

## DOES INTERNAL MARKETING FOSTER EMPLOYEE CREATIVITY IN THE HOSPITALITY INDUSTRY? A CONCEPTUAL APPROACH

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### **Abstract**

**Purpose** – The concept of employee creativity enhancement is overlooked, although it is an important factor that impacts a hotel's position. In a competitive and uncertain economic environment, organizations need creative employees to improve service quality, enhance organizational effectiveness, and ensure long-term survival (de Jonge et al., 2012; Lusch et al., 2007). Moreover, the success of any organization depends on its ability to adapt to change that in turn requires creativity and innovation (Carr and Johansson, 1995).

Therefore, this study aims to conduct a comprehensive review of the literature on internal marketing, internal service quality, and employee creativity concepts and research.

**Methodology** – The data for this study was gathered using the desk research method. The existing literature and scientific text publications on the management of internal marketing were utilized. Content analysis and descriptive method were used to display the development and explanation of internal marketing, internal service quality, and employee creativity terms.

**Findings** – The findings suggest that internal marketing activities are crucial for managing employees in the hospitality industry. Employees are treated as internal customers and encouraged to provide creative and innovative services to the external customers.

**Originality of the research** – The paper provides a useful review of the appropriate literature related to internal marketing, internal service quality, and employee creativity research in hospitality management. Creativity and creativity training are becoming increasingly important in developing learning organizations nowadays. The conceptual model created in this paper is an assumption how to encourage employees in the hospitality industry to provide creative and innovative services to the external customers.

**Keywords** Internal marketing, internal service quality, employee creativity, innovation, hospitality industry

### **INTRODUCTION**

*“Employees who make the discretionary effort – who are friendly and responsive, who ask the extra question or suggest the extra service, who take the time to listen – provide the competitive edge!” (Donnelly et al. (1985))*

In a competitive business environment, service organizations no longer exclusively focus their marketing activities on guest satisfaction but, rather, strive to meet the needs and wants of their employees as well. In fact, many companies have begun to focus on their employees, as they realize that employees are among a company's best assets and serve as effective links with external audiences (George, 1990.). Only a satisfied

employee can provide a unique service to the guest (Collins, Devanna; 2002). Moreover creative and innovative employees provide exceptional service to customers (Robinson, Beesley; 2010.). To motivate employees to provide unique service to customers, it is essential to understand how service quality can be improved. Internal marketing is a major driver of internal service quality (ISQ) and external customer satisfaction. There has been little research conducted to study the relationship of internal marketing and employee creativity and innovation.

The aim of this research is to present a conceptual model involving internal service quality, employee creativity and innovation, and internal marketing. The literature review presents the evolution of all three variables: internal service quality, employee creativity and innovation, and internal marketing. Based on the literature review and assumptions, a conceptual model was designed. The framework highlights the role of internal marketing as a tool for fostering employee creativity in the hospitality industry. The following marketing activities are highlighted: recognizing the exchange of values and the segmentation of the internal market; strengthening internal communication, management concern, and employee education and training; and establishing a balance between personal and professional life.

## **1. THEORETICAL BACKGROUND**

This study focuses on the relationship between internal service quality, employee creativity and innovation, and internal marketing in the hospitality industry. The literature review first defines the nature of internal service quality and then looks at employee creativity and innovation. Finally, it examines the internal marketing process, emphasizing its implications.

### **Internal Service Quality**

Internal service has been defined as the “services provided by distinctive organizational units or the people working together (Stauss, 1995) and whose main goal is to satisfy the needs of their external customers (Finn et al., 1996). The quality of staff and its impact on the quality of customer service are vital in gaining a competitive advantage (Papasolomou-Doukakis, 2002). Thus, employees should be viewed as the organization’s most valuable asset and treated as internal customers.

This idea of internal services has emerged from the internal marketing perspective. That means that employees within a firm are regarded as internal customers and satisfying their needs is of the utmost importance. Internal service quality provides long-term cost savings and increases financial gains (Davis, 1992). Furthermore, the quality of internal services has been associated with the quality culture of organizations (McDermott and Emerson, 1991). Also, Conduit and Mavondo (2001) indicate that there are positive associations among internal service quality, employee satisfaction, and customer retention.

The success of ISQ practices depends on the practices of excellent internal marketing activities across the service organization (Gunawardane, 2011). Those activities are: staff recruitment, staff training, internal communications, staff motivation, job security, and staff retention (Akroush, Abu-ElSamen, Samawi and Odetallah, 2013). Successful implementation of internal marketing activities results in good internal service quality, which helps hotels to attract and retain excellent service personnel. Notably, Large and König (2009) emphasize that internal service quality is a prerequisite for overall company performance.

The below table summarizes the major literature findings for internal service quality in the hospitality industry.

Tables 1: Literature review for Internal Service Quality

Author; Year	Data	Findings
Stauss; 1995	Qualitative	Internal service is services provided to units or individuals within the organization
Boshoff, Mels; 1995	Quantitative	Every employee and unit is both a service provider and utilizer, and internal service quality greatly impacts the service quality to external customers.
Papasolomou-Doukakis; 2002	Qualitative	Employee development is used to motivate staff to become truly dedicated to delivering high service quality.
Billy et al.; 2006	Quantitative	Employee job satisfaction and commitment to the organization influence internal service quality.
Wildes; 2007	Quantitative	Organizational culture, such as teamwork, monitoring and supervision, communication, and leadership impact service quality. Good internal service quality helps hotels attract and retain excellent service personnel.
Kotler; Keller; 2008	Qualitative	Management concern, internal communication and training are very important for internal service quality.
Opoku et al.; 2009	Quantitative	Internal marketing can have an influence on service quality.
Yang; Coates; 2010	Qualitative	Better ISQ leads to better external service quality.
Chen; 2013	Quantitative	Organizational culture and leadership styles affect ISQ in the hotel.
Akroush, Abu-ElSamen, Samawi and Odetallah; 2013	Quantitative	Internal marketing (staff recruitment, staff training, internal communications, staff motivation, job security, and staff retention) positively influence internal service quality in the hospitality industry.
Lahap et al.; 2016	Quantitative	Effective communication improves internal service quality.

### Employee creativity and innovation

To be competitive and successful in today's business environment, organizations need to be ready for change and able to adapt. Some of the essential elements for long-term corporate success are creativity and the support of innovation (Carr & Johansson, 1995). Innovation is a system of interactive learning that is developed over time, where social and political forces play an important role, in addition to purely economic factors (Simmie and Strambach, 2006). In order for innovation to happen, creative theorists claim that an individual has to be creative. Individuals must have a certain level of internal force that enables them to face the challenges in creativity (Shalley and Gilson, 2004). This internal force comes from self-leadership, which is the skill that fosters individual innovation (Carmeli et al., 2006). Furthermore, Kim et al. (2010) stated that individual employees with a proactive personality exhibited the highest employee creativity when aided by job creativity requirement and supervisory support. Also Hon (2012) confirms that factors that promote creativity are climate for creativity, leadership, and co-worker support. While on the other hand, a controlling or coercive management style characterized by a focus on punishment, obligations, or external standards appear to be antithetical to employee creativity. In order to encourage the development of more creative services at work, human resource departments in hotel companies should provide training programs for supervisors and employees to enhance their reciprocal relationships and establish reward mechanisms.

Table 2 presents the major findings in the literature for employee creativity and innovation in the hospitality industry.

Tables 2: Literature review for Employee Creativity and Innovation

Author; Year	Data	Findings
Amabile; 1983	Quantitative	Creativity is the production of novel, useful ideas by an individual or small group of individuals working together.
Oldham, G.R., Kulik, C.T., Stepina; 1991	Quantitative	Job characteristics and employee relationships with supervisors influence an employee's creativity.
Carr, Johansson; 1995	Qualitative	The success of any organization depends on its ability to adapt to change that, in turn, requires creativity and innovation.
Amabile et.al. 1996	Quantitative	The creativity instrument consists of five work environment dimensions: challenge, organizational encouragement, work group supports, supervisory encouragement, and organizational impediments
Han, Kim, and Srivastava; 1998	Quantitative	Innovation is an increasingly important management function to ensure a firm's growth. This requires a committed, market-oriented corporate culture.

Author; Year	Data	Findings
Seith, Smith and Park; 2001	Quantitative	Creativity is defined as the extent to which the product differs from competing alternatives in a way that is meaningful to customers.
Wong; Pang; 2003	Quantitative	The job-related motivators for creativity in the hotel industry are (1) training and development; (2) support and motivation from the top; (3) open policy; (4) recognition; and (5) autonomy and flexibility.
Shalley, Zhou, and Oldham; 2004	Qualitative	Employee creativity is the development of ideas about practices, procedures, products, and/or services that are (a) novel and (b) potentially useful to an organization.
Gong et al.; 2009	Quantitative	Individual learning orientation and transformational leadership are positively related to creativity.
Coelho and Augusto; 2010	Quantitative	Both job complexity and work relationship influence employee creativity through factors such as intrinsic motivation and role stress.
Hon; 2012	Quantitative	Empowering leadership and co-worker support enhance creativity.
Wang, Tsai, H.T.; Tsai M-T. ; 2014	Qualitative / Quantitative	Transformational leadership positively affects employee creativity via creative role identity and creative self-efficacy.
Wang; 2016	Quantitative	Leader-member exchange positively affects performance and creativity in the hospitality industry.
Li; Hsu; 2016	Quantitative	Creative ideas and innovation improve service processes and service quality in the hospitality industry.

### Internal Marketing

In the past, not all organizations offered the same service quality. The concept of internal marketing (IM) emerged during the 1970s, as the solution for those companies that wanted to offer a more competitive service to their users (Berry et al. 1976.). However, despite the rapidly growing literature on IM (for example, Berry, 1981; Gronroos, 1981; Flipo, 1986; Collins and Payne, 1991; Piercy and Morgan, 1991; Piercy, 1995; Cahill, 1996; Pitt and Foreman, 1999), very few organizations actually apply the concept in practice. The main problem is that the explanation of IM is vague and there is not a single, unified concept in the literature of what is meant by IM, how it is supposed to work, and who is supposed to do it. The following paragraphs focus on the evolution of the internal marketing concept in the literature and emphasizing its dimensions.

In the early developmental phase, the majority of the literature on internal marketing focused on the issue of employee motivation and satisfaction. Berry et al. (1976) were the first to use the term *internal marketing*. In 1981, in his article Berry defined internal marketing as “viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these customers while addressing the objectives of the firm.” The same year, Grönroos pointed out that the basic goal of internal marketing is to motivate employees and make them aware of the importance of external clients (Grönroos 1984, 40).

In the following years, the concept of internal marketing was primarily highlighted in the literature with regard to service marketing. The challenge of internal marketing became more significant during the 1990s. Grönroos (1990) stated that it is necessary to make it more familiar to both practitioners and scholars, especially those working in the field of human resource management and organizational behavior. Colling and Payne (1991) believed that internal marketing should be applied prior to the external marketing, especially in service companies. The process of attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their needs should be applied prior to external marketing (Berry and Parasuraman 1991).

It is important to note that during the 1990s, internal marketing is connected to human resource management, describing aspects such as motivation, loyalty, communication and employee authority (Jarvi 2000; Davis 2001; Colin 2002). Later on, Lings (2004) and Lings and Greenley (2005) apply the concept of market orientation to the employer and employee exchanges inside an organization. They name the adapted concept internal market orientation or IMO. IMO refers to the process of generating and disseminating intelligence about internal market needs and then responding to and satisfying these needs (Lings and Greenley, 2005). IMO puts emphasis on interdepartmental interactions and, at the same time, operates between staff and management (Carter and Gray, 2007). The research done in 2014 confirmed that internal marketing represents the firm’s philosophy to provide value for its employees with the aim of encouraging them to attain the firm’s external objectives (Boukis and Gounaris, 2014). This paper adopts the components of internal market orientation (IMO) stated by Ruizalba, Bermudez Gonzalez, Rodriguez Molin, and Blanca (2014), namely intelligence generation (recognition of value exchange and segmentation of the internal market), internal communication, and responsiveness to intelligence (management concern, education and training of staff, and balance of work and family life).

The below table presents the major literature findings that refer to internal marketing in the hospitality industry.

Tables 3: Literature review for Internal Marketing

Author; Year	Data	Findings
Berry et al.; 1976	Qualitative	IM is a solution for those companies that wanted to offer a more competitive service to their users.
Berry; 1981	Qualitative	Employee is an internal client.
Grönroos; 1984	Qualitative	IM motivates employees and makes them aware of the importance of external clients.
Flipo; 1986	Qualitative	IM is a tool and strategy to develop the internal concept of orientation towards the buyer.
Grönroos; 1990	Qualitative	IM must be focused on attracting and retaining those employees who are aware of the importance of clients.
Berry; Parasuraman; 1991	Qualitative	IM activities (attracting, developing, motivating, and retaining qualified employees) should be applied prior to external marketing.
Collin; Payne; 1991	Qualitative	The utilization of IM elements leads to higher quality of HRM.
Hales; 1994	Qualitative	IM is similar to HRM.
Foreman; Money; 1995	Qualitative/Q uantitative	HRM activities need to be integrated into the process of internal marketing in each company.
Piercy; Morgan; 1995	Qualitative	McCarthy's 4Ps (Price, Product, Place, and Promotion) should be implemented in internal marketing.
Boshoff; Tait; 1996	Quantitative	IM is a strategy to enhance the level of service quality delivered by frontline employees.
Ballantyne; 1997	Qualitative	Internal marketing contributes to the development of an organization.
Lings; Brooks; 1998	Qualitative	Developed a model of internal marketing based on the relationship between the internal supplier and the internal buyer whose end goal is external buyer satisfaction.
Hog, Carter; Dunne; 1998	Qualitative	Internal communication is important to communicate the business aims, values and performance of the organization to employees and to encourage employees to participate actively in the success of the business.
Caruna; Calleya; 1998	Quantitative	IM has an effect on the loyalty of employees to the company.
Varey; Lewis; 1999	Qualitative	IM is a strategy of the company.
Rafiq; Ahmed; 2000	Qualitative	IM is about motivation, loyalty, communication, employee authority

Author; Year	Data	Findings
Lings; 2004	Qualitative	Develops a new construct, 'internal market orientation' (IMO).
Lings; Greenley; 2005	Quantitative	Development of a measure of IMO in a retail services context which refers to the process of generating and disseminating intelligence about internal market needs
Gounaris; 2006	Quantitative	IMO promotes the need to plan and build effective relationships between employees and management
Proctor; 2010	Qualitative	IM is a way of improving customer focus within an organization and paving the way for a system of good customer relationship management (CRM)
Kale; 2010	Qualitative	IM creates a good working environment, which attracts quality employees.
Boukis; Gounaris; 2014	Quantitative	IMO results in positive employee outcomes such as higher patronage and motivation to report service complaints.
Ruizalba, Bermudez Gonzalez, Rodriguez Molina, Blanca; 2014	Quantitative	IMO is a strategic determinant of both job satisfaction and employee commitment. In the hospitality service industry, employee performance and attitude are significant factors affecting the delivery of service.

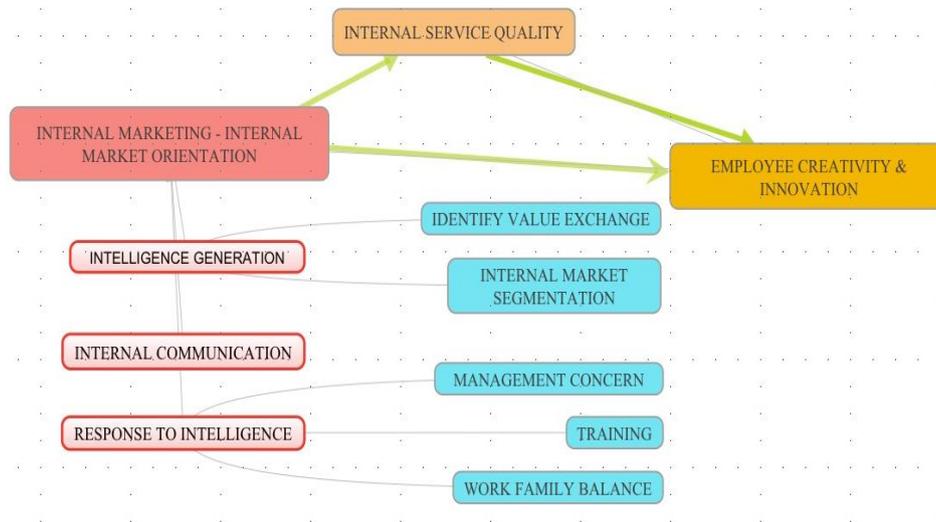
## 2. CONCEPTUAL FRAMEWORK

Based on the literature review, a conceptual model was created, which suggests that internal market orientation activities enhance internal service quality and foster an employee's creativity and innovation.

Quality is an important element of competitiveness in all business domains. From the above stated literature, it can be concluded that employees are the major assets of any company, especially those in the service industry. To provide high quality service, the hotel primarily must have skilled, motivated, and satisfied staff. Managers are the ones who are responsible for achieving internal service quality, which results in the guest's satisfaction and the hotel's overall business success. In this respect, managers should match people's skills, interests, and personality types to the right jobs, so that each employee can make the most of his/her expertise. Such skills include creativity and innovation. Furthermore, the literature review confirms that managers need to provide guidelines for employees, including the behaviors that employees can adopt to accomplish organizational goals. A large number of scientists point out that the implementation of internal marketing, i.e. internal market orientation, is an efficient way to improve internal service quality, as well as to achieve and enhance employees'

loyalty towards the company. Figure 1 presents the model of the ideas, variables, and relationships explored within the theoretical framework.

**Fig. 1: The proposed conceptualization of internal marketing, internal service quality, and employee creativity and innovation in the hospitality industry**



Internal market orientation regards the employees of an organization as a market that needs to be analyzed, segmented, and offered an appealing product. This does not solely consist of a satisfying workplace and salary, but also entails an expectation of a higher work effect and integration with the goals of the organization. Managers have a key role in fostering internal market orientation (Webster, 1988; Grönroos, 1990; Jaworsky and Kohli, 1993; Lukas and Maignan, 1996). It is their responsibility to create a climate for market orientation (Grönroos, 1990), and as organizational leaders, they are role models that must demonstrate their dedication to internal customers (Lukas and Maignan, 1996). The first internal market orientation activity is internal market intelligence generation. This refers to all those activities that have to do with the identification of employee value exchange, which consists of seeking a balance between the value that each employee brings to the company and the value that the company offers to the employee. Regarding internal market segmentation, Lings (2004) acknowledges that it is advisable to group employees with similar characteristics and needs as this facilitates the design of more effective strategies targeted at the internal market. In this respect, Jobber (1995, 73) suggests categorizing employees into three groups: sympathizers – the employees who support change, neutral employees who do not have an attitude concerning changes within the company, and anti-change employees.

In order to enable the company to connect and function as a whole, formal and informal communication amongst employees is important (Tsai and Tang 2008, 1122). Successful internal communication is important in raising the awareness and sensibility of the employees to act according to demands the company sets out for them. The

instruments of communication with the employees can be internal newspapers, message boards, brochures, education, and meetings. Employees can also communicate with managers via polls, suggestions and meetings, and through the resolution of employee complaints (Ozretić Došen and Prebežac 2000, 51).

Another important IMO activity is the response to intelligence, which involves actions taken in response to the needs of employees and comprises three aspects: management concern, training, and work/family balance. Management concern refers to the degree to which managers develop a work climate of psychological support, helpfulness, friendliness, and mutual respect (Johnston et al., 1990). As Lings (2004) points out, this does not mean that managers cater to employees' needs on a *carte blanche* basis, but refers simply to the degree to which employees are recognized as individuals and treated with dignity and respect. The basic task of every manager is to analyze the surroundings, recognize the trends, and adjust the business in accordance with the aforementioned. With their experience and knowledge they can help the employee and show him/her how to complete their work tasks in the most efficient and successful way. It is important for the managers to possess several characteristics at work including staying calm in crisis situations, the willingness to help and talk to the employees, and good inter-human relationships with the authority in respect to their position. As for the employees, it is important for them to be able to follow the directions of their superiors and to be aware of the goals they must accomplish. Conversation and mutual assistance, as well as advising, should remove any possible issues and obstacles between the manager and the employee. A combination of coaching and information sharing has both social and instrumental effects: it helps build high-quality relationships, fostering trust among coworkers, and it bolsters performance by providing important information necessary for creative performance. Furthermore, monitoring is also necessary, since it prevents the employees from becoming too relaxed, and provides the information about the specific phase of work the employee is in and whether he or she is abiding by the time guidelines set in the previous phase. In a good environment, employees will not experience pressure from their superiors because of the pressing debts, but will understand their superior's good intentions of helping them in managing the task. Managers need to dedicate more time to employees who display unsatisfactory results and should constantly monitor their progress, behavior, skills, and interactions with other team members. One of the important elements of job satisfaction is achieving the work/family balance. Such activities that companies have recognized as important include flexible work time and a kindergarten within the company (Thompson and Protas 2005, 109).

Internal market orientation activities are the basis for internal service quality. A good working atmosphere is an important antecedent of employee creativity, as stated in the literature review. Climates that support creativity are open to change, give employees freedom and discretion, encourage employees to challenge the status quo and develop new ideas, and promote diversity in cognitive styles, viewpoints, and approaches to work. In general, it can be deduced that the application of internal marketing activities fosters employee creativity and innovation, which assures the competitive advantage in the hospitality industry.

## CONCLUSION

Service quality is a key factor in gaining a competitive advantage in the hospitality industry. The quality of the service depends on the quality of the service provider and the quality of the way in which it is offered. High quality service is achieved through employee training and motivation. Highly motivated, educated, professionally trained, and devoted employees create and maintain the quality of service with their superiors and their colleagues, as well as their guests (Clark, Hartline and Jones 2009, 217). A company cannot succeed without the active participation of all employees and the managerial support on all levels in providing a high quality product and service. A pleasant working atmosphere, the possibility of perfecting and progress, the relationship of managers towards the employees, and permanent employment are the remaining factors which motivate an employee to work, direct him or her, and determine the intensity and duration (Oakland 2011, 521). Therefore, management concern, internal communication between management and employees, training and steering the employees towards providing a high quality service to internal guests (colleagues) as well as to external guests are all integral to maintaining and improving internal service quality. The aforementioned research shows that the success of internal service quality depends on the successful application of internal marketing and its activities within the company. A satisfied employee is encouraged to be creative and produce high quality work. The work of a satisfied employee raises the level of productivity of a hotel company, which contributes to the company's competitiveness.

Although IM has been presented as a key variable in stimulating and facilitating change and improvements in organizational routines and management practices (Barnes et al., 2004; Shiu and Yu, 2010), there have been no studies yet to confirm or refute the relationship that this study states. In particular, while it is reasonable to expect that IM can help with employees' commitment so that they will feel more engaged with their everyday work and be more likely to initiate processes of unlearning that will ultimately benefit business performance, the literature shows no research that links IM with employee creativity. It is also noteworthy that, despite the academic and professional recognition of IM as an important factor in service innovation (Czarnitzki and Spielkamp, 2003; Meyer et al., 2010; Piercy, 2009; Sánchez and Miranda, 2009), the effect of IM on firms' intensity of innovation has received scant attention in the literature. Also, studies concerning the importance of innovation in the hospitality field, systematic analyses on creativity and innovation, and empirical tests of innovation are scarce (Brooker et al., 2012; Enz, 2012; Hjalager, 2010).

In this regard, the contribution of this research paper is in the in-depth literature review of three variables: internal marketing, internal service quality, and employee creativity and innovation. Another contribution is the creation of a conceptual model, which suggests that the successful implementation of internal marketing fosters employee creativity in the hospitality industry. In particular, this conceptual model is of great importance for hotel managers to know when to change their behavior so as to achieve success.

Future studies should incorporate qualitative analysis as well to understand the thoughts and interpretations of the executives or managers working in the hospitality industry. The model could be tested as a whole or in parts by employing appropriate statistical procedures to verify the validity of the proposed framework. Similar studies should also be extended to other industries to meaningfully examine and interpret the relationship between internal marketing, internal service quality, and employee creativity and innovation.

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