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Determinants of Organizational Performance in Private Universities

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Abstract—Private university had higher risks (e.g. performance decline, bankrupt) than the state ones because it depended on the annual student's admission. Therefore, this study aims to determine a simple model of organizational performance determinants in university that can be applied to private university. The population was the heads of department of a private university in Malang and the samples used purposive sampling. The data was analyzed using a path analysis. The results showed that internal marketing and marketing orientation directly affected the organizational performance, and internal marketing had influences on marketing orientation. However, there is no effect on marketing orientation as mediator variable in this model.

Keywords—internal marketing; marketing orientation, organizational performance.

I. INTRODUCTION

Studies of the performance on private universities are less attention [1]. Most intensive studies of the performance of the organization of universities were done on public universities, [2] [3]. Why is this research important? That is, there is a difference between private and public university that affect the performance of the organization. Among others, private university depends more on the registered [4], always tries to add students, their students already exceeded [2], accepts students who are not accepted in public university, so that the students are less academic than the state ones. Reference [5] states that the college is different from manufacturing companies, universities more act as the service provider. As a service provider, the output of universities is inconsistent so that its quality is difficult to be determined.

There are some earlier researches that determine the performance of the organization as an important determinant of organizational performance. Reference [6] used the strategy of market orientation as the sole factor that determines the survival of the organization. Some other researchers explain that the

organizational performance is determined by market factors orientation and performance of the organization [7] [8]. Some previous researches worked on the relationship between marketing orientations with the performance of the organization research. Reference [9] explains that there is a positive relationship between marketing orientation with the performance of the organization using a subjective indicator. Reference [10] using indicators namely ROA, ROE and sale employees found that the relationship of marketing orientation with performance has positive relationships and is not significant. Reference [11] with the unit analysis of 84 universities in Australia and New Zealand found that the relationship between the performance of the organization with marketing orientation has a positive and significant result. Reference [1] used a subjective indicator and found that marketing orientation and the performance of the organization has a positive and significant relationship.

According [12], the important determinant of success of marketing orientation is an internal marketing. This is because marketing promotes effective relationships between organizations with the employees based on the commitment of the organization in providing superior value to its employees [13]. In addition, internal marketing is a key to qualified service and successful external marketing [14]. Based on some other researches, an internal marketing is divided into several dimensions such as strategic rewards, academy, leadership and physical environment [15]. Reference [16] explained that internal marketing consists of the dimensions covering senior leadership and vision, coordination between functions, internal communication, organizational structure and change, staffing, physical environment, strategic rewards and academy. Reference [17] examined the internal marketing relationship between the market orientation with the unit analysis of 13 Bank in Jordan, in which the results showed that an internal marketing had a positive impact on market orientation. Reference [18]

examined retail managers in the UK and revealed that the internal positive marketing affected market orientation.

Internal marketing is the basis of an organization to develop an external marketing strategy as well as the performance of the organization [19]. In the research conducted by reference [15] it can be proven that internal marketing directly affects the performance of the organization. This phenomenon exists because the employees are the marketers themselves in term of performing excellent services [20]. Based on the background of the theory, this research aims to know the influence of internal marketing on the performance of the organization, the influence of Internal Marketing on Marketing Orientation, and the influence of Marketing Orientation toward the performance of the organization.

Based on the background of the theory, then the hypothesis in this research are:

H1 = internal marketing has a positive and significant impact on organization performance.

H2 = internal marketing has a positive and significant impact on market orientation.

H3 = market orientation influence has a positive and significant impact on organization performance.

II. METHOD

This research conducted in private universities accredited A and B in Malang, Indonesia. The population of this research is 60 chiefs of study programs in each university. The samples were chosen using an accidental sampling. Then, the data obtained was analyzed using a path analysis.

A. Measurement Variable

The variable in this research included internal factors of marketing as an exogenous variable, factors of market orientation as an intervening variable and organization performance factors as an endogenous variable. The internal marketing variable was adopted from reference [15], the market orientation variable from research conducted by [21], and the organization performance variable from [1].

III. RESULT AND DISCUSSION

The variables used in this research are internal marketing, marketing orientation, and organizational performance. Furthermore, the three latent variables in this study are connected to produce this research model, 1 direct and 1 indirect influences.

Here are the results of calculations using regression:

TABLE I. REGRESSION RESULT

Dependent Variable	Independent Variable	Coeff.	Sig
Internal Marketing	Marketing Orientation	.417	.001
Internal Marketing	Organizational Performance	.275	.015
Marketing Orientation	Organizational Performance	.498	.000

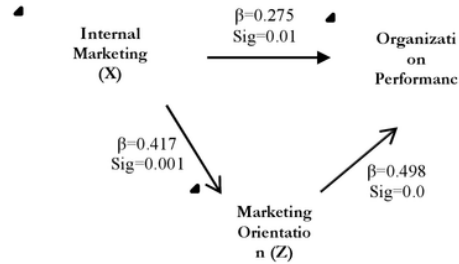


Fig. 1. Test Result of path analysis

The accuracy of the model based on the determination of coefficient (R^2) is shown by the value ranging from 0 to 1. Based on table 1, it is obtained a determinant coefficient in each substructure, explained as follows [22] :

$$\begin{aligned}
 Pe_1 &= \sqrt{1 - R_s^2} \\
 Pe_2 &= \sqrt{1 - R_m^2} \\
 Pe_1 &= \sqrt{1 - 0.174} \\
 Pe_2 &= \sqrt{1 - 0.437} \\
 Pe_1 &= 0.908 \\
 Pe_2 &= 0.750 \\
 R_m^2 &= 1 - P_e^2 \\
 R_m^2 &= 1 - (0.908)^2(0.750)^2 \\
 &= 1 - (0.826)(0.563) \\
 &= 0.534 \\
 &= 53.4\%
 \end{aligned}$$

Based on the results of the calculation of value R_m^2 , it shows that the information contained variety of data shown 53.4%. Now the remaining 46.6 % explained by other variables that have not been in the model.

The role of mediation of marketing orientation variables in internal marketing relationships against organizational performance can be explained through the Sobel Test with the following results:

TABLE II. SOBEL TEST

Z Score	Sig.
0.11356	0.90959

Based on table 2, it is known that the value of Z Score in this study is 0.11356, the significant value of 5% level is 1.98, which means Z score score less than significant tara 1.98. Therefore in the study of marketing orientation variables can not mediate the relationship between internal marketing to organizational performance.

A. The effect of Internal Marketing on Internal Organization Performance

The results of this research showed that the internal marketing had a positive and significant impact on the performance of the organization. This means that more internal marketing will improve the performance of the organization or the performance of the organization in the private university can be enhanced by the implementation of the internal strategy of marketing. The results of this research with research done [20, 21].

Based on the concept can be explained that the efforts of the organization to increase customer satisfaction should be preceded by a deep basic needs of the employees in the organization. This is because the employees are internal customer that along with the same needs with external customers namely customer satisfaction. Satisfied employees will improve the performance of the organization. The needs of the employees are not only basic needs but also needs to make it easier to work when working in the organization. Therefore, private university must ensure customer satisfaction is internal employees to improve the performance of the organization.

B. The influence of Internal Marketing on Marketing Orientation

The results showed that internal marketing has a positive and significant effect on market orientation. This means that upgrading the internal marketing strategy of private university will improve the employee's orientation in the marketing of private colleges. The results of this study is similar to the research undertaken [18] [17] [9].

The results of this study explain that the organization's efforts to improve marketing orientation can be done by improving internal marketing. This is because employees are more focused on customers, improving learning, and adaptable to organizational change. Therefore it is important for organizations to improve internal marketing so that employees are able to have marketing orientation.

C. The influence of Marketing Orientation on Organizational performance

The results of this study indicate that there is a positive and significant relationship between the marketing orientations to organizational performance. This means that one of the efforts

to improve organizational performance can be done by improving the marketing orientation of employees. Employee oriented to the consumer will improve organizational performance. Reference [23] [1] has done studies whose results are similar to this study.

Therefore, the results are important for private universities to improve the marketing orientation of employees so that private universities in some ways related to organizational performance which includes the number of students, the quality of learning and service and the growth of market share increases.

D. The influence of Internal Marketing on Internal Organization performance through Marketing Orientation

Based on the results of this research, also shown in table 2, showed that there is no influence of the internal direct marketing against the performance of the organization. There are two path coefficients, internal marketing on marketing orientation as the first coefficient, and marketing orientation toward the performance of the organization as the second ones. The results of the influence of the internal marketing have positive and significant impacts on the marketing orientation, while, in the second line, there is a positive and significant relationship between marketing variable orientation toward the performance of the organization. Therefore, in accordance with the model, it can be explained that in order to improve the performance of the organization, private university can perform the internal strategy of marketing because the internal strategy marketing an increase marketing orientation employees who then will improve the performance of the organization.

The important thing related to the results of this study is that each internal marketing variable has an influence on organizational performance and marketing orientation, and marketing orientation affects the organizational performance. The finding of this study contrasted with other researches is a conceptual framework that explains the model that internal marketing influence on organizational performance can be mediated by marketing orientation. Even, empirically the results cannot be proven.

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