

INTERNAL SERVICE QUALITY IN HOTEL INDUSTRY – CONCEPTUALIZATION AND MEASUREMENT

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SUMMARY

Purpose

In the conditions of global competition, companies are forced to grow and develop, and to maintain their competitive advantage by continuously innovating and delivering value to consumers superior to the competition, whereby the quality of services has a key role. The hospitality industry is different from other similar industries in the area of providing customer service. To provide high quality service, the hotel primarily must have skilled, motivated, and satisfied staff. The knowledge of how to lead employees in the best possible way, how to motivate them, guide them, educate them and achieve the best results to the mutual satisfaction, is best accomplished by applying marketing activities within the company, i.e. internal market orientation. Furthermore, hotels must encourage employees to embrace certain behaviors that go beyond their regular job functions, such as helping customers resolve problems, cooperating with colleagues, preventing unexpected incidents, and paying extra attention to organization. In other words, hotel employees should not only do their jobs but they should also go above and beyond their own obligations towards the hotel and others. This self-initiated and positive employee behavior is called organizational citizenship behavior (OCB). In the literature, there is a lack of theoretical and empirical research and results, which explore the relationship between internal service quality, internal marketing and organizational citizenship behavior.

This is precisely the reason why this dissertation systematically analyzes and deals with relevant theoretical notions based on the sources from national and international scientific literature, concerning internal service quality in the hospitality industry, and provides an elaborate overview and analysis of the obtained preliminary results and notions based on the conducted empirical research. Based on the results obtained here, a standardized and coherent model was developed and tested, which makes it possible for the impact that internal market orientation and organizational citizenship behavior have on the achievement of internal service quality in the hospitality industry to be measured. The aim was to determine the relationship between internal service quality and the concepts of internal market orientation and organizational citizenship behavior, furthermore, to analyze the difference in the respondents' (hotel employees') perception of the internal service quality, organizational citizenship behavior and internal market orientation in relation to the chosen demographic characteristics, to analyze cause-and-effect relationship of the observed concepts, to test the validity and reliability of the imported measuring instrument and finally to provide guidelines for the application of the conceptual model and the results in practice.

By conducting conceptual and empirical research and by applying statistical methods of data analysis, all the set aims and all the set hypotheses have been achieved. The results of this research support the suggested model of achieving internal service quality in the hotel industry and confirm the main scientific hypothesis of this dissertation that *there is a positive relationship between internal market orientation, organizational citizenship behavior and internal service quality in the hospitality industry*

Methodology

To achieve the set objectives of this dissertation, the first part of this study lists a literature review, which defines dimensions of internal market orientation and organizational citizenship behavior that influence internal service quality. To obtain the information from the employees in the hotel industry, a questionnaire was designed and conducted in hotels in Dubrovnik. When creating the questionnaire, the same measuring instruments that were applied in the foreign research were used here. The entire questionnaire comprises of four parts: internal service quality (1), internal market orientation (2), organizational citizenship behavior (3) and demographic information (4).

An adapted SERVQUAL instrument was used (*Internal marketing and service quality in restaurants* (Akroush and associates 2013)), to measure the *internal service quality*, which evaluates four dimensions: reliability, assurance, empathy and responsiveness with a total of 15 attributes of the service quality.

Previous studies point out that the success of internal service quality depends on the successful application of internal marketing within a company and its activities. This is the best way to offer quality to employees, that they will in return transfer to customers. The job performed by a satisfied employee raises the level of productivity of the hotel company, which contributes to the company's competitiveness. Employees should constantly be encouraged to perform high-quality work. This is possible only if the goals set by the company are clearly stated to the employees, if business processes and their role in these processes are clearly defined, and if feedback on the results is enabled (how

good or bad something is done). This is possible with the application of internal marketing activities, i.e. internal market orientation, which guarantees continuous training of employees and improvement of internal service quality.

In this dissertation, *internal market orientation* is observed through three dimensions suggested by Ruizalba, Bermudez – Gonzalez, Rodriguez Molina and Blanca (2014) who studied hotel service in Spain. The first dimension (generation of internal market intelligence), is composed of two different factors: value exchange between company and employees, and internal segmentation; the second dimension (exchange of internal market intelligence), and the third dimension (response to internal market intelligence) comprises three factors: training of employees, management concern and work-family balance.

Furthermore, successful application of internal market orientation not only increases job satisfaction and organizational commitment but also results in voluntary behavior in the workplace. When employees are authorized to take on responsibilities for certain jobs, to make decisions and improve business processes, they feel more involved and want to improve their job performance. The application of organizational citizenship behavior contributes to achieving the service quality both in internal and external market. The *organizational citizenship behavior (OCB)* construct was adapted from the example of the questionnaire published in the work *The impacts of perceived organizational support and psychological empowerment on job performance: The mediating effects of organizational citizenship behaviour* (Chiang and Hsieh 2012). The scale consists of 22 particles that describe five dimensions of OCB (altruism, conscientiousness, courtesy, civic virtue, and sportsmanship). Particles 14-19 were recoded for the purposes of further analysis, according to theoretical instructions of the author of the measuring instrument.

The data collected in the fourth part are *demographic information* such as: age, sex, marital status, hotel size, hotel category, the department in which the employee works, job position and the department inside the company, employment status (part-time or full-time), time spent in the company, qualifications and education. To compile a list of demographic information, sources from the research conducted by Islam and Ismail (2008) in *Employee Motivation: a Malaysian Perspective*, were used. In this research, data about the size of the hotel was added – the number of rooms (big/small), and job position in the hotel. To make sure the respondents would participate and respond to the questionnaire, the introductory part of the questionnaire explained that the questionnaire is anonymous, i.e. how the data will be used.

The questionnaire entailed five-point Likert scale, ranging from 1 (I strongly disagree) to 5 (I strongly agree). A pilot study was conducted in June 2017 on a representative sample. The respondents successfully completed the survey, and in the main research, only minor changes were related to the place, i.e. the location and age and sex. The main research was conducted in eight hotels, in the period between July and September 2017. The survey is based on 201 correctly filled in questionnaires. To obtain the best quality of the information from the gathered data, three levels of statistical analysis were used: univariate, bivariate and multivariate statistical analysis.

Findings

The results of descriptive statistical analysis show that hotel employees gave relatively high grades to the perceived internal service quality. They gave slightly lower average grades to organizational citizenship behavior, whereas the lowest grades were given to the application of internal market orientation in the hotel. Correlation analysis was conducted with the goal of determining the relationship between the constructs of application and measurement of internal service quality in the hotel. Statistically significant relationship exists between *internal service quality* and *internal market orientation* ($r=0,709$), whereas the relationship between *internal service quality* and *organizational citizenship behavior* is weaker with the coefficient of $r=0,457$ and with the coefficient of $r=0,355$ between *internal market orientation* and *organizational citizenship behavior*. By applying the method of multiple regression the relationship between internal service quality and the concepts of internal market orientation and organizational citizenship behavior was confirmed. To show the possibility of statistically significant differences between the constructs regarding demographic characteristics, Kruskal Wallis and Mann Whitney U tests were used. The results of the analysis show that there are no statistically significant differences regarding: sex, age and the area of education, whereas marital status and the level of education of the hotel employees affect the rating of the “internal service quality” concept.

It is also necessary to point out that there are certain limitations to this research. This research, as most marketing research studies are, is conducted over a certain period of time, in this case at the peak of the tourist season, and the survey among the hotel employees during a longer period (pre-season and post-season) would contribute to a greater reliability of the results. A certain limitation is also the size of the sample and its structure, and to generalize the results better, the research should be conducted in other tourist destinations in Croatia as well. Furthermore, possible incomprehension of the questions might represent a possible weakness of the conducted research.

Originality of the research

Despite all that, the mentioned limitations do not diminish the contribution of the results in the theoretical, methodological and applicability sense.

In the theoretical sense, determining key components for the internal service quality in the hospitality industry is scientifically founded. Extensive research on relevant scientific literature resulted in systematic review of the development of the following concepts: internal service quality, internal market orientation and organizational citizenship behavior in the hospitality industry. A conceptual model was also formed, which determines interdependence between internal service quality, internal market orientation and organizational citizenship behavior in the hospitality industry. Scientific contribution is also visible in proving that internal quality is a multidimensional concept in the hospitality industry.

In the methodological sense, the scientific contribution is found in the adaptation of measuring instruments, which verified the basic metric characteristics and determined the specificity of the sample of respondents. The elements of internal service quality with which the employees are most satisfied are highlighted, and those with which they are least satisfied. The same was done for the elements of organizational citizenship behavior and internal market orientation. Furthermore, the scientific contribution is visible in the examining of work/family balance toward organizational citizenship behavior and internal service quality. Some statistically significant differences were determined in the aspects of internal service quality, internal market orientation and organizational citizenship behavior in relation to most independent variables used in the research. Previous research of internal service quality in the hotel business has rarely been observed in relation with internal market orientation and organizational citizenship behavior, especially in the context of Croatian hotel industry.

In the applicability sense, new notions regarding the importance of the application of internal marketing activities, i.e. internal market orientation and organizational citizenship behavior with the aim of achieving internal service quality in a hotel organization, can help the hotel management to achieve business goals to the satisfaction of all the participants in the business processes.

Keywords internal service quality, internal marketing, internal marketing orientation, organizational citizenship behaviour, hospitality industry.

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INCREASING THE COMPETITIVENESS AND INTERDEPENDENCE OF AGRICULTURE AND TOURISM BY USING LEARNING ORGANIZATIONS

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SUMMARY

Purpose

The purpose of this doctoral thesis is to find optimal ways of improving relations between agricultural and tourist organizations in order to create market synergy and enhance the image of the tourist destination, whose main resource are agricultural development and potentials in the development of tourism, in the form of tourism programs and facilities. The main goal of the research is to demonstrate that the learning organization can, in a more competitive way, shape a market-recognized model of tourist offer based on the cooperation of agricultural and tourism organizations and stakeholders from the surrounding business environment, which results in the enhanced organizational competitiveness and performance.

Contemporary business conditions, largely reflected in frequent and rapid changes in needs and motives of tourists (consumers), with increasingly powerful competition on the international market and striking technological progress, impose exploring new methods and tools for achieving business success, i.e. achieving competitive advantage on the market. They are primarily related to present leadership and human resources, which are focused on successful adjustment and management of changes in the environment (general and business).

In other words, it is assumed that companies that are unable to adjust their management to modern trends will not have ability to maintain on the market. The key factor, on which ability of the company to cope with environmental impact is depending on, is the company's inner potential. This perspective is in accordance to resource-based theory of enterprises which claims that human resources are the key source of competitive

advantage (they are valuable, scarce and hard replaceable) (Barney 1991) and the development area of human resources within which they are considered as the foundation of business success (Bratton and Gold 2007).

Human capital, or knowledge, becomes the foundation of organizational performance. In other words, the organization's ability to deal with real organizational learning, faster and more sustainable than their competitors, is increasingly perceived as a key component of success (Kirwan, 2016). However, to create, develop and adequately apply knowledge within a particular organization, requires management that is able to develop and implement system of an organization which learns or carries out learning organization activities. This kind of organizational action, which puts particular emphasis on learning and knowledge from which competitive advantage arises, represents a modern form of organization called "learning organization".

Learning organization as a business philosophy has since its appearance in the 90s of the last century, brought significant attention to scientific circles to date (Serrat, 2017). Therefore, it is defined in different ways, but what is common to all conceptualizations is the emphasis on the each member's actions in identifying and solving problems. This allows continuous improvement of the organization, with the ultimate goal of achieving the vision and purpose of the organization, or improving business performance.

Peter M. Senge, author of *The Fifth Discipline: The Art & Practice of the Learning Organization* (1990), is considered the founder of the theory of the learning organization. Senge (1990; 2014) emphasizes that although the organization learns through its individuals, individual learning does not ensure the establishment of organizational learning. It is, therefore, the responsibility of the leaders to encourage and establish appropriate ways of organizational learning. Given the extremely turbulent economic situation on a global scale, which results in the loss of unruly industrial giants, with an emphasis on those in the agricultural and tourism industry, it can be concluded that survival and achievement of market success is no longer possible with the application of tools and business systems that provided optimal results in past, stable economic conditions. Today, knowledge is a strong and leading competitive advantage. In other words, the concept of a learning organization that has been a vision of the far future 20 years ago is now considered a central construct in organizational research, and as a key issue, i.e. the future area of research, links the organization's learning organization and organizational performance (Watkins and Kim, 2018).

One of the open questions in the relevant scientific literature is also the relationship between the size of a company and the development of the learning organization. Finger and Brand (1999) state that most research and theories of learning organizations were based on public sector application. Such organizations operate in complex environments with more hierarchical and bureaucratic levels. On the other hand, authors claim that models of learning organizations have the ability to apply equally to organizations in the private sector regardless of their size. Sweringa et al. (1992) advocate the ability of small and medium-sized companies to become a learning organization because their structures are mostly organic and flexible and have a minimum level of hierarchy, formalization and standardization of behaviour. Jyothibabu et al. (2010) conclude that organizations with a large number of employees naturally have greater problems in exchanging

knowledge between individuals and groups than those with a small number of employees. Although empirical research on this topic is scarce, Birdthistle and Limericka (2004) are significant, whose results confirm the thesis that small and medium-sized enterprises have a significant tendency to develop a learning organization.

The subject of the research is to explore the influence of new technologies and modern functions and management activities on possible models of linking agricultural and tourism business entities, in order to stimulate regional development. Thereby the aim is to examine the economic dependence and interdependence of regional recognition and branding of the tourist region on the system of linking tourist services and agricultural products. It is also desirable to analyze the possibility of placement of agricultural and food products on the internal market on the example of Međugorje (religious tourism). In this way, the quality and distinctiveness of agricultural products of the region is seen as an additional motive for the arrival or extension of the stay in the destination, but also as an incentive for achieving higher tourist spending in the destination. Research facilities are small and medium-sized entrepreneurship businesses in tourism and agriculture within a market and tourism-defined region, where recognition of tourism products and regional recognition are linked to the motivation of religiously-motivated (religious) tourism.

The starting point in the creation of tourist destination offers is the need for rapid adaptation to changes in tourist motives and needs as well as the accentuated segmentation of tourist demand. The learning organization enables rapid and continuous adaptation to changes through new technologies and contemporary forms of leadership. It is possible to form a new tourism destination management model, which implies the integration of several forms of tourism offer based on agricultural products and services, which are linked to the local environment based on religious, traditional and cultural contents and facilities. The linkage between agricultural products and traditional content (experiences) and facilities contribute, with the help of modern information technology, to easier implementation of learning organizations, thereby increasing the competitiveness of the tourist destination.

Considering the previously elaborated problem, object and subject of research, the purpose and the objective of the research were determined. The aim of the research is to find optimal ways to improve the relationship between agricultural and tourism enterprises, in order to create market synergies and to highlight the image of tourist destination, which is the basic resource of agriculture and potentials in the development of tourism i.e. tourist programs and contents.

The objectives of the work are contained in the following:

The objectives of the conceptual part of the research are oriented towards acquiring new insight into the defined organizational problem. They are, therefore, primarily focused on identifying and analyzing key factors affecting the development of learning organizations, the level of development, the interdependence of learning organizations and the incentives for competitiveness of agriculture and tourism.

The objectives of the empirical part of the research are aimed at identifying the factors that influence the development of the learning organization, and thus the achieved business performance of small and medium enterprises in the agriculture and tourism sector. They are derived from an effort to prove the economic legitimacy that governs the system of linking the interests and market constraints between companies that are market segmentation of agriculture and tourism.

The application objectives are included in proving that the linkage of agricultural and tourist enterprises leads to the increase of the quality of a particular destination, i.e. to the increase of the market shares in terms of total tourist demand. It is considered that the research results are largely used by theoreticians and practitioners dealing with organization and management issues. The application objectives are therefore also expressed as a suggestion of the need for modern management trends and skills to improve the business performance of small and medium enterprises in agriculture and tourism as an important factor for forming a functioning destination management organization (DMO) and destination a management company (DMC).

Methodology

The problem and the subject of scientific research have imposed the application of a highly demanding, interactive and multi-market model of research based on agricultural and tourism subjects, while respecting the environment in which they operate-with an emphasis on religion, culture, traditional lifestyle and historical legacy. Based on the defined goals, research methods have been selected to confirm or reject the hypotheses, i.e. achieve the research goal. The content of the doctoral dissertation is based on conceptual and empirical analysis of the problem of research. Methods of analysis and synthesis, induction and deduction methods, descriptive methods, comparative methods, analysis methods, detection and mitigation methods and selected statistical methods were used.

The conceptual part of the paper implies searching for relevant domestic and foreign scientific literature related to the subject matter of the research. Secondary sources are used for the purpose of exploring and proving the hypothesis set up to establish benchmarking systems with comparable regions of the world. Secondary data, which are disposable from official statistics management systems, is used for researching the characteristics of agricultural and tourism companies.

In the empirical part of the research the primary data is collected by the survey method. For this purpose, a structured questionnaire (measuring instrument) was used. Claims (particles) are largely taken from relevant scientific literature and adapted to the observed business context within which the study was conducted.

Primary data were processed through qualitative and quantitative data processing methods using the SPSS statistical analysis and data processing suite. The analysis and presentation of secondary data, primarily related to the characteristics of tourist and agricultural companies, was done using the method of descriptive statistics.

All the literature used in the development of the model, the hypothesis, discussions and deductions were collected from works referenced in the scientific databases, namely the most ranked journals according to the SSCI index.

Findings

Based on the theoretical part of doctoral thesis, i.e. the presentation of theoretical considerations of the organization's participation and competitiveness, as well as characteristics of the tourism and agricultural sector of the Federation Bosnia and Herzegovina, the main research question was posed: "*Do small and medium-sized enterprises in tourism and agriculture have the characteristics of the learning organization?*" or "*Can the system learn organizations increase the competitiveness of agricultural and tourism entities?*". Namely, the 21st century was marked by dramatic changes that brought intense competition in all markets among economic subjects. The changing, turbulent, dynamic and uncertain environment imposes the need to constantly create new ideas and new knowledge. In such business conditions, the fact that knowledge management is an integral part of a strategy that organizations around the world use to adapt and manage knowledge in the organization as a basis for achieving a competitive advantage has been confirmed. In order to answer the fundamental research issue, an empirically tested conceptual model of the learning organization was developed, which is in the service of increasing the competitiveness of agricultural and tourism entities.

The results of the research have confirmed the hypothesis about the positive relationship between the learning organization and organizational effectiveness, with the company's size - determined by the number of employees, being a significant factor affecting the degree of development of the learning organization.

The scientific contribution of doctoral thesis is reflected in the examination and measurement of the impact of the organization's learning system on the efficiency of the business of small and medium-sized enterprises. In theory, the work contributes to the existing literature through the deepening of scientific knowledge about the learning organization and the connection with organizational competitiveness. By carrying out empirical research in the field of tourism and agriculture, and based on the developed conceptual model and research instrument, the work contributes to a scientifically based consideration of the effects of the organization's participation on competitiveness and interconnection between business entities of tourism and agriculture.

Originality of the research

By establishing the link between the development of the organization's learning and business performance, this paper shows that reflection on learning organization is not just scientific and theoretical predictions, but it is about successful organizations on the market. It is therefore expected that the outcome of this research will be of benefit to everyone involved in organizational learning and organization issues, since relatively little research has been conducted in practice that could confirm the prospects and justification of the principles of the organization's participation. As for large Croatian companies, it can be said that there is openness to new ideas and trends in management,

and that, although carefully, everyday work introduces theory and practice from larger and more advanced centers of knowledge and capital. Here it is necessary to emphasize the top management of domestic large enterprises as important, but in this case the unsatisfactory developed link, more so since the successful transformation of an organization in the direction of participation depends very much on the work of the top management, that is, on its initiative for change, the role in acquiring characteristics of the learning organization and ensuring the conditions for continuous learning.

There are several limitations in the paper that are mostly related to the methodology used in the research carried out. In the first place, the data on the state of development of the organization's system of organization and the competitiveness of the entities monitored, as well as the links between the subjects of agriculture and tourism, are based on self-assessment and perceptive character. The obtained grades are at best the proxy measures for the actual performance of the company. It should also be remembered that the current perception of competitiveness and interdependence between agriculture and tourism can reflect the consequences of past actions or initiatives that are not necessarily related to the learning organization's activities. As is known in the evaluation theory, there is often a "delay", or a time lag between the activities of organizational learning and its effects. Likewise, the cross-sectional design of the conducted research can't "isolate" the effect of alternative organizational procedures, as well as influential factors from the environment, that is, attributed the business success of the company exclusively to the organization's learning initiatives. Therefore, as a recommendation for future research, primarily in the field of management, which will deal with knowledge within the organization, and especially the learning organization, it suggests that the research of the influence of the development of the organization's learning is expanding to the non-financial performance of the business, primarily focusing on the satisfaction of customers and employees, as well as a wider organizational environment. In order to determine cause-effect links, it is also recommended to conduct longitudinal studies, with the subject links being examined several times over a longer period of time.

Given the relatively small number of existing research on the topic, it is expected that the research results will be of greatest interest to practitioners involved in organizational learning - in particular to managers who play a key role in the development of learning organizations; as well as scholars in the field of organization and management.

Keywords: organizations, learning organization, competitiveness, agriculture, tourism

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