

Internal Marketing: A Strategic Tool to Achieve Inter-functional Co-ordination in the Context of a Manufacturer of Industrial Equipment

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Abstract : The Internal Marketing concept came into existence nearly two decades ago in the academic arena. Since then different authors viewed IM from different perspective and proposed it as a comprehensive tool to achieve customer satisfaction. The basic idea was to formulate a marketing program inside the organizational boundary that compliment external marketing and enhances the chance of success. . In this paper efforts have been made to explore and evaluate the aspects of internal marketing in the context of an industrial equipment manufacturer *and its role in establishing inter-functional coordination in terms of people, process and work environment. In this regard, analysis has been conducted by using interviews and participant observation. This research came up with the conclusion that applying Internal Marketing concept could bring about significant improvements in developing inter-functional co-ordination to overcome several crucial issues that the organization is currently confronting in strengthening its inter-functional integrity and understanding.

1. Introduction

Many people think of marketing only as selling and advertising. However, selling and advertising are only the tip of marketing iceberg. Classically marketing is defined as the performance of business activities in directing flow of goods and services from producers to consumers (American Marketing Association, 1984). Presently marketing is considered as the process by which companies create value for customers and build strong customer relationship in order to capture value from customers in return (Kotler & Armsrong 2006). Both the concepts (classical & modern) emphasize on the required function in exchanging the goods and services between the manufacturer and customers, that is termed as external marketing. But the precondition of successful external

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marketing is successful internal marketing. Internal marketing indicates the application of marketing on employees within the organization.

The Internal Marketing (IM) concept came into existence nearly two decades ago in the academic arena. Since then different authors viewed IM from different perspective and proposed it as a comprehensive tool to achieve customer satisfaction. The basic idea was to formulate a marketing program inside the organizational boundary that compliment external marketing activities and enhances the chance of success. In this regard, IM has focused on a range of intra-organizational issues, from internal customer to achieving inter-functional co-ordination, with an ultimate aim to gain higher customer satisfaction.

Gronroos (1989) considers the internal marketing as the management philosophy which focuses on how to get & retain customer- conscious employees.

In this respect, Furguson and Brown (1991) propose two objectives of internal marketing

1. To recruit and keep the best people
2. To motivate employees to do the best possible job applying the philosophies and practice of marketing to employees.

It has been claimed that customers are attracted by the promises, but retained through satisfaction which is possible to deliver by the whole company not by the marketing department only (Kotler 1995). It is not enough to have a marketing department doing traditional marketing while rest of the company goes on its own way, marketer also must get every one else in the organization to practice marketing. Internal marketing strategy can play the key role to organize the activities of whole company toward the customer satisfaction to by developing the coordinating culture and ensuring the quality offer (Shahidul Islam 1998). Thus it is clear that the internal marketing is a process that has to be integrated with total marketing function (Gronroos 1990).

Internal Marketing (IM) is a relatively new concept in the area of marketing management, Despite its significance and number of research conducted, both empirical and theoretical, the concept is yet to be pinpointed for precise and effective implementation. Thus, it might be the right time for practitioners to consider the value of relationship aspects more in-depth in their organization since it could be the next paradigm shift from traditional marketing approach (Gronroos, 1994). And it works as the prime rationale of this research, whereby implementing the IM concept is treated as a means to improve inter-functional co-ordination, which will induce better customer service and eventually lead to higher satisfaction for the end customers. This is the point of departure for this research where efforts have been made to examine implementation of IM concept.

2. Literature Review

The concept of IM has been evolving in the management literature for more than a decade. All the concepts had a single aim, to improve service quality of the firm towards the end customers. However, the dispute still remains on how to implement this approach in an effective manner to achieve desired outcome which would lead to efficient inter-functional operation and eventually serve customers better than competitors.

The first definition of IM was laid down by Berry in 1981. He defined internal marketing as “viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization”. Thereafter, different definitions of IM have been formulated over time from different perspective. Berry and Parasuraman (1991), Van Haastrecht and Bekkers (1995) and George (1990) have argued IM as a HRM concept whereby internal customer satisfaction (employee satisfaction) is key to achieving external customer satisfaction (Lings, 1997). To support Berry’s view George (1977) expressed “to have satisfied customers, the firm must also have satisfied employees” (Rafiq and Ahmed, 2000). The importance of customer orientation has also incorporated in the IM concept. Christopher Gronroos (1981) advocated that due to the importance “interactive marketing” between seller and buyer it is crucial that organizations have highly customer oriented and sales minded employees in order to take the opportunity that come forward during buyer-seller interaction. Piercy (1994), Piercy and Morgan (1989) along with other academics put forward different idea about IM. They viewed it as a concept related to change management and could be used to achieve either strategic or evolutionary change (Mohrman et al, 1989; Beckhard and Pritchard, 1992; Nadler et al, 1986; Del Val and Fuentes, 2003). Here the marketing approach for internal market could be applied parallel to the external one (Lings, 1997). However, Internal Marketing takes a much broader view when it is considered as a strategy to achieve inter-functional co-ordination and co-operation. George (1990), Glassman and Macafee (1992), Piercy and Morgan (1989) are the key proponents of this idea. They argued that IM has the potentiality to integrate and overcome inter-functional conflict by treating employees as a resource to the marketing function (Rafiq and Ahmed, 2000).

In industrial marketing service is an inevitable phenomenon (Gummesson, 1987; Gronroos, 1994; Lings, 2004; Lindgreen et. al., 2004). Where the selling phase ends for an industrial product, the service phase starts for that particular item. Therefore, an effective relationship marketing approach is one that covers both the phases. Again, in today’s technologically advanced world, gaining competitive advantage on the basis of product quality & price differentiations is no longer sustainable as these can be imitated

rigorously. Hence, holding competitive position calls for greater emphasis on building customer relationships as a means of core competence (Egan, 2001, Lindgreen et. al., 2004). In addition, in today's world the numbers of goods have increased quite dramatically, where the total offering is the combination of goods, services and information technology, which indicates service as a growing issue of concern in today's industrial market (Gummesson, 2002). The industrial market has more implication for relationship marketing because of the higher need for after sales services such as installation, spare parts, repair & maintenance etc (Levitt, 1983). Therefore, it is quite evident that service marketing is one of the significant factors of industrial market.

The increased economic interdependence, complicated nature of product, cost of repeat negotiations and the narrow vision of people, apart from marketing, within organization necessitates the need for building long-term relationship based on mutual cooperation and understanding (Levitt, 1983). However, a different view is displayed by Dr. Jackson (1985) regarding the applicability of relationship marketing approach in industrial market. She argued that selection of marketing approach, either relationship or transactional, depends on the type of industry and its corresponding behaviour spectrum. A customer following 'Always-a-share model' differs significantly from a customer patronizing a 'Lost-for-good model' in the context of a marketing approach. The former focus on the transactional marketing approach, whereas the latter emphasize on building long-term relationship marketing approach (Jackson, 1985).

From the above discussion it is quite apparent that in industrial marketing building relationship with customers is vital. In this regard, internal marketing could play the mediating role to build long-term customer relationship (Ballantyne, 2003). Internal Marketing could also help to establish a shared objective among the employees by applying any of the perspective mentioned by different authors over time (Piercy, 1994; George, 1990; Gummesson 1987; Rafiq and Ahmed, 2000; Ballantyne, 2003).

Piercy (1994) suggest that internal customer satisfaction is directly linked with external customer satisfaction. In order to achieve internal customer satisfaction he analyzed the internal market using the same 4Ps model of marketing used for external market. In his approach, Piercy (1994) used customer satisfaction measurement as the decisive indicator of understanding the success of internal marketing program. The aim is to bring about changes within the organization in order to be more customers focused (Piercy, 1994). A similar idea was developed by Sasser and Arbeit's (1976) whereby they focused on internal customer satisfaction and treated 'Job' as a product to be sold internally.

IM has been treated as a systematic tool to achieve better service/customer orientation by employees. When applied properly Internal Marketing concept can ensure the

development of service minded and customer oriented employees (George, 1990). This customer consciousness ultimately leads to the market orientation where the employees understand the market as a whole and determine their role within the organization to ensure organization's overall objectives.

The internal customer and supplier relationship cannot be put in a mechanistic way. For that a relationship needs to develop. Relationship marketing could play a vital role in this regard, that would help to generate knowledge and facilitate learning (Ballantyne, 2003). In this way internal marketing concept can be implemented within the organization in order to become more marketing oriented. Ballantyne (2003), based on a banking case study, developed a four-phased relationship cycle which necessitates the importance of relationship development within network of relationship in an organization, and thus help knowledge renewal and learning. He assumed, based on Gummensson's assertion, that internal marketing is relationship marketing as it involves network of relationships within organization. The consequence is more customer conscious and market oriented employees inside the organization. In a nutshell, internal marketing approach can be successfully implemented by using relationship based strategy which helps knowledge renewal and learning (Ballantyne, 2003). The interconnection between internal marketing and relationship marketing is further discussed by Gronroos (1994) where he argued that relationship marketing play a significant role inside the organization by establishing interactive marketing whereby all the employees work as part-time marketer and work together in a collaborative manner with a view to provide good perceived quality and customer satisfaction. The role of internal marketing is to develop these 'traditional non-marketing' (Part time marketer) people so that they are committed, prepared, informed and motivated. This involves peoples from top management to all the way down to the front-line employees. Furthermore, internal market refers to the people within the organization whose quality of activities influence customer relationships, both directly and indirectly. Therefore, creating an organizational culture that facilitates pursuing overall objective is important. So a highly co-ordinated and integrated approach to marketing and human resource management is essential in order to obtain competitive advantage by treating employees as a key source of competence, as poor implementation of marketing plan may well offset the benefit of having state-of-the art technology (Payne et. al., 1995).

Internal Marketing can further be used as a strategic tool to enhance inter-functional co-ordination within the organization. This could be used as the internal interface between various functional departments such as marketing, personnel, operations and others (Gronroos, 1994). However, Rafiq and Ahmed (2000) seem to be the strongest proponents of using IM as a strategic tool to achieve inter-functional co-ordination. They

proposed that IM should take the broad view and used as a tool to implement strategy and change rather focusing solely on employees as internal customer. Here the emphasis is more on task needed for effective implementation of marketing and other management program by recognizing important role employee's play in overall achievement of customer satisfaction. They argued that IM could be treated as an implementation mechanism, which will treat all the employees as a resource for the marketing function. This broadening of IM interprets that it could be used as a general tool for any kind of strategic implementation, either internal or external, as it has been able to reduce departmental isolation, inter-functional friction and overcome resistance to change (Rafiq and Ahmed, 2000).

Participative approach of management can be used in implementing internal marketing programs as different management style and behaviour cast significant influence over internal marketing. It has been argued internal marketing can be used by general managers, department managers and individuals through participative management approach (Davis, 2001). Again, building and changing relationship across the organization, under the participative management approach, by using internal marketing could be an integral part of the general manager's job. As such when using Internal Marketing as a department management strategy relationship marketing and internal marketing mix need to be considered by the managers, and finally, implementing IM based on the concept of participative management can also be used as a strategy for influencing individuals. The chances of success in marketing individual ideas are increased to a significant extent by using this particular approach (Davis, 2001).

It is quite evident from the above literature review that the concept of IM can be implemented as a comprehensive solution for the improvement of employees within an organization. Once implemented, IM can be used as an effective tool to formulate marketing strategies and plans that establish coherence between internal and external activities. Therefore, apart from gaining improved customer/market conscious employees and ensuring customer satisfaction IM can be implemented as a tool to achieve inter-functional/ departmental cooperation and coordination.

3. Objectives of the Study

The objectives of the study are

1. To explore and evaluate the aspect of internal marketing
2. To examine its role in establishing inter-functional coordination in terms of people, process and work environment

4. Methodology

Research Design

This is a research paper for exploring and evaluating the applicability of Internal Marketing (IM) concept in a Bangladesh based Power Equipment Manufacturer basically producing Generators, Power Transformers, Instrument Transformer and other allied products in the electricity sector of Bangladesh. The objective of the research is to explore 'what is going on' inside the organization in terms of people, their work process and environment; and 'how' the nature of these relationships could be improved in terms of inter-functional or inter-departmental co-ordination by applying Internal Marketing concept. Thus, the research objective requires an exploratory research design (Malhotra, 2001, 85) and a qualitative research method since the research will attempt to build theory followed by collected data (inductive approach) (Saunders et. al., 2000). Furthermore, qualitative method of research helps the researcher to get an 'insider's view' due to the close association with the participants and activities (Burnes, 2000), which help, to a great extent, to understand and gain insights of the phenomenon studied (Malhotra, 2001). Since the research approach is inductive and qualitative in nature, therefore, the researcher role was that of Participant Observer. As the objective of the research is to find out 'what is going on' within the organization in order to justify the applicability of internal marketing approach, thus it would be appropriate to follow such method of primary data collection. This method will also facilitate to learn and feel the scenario (Saunders et. al., 2000), which is essential, as the study is based on a social setting.

Sampling

Heterogeneous or maximum variation sampling strategy has been used in this respect, where the aim is to find out key themes that emerged from the opinion of different people in different functional areas that suggest the applicability of internal marketing technique in the context of the organization being studied. A sample of 8 employees is selected from different functional areas such as marketing & sales, commercial, Production and engineering (8 in-depth interviews). These managers and executives are selected on the basis of their knowledge and experience in the given context. Due to their experience and understanding of the work process they are the most dependable & reliable source of information; and are the most potential sources of realistic suggestions and recommendations.

Data Collection

For the purpose of this research all the data were collected based on two primary data collection method for qualitative research. These are:

- Semi-structured and In-depth interview
- Participant observation

In accordance with the research objective and questions, In-depth interview method has been used as a primary means to collect data in order to understand ‘what’, ‘how’ and ‘why’ aspects of the organizational context being observed and studied. Interview questions were designed primarily to focus on the internal aspects of the organization in order to evaluate the applicability of internal marketing concept. Thus the questions covered key areas regarding the process, people and physical aspects of the organizational boundary. The aim was to see whether any uniform/ common theme generates from the respondents, in the light of the research topic, that will help to understand current status of the internal functions (what), reasons for the discrepancies (why), if any, and measures to overcome those discrepancy by applying the internal marketing approach (How).

Participant observation has been used as an initial data collection method. It helped to build a platform for the in-depth interviews and develop questions to be asked to probe crucial issues in terms of internal operations of the organization.

5. Findings & Recommendations

5.1 Findings

This section reveals the outcome of the research on the basis of the data analysis conducted earlier. The findings are summarized under following headings and contain a true representation of opinions:

- All the interviewees have defined the management approach in a manner that is somewhat close to an autocratic one, where focus on subordinate requirement is very insignificant. When asked to talk about the current management/ leadership approach within the organization they were reluctant to speak and some wanted to switch off the tape recorder. This reluctance could be characterized by a long pause or an extended sigh or hesitation from the respondents. When probed further into this area the reasons are identified could be listed as follows:
 1. Too much involvement of the top management in the day to day activities rather looking at the overall picture of where the company is going on a long term basis.
 2. The conflict between long service and short service employees. Some people in the top management have been working for a long time. They are very much possessive

of their own way of doing things and might fear that doing something new would reduce their power, authority and control over other people and process. The same issue was identified as one of the four sources of resistance to change, which was termed as “Lack of creative response due to resignation” (Del Val and Fuentes, 2003). Obviously this links the top management to the lack of creative response whose life experience has been creating the organization.

3. The lack of personal interaction is another identified reason. Some respondents accused top management not being good at maintaining interpersonal communication. To them “they don’t listen to people” and thus don’t have a clue to their problems.
 - It was very interesting to find out what people think about the overall objective or goal of the organization. When asked about the overall company goal or objective all the respondents were confused and couldn’t give any uniform answer. Some of them said ‘to get the next job out of the door’, or ‘to make money’. They focus much in the day-to-day details rather integrating people’s efforts towards a defined goal or objective. The lack of a clearly defined objective throughout the company results in poor inter-functional co-ordination and communication as people is only focused on their respective department and its task without having any understanding of the company’s position in terms of the overall market dynamics and customer requirements.
 - When asked about their opinions regarding the current physical structure of the work place, majority of the interviewees were not satisfied with it. Their dissatisfaction was characterized by words such as ‘inappropriate’, ‘terrible’ etc. People in the sales, commercial and finance favor more open and busy place with people interaction where they can chat with each other about various matters. On the other hand, due to the nature of their job, production and engineering people requires more quiet place where they can perform their technical task without interferences and disruptions. This could be linked directly with the quality of the work environment and outcome of employee performance. Another implication of this finding could be linked with the fact that internal customer requirement varies according to their needs and wants, which necessitates internal segmentation and customized offering to meet varied needs (Piercy, 1994).
 - All the interviewees emphasized on the importance of informal communication outside work. All the respondents regretfully mentioned that during their stay in the company they never had any type of social gathering organized by the company. They consider it as an opportunity to know their fellow colleagues better and could

find out common interest among them. This close association might improve respect towards each other and improve interpersonal relationship. All of which could lead to more co-operation and coherence in the work place. According to them, the top management has to play a major role in putting these people together in an informal social setting.

- Almost all the interviewees identified people's attitude as the main source of poor interdepartmental and interpersonal communication in the organization. They also mentioned about lack of openness, departmental superiority, and business like behavior as some other sources causing poor communication. Instead of working together they ended up working against each other and made it difficult for the people to work together. When asked about the ways to overcome, they emphasized on the following issues:
- Improving the culture in terms of openness and closeness.
- Introducing proper training programs both for the managers and staffs.
- Establishing an information system that allows free flows of information.
- Encourage more face-to-face communication across the company.

5.2 Recommendations

Based on the findings listed in the previous section this section concludes that although the company is not in a crisis at the moment in terms of its financial performance, it might very soon find itself in such situation if crucial internal factors are not properly addressed. Considering the market dynamism and extreme competition, it is of paramount importance that top management focus on building up mutually coordinated and well integrated functional departments that compliments external marketing activities in the long run and act as one individual unit where people understand each others needs in pursuing overall company objective. in this regard, following the concept of internal marketing (IM) could be a possible solution. Therefore, the researcher, on the basis of the information collected by consulting employees at various levels, recommends following steps of actions in the fulfillment of IM implementation. In laying out the recommendations five action steps has be proposed in a chronological manner for ease of understanding. In each step several suggestions are made with a view to propose a coherent and interlinked implementation process.

- At this level, achieving inter-functional co-ordination is identified as the product which will set the direction for a change in employee and management attitude in order to overcome the barriers that has been identified from the data collected. This

could be the first step in implementing internal marketing program. At this point, it should be noted that the identification of the need for achieving more inter-functional co-ordination and applying IM concept to obtain that, in the context of the company studied, is the major success of this research project.

- This level concentrates on segmenting employees into groups on the basis of their needs. In this regard, this research proposes to segment the internal market according to the functional department. It has been recommended by the researcher to segment employees according to their departments i.e. Sales, Production & Engineering, Commercial and such. In terms of activity each department perform some unique set of activities which is interrelated to each other; and therefore plays a significant role in determining the quality of inter-functional co-ordination, which is also termed as network of relationship (Gilmore, 2000).
- In order to achieve a coherent teamwork between departments it is required by the top management to practice a participative management approach in delegating power and authority. This will help to empower employees but not at the expense of accountability. A weekly meeting could be arranged whereby all the departmental directors, managers and supervisors will be asked to show cause for the failure of a particular task. Alternatively, the process of accountability could be established by identifying the most problematic department in the company and keep a record of tasks on individual basis, following up progress and ask for explanations if deviation occurs. There must be a reform committee who set up required information that is used by all the departments on the basis of a collective consensus. Here, information like customer list, the amount of annual sales to these customers, design works for regular and standard units, a general overview of the stock level for both capital equipment and spares parts, expected date of next supplies, routine commercial documents, insensitive financial information etc. could be placed with a view to share information and educate employees at the same time.
- As the saying goes, no pain no gain, similarly nothing can be gained if management is reluctant to bear any expenses. In fact it would be a complete waste of time, energy and effort if changes are expected without any cost what so ever. The change may not necessarily be a monetary one, it might well be a human cost, for instance, to introduce participative management approach that encourage delegation and empowerment some managers may require to alter their attitude towards subordinates and their meaning of exercising power and authority. Therefore, the most crucial issue of any change program is the willingness of top management to incur the cost. All the suggestions put in this section involves both financial and human cost. This is

highly recommended that this issue is considered critically prior to implementing any programs, provide necessary trainings to the individuals involved to make them wholly aware of the outcome and explaining how its going to benefit the organization in the long run. To be effective both the positive and negative side of the cost factor should be identified. (Paton and McCalman, 1992; Thornhill et. el., 2000; Randall 2004).

- It has been identified that serious discrepancies exist among employees regarding company objective, which by all means is disadvantageous for collective effort and team work. in this case a month long awareness program could be launched whereby employees from same functional areas are grouped together, explain what the aim of the objective is and what role they need to play to make it a success.

6. Conclusion

It should be realized by the top management that addressing the aforementioned issues identified in this paper, according to the principles of IM implementation, could be a meaningful and effective way to achieve inter-functional co-ordination. To increase the chance of success it is important to study those relevant issues that employees are concerned about and take necessary steps according to the recommendation outlined above.

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APPENDIX

Interview Questions

1. How would you evaluate the effectiveness of sales forecast prepared by the sales department?
2. Please comment about the leadership/ management approach currently practised within your company? How would you define the nature of the leadership approach?
3. Are you satisfied with the current physical structure/ layout of the company? Do you think any improvement could be made to ensure inter-functional rapport and co-operation?
4. What in your opinion are the key communication problems between departments?
5. How do you feel about the importance of informal communication outside the organization? Is there any social activities take place outside work?
6. Please briefly explain what your company's overall objective is and what is your role in achieving that objective.