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Internal Marketing on Public Service Sector: A Literatur Review

has participated as **Author**
in **ICOEN 2018 (The 5th International Conference on Entrepreneurship 2018)**
August, 30th - 31th 2018, at STIE Mahardhika, Surabaya, Indonesia.



Dr. Ir. H. Sundjoto, M.M.
Dean of STIE Mahardhika



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Proceeding

Creating Entrepreneurial Impact for Society

August 30th, 2018
STIE Mahardhika Surabaya, Indonesia



FOREWORD

Welcome to the 5th International Conference on Entrepreneurship (ICOEN) 2018, INDONESIA)



I want to raise my Gratitude for the God's grace so that the 5th International conference on Entrepreneurship (ICOEN) 2018 event can be held again in Surabaya City, and this year STIE Mahardika Surabaya is the host.

ICOEN is annually event to share knowledge and experience in entrepreneurship. It is hoped that new findings through research in the field of entrepreneurship can appear in this event to further develop the role of entrepreneurship not only in Indonesia but also in the world.

On this occasion specifically I would like to express my deepest gratitude to our main Speakers, **Prof. Louie Divinagracia, M.Sc., DBA** (Phillipines), **Dr. Mark Loo** (Canada),

Mr. Xiaohua Xu, Ph.D (China) and **Mrs. Metika Amnatcharernporn B.N.S., M.A.** (Thailand). I believe through these speakers we all have many things that are very valuable and useful for the advancement of entrepreneurship.

I would like to thanks to all the leaders of STIE Mahardhika who are willing to become the host for 5th ICOEN this year. Thank you for your willingness and extraordinary efforts so that this event can be held as planned.

Many thanks are also addressed to the Co hosts who work together (Univ. WR. Supratman, Univ. Trunojoyo Madura, IBMT Surabaya, Univ. Negeri Surabaya, Univ. Abdurachman Saleh Situbondo, Ikatan Doktor Ekonomi Indonesia (IDEI) Surabaya, Indonesia Marketing Association (IMA) Surabaya, International European University (IEU) Surabaya, Univ. PGRI Adi Buana Surabaya and STIESIA Surabaya) this year. Without the help and contribution of the co hosts, we will not be able to get as many papers as more than 100 titles. I hope our cooperation will continue in the future.

I would also like to thank the lecturers and researchers who will present their paper at this event. Your paper is a paper that has escaped the blind review so I believe your paper is a high-quality paper.

Special thanks go to the organizers who have worked so hard that ICOEN 2018 can be held. Finally, I apologize as much as possible if at this event there are still shortcomings. We will continue to improve the ICOEN program for the future.

Finally, I wish you to have great discussion and give the best for entrepreneurship in Indonesia. God bless us.

Dr. Wirawan E.D.R., C.M.A., Ak., CA.

Head of Research & Community Development
Universitas Ciputra, **INDONESIA**

FOREWORD

Welcome to the 5th International Conference on Entrepreneurship (ICOEN) 2018, INDONESIA)



My utmost thanks to Allah SWT because 5th ICOEN 2018 can be held again in Surabaya and especially in this year, STIE Mahardhika Surabaya is trusted to be the host for this event.

ICOEN as it is held annually is hoped to be a medium for sharing knowledge and research in entrepreneurship. As there are new findings through the research, I hope that it will be very useful for the development of entrepreneurship's roles in Indonesia and the world.

On this occasion specifically I would like to express my deepest gratitude to our main Speakers, **Prof. Louie Divinagracia, M.Sc., DBA** (Phillipines), **Dr. Mark Loo** (Canada), **Mr. Xiaohua Xu, Ph.D** (China) and **Mrs. Metika Amnatcharernporn B.N.S., M.A.** (Thailand) from whom, I believe, we can get many things that are

very valuable and useful for entrepreneurship development.

Many thanks are also addressed to the Co hosts who work together (Univ. WR. Supratman, Univ. Trunojoyo Madura, IBMT Surabaya, Univ. Negeri Surabaya, Univ. Abdurachman Saleh Situbondo, Ikatan Doktor Ekonomi Indonesia (IDEI) Surabaya, Indonesia Marketing Association (IMA) Surabaya, International European University (IEU) Surabaya, Univ. PGRI Adi Buana Surabaya and STIESIA Surabaya) this year because of their helps and contributions, this event can be held and I hope this cooperation will continue in the future.

Thank you for all the authors who contribute their research articles to this event and after some tight process of review, the selected articles are published in the proceeding and presented on pararel session.

I also wants to say thanks for all committee members who have been working so hard to prepare this event and without their valuable works ICOEN 5 2018 will not be presented.

Finally, I would like to ask for apologizes if there are some limitations in the organizing process of the event and we ensure ourselves to make the better efforts in the future.

Thank you and have a great discussion

Dr. Ir. H. Sundjoto, M.M.

Dean of STIE Mahardhika Surabaya, **INDONESIA**

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INTERNAL MARKETING ON PUBLIC SERVICE SECTOR: A LITERATUR REVIEW

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ABSTRACT

Internal marketing relevance on the operation of the service lies in improving the service quality in a customer-oriented companies. Researchs on internal marketing show varied results. Some research suggests that internal marketing can improve the performance of the organization. But other studies provide that implementation of internal marketing in the organization hasn't been able to push the overall performance. In addition, there are also differences of thinking about concepts, elements, or dimensions and outcome focus of internal marketing showed by some researchers. Based on the difference in the concept of research (gap theory) and the results of research (research gap), this research examined more deeply what really affects the internal marketing is a great tool for the organization in improving efficiency and innovation internal services organization to enhance our commitment to quality customer service, creating relationships and customer loyalty. This research uses a type of exploratory research. Exploratory research to explore scientific information in order to establish the proposition that shows the relation of internal marketing consists of internal communications, training, internal marketing research, customer service employees on commitment, the quality of relationships, and customer loyalty. Focus Group Discussion (FGD) is conducted to explore data related to internal communication, training, internal marketing research, commitment to employees on customer service, quality of relationships, and customer loyalty that will be used to build a proposition. Meanwhile, data collected through the questionnaires used for testing the proposition and internal marketing model.

Keywords: internal marketing, quality relationships, commitment to service, public service

INTRODUCTION

Since the reform and the enactment of Act No. 22 of year 1999 which was later revised into law No. 32 of the year 2004 and revised back into law No. 12 of the year 2008 about local government and Act No. 25 years 1999 about the Financial Equalization between the Central Government and the regions, there are changes in the implementation of the system of Government in the area of the former are the implementation of system with top down shift to decentralization in nature. This means the Government formally handed over authority to the autonomous region to take care of his household's own and meet the needs in accordance with the aspirations of the people.

Strengthening local government authorization via policy autonomy results in progress in the field of local democracy by applying the system of information disclosure and the granting of service to the community. The paradigm of decentralization has been growing the society's sensitivity to demand quality public service (public service) which is the obligation of the local government. Malau (2009) argues that to improve the quality of public service and good quality, local governments should change the paradigm of thinking and acting that is in the bureaucratic areas, namely from the paradigm that served, *pangreh praja*, ruled and arrogant became the paradigm of serving, waitress society, serve society, facilitating and invites the public to participate in the public service, provide excellent service, responsive, accountable, transparent, communicative.

However, as long as there's this assumption and the impression that the Ministry is conducting a government monopoly, the public is only involved when Governments need information from the public (Widyastuti, 2009). Similarly, the opinion of the Isa (2009) stating that the complaints of the community which is an indicator of the services provided over this has not met the expectations of the community. Rights community have not received service in accordance with the expectations of all parties both from among the general public as well as from the Government itself. Improvements to the performance of the public service bureaucracy would have had broad implications especially in the level of trust the community to the Government. While the lack of performance of the bureaucracy over the years to become one of the driving factors for emerge crisis public confidence to the Government. The public service that provided by the Government often tends to complicated like: a) service rules; b) low educational apparatus; and c) discipline work (Andieka, 2000). It is very influential on performance and service quality of bureaucracy.

In order to improve and maintain the quality of public services, the need for continuous improvement of human resources in an organization as a servant of the people. A business organisation should be able to develop the competence of members of the Organization as individuals responsible for fostering relationships with external customers and other employees. Organizations need to look at people as our most valuable asset and treat them as internal customers, to create a competitive advantage and objective (Berry, 1981; Ballantyne, 2003; Rafiq and ahmed, 2000). Internal customer service is an important part in creating the success of the organization. Companies that make employees as customers, then they should be given a quality service in order to ensure the success of the business (El Samen and Alshurideh, 2012). The paradigm that makes employees as valuable assets for companies/organizations in improving the quality of products and services are in achieving better performance levels is called internal marketing. Internal marketing relevance on the operation of the service lies in improving the quality of services in a customer-oriented companies.

Internal marketing concept was first introduced by Berry (1981) and Gronroos (1983). Where, Berry (1981) argues that the internal marketing as an approach that is enabling and motivating all members of the Organization to carry out its responsibilities and customer driven service. Whereas, Gronroos (1983) argues that all members within the organization is the customer so that the organization needs to retain and improve its relationship with its internal customers i.e. employees through internal quality service. However, there is a difference between thinking Gronroos and Berry, where Gronroos (1983) said that employees will be more oriented to customers if the company had done something to his employees. Meanwhile, Berry (1981) argued that the employees orientated to the customer through the process of satisfying the needs and motivate employees. In addition, according to Gronroos (1983) internal marketing more focused on external measurements. Meanwhile, Berry (1981) focus internally.

In contrast to previous studies that lead to a more internal marketing, external research focuses on external external marketing. This research confirm the model and analyzing the impact of internal marketing consists of internal communications, training, and internal marketing research towards relationship quality and customer loyalty. Building a model theoretical physicist in this study is a combination model developed Bell et al., (2004), Huang et al., (2012), Huang and Thiele (2015) by adding a salesperson variable commitment to customer service as mediation variables. Due to the expected performance of the organization consists of quality relationships and customer loyalty can be increased, if internal marketing model which consists of internal communications, training, and internal marketing research implemented by organization and supported by the existing commitment of employees/employees on customer service (Bansal et.al., 2001).

In general the problem of this research is the determinant of what is actually encouraging the commitment of the employees in an organization so that it can perform better, given the importance of employees as valuable assets for companies/organizations in improving service quality in the public sector. By knowing the factors that encourage employee commitment in improving the quality of service in the public sector and ultimately contribute to the improved quality of relationships and customer loyalty is, expected to be made a model service provider's internal marketing in the public sector by incorporating various aspects that can improve efficiency and innovation service on the internal company. When the factors that shape the behaviour of our commitment to customer service can work properly, it is expected to improve the quality of relationships and customer loyalty.

LITERATURE REVIEW

Public Sector Services

Based on Act No. 25 the year of 2009 , public service is the public service is an activity or series of activities in the framework of the fulfilment of the needs of the service in accordance with the regulations for each citizen and residents of goods, services, and/or administrative services provided by the organizer of the public service.

Public services can also be construed as the giving of services (serving) the necessity of people or communities that have an interest in the organization in accordance with the cardinal rules and procedures that have been set. In fact the Government is the servant of the people. The servant of society is not held to serve itself, but to serve the community as well as to create the conditions that enable every member of society developing the ability and creativity for achieving goals together Therefore the bureaucracy of public obligation and responsibility to provide good service and professional (Mote 2008).

Public services by the public bureaucracy is one manifestation of the function of the state apparatus as a man of the people in the side as a man of the country. Public services by the public bureaucracy intended to prosper society (citizens) of a welfare State (the welfare state). The Ministry of Public Administration by the institutions of the State (1998) defined as any form of Public Ministry activities undertaken by government agencies in the Center, in the area and in an environment of State-owned enterprises/local in the form of goods and or services both in the framework of the efforts of community needs as well as in the framework of the implementation of the provisions of the legislation. The public service can thus be construed as the giving of services (serving) the purposes of a person or the public who have an interest in the Organization in accordance with the cardinal rules and procedures that have been set.

Outline the types of public services according to Kemenpan No. 63 the year 2003 can be grouped into three, namely:

- 1) Administrative Services Group. The type of service that generates various forms of official documents needed by the public, such as the status of citizenship, a certificate of competence, ownership or penguasaan against a goods and so on. These documents include the Resident Card (KTP), Marriage Certificate, birth certificate, Death Certificate, the owner of a motor vehicle (BPKB), Licence (SIM), the license plate of motor vehicle (VEHICLE REGISTRATION), permission to build Buildings, passports (IMB), Certificate of land ownership/Ownership, and others
- 2) Group of service items. The type of service that generates various forms/types of goods used by the public telephone network, for example, the provision of electricity, clean water, and other
- 3) Group services. The type of service that generates various forms of services needed by the public, such as education, health care, organization of transport, posts, and others

Internal Marketing on Salesperson Commitment to Customer Service

Internal marketing is a strategy that aims to create individual values by observing the high-performance indicators-recognition system, the charge indicators will namely internal communication, training and development as well as support senior leaders, to encourage employees to greater performance and ultimately affect business performance (Ahmed et al.,2003). Symbiotic relationship between organizations with internal customer aimed at creating individual values that result in increased profitability, customer retention, market share, and the performance of the Organization (Mazvancheryl et al., 2001). When organizations can meet the needs and desires as well as providing support on an employee, then they are more responsible and more focused in the achievement of its performance (Gummesson, 1987; Tansuhaj et al., 1991; Keller et al., 2006).

Similarly, internal marketing towards customer service employees on commitment (commitment to customer service salesperson). This research used the research model of Bell et al. (2004) to test of the internal marketing salesperson with a commitment to customer service. In this context, Bell et al. (2004) used a social exchange perspective advanced by Shore and Wayne (1993) that there is a social exchange in the relationship between employee-organization. Companies who carry out internal marketing through internal communication, training, and conduct internal marketing research in a comprehensive manner will be able to increase the commitment of the employees or employee orientation especially in terms of service on the customers (customer service). It has also supported research by Huang et al., (2012),

which explores the perceptual gaps between market orientation employee (a nurse) and customers (patients) with internal marketing test with the orientation of the market (market orientation) includes customer orientation, orientation, and competitor interfunctional coordination. A year later the Huang and Chen (2013) continued his studies of internal marketing orientation towards the market (market orientation) but use only one element, namely the orientation of the customers (customer orientation). Ages et al. (2012) argued that the implications of internal marketing programs is very important and significant for employees to always update the market situation such as customers and the competition that ultimately contribute to a business performance of the company. On the research of this commitment towards customer service salesperson (salesperson commitment to customer service) have in common the sense with the orientation of the market in this case is the orientation of the customers, because the same customer driven service that given customers.

Relationship Quality and Customer Loyalty

In relation to the test of the commitment to quality salesperson relationship (relationship quality) and customer loyalty (customer loyalty), this study adopts the most models used by Huang et al. (2012) that examines the influence perceptual internal relationship quality and customer loyalty through perceived market orientation. The study also adopts some models of Homburg and Miller (2011) that result in findings of the existence of a direct influence salespeople's customer orientation toward customer loyalty where customer orientation salespeople's consists of the relational customer orientation and functional customer orientation. As for the proposed research models will be examined further there is in Figure 1.

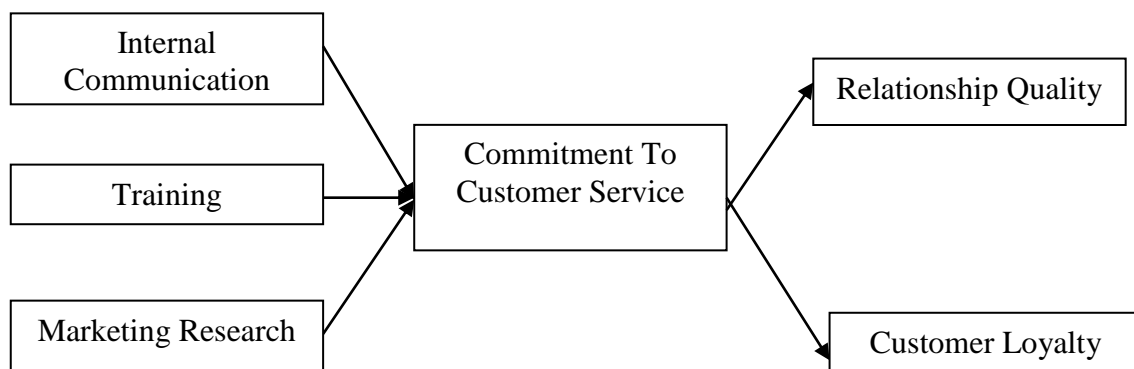


Figure 1. Research Design

RESEARCH METHODS

The study of literature. Researchers at this stage will do a review or study literature supports the conception of a number of these studies, for example: (1) the concept of internal communication, (2) the concept of training, (3) the concept of internal marketing research, (4) concept the commitment of the employees on customer service, (5) the concept of the relationship quality, and (6) the concept of customer loyalty. The result of the study of literature is expected to generate the main ideas thoughts that can be relied upon or justification in doing analysis to answer the problem of research. In addition, researchers also will examine a number of previous research that has been done by other researchers against things that are relevant to the substance of this research will be the reference material in doing data analysis.

RESULTS AND DISCUSSION

Previous research and mapping of relevant research

Some researchers use invalid constructs an internal marketing as organizational variables or at the level of organizational analysis (Shiu and Yu, 2010; The times et al., 2012). The variables measured by likert scale with the use of an existing score. However, score the organizational variables will have different values in each individual's response. This research uses the size of the internal marketing, invalid

constructs salesperson commitment to customer service, relationships quality, and customer loyalty that are perceived by activities individual. As explained in the introduction, that in addition to adopting the model used by Huang (2015), Bell et al., (2004), Huang et al., (2012), and Huang and Thiele (2015). A summary of the results of other research about internal marketing can be seen in the table 1:

Table 1. Summary of some results of research on internal marketing

Research	Method	Respondent	Variable	Result
Ahmed <i>et al.</i> (2003)	Survey	300 employees manufacturing and services	The Marketing Mix Internal, Organizational Competencies, Business Performance	Internal Marketing significant positive impact on business performance. Competence Organisational measures (individual
Hwang dan Chi (2005)	Post Survey	359 employees Hotel	Internal Marketing Job Satisfaction Employees, Organizational	Job Satisfaction Employees, Performance Organisational correlate significantly to
Bouranta <i>et al.</i> (2005)	Survey	Bank Manager	Internal Marketing, Market Orientation,	Internal Marketing influential positive but not significant on the
Keller <i>et al.</i> (2006)	Survey	200 employees 67 supervision	The internal marketing mix (IMM), internal satisfaction customers (ICS), Interdepartmental customers orientasi (ICO), Internal	Internal Marketing significantly influence on performance Internal Customers
Ha <i>et al.</i> (2007)	Survey	500 executive service companies	Internal marketing Coordination and intergrasi between functional marketing-like approach, job satisfaction, customer orientation, empowerment, Employee motivation, communication	Internal Marketing significantly influence on the business performance

Chi <i>et al.</i> (2008)	Survey	130 salesperson	Internal marketing, transformational leadership, organizational	Internal marketing significantly influence in performance. Internal marketing is also
Shiu dan Yu (2010)	Survey	350 employees insurance the non-life	Internal marketing, organizational culture, job satisfaction,	Internal marketing significantly influence on organizational performance.
Zaman <i>et al.</i> (2012)	Survey	550 Bank Employees	Internal marketing, organization commitment, market orientation,	Internal Marketing a positive and significant impact on the performance business
This Research	Survey	Public service sector employees	Internal Marketing, Salesperson commitment to customer service, quality of relationships.	-

The difference in thinking about the elements or dimensions in internal marketing is also examined by some researchers. Bell et.al., (2004) suggests that the dimensions of the internal marketing consists of organizational support and supervisory support. While other researchers state that the elements of the internal marketing consists of internal communication internal communication (Naude, et al., 2003; Varey and Lewis, 1999), training (Gray, 2006; Zampetakis and Moustakis, 2007), and internal market research (Paraskevas, 2001; Quester and Kelly, 1999).

Some previous research found that internal marketing positive and significant effect on the performance of the organization as a whole (Ahmed et al., 2003; Hwang and Chi, 2005; Keller et al., 2006; Ha et al., 2007; Chi et al., 2008; Panigyrakis and Theodoridis, 2009; Shiu and Yu, 2010; Zaman et al., 2012). However research Bouranta et al. (2005) found that the marketing of the internal effect not significant on the performance of the organization. This indicates that the implementation of internal marketing in the organization have not been pushing the overall performance. Ha et al. (2007) in her research that tested the influence of internal marketing indicators on the performance of the organization, showing that job satisfaction, employee motivation, employee development, service quality and internal communication has no effect significantly on the performance of the organization as a whole.

CONCLUSION

Internal marketing going on at the company naturally when members of the organizations trying to influence one another in order to contribute to the best for the company and his external consumer. Marketing manager applying internal marketing when they sell an idea, try to convince employees while motivating employees. Apart from a summary of the results of the above research, formerly Bansal et al. (2001) suggests that it is still a little of research to test the impact of internal marketing activities towards external marketing outcomes as external service quality, external customer satisfaction, and external customer loyalty. Most of the research on internal marketing still testing the impact of internal marketing against internal marketing outcomes, such as a work commitment, job satisfaction, trust, and internal consumer loyalty. However it needs to be recognized is indeed still no studies that directly tested the influence of internal marketing against outcomes external marketing Needed some intermediary variables (mediation) connecting internal marketing outcomes to external marketing outcomes. His research on Bansal et al. (2001) using internal variable customer behavior i.e. extra-role behaviors

directed at external customers are expected to bridge the relationship between internal marketing outcomes and external marketing outcomes.

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