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Internal marketing as a driver of market orientation and co-creation culture in the tourism sector

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This research seeks to develop a deeper understanding of how internal marketing (IM), conceived as an operant resource from the service-dominant logic (SDL) perspective, contributes to improve service firms competitiveness. To do so, the study examines the effect of applying IM on firms' market orientation (MO) and on their predisposition to involve customers and front-line employees in service innovation, as well as how these practices ultimately improve their long term performance relative to competition. The conceptual model is evaluated using structural equations modelling and the information provided by a Spanish sample of 240 hotels. Results support the importance of the co-creation culture for hotels' competitiveness and the key role of IM to foster MO and develop a favourable culture to co-creation.

Key words: Internal marketing, co-creation culture, market orientation, front-line employees, performance.

INTRODUCTION

Recent studies show that European tourism companies are increasingly product-driven rather than consumer-driven, and that the sector lacks innovative solutions to handle major challenges, such as identifying new niche markets; reducing the seasonality of demand; improving working conditions; and increasing the satisfaction and loyalty of consumers. It seems that little attention is being paid to creating added value and that many tourism companies still focus too much on price to compete (European Commission, 2009).

In fact, the innovative activity in the tourism sector is significantly lower than in many other industrial sectors (Orfila et al., 2005). It is thus essential to promote the creation of value and customer-focused innovation as key instruments for competing in a sector where customers increasingly value creative combinations of products and services which provide personalised experiences.

In this regard, recent marketing developments such as the service-dominant logic (SDL) (Vargo and Lusch, 2004) establish that companies do not deliver value, but that they produce value propositions, which are converted into value by the customer when they use or consume such products and services (Lusch et al., 2009).

As a result, companies can only be co-creators of value either through their interaction with their customers (Grönroos, 2008) or by collaborating in the co-creation of new products and services (Ballantyne et al., 2008). Collaborating in the co-creation of new tourist services is thus, one of the key alternatives that tourism companies have to innovate and create value for their clients.

Nevertheless, co-creation with customers is not an immediate process and many often, internal barriers to collaboration arise (Carbonell et al., 2009). Therefore, it is relevant to identify the factors that may encourage tourism companies to appreciate the involvement of customers in the co-creation of new services.

To promote the creation of value and customer-focused in innovation, the literature also highlights the importance of employees' involvement in the development of service innovations, as employees frequently "are the service" (Zeithaml et al., 2009). Nevertheless, the inherent difficulties in achieving their effective participation and motivation during the new service development process are also recognised. For this reason, it is again important to identify which factors encourage service companies, to really value the participation of their workers in the innovation processes (Cadwallader et al., 2010).

In this respect, another key contribution of SDL is the identification of the operant organisational resources as the key basis for competitive advantage (Madhavaram

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and Hunt, 2008). Operant resources are based on knowledge or skills, make it possible to combine and use other lower level resources effectively, and deserve more academic research. Among such resources Madhavaram and Hunt (2008) include internal marketing (IM), which is conceptualized as a form of organizational culture that promotes the development of strategies aimed at achieving increased satisfaction and commitment among employees, or firms' internal market, in order to attain the organizational objectives among customers, or external market (Bowen and Ford, 2002; Kelemen and Papasolomou-Doukakis, 2004; Gounaris, 2008; Robert-Lombard, 2010). IM is considered in this research as an antecedent of a favourable attitude in hotel companies to the co-creation of new services with customers; we understand that IM encourages market orientation (MO) and that in this way, it creates an appropriate organisational environment for valuing the incorporation of the "voice of the customer". IM is also considered as a suitable forerunner of the appreciation of front-line employees, those employees in direct contact with customers, as co-creators of new services. Thus, this research analyses the degree to which hotels apply IM in managing their human resources and the extent to which this may be influenced. On the one hand, it analyses the development of MO and the subsequent willingness to co-create new services with customers as well as value new services' co-creation with front-line employees. The study also aims to examine the repercussions of the predisposition to co-create in developing innovations on the competitive results obtained by hotels with their customers and at the organisational level. In this way, this research achieves its main objective: to achieve a better understanding of how IM contributes to the competitiveness of service companies.

The work is structured as follows: Firstly, it proposes the influence of IM on MO and on the valuation of co-creation with front-line employees, together with the effects of MO on valuing the participation of customers in the development of new services. Secondly, we discuss the repercussions of both types of co-creation of subcultures -with employees and with customers- on the results obtained. We then describe the methodology employed in the empirical study, the measurement scales used, the data analysis procedure and the results obtained. Finally, we comment on the main theoretical conclusions and their implications for management, together with the limitations of this study and areas for further research.

Internal marketing, market orientation and valuation of the customers' involvement in the development of new services

The importance of IM resides in the underlying premise

that an organisation's employees play a fundamental role in the provision of value to its external customers (Ahmed and Rafiq, 2002; Ahmed et al., 2003); as a result, IM has been considered a key requirement for effective external marketing (Grönroos, 1994; Bansal et al., 2001). In this sense, Ballantyne et al., (2000) reinforce that any company which aims to create and maintain personalised long-term relations with its customers should treat the role of its employees as being of overwhelming importance. Employees are crucial to determine if the service meets the customer's expectations and if not, fix it (Gounaris, 2008; Naudé et al., 2003; Su and Bowen, 2001). In this sense, staff satisfaction and motivation are crucial for service firms' long-term success (Zampetakis and Moustakis, 2007).

Prior research also points out the positive relationship between IM and the development of MO in the organisation (Shiu and Yu, 2010). IM is considered to be an antecedent of external marketing because the role of employees is vital for achieving consumer satisfaction, generating added value and maintaining long-term relations (Bansal et al., 2001; Palmatier et al., 2006). In fact, IM has been defined as "...a planned effort using a marketing-like approach directed at motivating employees for implementing and integrating organisational strategies towards customer orientation" (Ahmed and Rafiq, 2002). Therefore, IM is focused on companies that develop adequate initiatives so that their employees are satisfied (Bowen and Ford, 2002; Wildes, 2005); higher satisfaction levels among staff lead to enhanced performance, and as a result, better the relationships with customers and improve the firm's overall MO (O'Reilly and Pfeffer, 2000; Zampetakis and Moustakis, 2007; Roberts-Lombard, 2010). In fact, it has even been stated that the possibility of employees identifying with a market-focused project is inexorably based on the existence of appropriate IM within the organisation. This reasoning assumes that in order to give greater value to consumers it is important to give greater value to every component in the service provision chain; employees are an essential link in the chain, and employee value is provided through IM (Conduit and Mavondo, 2000; Zampetakis and Moustakis, 2007). The first customers to whom an organization management promotes should be its internal customers (Bowen and Ford, 2002). "If management wants its employees to do great job with customers, then it must be prepared to do a great job with its employees" (George, 1990). Accordingly, the first hypothesis states that:

H₁: The implementation of IM promotes the development of MO.

MO aims to achieve exhaustive knowledge of the consumer's needs in order to be able to offer appropriate products and services which create satisfaction and generate greater added value relative to competition

(Tsiotsou, 2010). Consumers sometimes express their desires and needs spontaneously and explicitly, and these are captured by companies through their reactive MO practices (Veflen and Sallis, 2006); however, this is not always the case and many times the firms need to develop specific processes to gather information in order to understand how the market is developing and its latent needs, which means to develop a proactive MO (Jiménez et al., 2008).

Market-orientated companies may thus be more inclined to involve their customers in the development of new services given their need to develop robust knowledge of the market in order to follow and anticipate changes in demand (Kohli and Jaworsky, 1990). Customer participation in service innovation is one of the options for obtaining detailed information on current and potential customer desires, needs and preferences and contributing to the firms' value-creation processes (Ballantyne et al., 2008). Successful service firms must look beyond traditional boundaries of the firm and include customers as potential partners. If customers contribute time, effort or other resources to the production process, they should be considered a part of the organization (Bowen and Ford, 2002; Zeithalm et al., 2009). Based on this, we propose the following hypothesis:

H₂: MO encourages the valuation of customers' involvement in the development of service innovations.

Valuation of the front-line employees' involvement in the development of new services

Companies which manage staff from an IM perspective show particular concern for understanding the specific needs and skills of their employees; they improve vertical communications between managers and workers in order to enhance the motivation and satisfaction of their employees and develop their empowerment and participation in decision making (Bansal et al., 2001; Bowen and Ford, 2002; Naudé et al., 2003). One way of involving employees in the organization's management is to consider them as an important source of ideas for the development of new services, as they constitute an essential source of market information. Thus, continuous interactions with customers allow front-line employees to achieve a better understanding of how market needs may evolve in the long term and to gather in this way, highly valuable knowledge for the development of new services. Similarly, employees are also exposed to useful information on the competition that can help the company to understand the best way of satisfying market expectations in the long term and to provide added value (Gounaris, 2008). Also, empowered employees should more likely be deemed as valuable sources of service ideas.

Although, there is no empirical evidence in this respect, it seems that the appreciation of the involvement of front-line employees in the development of new services is a

logical consequence of the development and application of an IM strategy in the company. In addition, employees play a key role in the implementation and performance of service innovations (Santos-Vijande et al., 2009), which reinforces the importance of their involvement in new service development processes to achieve the ultimate goal of IM: customer orientation. This reasoning leads to the following hypothesis:

H₃: IM encourages the valuation of front-line employees' involvement in the development of service innovations.

Effects of the co-creation culture on performance

The basic premise underlying the proposal of actively involving consumers and front-line employees in the creation of new services is that the effect of co-creation has positive effects on business results. In this study, we analyse the effects of a culture of co-creation on two types of results: customer-related performance and on overall firms' performance using financial and market-related indicators. In other words, it is presumed that service firms which value the participation of their customers and front-line employees in the co-creation of new services will obtain better results in terms of loyalty, satisfaction, communication, image etc., with their customers, and that these results improve their overall competitiveness in terms of sales, profits and market share.

A number of benefits may arise from customer involvement in new service development. Firstly, having first hand information on the target market makes it possible to achieve higher quality services, which fully meet customers' needs, becoming superior to the competitors' offer and providing extra-value. Other potential benefits include shorter development periods, an improved company image in the market and/or the discovery of new processes for providing services (Carbonell et al., 2009; Pelham and Wilson, 1996; Santos-Vijande et al., 2009). Nevertheless, despite the undoubted advantages of customers taking an active role in the development of new services, the process is not free from limitations and downside. Some critics point out that: (1) customers contribute ideas which, while they may be original, are not always possible; (2) customers often only provide ideas about incremental innovations; (3) there are not always adequate linking mechanisms between the company and its customers; (4) co-creation may result in increased costs for the company without producing any additional benefits (Carbonell et al., 2009; Santos-Vijande et al., 2009).

Despite the potential advantages and disadvantages already stated, there is some empirical research that suggests that the co-creation of new services produces an improvement in the economic and financial performance of service innovations, which involves higher customers' satisfaction (Carbonell et al., 2009; Matthing et al., 2004). From SDL perspective, we can also

argue that the co-creation of innovations with customers should improve customer-related performance as it extends the firm's scope for interaction with customers and its opportunities of co-creation of value (Ballantyne et al., 2008). Following this reasoning, we can conclude that those firms that value customers' participation in service innovation should experiment a favourable impact on their customer-related performance indicators such as loyalty, satisfaction, image of the company, perception of added value, etc. This leads to the following hypothesis:

H₄: The valuation of customers' involvement in the development of innovations exerts a positive effect on the firms' customer-related performance.

In services marketing, the intangible nature of the offer results in employees playing a crucial role in the customers' value creation process (Hays and Hill, 2001). Thus, as front-line employees are the visible "face" of the organisation interacting directly with customers during the service provision, they have to properly understand the customers' requirements and to allow the adaptation of the company's services to them (Sharpley and Forster, 2003; Shiu and Yu, 2010).

The involvement of front-line employees in the development of new services may also have direct repercussions on customer satisfaction for a number of reasons: (1) employees are responsible for delivering the service, and therefore, if they have taken part in designing it they will be better equipped to perform it (Cadwallader et al., 2010); (2) when a service is complex, the relationship between the service supplier and the customer is of vital importance (Crosby et al., 1990), meaning that front-line employees involved in co-creation of the new service are in a better position to explain the service innovations to customers and help their introduction to the market; (3) service innovations which have been guided by employees in contact with customers may better reflect current and future customer requirements (Santos-Vijande et al., 2009); (4) active employee participation in the service innovation not only encourages higher rates of innovation, but also serves to protect innovation through employee loyalty (European Commission, 2009) which enables the company to deliver greater added value over the longer term. Therefore, although there is no empirical evidence on this issue, it seems reasonable that those firms more willing to involve front-line employees in service innovation may obtain better customer-related performance in terms of satisfaction, loyalty, perceived added-value, etc. As a result, the fifth hypothesis is:

H₅: The valuation of front-line employees' involvement in the development of innovations exerts a positive effect on the firms' customer-related performance.

Finally, the improvement of firms' customer-related performance should also lead to an improved overall,

organizational performance, measured in this study in terms of financial (profits) and market-related (sales and market share) indicators. Thus, increased customer satisfaction and loyalty favour higher sales, reduced costs and increased efficiency and effectiveness (Ahmed et al., 2003; Lings, 2004). The final hypothesis for the research is therefore:

H₆: Customer-related performance has a direct and positive effect on business performance.

Figure 1 depicts the conceptual model proposed in this work.

METHODOLOGY

Scope of the study and the sample

According to the European Commission (2009), Europe is the world's most important tourism market, not only in terms of tourist arrivals, but also as a tourism generating region. As Spain is the tourist destination number two in Europe (after France), tourism constitutes one of the most important sectors of the Spanish economy generating 10.5% of its gross national product (GNP) and almost 3 million job positions. In Spain, there are more than 18.000 hotels and similar establishments active, which all together offer over 1.6 million beds. Hotels account for the 65.8% of tourists' total expenditure in accommodation which reinforces the strategic importance of this industry within the tourist sector. The hotel industry is also an appropriate research field for this study as many hotel activities are front-line services which favour co-creation between employees and customers.

Using the SABÍ database, we randomly selected a stratified population of 1.481 hotel companies with three, four and five stars and at least 10 workers. After speaking to the hotels chosen by telephone, to check the accuracy of available data and request their participation in the study, the final population consisted of 1.238 hotels. Information was collected using hotel managers as key informants as they are deemed to have the knowledge required to answer questions about all the variables analysed (Haugland et al., 2007; Pereira-Moliner et al., 2010). Table 1 offers a description of the final sample obtained.

Measurement of model variables

The measurement of IM was carried out using a scale of 16 items covering three dimensions previously contained in the proposals of Gounaris (2005) and Lings (2004): (1) generation of information on the internal market; (2) dissemination of internal information; (3) and the response to internal information. The MO scale includes two dimensions (Veflen and Sallis, 2006): (1) the proactive dimension and (2) the reactive dimension. Respondents were asked to indicate their degree of compliance with the items proposed using a 7-point Likert scale where 1 mean totally disagree and 7 means totally agree. Table 2 presents the bibliographical sources taken as reference to develop the scales. The Appendix includes these scales in full detail.

RESULTS

The results were analysed in two phases. Firstly, psychometric properties were evaluated for each of the

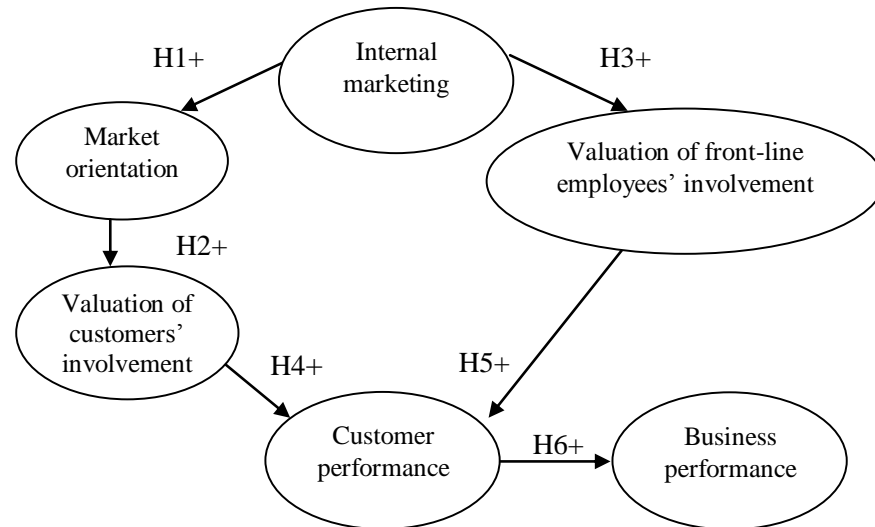


Figure 1. Conceptual model.

Table 1. Description of the sample hotels.

Number of hotels and category	240 hotels (57.5% three stars; 37.9% four stars; 4.6% five stars)
Average number of employees	39 (maximum value = 187)
Average size	112 rooms; 232 beds
Affiliation	32.8% chain-affiliated 67.2% independent
Location	61% large cities - 39% small towns
Average annual revenue turnover	€1.7 million (54% leisure customers; 46% business customers)

Table 2. Measurement scales.

Construct	References
Internal marketing (IM)	Gounaris (2006), Lings (2004)
Market orientation (OM)	Naver et al. (2000, 2004), Veflen and Sallis (2006)
Valuation of customers' involvement in service innovation (CUSTINV)	Alam (2002, 2005)
Valuation of front-line employees' involvement in service innovation (FRONTLINE)	De Bretani and Ragot (1996), Bateson (2002), Hays and Hill (2001), Sharpley and Foster (2003)
Customer performance (CPERF)	Gounaris (2005), Hooley et al. (2005), Lings (2004), Vorhies and Morgan (2005), Zahay and Griffin (2004)
Business performance (BPERF)	Theoharakis and Hooley (2003), Vorhies and Morgan (2005), Weerawardena et al. (2006)

measurement scales employed in accordance with the methodological suggestions of Anderson and Gerbing (1988) and Churchill (1979). The hypotheses in the conceptual model were then compared using a structural equations system. This was done using the EQS 6.1 package for Windows together with the maximum likelihood estimation procedure.

Reliability and validity of the measurement scales

The scale reliability was evaluated by means of two indicators: the composite reliability coefficient (ρ_c) and the average variance extracted coefficient (AVE) (Hair et al., 1999). We checked convergent validity (the standardised lambda values were always significant and higher than 0.5) (Gerbing and Anderson, 1988; Steenkamp and Van Trijp, 1991) and discriminatory validity (the average variance between a concept and its measurement is greater than the shared variance between constructs) (Fornell and Larcker, 1981).

We firstly tested the reliability and validity (convergent and discriminant) of the IM and MO scales to immediately analyse whether their respective dimensions converge in a single factor. After eliminating the items in italics in the Appendix from each scale, we proceeded to evaluate its psychometric properties. The procedure was analogous to the one followed with the rest scales proposed. The goodness of fit indices for the second-order confirmatory factor analysis (CFA) models were satisfactory for both the IM construct [S-B $\chi^2(24) = 45.9087$; $p = 0.00454$; BBNFI = 0.933; CFI = 0.956; RMSEA = 0.062] and the MO construct [S-B $\chi^2(4) = 10.3622$; $p = 0.03475$; BBNFI = 0.944; CFI = 0.978; RMSEA = 0.071].

Tables 3 and 4 contain the results of the procedures previously described for the constructs in the conceptual model. In this case, we used the means of the observed variables comprising the dimensions of IM and MO to have at least five cases per parameter to do estimate following the recommendation of Bentler and Cho (1988). As shown in Table 3, the goodness of fit indexes for the measurement models are adequate and the reliability and convergent validity of the scales used in the model are also confirmed. The results shown in Table 4 also demonstrate the discriminating validity of the scales in the conceptual model.

Estimation of the causal model

Table 5 displays the results of the causal model estimation. As shown, the results of this study confirm that IM favours the development on MO culture (H_1), and the appreciation of the involvement of front-line workers in the development of new services by hotel companies (H_3). The proactive and reactive MO of hotels has a direct and significant effect on willingness to involve

customers in innovation (H_2). The greater predisposition to participation by both groups (customers and employees) in the development of innovations has a positive and significant effect on the hotels' customer related performance compared to the competition (H_4 and H_5); this ultimately leads to a competitive advantage in terms of business results (H_6).

DISCUSSION AND IMPLICATIONS

Society today is advancing rapidly towards a knowledge-intensive economy, as a result, the preferences and requirements of customers are gradually becoming more sophisticated and where, also, continuous innovation and the development of market-specific skills are essential to deal with the new opportunities and threats raised by competition and globalization. This reality applies fully to companies in the tourism sector in Europe, which must reinforce their efforts to develop innovative, high quality tourist services to maintain their present position in the world market.

Market evolution in the tourist sector requires particular attention to be paid to human resource policies given the huge importance of staff who works in direct contact with tourists for the provision of added value and knowledge generation. Front-line employees determine the quality of service perceived by the customer and the quality of customer relations. In fact, the tourism and hospitality industry has a reputation for poor human resource practices and managing people in a traditional and exploitative way. Nevertheless, an increasing number of tourism and hospitality organizations also develop highly effective human resources practices, as documented, for example, by Bonn (2003), Dubé et al. (1999), Walsh et al. (2003) and Williams and Watts (2002). In this regard, Kusluvan et al. (2010) suggest that more research is needed in the area of the best human resources practices in the tourism and hospitality industry to create the desired consequences in terms of employee, customer, and organizational outcomes.

Accordingly, in this work, we have analysed the impact of IM practices on the results of hotel companies. IM is conceived as a business management culture which aims to achieve the satisfaction of internal customers - employees- and promotes the development of consistent human resource practices (Lings, 2004; Lings and Greenley, 2005); IM is also considered an operant resource for the organisation which is sophisticated, knowledge-based and able to act on the organisation's other resources (Madhavaram and Hunt, 2008). To analyze the IM-performance relationship, we consider the mediating role of both MO and the subcultures of co-creation of new services with customers and front-line employees. This approach is derived in part from SDL considerations, under which co-creation of innovations with customers enables companies to expand their scope for

Table 3. Reliability of the scales.

Measures	Item	Factor loads (robust <i>t</i> value)	Reliability coefficient	AVE
Internal marketing (IM)	IM1	0.79 (10.47)	0.848	0.650
	IM2	0.79 (7.70)		
	IM3	0.84 (11.19)		
Market orientation (MO)	PROACMO	0.82 (9.51)	0.721	0.566
	REACMO	0.68 (10.60)		
Valuation of front-line employees' involvement in service innovation (FRONTLINE)	FRONTLINE1	0.79 (7.64)	0.910	0.669
	FRONTLINE2	0.85 (9.16)		
	FRONTLINE3	0.85 (7.92)		
	FRONTLINE4	0.75 (9.60)		
	FRONTLINE5	0.83 (10.30)		
Valuation of customers' involvement in service innovation (CUSTINV)	CUSTINV1	0.61 (8.31)	0.850	0.593
	CUSTINV2	0.85 (16.84)		
	CUSTINV3	0.92 (17.59)		
	CUSTINV5	0.65 (9.77)		
Customer performance (CPERF)	CPERF1	0.91 (12.55)	0.921	0.745
	CPERF2	0.82 (10.13)		
	CPERF3	0.89 (15.01)		
	CPERF4	0.83 (10.76)		
Business performance (BPERF)	BPERF1	0.96 (19.16)	0.942	0.843
	BPERF2	0.88 (14.25)		
	BPERF3	0.91 (17.27)		
Summary Statistics				
S-B χ^2 (174) = 287.07 (p= 0.0000)	BBNNFI	CFI	RMSEA	
	0.924	0.937	0.052	

Table 4. Discriminating validity of the model's constructs.

	IM	MO	FRONTLINE	CUSTINV	CPERF	BPERF
IM	0.806		---	---	---	---
MO	0.656	0.752		---	---	---
FRONTLINE	0.566	0.725	0.818			
CUSTINV	0.269	0.307	0.225	0.770		---
CPERF	0.347	0.521	0.499	0.263	0.863	---
BPERF	0.444	0.520	0.447	0.263	0.351	0.918

The elements on the diagonal represent the square root of the AVE for each of the scales. The elements located off the diagonal correspond to correlations between each pair of scales.

action in creating value for them. However, co-creation with customers is a complex process not always truly valued by firms, and therefore, it is relevant to analyze the

potential antecedents to the predisposition to co-create innovations with customers. On the other hand, this research is also based on the need to understand the

Table 5. Results for structural model.

Hypothesis	Parameter (value t)	Result
H ₁ : IM → MO	0.79 (8.27)	Sig.
H ₂ : MO → Valuation of participation by customers	0.31 (3.86)	Sig.
H ₃ : IM → Valuation of involvement by front-line staff	0.50 (4.10)	Sig.
H ₄ : Valuation of participation by customers → Customer performance	0.14 (1.72)	Sig.*
H ₅ : Appreciation of involvement of front-line staff → Customer performance	0.44 (4.9)	Sig.
H ₆ : Customer performance → Business performance	0.50 (9.01)	Sig.
Goodness-of-fit measures: $\chi^2(183)=356.56$; $p=0.000$; BBNFI=0.900; CFI=0.903; RMSEA=0.063		

Sig., Significance relationship at 0.05; Sig*, significance relationship at 0.1.

mechanisms which enable companies to value the participation of front-line employees in innovation processes. The literature highlights the value of these employees as a source of new service ideas and the need to motivate them in service companies to achieve their commitment to the effective launch of innovations. However, despite the fact that this co-creation makes it possible to incorporate the contributions of employees to innovation and to gain their commitment beforehand to the launch of new services; earlier studies have not analysed this in which circumstances of companies are disposed to value co-creation of new services with front-line employees.

The results of this research demonstrate that the application of IM in hotel companies encourages the valuation of employees in the co-creation of new services with the ultimate objective of satisfying consumers. Results also contribute to the scarce empirical data that supports the role of IM as an effective antecedent of MO (Conduit and Mavondo, 2000) and confirm that the hotels' IM, indirectly through their MO, acts as a forerunner of co-the co-creation culture with customers in the development of new services. In this sense, this investigation strengthens that IM is closely related to organizational culture and contributes to the literature as suggested by Shiu and Yu (2010). The empirical evidence provided by this research tries (in summary) to facilitate a greater understanding of the effects of IM on business management.

The favourable attitude of the hotels to involving customers in the innovation process leads to better results with customers. This positive effect is based on the possibility of developing service innovations which are more suited to customer needs, thus reducing the possibilities of failure (Molina et al., 2010). In the same way, appreciating the participation of employees in the innovation process makes it possible to adapt the services offered to developments in the market, placing employees in a better position to perform the service and encouraging the spread of innovation; therefore, the positive effects of this subculture on customer results are also confirmed in terms of increased satisfaction, loyalty and communication and perceived added value. All of

this combines to enable the hotels to improve their competitive position in the market in terms of sales, profits and market share. As all indicators of results are measured over a period of three years, we can conclude that those hotel companies which most highly value the participation of their customers and front-line employees in the co-creation of new services consistently achieve better results than their competitors with their customers, and in terms of market and financial indicators; suggesting the attainment of sustainable competitive advantages. As IM is the precursor of all the conceptual model's constructs, we believe that this research also reinforces the role of IM as a valuable operant resource, from the SDL perspective, that enables the firm to develop other resources (co-creation cultures) to finally produce efficiently and/or effectively valued market offerings (Madhavaram and Hunt, 2008).

The purification of the IM scale required the elimination of seven items. Observing the blocks of variables which have been eliminated, it can be seen that in the generation of information on the internal market, the scale does not measure the degree to which hotels are aware of the staff policies of their competitors, the competitors who could attract their key staff and exact conditions in the labour market. Furthermore, neither does the internal information contain details of whether the hotel has a policy of designing posts in accordance with the capabilities and professional development of its staff and a stable training programme.

We can find the justification for these results in the report on the European tourism sector published by the European Commission in September (2009), which highlights some of the major concerns that currently affect this industry in the EU: "it is ever more important to have a sound understanding of customers, the various segments of the market and competitors in order to maintain a competitive position ... together with the lack of accurate knowledge of the market and competences (the key to success), many businesspeople in the tourism sector are men and women who have achieved their positions through their own efforts without any specific training in tourism or management ... they

frequently fail to take advantage of opportunities, as they are not always aware of their position in the tourist industry”.

As a result, we can infer that many hotel companies lack adequate external orientation as well as suitable management knowledge to develop human resource policies based on designing posts, careers and regular training.

Limitations and future research recommendations

This work has a number of limitations. Firstly, the information on independent and dependent variables was collected at the same moment in time and from the same respondent, which gives rise to the possibility of common method bias. However, this type of problem is more probable when constructs which involve strong feelings such as attitudes are measured (Chen et al., 2005). A further limitation derives from the use of subjective measurements of financial results; nevertheless, this is common practice in research given the resistance of companies to providing quantitative data on sales, market share and profits. Finally, this research only focuses on hotel firms with the objective of isolating within-industry variation. This approach clearly prevents the generalization of the results and demands the replication of the investigation in other services companies.

Additionally, we can identify three other essential aspects for further research from this work. Firstly, we need to examine in-depth the human resources policies of hotel companies to reformulate the measurement of the IM concept in such organisations. Secondly, it might be appropriate to add other variables to the model which could act as antecedents for co-creation of innovation cultures, such as innovative culture and comparing the effects of this with that of IM. Finally, this study has examined the organisational level; this analysis needs to be extended to the effect of IM on practical co-creation of specific new services with customers and front-line employees.

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