

The Effect of Internal Marketing on Competitive Advantage as Organizational Coaching - Mediating Effect of Service Innovation

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Abstract

The purpose of this study is to examine the effect of internal marketing (IM) on competitive advantage in the organizational coaching approach to gain competitive advantage in Korea. This study is to construct the sub - elements of IM as communication, compensation, and empowerment, and to identify the relationships among IM, service innovation and competitive advantage. To accomplish the purpose of this study, we conducted a questionnaire survey of 220 employees working in three branches of the Korea Health Care Association, and collected the data and verified the hypotheses through SPSS and AMOS analysis. As a result, IM has a significant effect on service innovation positive and direct influence on competitive advantage respectively as organizational coaching. However, the relationship between IM and service innovation did not supported. In other words, there is no mediating effect of service innovation on the relationship between IM and competitive advantage. These results suggest that IM enhances competitive advantage as a role of organizational coaching. Therefore, this paper suggests practical implications for public hospital managers, including private hospital managers, from a management perspective.

Keywords: Internal Marketing, Service Innovation, Competitive Advantage, Organizational Coaching

1.Introduction

With a rapidly changing competition environment, organizations including hospitals has a problem of how to enhance the competitive advantage. One of the solutions of this problem is the internal marketing(IM) that has an effect of the employee attitude and changes the process of service with new idea, in turn lead to competitive advantage. According to survey results in the past few years, even though customers have paid more attention to healthy ratios [1] and pay attention to keeping good health, increase in hospitals supporting many diverse and convenient service is drawing fierce in competition. In these keen competition, all organization including even non-profit organization has attempted to gain the competitive advantage. One of the solutions about this problem, internal elements of organization must be focused. Sub-dimensions of IM as an organization coaching such as communication, reward are very essential element to competitive advantage.

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Meanwhile, innovation and new ideas come from factors within and outside an organization [2][3]. This paper focused on the internal view of organization as an organization coaching.

Therefore, we suggested that IM is the important variable that gains the sustainable competitive advantage. This research focused on the aspects of IM as an organizational coaching and innovation that lead to competitive advantages in the hospital industry.

2. Literature review

Recently, Papadas et al. proposed that internal green marketing has an effect on relationship between strategic and competitive advantage as a moderator in the study on the interplay of strategic and internal green marketing orientation on competitive advantage [4]. Meanwhile, Jeong and Lam offered five dimensions of IM, following elements: vision, communication, overall development, job training and reward system [5]. Based on the previous review, we employed three elements of IM: communication, empowerment, reward.

Tsai and Wu found that there is a positive relationship between IM and service innovation for nurses in hospitals, and recommended that nursing managers of hospitals strengthen service innovation by employing IM. They proposed that education and training are often used to positively influence the innovative ability of employees in order to increase a hospital's internal resource capacity [6]. Thus, nursing managers of hospitals could apply education and training strategies derived from IM practices to increase nurses' knowledge, improve their nursing care and innovation skills and improve the quality of service to patients. On the other hand, a study on creating competitive advantage through IM in the medical industry, Bang proposed that IM is the antecedent of self-efficacy, internal customer satisfaction and service innovation. That's IM has a positive effect on service innovation. So, top and middle managers must understand that IM activities such as open and effective internal communication to understand employees' needs, training and education have been mixed well to develop internal customers' ability as well as to motivate internal customers toward service mindedness and improvement of service quality, appropriate reward system to motivate the members of the organization such as developing the competence-based reward [7].

This paper aims to identify the IM according to the three sub-dimensions and the relationship between IM and service innovation and competitive advantage, achieving several theoretical and managerial contributions.

3. Methodology

3.1. Conceptual model

This paper is to investigate the relationships among IM, service innovation and competitive advantage for the hospital organization.

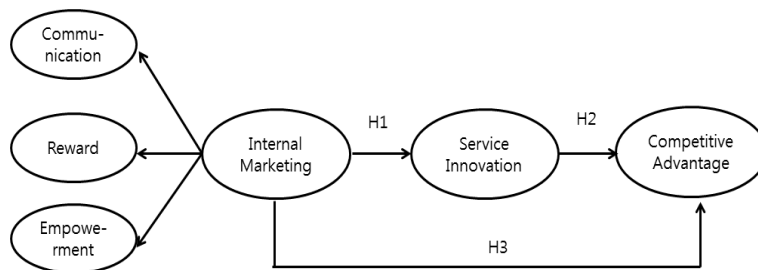


Figure 1. Conceptual model

3.2. Samples

A survey for some schools in Gyeongnam province in Korea was conducted to collect data. When sending out the 220 questionnaires, we apply cross test and random order items to avoid common method biases. Altogether, we get 214 respondents. We delete 15 invalid replies and get 199 valid respondents at the end.

4. Results

4.1. Result of confirmatory analysis

The CFA results are presented in Table 1. The reliability (Cronbach's α) of each construct is more than 0.6, composite reliability of all indicators were above thresholds, which exceeds the acceptable level suggested by Murphy and Davidshofer (1988) [8] and by Nunnally and Bernstein (1994) [9]. So, all factor loadings were statistically significant and reliabilities were above 0.7. The average variation extracted (AVE) values for all constructs were above 0.5. The results of CFA supported discriminant validity due to all indicators fitted. The CFA model indicated good fit to data.

Table 1. Results of confirmatory factor analyses

Variables	Items	Estimates	SE	T value	Cronbach' α	CR	AVE
communication	X1	0.873	-	-	0.910	0.911	0.719
	X2	0.841	0.057	15.834			
	X3	0.804	0.063	14.608			
	X4	0.873	0.062	16.930			
reward	X6	0.843	0.066	15.403	0.926	0.857	0.735
	X7	0.876	0.063	16.500			
	X8	0.812	0.062	14.464			
	X9	0.854	0.063	15.746			
	X10	0.849	-	-			
empowerment	X11	0.865	-	-	0.926	0.919	0.739
	X12	0.839	0.054	17.547			
	X13	0.891	0.057	16.496			
	X14	0.843	0.054	18.703			
service innovation	X15	0.835	-	-	0.888	0.889	0.727
	X16	0.879	0.067	14.331			
	X17	0.844	0.065	15.371			
competitive advantage	X19	0.877	-	-	0.902	0.907	0.766
	X20	0.932	0.058	18.802			
	X21	0.812	0.066	14.967			
$\chi^2/df=275.528(142)$, $p=0.000$, $CMIN/DF=1.940$, $GFI=0.881$, $IFI=0.962$, $TLI=0.954$, $CFI=0.962$, $RMSEA=0.075$							

Significant value at $**p=0.05$, $***p=0.001$

4.2. Result of correlations analysis

[Table 2] reported the results of correlations identified. The analysis verified discriminant validity, the square root of AVE of each factor was larger than the correlation coefficients between the factors (off-diagonal elements) [10]. So the discriminant validity of all measurements used can be verified.

Table 2. Results of correlation analysis

	CO	RS	EM	SI	CA
Communication	0.848				
Reward system	0.150*	0.857			
Empowerment	0.165*	0.388**	0.860		
Service innovation	0.023	0.133	0.256**	0.853	
Competitive advantage	0.072	0.164*	0.200**	0.199**	0.875
CO: communication of IM, RS: Reward system of IM,, EM; Empowerment, SI: Service innovation, CA: Competitive advantage					

Significant value at * $p=0.05$, ** $p=0.001$

4.3. Results of path analysis

As shown in Table 3, all hypotheses in the path analysis are supported except for the relationship between service innovation and competitive advantage. That's, IM is positively related to service innovation ($\beta=0.676$, $p=0.001$) and competitive advantage ($\beta=-0.653$, $p=0.001$), supporting H1, and H3, respectively. However, H2 is not supported ($\beta=-0.100$, $p=0.05$).

Table 3. Results of path analyses

Hypothesis	Path	Estimates	SE	T-value	p-value	Results
H1	Internal marketing → Service innovation	0.676	0.069	9.769***	0.000	Supported
H2	Service innovation → Competitive advantage	0.100	0.125	0.799	0.424	Unsupported
H3	Internal marketing → Competitive advantage	0.653	0.111	5.869**	0.000	Supported
$\chi^2/df=391497(202)$, $p=0.000$, $CMIN/DF=1.938$, $GFI=0.856$, $IFI=0.952$, $TLI=0.945$, $CFI=0.952$, $RMSEA=0.068$						

Significant value at ** $p=0.05$, *** $p=0.001$

5. Conclusions

This paper examined to identify the IM according to the three dimensions and the relationship between IM and service innovation and hospital competitive advantage. The results showed that IM has a positive effect on service innovation. In addition, IM directly influences on competitive advantage. However, service innovation has no the effect of competitive advantage.

To gain competitive advantage in an organization comes from how to manage and construct communication, education & training, reward, empowerment etc. Therefore, through IM

activities such as having good communication system with members in hospital organization, specially between leader and members, shifting empowerment to members, providing proper and fair reward system, organization attempted to be transformed with accepting service innovation. This kind of internal marketing policy increases the employee satisfaction and loyalty. It in turn increase organization performance and decrease turnover rate. IM is managing a company's human resources based on a marketing perspective (Frye et al., 2019; Kotler et al., 2017). As seen in their view, an organization treats their employees as internal customers as the role of organization coaching. That's why, this paper showed that IM is a vital factor to organization's competitiveness as a view of organization coaching.

Consequently, we suggested that IM as organization coaching has a positive effect on service innovation and then is the core factor to enhance the competitive advantage. Therefore, this paper suggests practical implications for public hospital managers, including private hospital managers, from a management perspective.

For further research, it is meaningful that we study on regarding IM as a view of organization coaching more.

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