

## IMPROVING PERFORMANCE BY HARMONIOUS CULTURE APPROACH IN INTERNAL MARKETING

Sukawati T.G.R., Astawa I.P.\*

**Abstract:** Internal marketing, consisting of employee rewards, recruitment process, internal communication, employee empowerment, and employees training, is still in debates in the previous researches. This research aims to test the five components of internal marketing in the perspective of harmonious culture. The research is different to the previous researches that are oriented to the formal regulations of the company. The research is conducted in two stages. First, qualitatively through a harmonious cultural approach on internal marketing and followed by a quantitative test through multiple regression analysis to find out the relationship to the performance. Respondent target in the research is all hotel managers and it is started with debt interview to see the implementation of harmonious culture. The study result indicates that harmonious culture is not completely implemented in the internal marketing. Recruitment process and internal communication give a significant contribution in the development of hotel performance. Collaboration between culture and employee rewards, recruitment process, internal communication, employee empowerment, and employees training is a new thing in developing the company's internal strengths to create better performance. Hotel managers, in fulfilling the customer expectations, could use internal marketing that is packed in harmonious culture by emphasizing the harmonious relationship between employees, work place, and the spiritual values or beliefs of the employee.

**Key words:** employee rewards, recruitment process, internal communication, employee empowerment, employees training, harmonious culture, performance

DOI: 10.17512/pjms.2017.16.1.19

*Article history:*

*Received June 13, 2017; Revised June 23, 2017; Accepted July 11, 2017*

### Introduction

Internal marketing (IM) is needed to strengthen the company and to adjust the service according to the consumer desires (Altarifi, 2014; Malik et al., 2010). Internal marketing concept is a strategic weapon to help hotels to give quality services and consumer satisfaction (Bruhn and Georgi, 2000; Quester and Kelly; 1999). Berry et al. (1976) gave the first opinion on internal marketing and it still in a debate up to now. Abzari et al. (2011), Varey and Lewis (1999) stated that internal marketing is a philosophy or a way of thinking of a company in utilizing the resources. Another view from Berry (1987) stated that internal marketing is

---

\***Tjokoda Gde Raka Sukawati, I Putu Astawa**, Udayana University, Faculty of Management and Business, State Polytechnic of Bali, Program Study of Management Business Tourism

✉ Corresponding author: tjokde@unud.ac.id

✉ putuastawa1@pnb.ac.id, iputu.astawa@gmail.com

a strategy to win the competition, whereas Tsai and Wu (2007); Rafiq and Ahmed (1993) saw internal marketing as an initiative that should be conducted in a company.

Internal marketing has varied dimensions based on the result of previous literatures review. Ahmed et al. (2003); Huang and Sharyn (2015) gave opinion that internal marketing consists of internal communication, market research and training. Kanyurhi et al. (2016) developed it into five dimensions: employee rewards, recruitment process, internal communication, employee empowerment, and employees training. Summarizing the result of previous literature review, IM dimension, generally, is something related to manpower from recruitment process to the assignment. Manpower is considered as an internal market that has potential to influence the consumers (Berry, 1991; George, 1990; Gounaris, 2008).

Various opinions on internal marketing and its dimensions have attracted the researchers to see internal marketing in the practice of harmonious culture conducted by hotel management in Indonesia, especially in Bali. The concept of harmonious culture is a universal culture that put forward the harmonious relationship between a company and God, employees and environment and in its practice; it is an inseparable unity (Astawa et al. 2016; Putu Astawa et al. 2016; Astawa and Sukawati 2016; Astawa et al. 2013). Another reason is that Bali has developed a cultural-based tourism and it is one of the best tourism destinations in the world according to TripAdvisor in 2017 (Rappler, 2017).

This research aimed to test internal marketing related to the improvement of performance. The research was started with an appraisal on internal marketing dimensions stated by Kanyurhi et al. (2016) through the values of harmonious culture (Astawa et al. 2016; Putu Astawa et al. 2016; Astawa and Sukawati 2016; Astawa et al. 2013) using qualitative method and followed by quantitative method. The test result of previous researchers found that internal marketing had influence on company performance (Alan and Frimpong, 2004; Wieseke et al., 2009). However, the research result of Kanyurhi et al. (2016) found that not all dimensions of internal marketing had relationship with company performance. The research also fills the gap between internal marketing dimensions (Kanyurhi et al. 2016) by testing the behavior of the company through the practice of harmonious culture. The test was different to the previous research where internal marketing dimensions were directly test to performance (Alan and Frimpong, 2004; Wieseke et al., 2009) but in this research, the dimensions were qualitatively tested first. The result of qualitative test was used as a basic to create a questionnaire. Questionnaire was tested for its validity and reliability before distributed to the hotel managers (Copuš and Čarnogursky, 2017).

Following, theoretical discussion is conducted to build hypothesis and determine the methodology consisted of data collection and data analysis. The third and fourth parts are explanation and analysis of research result. The last part is conclusion drawn from discussion result along with research implication and contribution.

### **Literature Review**

Lings and Greenley (2005) argued that employee appraisal can be done by observing what they could do and compare it to their working result. The concept often called as equity theory in organization and can be used to evaluate employee performance. The process of employee empowerment was highly influenced by the ability of the company to read the potential of their own resources and the company environment. Internal marketing can be used as a tool to create better services to the consumers. The company investment in internal marketing can create an increase in the respect among the employees to the consumers thus an increase in performance (Berry, 1984; Varnai and Fojtik, 2008). Internal marketing has linear relationship with the increase in employee motivation and consumer service (Panigyrakis and Theodoridis, 2009). Employee motivation and job satisfaction give positive impact on consumer satisfaction and company profit (Lings and Greenley, 2010).

Internal marketing is related to employee, whereas employees have culture sourced from their origin. The result study found that culture influences behavior, such as harmonious culture practiced by Balinese who adapted the values in company activities (Astawa and Sukawati, 2016; Astawa et al., 2013). Harmonious culture has a concept of harmonious relationship with the staffs, company environment, and God or values believed by the company or employees (Astawa et al., 2013). Harmonious culture is the development of organizational culture by Schein (2004) and Hofstede (1990) where the values of belief in God are analogues to basic assumption and uncertainty avoidance; harmony with the employees or human is analogues to value system, individualism and collectivism power distance, masculinity and femininity; and harmony with the environment is analogues to artifact, short term & long term (Riana, 2010; Astawa and Sudika, 2014).

Internal marketing activities, such as employee rewards, recruitment process, internal communication, employee empowerment, and employees training, are related to their own behavior and culture. The activities are the practice of harmonious culture in maintaining harmonization relationship to fellow human beings or fellow employees. Harmonious culture puts ahead the happiness that sourced from within the employees to serve others (Astawa and Sudika, 2014). Service through the practice of harmonious culture has influence on performance (Astawa et al., 2013) and all attributes of internal marketing are related to performance (Lings and Greenley, 2010). Based on the explanation of previous researches, hypothesis can be proposed that all internal marketing attributes have significant and positive influence on performance.

### **Research Methodology**

The research used qualitative and quantitative methods (exploratory sequential design) developed by Creswell and Clarck (2011). List of questions was prepared as a base in conducting interview on how the implementation of harmonious culture in the implementation of internal marketing. Interview was conducted to

hotel managers at Ubud Bali that started with permission application to conduct the interview and recording. The duration of interview was between 20 to 60 minutes and content deepening was conducted if it related to the discussed theory. Data was compared to the existing theories (Glaser and Strauss's, 1967) and coding was conducted using Miles and Huberman (1994). Based on the result of qualitative processing, questionnaire was built that consisted of five dimensions: employee rewards, recruitment process, internal communication, employee empowerment, and employees training (Kanyurhi et al., 2016) and tested to determine their validity and reliability in 40 hotels and the results were all valid and reliable. The next stage was distributing the questionnaire to 96 star hotels in Ubud by mail and email. About 90 questionnaires returned and analyzed using multiple regression analysis to look for the five dimensions of internal marketing related to company performance. Performance dimension referred to the research of Kanyurhi et al. (2016) consisted of Financial Performance, Employees and customer orientation, and Employee and Products development. The regression equation was  $Y_1 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_1$ . Where: Y = Company Performance;  $X_1$  = employee rewards ;  $X_2$  = recruitment process;  $X_3$  = internal communication;  $X_4$  = employee empowerment;  $X_5$  = employees training ;  $\beta$  (1,2,3,4,5); = partial regression coefficient;  $e_1$  = level of stochastic disturbance.

### Results

97 percent of the hotel managers held bachelor's degree and 3 percent held master's degree. 56% of them had working experience of 3-5 years, 34% had 6-8 years of working experience and 10% were above 8 years. Based on the level of education and working experience, the managers had no problem in understanding the behavior of the employees and had plenty of time to observe and evaluate the implementation of internal marketing. The result of respondents appraisal on each indicator could be calculated based on the distribution frequency developed by Sugiyono (2007) where 1.00 – 1.74 =Disagree (TS); 1.75 – 2.49 = less agree (KS); 2.50 – 3.24=Agree (S); 3.25 – 4.00 = strongly agree (SS). Based on the research result, employee reward variable had the following indicators: employees should have honesty, being sincere in helping the guests, obey the hotel rules and have innovation and positive thinking. The average result of respondent appraisal on the indicator was 3.32, which was in the interval of strongly agree. Recruitment process variable had the following indicators: belief in God, understand Balinese culture and it was managed to recruit employees from the surrounding area of hotels in Ubud. The average result of indicator appraisal was 3.33 and it was within the interval of strongly agree. Internal communication variable had the following indicators: conduct religious journey, forming art group, and conduct art performance and joint praying. The average appraisal of these indicators was 3.34, which was within the level of strongly agree. Employee empowerment variable had the following indicators: based on expertise, art, and enjoyment that had value of 3.27, which was within the level of strongly agree. Employee training had the

following indicators: spiritual journey, serve with heart, work is worship, consumers are part of life and the average value was 3.31, which was within the level of strongly agree. The test result of the five dimensions of internal marketing on company performance is displayed in Table 1.

**Table 1. Test Result of internal marketing variable and performance variable**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.407	1.390		2.452	.016
employee rewards	.173	.079	0.181	2.179	.032
recruitment process	.433	.094	0.473	4.633	.000
internal communication	.417	.098	0.220	2.211	.000
employee empowerment	.353	.089	.481	4.179	.030
employees training	.273	.099	.281	2,779	.022

The result of calculation in Table 1 indicates that the five dimensions of internal marketing had significant influence on performance where the significant value was smaller than 0.05. The result of simultaneous test obtained F-count ( $51.875 > F\text{-table } (2.68)$ ); therefore,  $H_0$  was rejected or significant value ( $0.000 < 0.05$ ). It means that employee rewards, recruitment process, internal communication, employee empowerment, and employees training, simultaneously, had significant influence on the performance of hotels in Ubud. It means that internal marketing had significant influence on performance.

### Discussion

The implementation of harmonious cultural values in internal marketing activities at the hotel, actually, had been conducted but not all of them. It was due to the different condition and strategies of each hotel. Hotels put element of belief in God, spiritual, honesty, sincere, and art in motivating the employees and it is in line with the result of research from Astawa and Sudika, (2014). The activity was the effort of the company to convincing the existence of God in business activities (Astawa et al., 2016). The hotels also gave space to develop art as a communication tool through art group. Formal communication that generally stiff had been melted through the interaction of art performance, joint praying, and religious journey activity (Astawa, 2013). Cultural values and artifact by the hotel management had acted as the spirit in empowering the employees, which is a part of organizational culture (Schein 2004). Internal marketing conducted by the star hotels in Ubud was the collaboration of modern and traditional that able to improve performance. It is the development of a research by Kanyurhi et al. (2016); Altarifi, 2014; Malik et al. (2010). Previous research did not include the cultural elements in developing internal strengths related to the empowerment of manpower to better service; therefore, the finding was a new strategy in supporting the existence of tourism in Ubud. The effort of the hotels in implementing the culture in internal

marketing was one of support for Ubud as the best destination in the world (Rappler, 2017).

### Conclusion

The ability to elaborate harmonious cultural values into internal marketing program of hotels in Ubud could give confidence, motivation and better services to the consumers. The concept in harmonious culture considered consumers as a part of God thus they need to be served honestly and sincerely and it should come from the conscience. The hotels had good understanding on the harmonious cultural concept thus they put the cultural elements according to the hotel condition. The concept produced friendly, supple, sincere and honest service to the consumers thus they are comfortable and feel at home during their stay at the hotel. In turn, it impacted the profit of the hotel. Internal marketing concept combined with harmonious culture was a new concept in building a competitive strategy as well as in developing company equity. The research result encouraged the managers to put cultural elements into the marketing strategy as well as promotional cost planning. The implications of other research findings that hotel managers should pay attention to the culture of harmony as a way to bring the hotel closer to employees and consumers. The research could also be developed further by studying the leadership element and government policy in tourism.

### References

- Abzari M., Ghorbani H., Madani F.A., 2011, *The Effect of Internal Marketing on Organizational Commitment from Market-Orientation Viewpoint in Hotel Industry in Iran*, "International Journal of Marketing Studies", 3(1).
- Ahmed P.K., Rafiq M., Saad N.M., 2003, Internal Marketing and the Mediating Role of Organisational Competencies, "Journal of Marketing", 37(9).
- Alan W., Frimpong J., 2004, *A conceptualization of the satisfaction-service performance*, "Journal of Services Marketing", 18(6).
- Altarifi S., 2014, *Internal marketing activities in higher education*, "International Journal of Business and Management", 9(6).
- Astawa I.P., Sukawati T.G.R., 2016, *Ubud Gets The Customers an Ethnomethodology Approach*, "International Journal of Economic Research", 13(7).
- Astawa I.P. Sudarma M., Aisjah S., Djumahir, 2013, *Institutional Ownership and Harmonious Values in Increasing Financial Performance of Village Credit Institution (Lembaga Perkreditasi Rakyat/ LPD) in Bali Province*, "Journal of Basic and Applied Scientific Research", 3(6).
- Astawa I.P., Sudika P., 2014, *The Impact of Local Culture on Financial Performance in Property Firms in Bali*, "Asia-Pacific Management and Business Application", 3(2).
- Berry L.L., 1987, *Big ideas in Services Marketing*, "Journal of Services Marketing", 1(1).
- Berry L.L., Hensel J.S., Burke M.C., 1976, *Improving Retailer Capability for Effective Consumerism Response*, "Journal of Retailing", 52(3).
- Berry L., 1991, *The employee as customers*, "Journal of Retail Banking", 3(March).
- Berry L., 1984, *Services Marketing is different*, [In:] C.H. Lovelock, Services Marketing, Englewood Cliff, NJ: Prentice-Hall

- Bruhn M., Georgi D., 2000, *Information-Based Analysis of Service Quality Gaps Managing Service Quality by Internal Marketing*, "Journal of Professional Services Marketing", 21(2).
- Copuš L., Čarnogurský K., 2017, *Intercultural marketing: Culture and its influence on the efficiency of Facebook marketing communication*, "Management & Marketing", 12(2).
- Creswell, Clarck, 2011, *Designing and Conducting Mixed Methods Research*, (2<sup>nd</sup> ed.) United Kingdom: Sage Publications, Inc.
- George W., 1990, *Internal marketing: Concepts, measurement and application*, "Journal of Retailing", 35(3).
- Glaser B.G., Strauss A.L., 1967, *The Discovery of Grounded Theory Strategies for Qualitative Research*, New Brunswick (USA) and London (UK): A Division of Transaction Publishers.
- Gounaris S., 2008, *Antecedents of internal marketing practice: Some preliminary empirical evidence*, "International Journal of Service Industry Management", 19(3).
- Hofstede G., 1990, *Measuring Organizational Cultures: A Qualitative and Quantitative Study Across Twenty Cases*, "Administrative Science Quarterly", 35(2).
- Huang Y.-T., Rundle-Thiele S., 2015, *A holistic management tool for measuring internal marketing activities*, "Journal of Services Marketing", 29(6/7).
- Kanyurhi E.B., Bugandwa D., Akonkwa M., 2016, *Internal marketing, employee job satisfaction, and perceived organizational performance in microfinance institutions*, "International Journal of Bank Marketing", 34(5).
- Lings I., Greenley G., 2010, *Internal market orientation and market-oriented behaviours*, "Journal of Service Management", 21(3).
- Malik M.E., Nawab S., Nacem B., Danish R.Q., 2010, *Job satisfaction and organizational commitment of university teachers in public sector of Pakistan*, "International Journal of Business and Management", 5(6).
- Milles M.B., Huberman A.M., 1994, *Qualitative data analysis: an expanded sourcebook*, (2<sup>nd</sup> ed.), London: Sage Publications.
- Panigyrakis G., Theodoridis P., 2009, *Internal marketing impact on business performance in a retail context*, "International Journal of Retail & Distribution Management", 37(7).
- Putu Astawa I., Gde Raka Sukawati T., Nyoman Triyuni N., Nyoman Abdi I., 2016, *Performance of Microfinance Institution in Harmony Cultural Perspective in Bali*, "Procedia-Social and Behavioral Sciences", 219.
- Quester P.G., Kelly A., 1999, *Internal Marketing Practices in the Australian Financial Sector: An Exploratory Study*, "Journal of Applied Management Studies", 8(2).
- Rafiq M., Ahmed P.K., 1993, *The Scope of Internal Marketing: Defining the Boundary between Marketing and Human Resource Management*, "Journal of Marketing Management", 9.
- Rappler, 2017, *Bali jadi destinasi wisata terbaik dunia 2017 versi TripAdvisor*; <https://www.rappler.com/indonesia/gaya-hidup/165190-bali-destinasi-terbaik-dunia-tripadvisor-2017>.
- Riana Gede I., 2010, *Dampak Penerapan Budaya THK Terhadap Orentasi Kewirausahaan Dan Orentasi Pasar Serta Konsekuensinya Pada Kinerja Usaha*, Disertasi Program Doktor Ilmu Manajemen, Program Pascasarjana, Universitas Brawijaya Malang.
- Schein E.H., 2004, *Organizational Culture and Leadership*, John Wiley and Sons, Inc.
- Tsai Y.-F., Tang T.-W., 2008, *How to Improve Service Quality: Internal marketing as a Determining Factor*, "Total Quality Management", 19(11).

- Varnai S., Fojtik J., 2008, *The role of internal marketing in cultural change in organizations, meb 2008 – 6th International Conference on Management*, “Enterprise and Benchmarking”, May 30-31, 2008, Budapest- Hungary.
- Varey R.J., Lewis B.R., 1999, *A Broadened Conception of Internal Marketing*, “European Journal of Marketing”, 33(9/10).
- Wieseke J., Ahearne M., Lam S. et al., 2009, *The role of leaders in internal marketing*, “Journal of Marketing”, 73(March).

#### POPRAWA WYDAJNOŚCI WEDŁUG PODEJŚCIA HARMONIJNEJ KULTURY W MARKETNGU WEWNĘTRZNYM

**Streszczenie:** Marketing wewnętrzny, składający się z nagród pracowniczych, procesu rekrutacji, komunikacji wewnętrznej, upodmiotowienia pracowników i szkoleń dla pracowników, wciąż jest przedmiotem debat w badaniach. Celem tego badania było przetestowanie pięciu komponentów marketingu wewnętrznego z perspektywy kultury harmonijnej. Niniejsze badania różnią się od badań z lat poprzednich, które ukierunkowane są na formalne regulacje firmy. Badanie przeprowadzone zostało w dwóch etapach. Etap pierwszy, jakościowy, poprzez harmonijne podejście kulturowe do marketingu wewnętrznego, etap kolejny obejmował test ilościowy, poprzez analizę regresji wielokrotnej, aby znaleźć związek z wydajnością. Respondentami w badaniu byli menedżerowie hoteli, badanie rozpoczynało się od rozmowy o długu, w celu uzyskania informacji dotyczących wdrożenia kultury harmonijnej. Wyniki badania wskazują, że harmonijna kultura nie jest w pełni wdrożona w marketingu wewnętrznym. Proces rekrutacji i komunikacja wewnętrzna w znacznym stopniu przyczyniają się do rozwoju działalności hoteli. Zależność między kulturą a wynagradzaniem pracowników, proces rekrutacji, komunikacja wewnętrzna, wzmocnienie pozycji pracowników i szkolenie pracowników to nowa element w rozwijaniu wewnętrznych atutów firmy w celu uzyskania lepszych wyników. Menedżerowie hoteli, spełniając oczekiwania klientów, mogli korzystać z marketingu wewnętrznego, który podkreśla harmonijny związek między pracownikami, miejscem pracy, a duchowymi wartościami lub przekonaniem pracownika.

**Słowa kluczowe:** nagrody dla pracowników, proces rekrutacji, komunikacja wewnętrzna, wzmocnienie pozycji pracowników, szkolenie pracowników, harmonijna kultura, wydajność

#### 和谐文化法在内部营销中的运用

**摘要:** 内部营销包括员工奖励, 招聘流程, 内部沟通, 员工授权和员工培训等方面的研究, 在以往的研究中仍处于争论之中。本研究旨在从和谐文化的角度来考察内部营销的五个组成部分。本研究与以往以公司正式章程为导向的研究有所不同。研究分两个阶段进行。首先, 通过内部营销的和谐文化方法, 通过多元回归分析进行定量测试, 找出与绩效的关系。调查对象是所有酒店经理人员, 以债务面谈的形式开始, 看到和谐文化的实施。研究表明, 和谐文化在内部营销中并未完全实施。招聘过程和内部沟通为酒店业绩的发展做出了重大贡献。文化与员工奖励, 招聘流程, 内部沟通, 员工授权和员工培训之间的协作是发展公司内部优势以创造更好绩效的新事物。酒店经理在满足客户期望的同时, 可以通过强调员工, 工作场所和员工精神价值观的和谐关系, 利用和谐文化的内部营销。

**关键词:** 员工奖励, 招聘流程, 内部沟通, 员工授权, 员工培训, 和谐文化, 绩效