
INTERNAL MARKETING AND PERFORMANCE IN SERVICES ORGANIZATIONS

■ **Abstract:**

The paper tries to reveal the critical importance of service employees and human resource in delivery of quality services and creating customer satisfaction. We consider that the employees' abilities (attitudes and behavior) can improve - or reduce- the reputation of services organization (employees are responsible for the organizational performance). Internal marketing is the vision of a services organization that wants to transform its employees in loyal customers. By satisfying „internal customers”, the organization improves its ability of satisfying the „external customers” successfully.

Internal marketing is a concept aimed at developing customer conscious employees that will consistently deliver superior quality service to the external marketplace. For the purpose of this paper the group will focus on the customer orientation perspective as it is relevant in the context of high contact service employees.

In the context of customer orientation internal marketing considers the attraction, retention and motivation of service-minded employees. Internal marketing is a technique implemented by the organization in an attempt to ensure the provision of excellent service.

This paper focuses on the fact that the services organization's performance is fundamentally based on the way managers lead – using their creativity, imagination, competence – the employees.

■ **Keywords:**

Internal marketing, customer satisfaction, performance, employees

■ **INTRODUCTION TO INTERNAL MARKETING**

Internal marketing was first proposed within the services literature in the 1970's as a solution to the problem of delivering high quality service (Vary and Lewis, 1998). Internal marketing is a concept aimed at developing customer conscious employees that will consistently deliver superior quality service to the external marketplace (Papasolomou-Doukakis, 2003). Internal marketing depends on a variety of individual activities throughout the organizations and it attempts to inform and

educate the employee regarding the organizations mission the benefits of the product or service being sold, and the expectations of the organizations customers (Vary and Lewis, 1998). Such a programme aimed at generating employee commitment is not new as it is inherent in total quality management literature. According to Ahmed and Rafiq (2002, p.1) internal marketing requires:

- ✚ *The acceptance of marketing techniques and philosophy within an organization*

- ✚ Customer orientation and a market orientation
- ✚ A participative approach to management
- ✚ A strategic approach to human resources management
- ✚ The coordination of all management activity to achieve customer or market orientation or customer focused management.

■ DEFINITION OF INTERNAL MARKETING

Internal marketing is an ambiguous concept (Flipo, 2000). The term internal marketing is used widely as a means of highlighting commitment to improving the effectiveness of the services offered by an organizations' resources (Gilmore, 2000). Internal marketing is not a departmental function rather an organizational activity as the entire resources within the organization must be coordinated (Hogg and Carter, 2000).

The definitions reviewed within the literature highlight the ability possessed by internal marketing to improve service quality through an organizational effort. The definitions encountered within the literature can be categorized according to three perspectives, the internal customer, the development of a customer orientation and the theory of internal marketing as an implementation mechanism. For the purpose of this paper the group will focus on the customer orientation perspective as it is relevant in the context of high contact service employees.

■ CUSTOMER ORIENTATION

Internal marketing has been defined as the approach employed by the organization to advocate the philosophies of customer and service orientation throughout the organization through the motivation of employees (Varey, 1994). In this context the organization attempts to install a set of values related to achieving a superior service climate within the employees belief systems (Varey, 1994).

Barnes (1998) approaches internal marketing in a similar manner by defining it as actions taken by the organization to ensure that customers receive the highest standard of service due to the employees' commitment to service quality.

The organisation cultivates employee commitment by encouraging the use of customer focused quality techniques (Ballantyne, 1991).

In the context of customer orientation internal marketing considers the attraction, retention and motivation of service-minded employees. The motivation of employees is not enough in itself, as the customer orientation, must be communicated into the external marketplace through employee action (Rafiq and Ahmed, 2000). George (1990) illustrated that relational exchanges between employees within an organization should be considered a prerequisite for successful exchanges with external markets. The satisfaction of the internal customer is of critical importance as; satisfaction will ultimately effect the satisfaction of the external market (Ballantyne, 1997). Internal marketing is a technique implemented by the organization in an attempt to ensure the provision of excellent service.

■ THE MODELS OF INTERNAL MARKETING

Gronroos (***) believes Internal marketing is concerned with ensuring employees are consistently conscious of delivering service quality. The model highlights how internal marketing should be supported by management with information exchange, recruitment and training and employee decision making (Rafiq and Ahmed, 2002). Employees realize the importance of their position within the organization and develop into satisfied individuals. The model stresses the importance of interactive marketing in conjunction with internal marketing. Interactive marketing is a proposed with how customer contact employees take care of customers during service encounters (Bitner and Evans, 1993). By improving the service encounter through internal marketing customer satisfaction and employee motivation can be increased.

However, Gronroos (***) does not encapsulate all the elements of internal marketing (Rafiq and Ahmed 2000). The elements of internal marketing identified by Rafiq and Ahmed (2000) include:

- ✚ Employee motivation and satisfaction
- ✚ Customer orientation and customer satisfaction

- ✚ *Interventional co-ordination and integration*
- ✚ *Marketing like approach to the above*
- ✚ *Implementation of specific corporate and functional strategies*

Rafiq and Ahmed developed a comprehensive model of internal marketing based on these elements. According to the model the use of a marketing like approach is fundamental in internal marketing, as it incites the employee to become customer orientated through motivation and coordination of functional departments (Rafiq and Ahmed, 2002). Job satisfaction is incorporated due to the belief that if the internal customer is satisfied in the service position this satisfaction will be transferred to the external customer (Rafiq and Ahmed 2000). Empowerment is integrated into the model to highlight the importance of allowing the employee flexibility in terms of decision-making during the service encounter (Rafiq and Ahmed, 2000).

This model focuses on the area of service quality so it is largely applicable in the service industry.

■ **THE OBJECTIVES OF INTERNAL MARKETING**

Internal marketing aims to improve customer consciousness by changing the beliefs of the front line employees (Ahmed, Rafiq and Saad, 2003). Helman and Payne (1992) believe the objectives of marketing depend on the reason it is being implemented. Internal marketing may be concerned with improving employee routines through internal motivation. Internal marketing may be concerned with ensuring the entire organization understands each department's function within the organization. The internal marketing function may be aimed at marketing the organizations product or services to customers.

Internal marketing aims to improve the overall business process within an organization to ensure that resources to progress the organizations aspiration are made available to the internal customer (Joesph, 1996).

■ **MOTIVATING SERVICE EMPLOYEES**
 ■ **Why Motivate Employees**

As previously discussed, the service encounter and internal marketing include the use of motivation, as a perquisite for their success in the marketing of services. Management need to

be aware of motivations exact connotation to comprehend its use to their business. Motivation can be defined as "the development of a desire within an employee to perform a task to his/her greatest ability based on that individual's own initiative" (Rudolf and Kleiner, 1989, p. 1). By analyzing the definition, one can ascertain, motivation to be the level at which an employee will perform a specified activity for the company, an imperative function for success. Motivation can also mean employees "...strive to reach peak performance every day, ... enjoy the continual challenge of improving results, genuinely care about their peers and their company, and will maintain positive results" (Evenson, 2003, p.21), or as "the willingness to exert high levels of effort toward organizational goals, conditioned by the person's ability to satisfy some individual need" (Robbins, 1993 as cited in Lu, 1999, p. 63).

The definitions of motivation, lead an organization to believe their employees will perform their specified tasks better than the norm and will genuinely wish to do so, while this is important for the business, motivation can also have other benefits. Carlsen (2003) believes a motivated workforce is essential, as the complete participation of employees will inevitably drive the profitability of the organization. Another paramount concern for management is, motivating their employees relates directly to the perceived increase in performance the employees with deliver from managements' participation in the exercising of motivation techniques, therefore, there is a direct result between the levels of motivation and management's participation. (Tyagi, 1982).

Certain academics have linked motivation as being a key determinant of job performance and how a poorly motivated force will be costly in terms of excessive staff turnover, higher expenses, negative morale and increased use of managements' time (Jobber, 1994). Therefore, management need to know what exactly motivates their staff so resources are not misallocated and dissatisfaction develops among employees (Jobber, 1994). While motivation is a key determinant of performance, management must not neglect how motivation is the also concerned with the educating of employees. Darmon (1974) believe motivation is the educating of employees to channel their efforts towards organizational activities and thus

increasing the performance of the said boundary spanning roles.

If management neglect to educate and motivate their employees, they will inevitable become dissatisfied or disenchanted with their job. Disenchantment in the workplace leads to absenteeism, turnover, sick leave, strikes, grievances and even accidents. Denton (1991) believes a motivated workforce would alleviate disenchantment felt by employees and improve these factors. Denton (1991) also believes a motivated workforce will lead to greater understanding, acceptance, commitment to implementation, understanding of objectives and decision making between management and employees.

Finally, motivation can also be used as a tool to develop further, the high performers and ensure they are satisfied with their work activities. Green (2000) envisages motivation to be proactive in the sense of: in dealing with employees who are high performers, motivation is essential, otherwise their performance will decline or they will simply leave the job. In the area of dealing with low performers, motivation is a prerequisite, otherwise these employees will drag results down, lower productivity and certainly won't leave the organization, as they will have nowhere else to go.

■ HOW MANAGEMENT CAN MOTIVATE THEIR EMPLOYEES?

Rewards: "Good manager helps sub-ordinates feel strong and responsible, who rewards them properly for good performance and who sees that things are organized in such a way that subordinates feel they know what they should be doing" (McClelland and Burnham, 1997, p.30). As McClelland and Burnham (1997) outline, management should reward their employees for their performance and loyalty. Rewards can take two forms; extrinsic rewards or intrinsic rewards.

Extrinsic Rewards: Extrinsic rewards as outlined by Rudolph and Kleiner (1989) and Sujan (1986) as those basic material requirements which management must meet for the employee. Examples include; salary, fringe benefits, promotions and so on. The extrinsic rewards are usually viewed by employees as a given and a must. Extrinsic rewards are usually thought of in terms of money.

Darmon (1974) believes money or financial incentives are motivators of employees' behavior and they can be used to influence their behavior; this can be used in a variety of circumstances, which may arise within the organization.

Dauten (1998) outlines how employees are best motivated, by having them bet on their own success. Therefore, management should tie their performance in with their bonuses; this will act as a motivator, as a challenge has been presented to them. Employees will want to achieve managements' goals as the greater their performance the greater the financial reward received.

Intrinsic Rewards: Rudolph and Kleiner (1989) outline intrinsic rewards as psychological incentives, for example, input, thanks, job rotation, job enlargement and so on. The importance of intrinsic rewards is how they build a climate and environment of trust and co-operation among employees. Or as Sujan (1986) outlines, employees who are motivated intrinsically "enjoy performing job-related tasks, such as influencing customers and learning about the company" (p.42).

Nelson (2003) contends, while money is a motivator, it is not as powerful as the following: Feeling of contribution to the job, having management tell us we are doing a good job, having the respect of our peers and colleagues, being involved and informed of developments and having meaningful and interesting work. While, Nelson (2003) finds these methods as good motivating tools, he outlines how the use of recognition is the ultimate motivator.

The importance being, "recognition is not just for the person who performed well – it also sends a message to other employees as it communicates the standard of the company" (Nelson, 2003, p.8). Nelson (2003) implores to management, recognition will improve the level of performance by employees, which inevitably improves the financial performance of the organization. Nelson (2003) believes the uses of monetary rewards are becoming "viewed as a right as opposed to reward and therefore the ability for money to serve as incentive is diminished" (p.8). Money also distracts team members as their concentration is now focused on individual cash gains. Therefore, Nelson (2003) has developed a number of ways in which

an organization can motivate their employees without incurring great financial costs.

Ways in which an organization can install recognition as low-cost (Nelson, 2003, p.9):

- + Call employees into office and say "thanks"
- + Acknowledge individual achievements
- + Create employee "hall of fame"
- + Photo collage of successful project and those who worked on it
- + Place to display memos/posters as recognition of employees work in their help in achieving goals
- + Behind – the – scenes awards for those out of limelight
- + Certificate program

Most importantly, be timely, sincere and specific.

CONCLUSION

Many organizations testify that their employees are their most valuable resource. This is especially relevant in the service organization. Customers often base their perceptions of the service on the quality of the interaction with service personnel. For this reason it is essential that the employee is motivated to consistently deliver a high quality service experience to the customer. Motivation is especially important when employees operate in a boundary spanning position, as this involves high levels of stress and burn out.

We propose internal marketing as a mechanism for ensuring the motivation of service employees. The implementation of an internal marketing program ensures that motivation is at the forefront of managements' priorities. This realization implores management to consider that motivation is not solely the responsibility of human resources but must be adopted by all managers throughout the organization regardless of their functional department. In summary, the importance of motivated high contact employees is fully realized through the adoption of internal marketing.

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