

The Role of Market Orientation in Mediating the Effect of Internal Marketing on the Organizational Performance of the 'Pabrik Kata-Kata Joger' During the Covid-19 Pandemic

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ABSTRACT

The prolonged Covid-19 pandemic has forced many companies, whether they like it or not, to make various changes (innovations) to the company's strategic management. Internal marketing provides many benefits in achieving marketing success because it is more integrative and sustainable. Market orientation is a corporate culture that can lead to increased marketing performance and retain customers with the aim of creating greater value for customers through efforts to collect information about customer needs. The purpose of this study is to find out and analyze how the role market orientation mediates influence internal marketing and organizational performance at the Pabrik Kata-Kata Joger. The research location is the Pabrik Kata-Kata Joger which is located on Jln. Raya Kuta (without number), Kuta, Bali. The method of determining the sample using non probability sampling namely method purposive sampling. The sample of this research is the respondent who joined the Joger family for at least 2 years with a total sample of 130 respondents. The data analysis technique used is analysis Partial Least Square (PLS) with the settlement method Structural Equation Modeling (SEM). The research results show that internal marketing has a positive and significant effect on organizational performance at the Pabrik Kata-Kata Joger. Internal marketing has a positive and significant effect on market orientation at the Pabrik Kata-Kata Joger. Market orientation positive and significant effect on organizational performance at the Pabrik Kata-Kata Joger. Internal marketing indirectly has a positive effect on organizational performance through market orientation at the Pabrik Kata-Kata Joger.

KEYWORDS: internal marketing; market orientation; organizational performance

I. INTRODUCTION

The COVID-19 pandemic and travel restrictions worldwide have eroded both the quantity and quality of tourists vacationing in/to Bali. As a result, almost all shops, hotels, and restaurants lining the streets of Kuta, Legian, Seminyak, Ubud, Sanur, Nusa Dua, Lovina, and others have been forced to close their businesses. The Central Bureau of Statistics (BPS) released data on tourist visits to Indonesia in April 2020, showing a decline of 87.44 percent with a total of 160,000 visits. Meanwhile, Bali experienced a decrease in visits by 99.93% compared to April 2019, with only 327 foreign tourists arriving in Bali (Kompas.id). During the COVID-19 pandemic, many companies suffered both material and non-material losses. Additionally, there were several companies of various scales that unilaterally laid off employees on a large scale to save their businesses, and many were also forced to

fold (close permanently). One of the businesses affected by the COVID-19 pandemic is the "Joger Word Factory" in Bali. For approximately 6 months, starting from March 23, 2020, the Joger Word Factory in Bali (Kuta and Luwus) "was regrettably but willingly" shut down, even though there were still many consumers or customers who wanted to visit and shop, especially in/at Joger Kuta.

The sales and number of tourist visits (visitors) to the Joger Word Factory in Kuta & Luwus, Bali from 2017 to 2022 experienced fluctuations. The highest sales for 2018 increased by 19 percent compared to sales for 2017, amounting to 5,603,901 units of various Joger products sold. The number of visitors in 2018 increased by 10 percent compared to the number of visitors in 2017. Looking at the trend of visitors in January 2019, there were 130,384 people, while the number of visitors in January 2020 was 169,979 people (an increase of 13 percent). In the prolonged (abnormal) COVID-19 pandemic situation up to September 2022, many companies, whether they liked it or not, were forced to make various changes and/or overhauls (innovations) in their strategic management (which we at Joger call and treat as company policies). With the halt or decrease in the number of visitors coming to the Joger Word Factory in Kuta & Luwus, the family members of the Joger Word Factory in Kuta & Luwus were regrettably but willingly intensifying internal marketing within the Joger Word Factory family in Kuta & Luwus.

Nurtjahjadi (2013) explained that marketing is not just about sales that focus solely on profit, as sales usually emphasize the needs of the seller. In contrast, marketing places greater emphasis on consumer needs. Internal marketing deals with efforts to engage all elements within an organization and have them participate in marketing activities. Internal marketing offers numerous benefits in achieving marketing success because it is more integrative and sustainable. Aburoub and Hers (2011) explained that internal marketing has a positive impact on company performance (organizational performance). Performance is not only supported through internal marketing, but also needs to be backed by market orientation. According to Kholil and Jaworski (1990), market orientation is a company culture that can lead to improved marketing performance. Victory (2014) also stated that market orientation is a company's effort to retain customers with the aim of creating superior value for customers through continuous efforts to gather information on the needs of target customers and the capabilities of competitors. Given the background above, the author is interested in researching the influence of internal marketing on organizational performance at Joger during the COVID-19 pandemic.

Based on the background, the main issues addressed in this study are:

- i. How does Internal Marketing influence Organizational Performance at Joger?
- ii. How does Internal Marketing affect Market Orientation at Joger?
- iii. How does Market Orientation influence Organizational Performance at Joger?
- iv. How does Market Orientation mediate the relationship between Internal Marketing and Organizational Performance at Joger?

II. LITERATURE REVIEW

A. Marketing

According to Kotler and Keller (2013), marketing is a social and managerial process where individuals and groups obtain what they need and want through the creation, offering, and exchange of valuable products. This definition is based on core concepts: needs, desires, and demands; products, value, cost, and satisfaction; exchange, transactions, and relationships; markets; and marketers. Stanton, as cited by Tambajong (2013), states that marketing is a system of business activities designed to plan, price, promote, and distribute products that can satisfy desires in achieving company goals.

B. Internal Marketing

Khanza (2012) stated that internal marketing is regarded as a tool to treat employees as customers, and internal marketing is believed to enhance the motivation of all organizational members to recognize their own roles and pay attention to what consumers desire by being service-oriented. Jumadi (2014) explained that the goal of internal marketing activities is to improve the quality of relationships with external marketing. Internal marketing is a crucial aspect of service marketing; service companies select the right people for the right job and develop customer-oriented employees. According to Ahmed and Rafiq (2002), internal marketing has three concepts: employee motivation and satisfaction, customer orientation, and broadening the internal marketing concept – strategy implementation and change management.

C. Market Orientation

Kohli and Jaworski (1990) define market orientation as the creation of market intelligence pertaining to current and future customer needs, the dissemination of this intelligence across departments, and the organization's response to such intelligence. Meanwhile, Narver & Slater (1990) define market orientation as a company culture that effectively and efficiently creates behaviors crucial in crafting superior value for customers, leading to business performance. Narver & Slater (1990) again define market orientation in the same manner, emphasizing the importance of the company culture in effectively and efficiently creating vital behaviors for the creation of superior value for customers, leading to business performance. The indicators of market orientation according to Narver and Slater (1990) include three behavioral components: customer orientation, competitor orientation, and inter-functional coordination.

D. Organizational Performance

Simanjuntak (2005) defines performance as the level of achievement resulting from the execution of specific tasks, and performance is the result achieved from the behavior of organizational members. Therefore, company performance is the level of achievement in realizing company objectives and all the activities undertaken to enhance the performance of the company or organization. According to Sobandi (2006), organizational performance is something that has been achieved by the organization within a certain period, whether related to

input, output, outcome, benefit, or impact. According to Vickie Victory (2014), there are 4 indicators of organizational performance, including staff attitude, professionalism, information, and timeliness.

III. CONCEPTUAL FRAMEWORK AND HYPOTHESIS

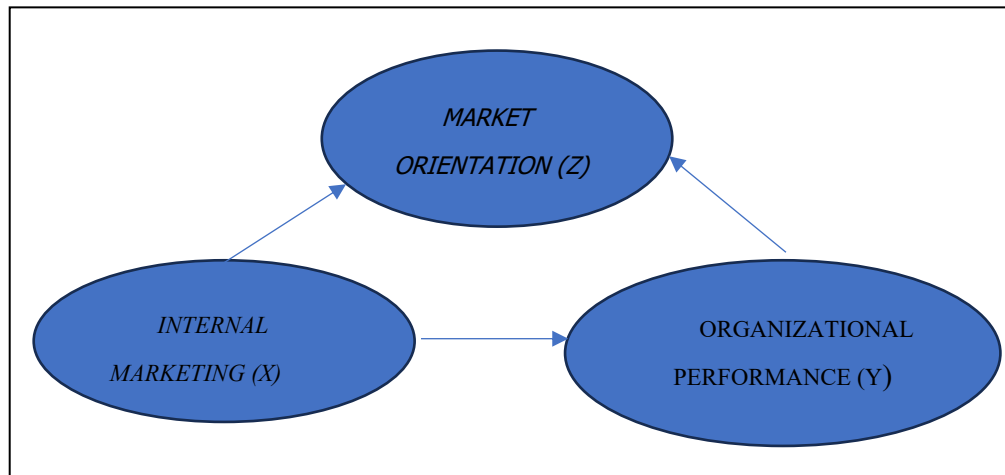


Figure 1. Conceptual Framework

Based on the conceptual framework of the research above, the hypotheses for this study are:

1. **H1:** Internal Marketing has a positive and significant influence on Organizational Performance.
2. **H2:** Internal Marketing has a positive and significant impact on Market Orientation.
3. **H3:** Market Orientation has a positive and significant influence on Organizational Performance.
4. **H4:** Market Orientation mediates the effect of Internal Marketing on Organizational Performance.

IV. RESEARCH METHODOLOGY

The research location is at Pabrik Kata-Kata Joger, located at Jln. Raya Kuta (no number), Kuta, Bali. The sample determination method uses non-probability sampling, specifically the purposive sampling method. The sample for this research consists of respondents who have been members of the Joger family for at least 2 years, with a total of 130 respondents. Data collection in this study uses a questionnaire with a Likert scale (5-point scale). This study conducts tests for instrument validity and reliability and uses the analysis technique of Partial Least Square (PLS) with the solution method of Structural Equation Modeling (SEM).

V. RESULT AND DISCUSSION

Validity test results shown that the product moment correlation value for each statement item is greater than 0.30. This means that the entire instrument is declared valid. The Cronbach's alpha value is more than 0.60. This means that all variables are declared reliable.

Normality test results indicated that the Kolmogorov-Smirnov Z significance value of 0.057 is greater than 0.05. Thus, it can be concluded that all research variables are normally distributed. Based on the multicollinearity test result showed that the variables of internal marketing and market orientation have a tolerance value above 0.10 and a VIF value less than 10, which means that multicollinearity does not occur.

Based on the heteroskedasticity test results stated that all the independent variables of the study have a significance value greater than 0.05, or there are no independent variables that have a significant effect on their absolute residuals. This indicates that the regression model does not have a heteroskedasticity problem.

i. The Influence of Internal Marketing on Organizational Performance at the "Pabrik Kata-Kata Joger"

The first hypothesis states that internal marketing has a positive and significant effect on organizational performance. The analysis results show the beta value of internal marketing on organizational performance is 0.202 with a significance level of $0.003 \leq 0.05$. This indicates that the first proposed hypothesis can be accepted. The analysis results mean that the better the internal marketing, the more it will be able to enhance the organizational performance at the "Kata-Kata Joger" factory in Kuta and "Teman Joger Luwus".

This research is in line with the study conducted by Evelyn & Dharmayanti (2017), which states that internal marketing has a positive and significant influence on organizational performance. This means that the higher the quality of internal marketing in a company, the greater the increase in organizational performance. Of the four internal marketing indicators used, namely training, communication, motivation, and work standards/patterns, the motivation indicator received the highest rating with an average of 4.75. Thus, the motivation indicator in the form of rewards and the provision of incentives/bonuses/outings is one of the indicators that can enhance the quality of internal marketing at the "Kata-Kata Joger" factory in Kuta and "Teman Joger Luwus". This can be seen during the prolonged COVID-19 pandemic where Joger did not make any layoffs or terminations of the Joger family members (the term used for employees in the Joger family) and advised the Joger family members, as much as possible, not to accept and/or even demand assistance from the government or other parties who also seem to be in a difficult situation or "not doing well".

At Joger, "each person is treated as a person," meaning that no member of the Joger family is "overly oppressed," but on the other hand, no one is "overly pampered" either. Amidst the COVID-19 pandemic, Joger invited members of the Joger family from Kuta and Teman Joger Luwus to support the "Foya-Poya Positif" program (excursion) to tourist spots on Bali island. Moreover, they maintained their obligation to return the savings of Joger family members who had recently joined for 10 years, doubling the return of these savings for 98 people amounting to IDR 3,359,180,000. This aligns with Gronroos' opinion (cited in Tjiptono 2012) which states that motivated employees are customer-oriented in their performance. Essentially, to build and enhance trust with customers, everything starts with the quality of service provided by each employee, who has been directly mandated by the company. Therefore, to effectively conduct internal marketing activities, one must have well-minded and motivated employees in providing services to customers, consumers, or visitors.

ii. The Influence of Internal Marketing on Market Orientation at the "Pabrik Kata-Kata Joger".

The second hypothesis states that internal marketing has a positive and significant effect on market orientation. The analysis results show that the beta value of internal marketing on market orientation is 0.804 with a significance level of $0.000 \leq 0.05$. This indicates that the second proposed hypothesis can be accepted. The analysis results mean that the better the internal marketing, the more it will be able to enhance the market orientation at the "Pabrik Kata-Kata Joger" in Kuta and "Teman Joger Luwus".

This research is in line with the studies conducted by Kartika (2016), Jaya et al. (2014), which state that internal marketing has a significant effect on market orientation. The "Pabrik Kata-Kata Joger" in Kuta and "Teman Joger Luwus" treat every member of their family as an internal customer. As a result, each family member feels truly valued, appreciated, respected, and loved just as they would if they were external customers of "Pabrik Kata-Kata Joger" in Kuta or "Teman Joger Luwus". While most companies focus on a consumer orientation that emphasizes "the customer is everything", meeting every need and whim of the consumer, Joger has a different approach. At Joger, visitors, customers, and clients are genuinely treated fairly and optimally, without pretense.

In the context of Joger's family culture, the term "beriktikad" (which can be roughly translated as "intention" or "good will") encompasses internal factors shaped by genuine beliefs, desires, intentions, aspirations, dreams, and noble goals. It serves as an indispensable condition, determining the choices one makes in various life activities – from breathing, thinking, praying, studying, teaching, speaking, working, engaging in recreational activities, to various other activities, including marketing activities. These choices collectively influence our shared well-being, safety, happiness, prosperity, and overall holistic health, encompassing spiritual, psychological, physical, mental, emotional, verbal, non-verbal, social, intellectual, moral, ethical, self-image, communication, technological, legal, political, economic, and financial dimensions.

Joger emphasizes the uniqueness and quality of its products. Consequently, the shopping rules at Joger differ from other places, giving the company a distinct and unique market orientation. The distinct market orientation of Joger not only distinguishes it from other competitors but also embeds a deep sense of loyalty and connection among its customers. By prioritizing genuine interactions and treating every individual with respect and dignity, Joger ensures that its organizational ethos resonates with its clientele.

Moreover, this unique approach redefines the conventional norms of the market. Instead of solely pursuing profitability or catering to the ever-changing whims of the masses, Joger emphasizes the importance of integrity, authenticity, and genuine human connections. This is not just a business strategy but a holistic approach that places the human experience at the forefront of their operations.

Joger's commitment to providing top-notch products, paired with its unique shopping experience, has led to a strong brand identity. Customers recognize and appreciate the company's efforts in maintaining consistent quality and innovation, all while staying true to its foundational principles. This not only reinforces customer loyalty but also draws new patrons who are seeking more than just a transactional experience.

In the age of digitization and automation, where personal touchpoints are becoming increasingly rare, Joger's approach is a refreshing deviation. It serves as a reminder that businesses can thrive without compromising their core values, and that it's possible to achieve commercial success while also fostering meaningful relationships.

iii. Influence of Market Orientation on Organizational Performance at Pabrik Kata-Kata Joger

The third hypothesis states that market orientation has a significant positive effect on organizational performance. The analysis results show that the beta value of the market orientation variable towards organizational performance is 0.772, with a significance level of $0.000 \leq 0.05$. This indicates that the third proposed hypothesis can be accepted. The analysis means that the better the market orientation, the more it can improve the organizational performance of Pabrik Kata-Kata Joger Kuta and Teman Joger Luwus.

This research is supported by a study conducted by Purwiantri (2019) which states that market orientation has a positive impact on company performance. This statement is in line with what has been applied or implemented by Pabrik Kata-Kata Joger Kuta and Teman Joger Luwus. One of the unique things they have done is to provide a reverse wall clock where the direction of the clock hands is opposite to the direction of conventional clock hands. The various creativity and innovative policies applied in Joger are inseparable from the desire of Joger family members to always strive to provide an optimal sense of comfort, safety, and happiness to the visitors, consumers, customers, or Joger partners. And to support all of that, since 1983 the author has created a calming slogan for all parties that reads "shopping or not shopping, still thank you."

iv. The influence of Internal Marketing on Organizational Performance through Market Orientation at Pabrik Kata-kata Joger.

The fourth hypothesis states that internal marketing has an indirect positive effect on organizational performance through market orientation. The analysis results show an indirect effect value of 0.579, and based on the Sobel Test calculation results, it shows a Z value = 7.73, which is greater than the value of 1.98 with a 5% significance level. Thus, the market orientation variable can mediate between the influence of internal marketing on organizational performance. Therefore, the proposed fourth hypothesis can be accepted. It can be concluded that an increase in internal marketing will be able to improve market orientation and have an impact on organizational performance at the Joger Word Factory in Kuta and Friend of Joger Luwus. This research is in line with the study conducted by Victory & Dharmayanti (2014), which showed that internal marketing has a positive effect on organizational performance, with market orientation acting as an intervening variable.

VI. RESULT AND DISCUSSION

Based on the results of the analysis and discussion that has been conducted in this study, the following conclusions can be drawn:

- i. Internal marketing has a positive and significant impact on organizational performance. This means that the better the internal marketing is and will continue to be capable of improving the organizational performance at the Pabrik Kata-kata Joger in Kuta and Friend of Joger Luwus.
- ii. Internal marketing has a positive and significant impact on market orientation. This means that the better the internal marketing is and will continue to be capable of improving the market orientation at Pabrik Kata-kata Joger in Kuta and Friend of Joger Luwus.

- iii. Market orientation has a positive and significant impact on organizational performance. This means that the better the market orientation, the more it will improve the organizational performance at Pabrik Kata-kata Joger in Kuta and Friend of Joger Luwus.
- iv. Internal marketing has an indirect positive influence on organizational performance through market orientation. An improvement in internal marketing will be able to enhance market orientation and consequently impact the organizational performance at Pabrik Kata-kata Joger in Kuta and Friend of Joger Luwus.

Internal marketing has been proven to improve both organizational performance and market orientation, both theoretically and in practice. This has been evidenced for approximately 42 years (since 1981) and has been embraced and practiced together by the Joger Kuta & Joger Luwus family in Bali, Indonesia. Therefore, it is recommended for all parties that we truly intend, are capable of, have the time for, are sincere in, and are firmly committed to making our "intentions" or our "genuine good intentions, that are truly good, better, or the best, not overly good intentions, and also not insufficiently good intentions" as a "conditio-sine-qua-non" or "the fundamental absolute requirement, without which the subsequent thing will not occur." This is to ensure that all stakeholders, not just consumers or customers, but also all staff, employees, and owners truly respect, value, and love each other as a family. United, we stand strong, but with genuine intention, we are undoubtedly stronger because it is truly better, more honest, fairer, more civilized, and more sustainable and/or united for a longer period.

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