mediate the relationship between *internal socialization* (INTSOC) and *psychological connectedness* (PSYCON).

While the relationships between key antecedents (i.e. internal support and internal socialization) and psychological connectedness are well justified in previous sections, we suggest that it is the efficacy of the firm’s social structure in facilitating quality internal relationships that provides the key to positive individual and organizational outcomes. In other words, it is not so much what the work environment provides (in terms of internal support and socialization processes), but how these resources fulfil employees’ socio-emotional needs through their execution, that is important. For example, the most sophisticated training program, coupled with a well-equipped work environment, may well be instrumental in significantly enhancing employees’ job-related
skills and task efficiency. However, if these organizational-driven mechanisms do not yield employees’ respect, confidence, and trust in the organization (i.e. high quality organizational relationship) and social gratification through informal relationships with co-workers (i.e. high quality interpersonal relationships) the potential for sustainable positive outcomes may well be diminished.

**RESEARCH DESIGN**

An on-line survey was used in order to gather data to address the hypotheses of this study. The survey development and data collection method is described below, along with a description of the resulting sample.

**Survey Development:**

With the exception of *relationship quality (interpersonal)* (RQINT – 6 items), which were developed specifically for this study, all scale items were drawn from the literature. *Internal socialization* (INTSOC) was measured via six survey items drawn from Taormina (1994), while *internal support* (INTSUP) was measured by a total of six items adapted from Kelley *et al.*, (1996) and Wayne *et al.*, (1997). *Psychological connectedness* (PSYCON) was measured via nine items adapted from Beaton *et al.* (2009) and *relationship quality (organizational)* (RQORG) was measured via seven items from King and Grace (2010). All items were measured via a 7-point Likert scale ranging from (1) “strongly disagree to (7) “strongly agree”. Non-identifiable demographic information was also gathered, at the end of the survey, for the purpose of sample description.

In order to develop the survey items for RQINT, individually, the three authors (who are experienced in survey development), used the definition of RQINT (i.e. *the extent to which internal customers perceive the interpersonal relationships with their internal colleagues to be of value*) to develop representative items. This resulted in the initial item pool being comprised of 12 items. Consensus, reached by the three authors, in relation to item redundancy resulted in the item pool being reduced to 6 items. A panel of five marketing academics were then asked to rate the survey items in terms of their representativeness of the respective construct definitions. This process resulted in the wording of some items being slightly modified to reflect the context of the study.
Next, pilot testing involved administering the survey to a small sample of target respondents \((n = 72)\). The resulting data was examined to ensure that construct validity was evident prior to the main data collection. The survey items used in the main data collection phase appear in Table 1.

**Data Collection:**

The final survey (after pilot-testing) was administered via an online survey, the link of which was distributed via email by a national market research firm. A stratified sampling approach was used to ensure that the respondent pool comprised of a reasonable representation of service firms. The data collection process was conducted over a 2-month period, which resulted in a total of 436 complete and usable surveys being received. In order to check for non-response bias, late responders (i.e. individuals who responded after the third survey reminder was sent in the second month of the data collection phase) were compared to early responders (i.e. individuals who responded on initial email). The samples were compared to establish if factor invariance or mean structure differences were evident. The results of testing revealed no evidence of factor invariance or significant mean differences, therefore, it was concluded that non-response bias was not apparent.

**The Sample:**

The sample was represented by 46% males and 54% females, with a mean age, across the board, of 38 years. Respondents were casually employed (14%), part-time employed (20%) and full-time employed (66%) and 42% of the sample had entry-level positions, 26% were supervisors, 24% were middle-managers and 8% held senior management positions. In terms of income, 14% of the sample earned under $25,000, 60% of the sample earned between $25,000 and $55,000 and the remainder of the sample (26%) earned over $55,000 per annum. Respondents came from a diverse range of industries that can be broadly summarized as retail (food), retail (non-food), health services, financial services, administrative support services, real estate services, cleaning and household services, insurance services, education and training and other miscellaneous services.

**ANALYSES AND RESULTS**
Data analysis followed a two-phase process i.e. preliminary analyses and hypotheses testing. The purpose of the preliminary analysis phase was to establish the integrity of the data via normality testing, correlation analysis, confirmatory factor analysis and reliability analysis. In addition, this phase included checks for construct, convergent and discriminant validity and testing for common-method bias. The final analysis phase involved hypotheses testing via SEM using AMOS 18.0. The results of these analyses are further discussed.

Preliminary Analysis:

Due to the forced-response nature of the on-line survey, there was no missing data in the 436 surveys collected. In order to assess data normality, descriptive statistics were computed, and histograms were visually inspected. Given that skew and kurtosis statistics did not exhibit values greater than plus or minus 2, data were considered appropriate for the ensuing analysis, as the normality assumption was not violated.

Confirmatory Factor Analysis

The measurement model was specified in AMOS 18.0 for assessment. A series of analyses were run in the process of identifying and removing poor loading items i.e. less that the recommended level of .50, (as recommended by Shi and Wright, 2001) and items with significant cross-loadings (i.e. greater than .40 as recommended by O'Cass, 2002). This process resulted in the elimination of 2 items measuring INTSOC, 2 items measuring INTSUP, 2 items measuring RQINT, 3 items measuring RQORG, and 2 items measuring PSYCON. The final measurement model represented good model fit ($\chi^2 = 721.7, df = 179, p < .05; TLI .93, CFI .94 and RMSEA .07$). All items exhibited strong standardized loadings and these ranged between .62 and .95. Furthermore, all items were significant, with the lowest t-value being 10.87. Composite reliabilities were computed for each of the latent variables and these were strong, ranging from .84 to .95, well in excess of the recommended level of .70 (Bagozzi and Yi, 1988). Finally, we computed the average variance extracted (AVE) for the latent constructs and these were all in excess of .50 (recommended by Fornell and Larcker, 1981). Details of CFA results, along with complete item wording can be found in Table 1.

Data Integrity
In line with the recommendations of Conway and Lance (2010), in order to examine the integrity of the data in readiness for hypotheses testing, we subjected the data to a number of checks and tests so that construct, convergent and discriminant validity was established. In addition, we employed post-hoc statistical techniques to test for common-method bias.

To establish construct validity, we examined the fit statistics of the measurement model (as recommended by Hu and Bentler, 1999). The fit statistics were well in excess of the recommended level of .90 for GFI, NFI, TLI and CFI and less than .08 for the root mean square error estimate (RMSEA) (Hu and Bentler, 1999). Thus, construct validity was established (refer Table 1).

Convergent validity was evaluated through the strength and significance of the loadings, the average variance extracted (AVE) and the composite reliability (Bagozzi and Heatherton, 1994). As shown in Table 1, all standardized loadings were significant and strong (t> .20) (Gerbing and Anderson, 1988), all AVEs were greater than .50 (Fornell and Larcker, 1981) and composite reliabilities were greater than .70 (Bagozzi and Yi, 1988). On this basis, convergent validity was established.

Next, we conducted a series of chi-square difference tests, as recommended by Bagozzi et al. (1991), to establish the discriminant nature of the data. This involved comparing the constrained and unconstrained measurement models of each pair of constructs. Thus, we conducted a total of 10 different comparisons, the results of which appear in Table 2. For each comparison, the chi-square difference was significant (i.e. p> .01), thus establishing discriminant validity between all factors and constructs. Common-method bias testing was also evaluated by chi-square testing, as recommended by Podsakoff et al. (2003), and this involved the statistical comparison of a one-factor measurement model to the five-factor measurement model. As shown in Table 2, the one-factor model exhibited significant deterioration in $X^2$ by 1332.1, $df = 10$ (p<.01), indicating the superiority of the five-factor model. Thus, we concluded that there was no evidence of common-method bias in the data (refer Table 2 for these results).
Hypotheses Testing:

The structural model was examined via AMOS 18.0. The overall model exhibited good fit with $\chi^2 = 730.1$ (df = 182, p < .05), TLI .93, CFI .94, RMSEA .07, and these indices were well within the acceptable parameters as recommended by Hu and Bentler (1999). All $R^2$ values were strong with PSYCON of .71, RQINT .26 and RQORG of .86. The average variance accounted for was also high at .61. All paths were significant, with the exception of INTSUP to PSYCON.

Testing for Mediation:

The examination of mediation effects of relationship quality (organizational) (RQORG) and relationship quality (interpersonal) (RQINT), within the conceptual model, followed a process whereby four competing models were analysed in order to compare for best fit (see Koza and Dant, 2007). Evaluating a model on the goodness of a single model’s overall fit is argued to be problematic (i.e. Fornell, 1983; Hulland et al., 1996). As such, the most robust assessment of a theoretical model resides within a systematic procedure of comparing competing models (Gerbing and Anderson, 1988; Hair et al., 1998). In this sense, “researchers demonstrate that no other alternative model has a better fit to the data than the proposed theoretical model” (Koza and Dant, 2007, p. 287) (i.e., in this case, Model 4, labelled the partial mediation model). In fact, Hair et al., (1998) advocates “the strongest test of a proposed model is to identify and test competing theories, which is a much stronger test than just a slight modification of a single theory” (pp. 590-591). On this basis, the ensuing discussion outlines the systematic process of model comparison used to examine direct and indirect relationships (i.e. mediation) within the theoretical model. The following models were computed. Model 1 included direct effects only, Model 2 had no mediation effects, Model 3 included pure mediation effects and Model 4 (the hypothesized model) depicted partial-mediation effects. As shown in Table 4, the best fitting model was Model 4, thus supporting partial-mediation in the overall model.
To further test for full or partial mediation in relationships, we examined more closely the effect of each individual mediator (i.e. RQORG and RQINT) within the proposed relationships. In relation to RQINT, we refer to Model 2 (shown in Table 4) which establishes that there is a direct relationship from the IV (INTSOC) and the DV (PSYCON) (i.e. .27, p < .01) when the mediator (RQINT) is not included in the model. However, when introducing the mediator (RQINT) into the relationship between INTSOC and PSYCON, this relationship becomes non-significant. This result implies that RQINT serves as a full mediator in the relationship between INTSOC and PSYCON (refer Model 4, Table 4). In relation to RQORG, we again refer to Model 2 (Table 4) which establishes the direct relationship between the IV (INTSUP) and the DV (PSYCON) (i.e. .55, p< .01). When the mediator (RQORG) is introduced into the model, the relationship between INTSUP and PSYCON shows significant deterioration to .39 (refer Model 4, Table 4). The result implies that RQORG is a partial mediator in the relationship between INTSUP and PSYCON.

--- Insert Table 4 here ----

In aggregating the results pertaining to the overall model and to the mediation testing we can say that H2 (please note, this relationship was significant before the introduction of the mediator) was supported and H1 was partially supported (refer to Tables 3 and 4 for these results).

**DISCUSSION**

The findings of this study clearly explicate the role of internal relationship cohesion in supporting internal support and socialization initiatives. We took the view that positive individual and organization outcomes lie, not merely with the organization’s ability to satisfy internal customers, but with the workplace establishing itself as a personally relevant and important component of individuals’ lives, such that it promotes a strong psychological connection between internal customers and their organizations. In taking a relational, rather than a task-related or transactional approach to understanding internal customer “buy-in”, this study provides significant evidence of the pivotal role of social/relational exchanges (i.e. “workplace humanism” (Berman *et al.*, 2002, p. 227), in enhancing individual and organizational outcomes.
Organizational Relationship Quality:

From an organizational relationship perspective, the findings support the proposed relationships between internal support, organization relationship quality and psychological connectedness with the organization. In examining the strengths of the structural paths, a more informed perspective of the association between these variables is gleaned. For example, while both internal support and organizational relationship quality had significant direct effects on psychological connectedness, the strongest relationship (i.e. in the overall model) was found between internal support and organizational relationship quality ($\beta = .83$). It is usual to suspect that such a strong path may indicate, operationally, internal support and organization relationship quality are one and the same. However, analytical testing for discriminant validity between the two variable pairs (as shown in Table 2) indicates that the operationalization of these constructs are, indeed, statistically distinctive (i.e. chi-square difference of 64.1). Therefore, we suggest that the close relationship between the two may well indicate that the two variables are progressive steps within the one process. For example, if an employee perceives that the organization values their contributions, considers their goals and values, provides diversity in their jobs and supports their individual capabilities (i.e. perceived internal support), then this may be the first step toward fostering trust, respect, co-operation and cohesion (i.e. organizational relationship quality).

The results of mediation analysis support the above notion. The findings indicate that organizational relationship quality was a partial (but not full) mediator in the relationship between internal support and psychological connectedness. In other words, internal support has a direct effect on psychological connectedness (i.e. along similar lines to the findings of DeConinck and Johnson, 2009; Ferdous et al., 2013; Chiaburu et al., 2010) and this effect is enhanced (but not dependent upon) organizational relationship quality. Therefore, organizations that are supportive to the goals, values and capabilities of their internal customers, take the first step in establishing an employee’s psychological connectedness with the organization. If, however, organizational initiatives are less than supportive, then a deeper sense of human-like “caring” is not communicated to internal cutomers, and internal bonds are diminished.

We suggest that the key to internal support in producing a deeper “bond” with internal customers (and heightening their bond with the organization) resides within the social contract that results
from its efforts. In examining motivational frameworks, such as Maslow’s (1954) hierarchy of needs, this notion makes perfect sense. For example, fundamentally, individuals are driven to seek employment in order to fulfil basic physiological and safety needs i.e. to put food on the table and a roof over their head. However, a productive internal market is characterized by individuals who seek to fulfil higher order needs such as esteem and self-actualization i.e. strive for confidence, achievement, respect of others and personal growth, all of which ultimately benefit the organization. Furthermore, the conduit between basic and higher-order needs is represented by the need for love and belonging (Maslow, 1954). Therefore, it is the unwritten social contract developed between the organization and its internal customers that motivates them toward higher-order need fulfilment through psychological connectedness. However, relational cohesion associated with organization/internal customer relationships tells only part of the story with relationships between internal customers (i.e. interpersonal relationship quality) completing the motivational picture.

**Interpersonal Relationship Quality:**

From an internal customers’ perspective, the findings indicate that the quality of interpersonal relationships play a significant role in the conceptual model. This is particularly evident in terms of the mediating effect they have on the relationship between internal socialization and psychological connectedness (i.e. full mediation). An important prerequisite for mediation testing is to establish that the independent variable (i.e. internal socialization) does, indeed, have a relationship with the dependent variable (i.e. psychological connectedness), prior to the inclusion of the mediator (i.e. interpersonal relationship quality). In other words, the relationship must first exist before claims of another variable mediating that relationship can be made. The analyses (shown in Table 4) show that internal socialization did have a significant positive effect (i.e. $\beta = .27$) on psychological connectedness from the outset. However, when including internal relationship quality into the mediation model, the relationship between socialization and connectedness became non-significant, indicating that interpersonal relationship quality has a fully mediating effect on the relationship between internal socialization and psychological connectedness. This finding was in line with Relationship Cohesion Theory (Lawler and Yoon, 1993) whereby relationship cohesion is positioned as a full mediator within the causal chain.
The findings provide evidence that the informal learning environment is not only important (Ellström, 2011; Feldman, 1981; Reichers, 1987; Sias, 2005), but a vital aspect upon which the effectiveness of the organizational learning process is highly dependent. While the socialization process is essential in supporting job related tasks/activities, a deeper level of employee “buy-in” (i.e. psychological connectedness) is only achieved through the social environment (i.e. knowledge and understanding of peers and the experience of group norms that produce strong social ties e.g., friendships) within which internal customers perform these tasks/activities. This finding is consistent with Moreland and Levine’s assertion that work group socialization has more influence on employees than organizational level socialization (Moreland and Levine, 2001; Moreland et al., 2001). Socialization initiatives form the first step toward effective socialization due to the strong effect ($\beta = .51$) they have on the assessment of the quality of interpersonal relationships. However, it is the cohesion of these interpersonal relationships, as a result of the “formal” socialization process, that will ultimately determine internal customers’ psychological connectedness with the organization.

On this basis, the results here expand on those of Riordan and Griffeth (1995) in that we have now identified that an important antecedent of interpersonal relationships (i.e. co-worker relationships) is internal socialization. This is good news for managers as internal socialization resides within organizational influence and, therefore, is amenable to positive workplace relational outcomes. Riordan and Griffeth (1995) examined the outcomes of workplace friendships and found them to be job satisfaction and job involvement. In this study, we had similar outcome results in that our study found an employee’s psychological connectedness with the organization represents a significant outcome of workplace relationships. Therefore, internal relationships not only effect individuals’ evaluation of their jobs (i.e., tasks, responsibilities etc.) but also of the organization as a whole.

**THEORETICAL IMPLICATIONS AND FUTURE RESEARCH**

The empirical testing of the conceptual model supports the growing focus on social theories (e.g. Wang, 2014), as appropriate frameworks upon which to understand contemporary service marketing challenges. Clearly the findings demonstrate that organizations must not only take a relational, rather than transactional, approach to their internal market, they should also foster
internal relationships from which the employees derive significant social fulfilment. It is surprising that the social aspects of organizational life have received little research attention given the centrality of the employing organization in the lives of their internal customers. This is significant, given that internal customers are contractually and temporally bound to one organization (i.e. their employer). As such, they are subsequently dependent on that organization to provide purpose, fulfilment, autonomy, satisfaction, close working relationships, learning (Berg et al., 2013; Chalofsky, 2003; Kohli et al., 1998), and “add something to their lives” (Bibby, 2001). It is argued here that further examination of internal firm relationships affords greater insight into realizing a productive and engaged internal market.

In addition, such insight is considered particularly relevant in a service setting as internal interactions are often visible to the customer and, therefore, have the potential to shape consumers evaluation of the service encounter and overall assessment of service quality. It is from this perspective that the potential of this study’s findings are illuminated. With the findings reported herein supporting the salience of internal relationships in enhancing the internal performance of the organization, it is essential to consider how they link to externally-perceived performance (i.e. from the customer’s perspective), give the connection between internal and external service environments. While we concede the ensuing discussion is speculative in nature, we believe that it provides a solid foundation worthy of future research scrutiny.

Looking from the outside in:

Having established the importance of internal relationship cohesion in producing positive organizational outcomes, we go further to suggest that the internal environment also impacts a service organization’s customers. This notion is theoretically supported by emotional contagion which is defined as “the tendency to automatically mimic and synchronize expressions, vocalizations, postures and movements with those of another person’s and, consequently, to converge emotionally” (Hatfield et al., 1994, p. 5). According to Tombs and McColl-Kennedy (2003, p. 461), “if an individual is able to observe the emotions of others it is possible that these displayed emotions will influence that individual’s affective state and subsequent behaviors”. It is on this basis that Tombs and McColl-Kennedy (2003) were the first to conceptualize the social servicescape. Arguing that emotional contagion had been examined in work environments (i.e. between employers and employees; between employees and employees; between employees and
customers), they identified a research gap exemplified by lack of research in relation to emotional contagion between customer and customer. On this basis, they suggested that inter-customer emotion contagion was a key element of the social servicescape. Further to this, we believe that the social servicescape is also impacted by the customer’s observations of the social interaction between employees, as well as management, herein referred to as the “internal social environment”.

In order to glean a complete picture of the social servicescape, consideration needs to be given to the social exchanges of all parties within the social environment (as depicted in Figure 3). We propose that a customer’s perception of the social servicescape comes from three different sets of social observations which, along with perceptions of other servicescape factors (i.e. atmospherics, physical facilities, etc.), ultimately, determine the customer’s assessment of service quality. Firstly, and most central to the customer’s assessment of service quality, are the social exchanges occurring between individual external and internal customers, referred to here as the “interactional social environment”. Logically, these are the most important social observations affecting an individual customer’s affective and behavioral responses. Secondly, as previous research evidence suggests (e.g., Nguyen et al., 2012), the customer’s response to the service environment is influenced by the social observations of and between other customers in the service environment. We refer to this as the “external social environment”. Finally, we suggest that a customer’s assessment of the servicescape will also be influenced by the observations of the social interactions between the firms’ internal customers within the “internal social environment”. We propose that such observations will have a twofold effect on the customer’s assessment of the service environment; (1) via the customer’s perception of the cultural elements of the service organization (i.e. the personality or image of the organization as portrayed by the social bonds of its internal customers), and (2) via the customer’s perception of the atmospheric qualities of the service environment (i.e. mood, etc. internally created through the social interactions between internal customers as well as management). Therefore, we suggest that issues relating to internal social density and internally-generated emotional contagion may also hold relevance in the social servicescape, alongside Tombs and McColl-Kennedy’s (2003) previous externally-focussed conceptualization of such constructs within the social servicescape.

---- Insert Figure 3 here ----
Figure 3 provides a framework that is worthy of consideration for future research. Such an approach would serve to advance the findings of this study by establishing an empirical link between the social well-being of internal customers (found, in this study, to significantly influence an internal customer’s connectedness with the organization) and external customers’ behavioral responses to the social servicescape.

**PRACTICAL IMPLICATIONS**

The findings of this study prompt a mindset shift in relation to internal support and socialization. The findings clearly evidence the salience of workplace relationships (with the organization and with co-workers) supporting the efficacy of organizational initiatives in developing strong connections between internal customers and their organizations. As previously discussed, the mere existence of support/socialization initiatives only goes part way to producing optimal outcomes (i.e. an engaged internal market) if they do not result in internal relationship cohesion. The socialization and support practices of the organization, must be underpinned by sincerity, consistency and, above all, reflect organizational reality if positive internal relationships are to result. On this basis, rather than measuring the effectiveness of such practices in terms of task-related behaviors/activities, they should also be measured in terms of their ability to foster quality relationships. How the organization performs in facilitating these relationships will reflect the efficacy of their internal marketing practices and inform the development and implementation of these strategic efforts. If the measurement of the quality of internal relationships produces poor results, then organizations should re-think the development and execution of their internal practices.

Furthermore, managers should take heed of traditional relationship theory, framed upon the notion of the norm of reciprocity, if they seek to engage their internal market. If internal customers perceive that the organization engages in extra-role behaviors (i.e. behaviors that go above and beyond that required or implied in the employment contract) then they will be more likely to reciprocate with similar behaviors. In other words, if the internal market sees the organization doing something positive for them (i.e. that the organization is not legally or socially bound to do), then employees, in return, are more likely to step outside the boundaries of their job description for the good of the organization. Such *organizational* extra-role behaviors can be espoused in numerous forms, such as pay increases/bonuses above that which are legally
required, paid leave to accommodate an individual’s personal circumstances, educational support for career development, the provision of financial assistance for physical and psychological health problems, organizing social events that foster social bonds and integrate the broader social networks of employees i.e. family, friends etc. While all of these suggestions involve financial investment, they should be considered equally as viable as offering discounts, loyalty points, competitions, free events etc. to external customers, all of which are also costly, yet widely-performed.

Finally, in support of the preceding discussion, a recent article by Jenkins and Delbridge (2013), reporting the findings of an in-depth case study of workplace happiness, concluded that “the pursuit of employee happiness was a deliberate strategy evidenced by the way employers promoted an organizational value system based on reciprocity. The norm of reciprocity was a way of legitimizing authority and developing stable workplace relations.” (p. 17). Their findings suggest that normative controls (based on the norm of reciprocity) formed the backdrop for the development of trust relations and resulted in stable, coherent and strong tripartite relationships (i.e. organization/employees, employees/employees and employees/customers). Thus, they conclude that the cornerstone to effective human resource management and organizational success in general, is the promotion and nurturing of reciprocal relationships (Jenkins and Delbridge, 2013), whether they be organizationally or interpersonally based.

LIMITATIONS

Firstly, the use of survey measures come with some limitations. However, we believe the problems associated with capturing data, that accurately represents respondents’ attitudes, feelings and behaviors, were minimized through the use of multiple-item measures, largely drawn from pre-existing validated scales. Furthermore, stringent reliability and validity checks (reported herein) substantiate the integrity of the data upon which the research conclusions were made. Secondly, the advantages of conducting quantitative research involving large sample sizes, reside within the generalizability of the results across geographic and/or contextual boundaries. From a geographic perspective, it is expected that generalization beyond Australia (i.e. data source) could be attempted, with some degree of confidence, to countries with similar economic, social and cultural structures, i.e. USA, the UK and other western cultures within the EU. From a contextual
perspective, the findings are particularly relevant to physical service and retail settings given the proximity of the service actors (i.e. managers, employees and customers) and the, subsequent, opportunity for social interaction and observation. Generalization of the findings to other organizational environments (e.g. online environments) should be attempted with caution.

Finally, while the sample was diverse in terms of demographics, it could be argued that it was biased in favour of full-time employees (comprising 66% of the sample) and employees of entry-level positions (44%). Therefore, it is imperative that future research examines the model across groups based on pertinent demographics such as gender, employment status (i.e. part-time versus full-time), hierarchical level (i.e. entry level versus management level) and job characteristics (i.e. individual versus collective tasks). It is expected that such investigations would provide fruitful results.

CONCLUSION

This study is one of the first to examine the interplay between organizational-oriented internal practices and internal market-perceived relationship cohesion within the firm’s internal social environment. The findings demonstrate the central role that relationship cohesion (organizational and interpersonal) plays in internal customers’ feelings of connectedness with the organization. Such connections are believed to be a necessary requirement to enhance organizational performance, particularly within the service sector. Extrapolation of the findings, in the broader services context, has resulted in the proposal of a prescriptive approach (refer Figure 3) to further understand the findings beyond the internal environment to the service exchange environment (i.e. internal/external customer interface). As a result, the study has clear theoretical and practical implications and provides a solid foundation for future research in this important area.
REFERENCES


<table>
<thead>
<tr>
<th>Table 1: Preliminary Analysis – Measurement Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Socialization (INTSOC)</strong></td>
</tr>
<tr>
<td>INTSUP1 The training in the organization/brand I work for enabled me to do my job well.</td>
</tr>
<tr>
<td>INTSUP2 The goals of the organization/brand I work for are very clear.</td>
</tr>
<tr>
<td>INTSUP3 The instructions given by my manager have been valuable in helping me do better work.</td>
</tr>
<tr>
<td>INTSUP4 My work environment helps me to understand how I should behave in my job.</td>
</tr>
<tr>
<td><strong>SL = Standardized Loading, CR = Composite Reliability</strong></td>
</tr>
<tr>
<td><strong>Relationship Quality (Interpersonal) (RQINT)</strong></td>
</tr>
<tr>
<td>RQINT1 Some of my closest friends are my workmates.</td>
</tr>
<tr>
<td>RQINT2 I enjoy socializing with the people I work with.</td>
</tr>
<tr>
<td>RQINT3 My workmates mean everything to me.</td>
</tr>
<tr>
<td>RQINT4 If it wasn’t for my workmates, I would probably get a job somewhere else.</td>
</tr>
<tr>
<td><strong>Psychological Connectedness (PSYCON)</strong></td>
</tr>
<tr>
<td>PSYCON1 Working for this organization/brand plays a central role in my life.</td>
</tr>
<tr>
<td>PSYCON2 I really enjoy working for this organization/brand.</td>
</tr>
<tr>
<td>PSYCON3 Working for this organization/brand is one of the most satisfying things I do.</td>
</tr>
<tr>
<td>PSYCON4 Compared to other activities, I find working for this organization/brand very interesting.</td>
</tr>
<tr>
<td>PSYCON5 Working for this organization/brand says a lot about who I am.</td>
</tr>
<tr>
<td><strong>Relationship Quality (Organizational) (RQORG)</strong></td>
</tr>
<tr>
<td>RQORG1 The organization/brand I work for has a clear set of goals and values which everyone is pursuing together to achieve.</td>
</tr>
<tr>
<td>RQORG2 I feel that I am a respected and valued member of the organization/brand I work for.</td>
</tr>
<tr>
<td>RQORG3 I feel that I can trust the management of the organization/brand I work for.</td>
</tr>
<tr>
<td>RQORG4 I feel that the organization/brand I work for is considerate, (to the best of their ability), of the impact their decision have on me.</td>
</tr>
<tr>
<td>RQORG5 I feel like the organization/brand I work for treats me like a human being (e.g. respect, is cooperative, communicates well).</td>
</tr>
<tr>
<td><strong>Internal Support (INTSUP)</strong></td>
</tr>
<tr>
<td>INTSUP1 The organization/brand I work for values my contribution to its well-being.</td>
</tr>
<tr>
<td>INTSUP2 The organization/brand I work for strongly considers my goals and values.</td>
</tr>
<tr>
<td>INTSUP3 The organization/brand I work for tries to make my job as interesting as possible.</td>
</tr>
<tr>
<td>INTSUP4 My manager is willing to extend themselves in order to help me perform my job to the best of my ability.</td>
</tr>
<tr>
<td><strong>Fit of Measurement Model: ( \chi^2 = 721.7 ) (df = 179, p &lt; .05), TFI .93, CFI .94, RMSEA .07.</strong></td>
</tr>
</tbody>
</table>
Table 2: Discriminant Validity and Common-Method Bias Testing Results

<table>
<thead>
<tr>
<th>Variable Pairs</th>
<th>Unconstrained Model</th>
<th>Constrained Model</th>
<th>Model Difference</th>
<th>Discriminant Validity?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$X^2$</td>
<td>df</td>
<td>$X^2$</td>
<td>df</td>
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<tr>
<td>INTSOC/PSYCON</td>
<td>99.9</td>
<td>26</td>
<td>114.6</td>
<td>27</td>
</tr>
<tr>
<td>INTSOC/RQINT</td>
<td>27.6</td>
<td>19</td>
<td>34.1</td>
<td>20</td>
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<tr>
<td>INTSOC/RQORG</td>
<td>97.1</td>
<td>19</td>
<td>112.3</td>
<td>20</td>
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<tr>
<td>INTSOC/INTSUP</td>
<td>151.6</td>
<td>19</td>
<td>183.1</td>
<td>20</td>
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<tr>
<td>PSYCON/RQINT</td>
<td>120.5</td>
<td>26</td>
<td>127.3</td>
<td>27</td>
</tr>
<tr>
<td>PSYCON/RQORG</td>
<td>126.9</td>
<td>26</td>
<td>138.1</td>
<td>27</td>
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<tr>
<td>PSYCON/INTSUP</td>
<td>118.4</td>
<td>26</td>
<td>137.3</td>
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<tr>
<td>RQINT/RQORG</td>
<td>76.5</td>
<td>19</td>
<td>86.7</td>
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<td>19</td>
<td>84.2</td>
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<td>80.4</td>
<td>19</td>
<td>144.5</td>
<td>20</td>
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Testing for Common Method Bias

<table>
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<tr>
<th>Common Method Bias?</th>
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<tbody>
<tr>
<td>$X^2$</td>
</tr>
<tr>
<td>1 - Factor Model</td>
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<td>5 - Factor Model</td>
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### Table 3: Overall Model Results (n = 436)

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Independent Variables</th>
<th>Beta Weight</th>
<th>Critical Ratio</th>
<th>R²</th>
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<tbody>
<tr>
<td>Psychological Internal Socialization</td>
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<td>.06*</td>
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<td>Internal Support</td>
<td>.39</td>
<td>2.64</td>
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<tr>
<td>Relationship Quality (Interpersonal)</td>
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<td>.30</td>
<td>6.08</td>
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<tr>
<td>Relationship Quality (Organizational)</td>
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<td>.22</td>
<td>2.19</td>
<td></td>
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<tr>
<td>Relationship Quality (Interpersonal)</td>
<td>Internal Socialization</td>
<td>.51</td>
<td>7.24</td>
<td>.26</td>
</tr>
<tr>
<td>Relationship Quality (Org.)</td>
<td>Internal Support</td>
<td>.83</td>
<td>22.64</td>
<td>.86</td>
</tr>
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**Average Variance Explained**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>.61</td>
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**Fit of Model:** $\chi^2 = 730.1$ (df = 182, p < .05), TFI .93, CFI .94, RMSEA .07.

*Two-tailed significance testing i.e. $p < .01$  * Not Significant
### Table 4: Mediation Analysis Results

<table>
<thead>
<tr>
<th>Fit Estimates</th>
<th>$\chi^2$</th>
<th>$df$</th>
<th>$\Delta \chi^2$</th>
<th>$\Delta df$</th>
<th>CFI</th>
<th>TLI</th>
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<tr>
<td>Model 1</td>
<td>744.6</td>
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<td>-</td>
<td>.94</td>
<td>.93</td>
<td>.07</td>
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<td>.94</td>
<td>.83</td>
<td>.83</td>
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<td>.13</td>
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<tr>
<td>Model 3</td>
<td>786.6</td>
<td>184</td>
<td>42.0</td>
<td>-</td>
<td>.93</td>
<td>.92</td>
<td>.07</td>
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<td>Model 4</td>
<td>730.0</td>
<td>182</td>
<td>14.6</td>
<td>2</td>
<td>.94</td>
<td>.93</td>
<td>.07</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model 1 Fully Mediated</th>
<th>Model 2 IV affects DV</th>
<th>Model 3 No Mediation</th>
<th>Model 4 Partial Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTSOC $\rightarrow$ RQINT</td>
<td>.51**</td>
<td>-</td>
<td>.53**</td>
</tr>
<tr>
<td>INTSUP $\rightarrow$ RQORG</td>
<td>.83**</td>
<td>-</td>
<td>.83**</td>
</tr>
<tr>
<td>INTSOC $\rightarrow$ PSYCON</td>
<td>-</td>
<td>.27**</td>
<td>.32**</td>
</tr>
<tr>
<td>INTSUP $\rightarrow$ PSYCON</td>
<td>-</td>
<td>.55**</td>
<td>.51**</td>
</tr>
<tr>
<td>RQINT $\rightarrow$ PSYCON</td>
<td>.33**</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>RQORG $\rightarrow$ PSYCON</td>
<td>.65**</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

| R$^2$ | PSYCON | .70 | .64 | .66 | .71 |

*Significant $p < .05$ One-tailed test; ***Significant $p < .01$ One-tailed test; ns=not significant

H1 – Relationship Quality (Org.) mediates the relationship between Internal Support and Psychological Connectedness – PARTIALLY SUPPORTED (i.e. partial mediation).

H2 – Relationship Quality (Interpersonal) mediates the relationship between Internal Socialization and Psychological Connectedness – FULLY SUPPORTED.
NEGOTIATED EXCHANGE PROCESS

Relational Coherence

Organizational Relationship Quality

Interpersonal Relationship Quality

Reciprocal Exchange Response

Psychological Connectedness

Internal Support

Internal Customers’ Perceptions

Internal Socialization

NEGOTIATED EXCHANGE PROCESS

RECIPROCAL EXCHANGE PROCESS

H1

H1

H1

H2

H2

Direct relationships implied by mediation hypotheses of this study.
Figure 2: Model Results

**Internal Support (INTSUP)**

- $B = 0.83$ (22.62)

**Relationship Quality (Organizational) (RQORG)**

- $B = 0.39$ (2.64)

- $R^2 = 0.86$

**Relationship Quality (Interpersonal) (RQINT)**

- $B = 0.22$ (2.19)

- $B = 0.30$ (6.08)

- $R^2 = 0.26$

**Internal Socialization (INTSOC)**

- $B = 0.51$ (7.24)

**Psychological Connectedness (PSYCON)**

- $B = 0.06^*$ (0.63)

- $R^2 = 0.71$

* = Not Significant
Figure 3: Future Research Conceptual Model

- **Internal Social Environment**
  - Employee – Employee
  - Employee – Management

- **Interactional Social Environment**
  - Employee – Customer

- **External Social Environment**
  - Customer – Customer

- **Customer Perceptions of Social Environment**

- **Customer Overall Assessment of Service Quality**