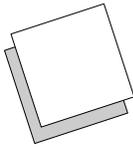


An executive summary for managers and executive readers can be found at the end of this article



Advances in the internal marketing concept: definition, synthesis and extension

Mohammed Rafiq

Lecturer in Retailing and Marketing, The Business School,
Loughborough University, Loughborough, UK

Pervaiz K. Ahmed

Unilever Lecturer in Innovation Management, University of Bradford
Management Centre, Bradford, UK

Keywords *Services marketing, Internal marketing, Customer orientation, Service quality*

Abstract *Over 20 years ago internal marketing was first proposed as a solution to the problem of delivering consistently high service quality. However, despite the rapidly growing literature, very few organisations actually implement the concept in practice as there does not, as yet, exist a single unified concept of what is meant by internal marketing. Critically examines the internal marketing concept and delineates its scope by tracing the major developments in the concept since its inception. The literature review suggests three major phases in the development of the concept, namely an employee motivation and satisfaction phase, a customer orientation phase, and a strategy implementation/change management phase. Proposes a definition and a set of core criteria that are essential features of an internal marketing program. Also explores the interrelationship between the proposed criteria and suggests a framework for empirical investigation of the IM concept in the context of services marketing. Discusses managerial implications arising from the proposed definition and model of internal marketing.*

Introduction

More than 20 years ago internal marketing (IM) was first proposed as a solution to the problem of delivering consistently high service quality by Berry *et al.* (1976). However, despite the rapidly growing literature on IM (see for example, Barnes, 1989; Berry, 1981; Cahill, 1996; Collins and Payne, 1991; Flipo, 1986; George, 1977, 1990; Grönroos, 1981, 1985; Richardson and Robinson, 1986; Piercy and Morgan, 1991; Piercy, 1995; Pitt and Foreman, 1999; Sasser and Arbeit, 1976; Winter, 1985), very few organizations actually apply the concept in practice (see for instance, Sargent and Saadia, 1998). One of the main problems contributing to this is that there does not exist a single unified concept of what is meant by IM.

A diverse range of activities

There is a great deal of confusion in the literature as to exactly what IM is, what it is supposed to do, how it is supposed to do it, and who is supposed to do it. The variety of interpretations as to what IM constitutes has led to a diverse range of activities being grouped under the umbrella of IM. This situation has been further compounded by a confusion of IM with the economic concept of internal markets (Baumol, 1967; Fama, 1980; Williamson, 1964; Williamson *et al.*, 1975). This diversity of interpretations and definitions in turn has led to difficulties in the implementation and widespread adoption of the concept. Most importantly, these problems create contradictions at the conceptual level with respect to defining the precise domain of IM, and make empirical investigations of the concept more difficult.

The current issue and full text archive of this journal is available at
<http://www.emerald-library.com>



In order for IM to be effectively operationalized as a paradigm of organizational change management and implementation of strategies a clarification at the definitional level is required. What is required is a precise specification of those activities that can be taken to constitute IM and those that do not, since definition and classification are fundamental prerequisites to marketing analysis (Hunt, 1976; Lovelock, 1983). The purpose of this paper is to critically examine the IM concept and delineate its scope by tracing the major developments in the concept to date. It proposes a definition and a set of core criteria that are essential features of an internal marketing program. The paper also explores the interrelationship between the proposed criteria and suggests a framework for empirical investigation of the IM concept in the context of services marketing. Managerial implications arising from the proposed definition and a model of internal marketing are also discussed.

Three separate yet closely intertwined strands

Phases in the development and evolution of the internal marketing concept

Despite the confusion mentioned above, a careful examination of the literature over the last 20 years indicates the existence of three separate yet closely intertwined strands of theoretical development of the IM conceptualization, namely an employee satisfaction phase, a customer orientation phase, and a strategy implementation/change management phase. We discuss the evolution of these phases below.

Phase 1: Employee motivation and satisfaction

In the early developmental phase, the majority of the literature on internal marketing focused upon the issue of employee motivation and satisfaction. The major reason behind this was the fact that the roots of the internal marketing concept lie in efforts to improve service quality. Not being automatons, individuals exhibit inconsistencies in the performance of service tasks and as a consequence cause variation in the level of delivered service quality. The problem of “variability” focused organizational efforts on getting employees to deliver consistently high quality service. The overall effect of this was to bring to the fore the issue of employee motivation and satisfaction. From this starting point, the importance of employee satisfaction as an important parameter impacting upon customer satisfaction was hypothesized.

Viewing employees as internal customers

The term internal marketing appears to have been first used by Berry *et al.* (1976) and later by George (1977) and Thompson *et al.* (1978, p. 243) and Murray (1979). Even though the term internal marketing was not directly used by them, the idea of internal marketing was also present in Sasser and Arbeit's (1976) article. However, it was not until the publication of Berry's (1981) article in which 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” that the term entered popular discourse.

A key assumption underlying this view of IM is based upon the notion that “to have satisfied customers, the firm must also have satisfied employees” (George, 1977, p. 91). Sasser and Arbeit (1976) took this line of argument a step further by contending that personnel is the most important market of a service company (Sasser and Arbeit, 1976, p. 61). The deployment of marketing techniques in the personnel area is also indicated by Sasser and Arbeit by their depiction of jobs as products and employees as customers:

Focus on employee satisfaction

Viewing their job offerings as products and their employees as customer forces managers to devote the same care to their jobs as they devote to the purchasers of their services (Sasser and Arbeit, 1976, p. 65).

The focus on employee satisfaction within these new approaches to employee management can largely be attributed to the fact that in the marketing of services much of what customers buy is labour, or human acts of performance. Consequently, attraction of the best personnel, their retention and motivation becomes of critical importance (Thompson *et al.* 1978, p. 263; Sasser and Arbeit, 1976, p. 64). Attraction, retention and motivation of high quality staff is especially critical in situations where the quality of the service is the only real differentiating factor between competitors. This situation occurs most frequently in service environments in which customers are highly demanding of employees, coupled with employees who in turn hold high expectations from their jobs as sources of self-actualization and self-development. Under these conditions it was thought that the effect of employing an IM approach would be to create more satisfied customer-contact employees who appreciate clearly the logic and benefit of courteous, empathetic behaviour when dealing with customers, and hence lead to greater customer satisfaction. Infused with this logic, the challenge of creating satisfied employees and hence customer satisfaction received a vigorous impetus. The fundamental tool for achieving employee satisfaction in this approach is the treatment of employees as customers. For instance, Berry and Parasuraman (1991) state:

Internal marketing is attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating employees as customers . . . and it is the strategy of shaping job-products to fit human needs (Berry and Parasuraman, 1991, p. 151).

Employees as customers

Notwithstanding the appeal of the “employees as customers” philosophy that underpins much of the logic of the first phase, Rafiq and Ahmed (1993) put forward a number of potential problems with this conceptualisation of IM. First, unlike the external marketing situation, the “product” that employees are sold may in fact be unwanted by them or even possess negative utility. Second, unlike the external situation, employees are unlikely to have a choice in the “products” that they can select. Third, because of the contractual nature of employment, employees can, in the final analysis, be “coerced” into accepting “products” they do not want. Fourth, the financial cost of having satisfied employees could be considerable. And lastly, the notion of “employee as customer” also raises the question as to whether the needs of external customers have primacy over those of the employees. For instance, Sasser and Arbeit’s (1976) proposition that personnel is the most important market of a service company accords primacy to the employee market and demotes the external customer to a secondary level. This would appear to invert one of the most fundamental axioms of marketing, namely that the external customer has primacy. This brings us onto the second phase.

Phase 2: Customer orientation

Interactive marketing

The second major step in the development of the IM concept was undertaken by Grönroos (1981) whose starting point was the concern that because contact employees in services become involved in what he termed “interactive marketing” it is essential that they are responsive to customers’ needs. Grönroos recognized that not only do buyer-seller interactions have an impact on purchasing and repeat purchasing decisions but also, crucially, that buyer-seller interactions provide a marketing opportunity for the organization. To take advantage of these opportunities requires customer-oriented and sales-minded personnel. Hence, the object of the IM is to “get

The addition of marketing-like techniques

motivated and customer conscious employees” (Grönroos, 1981, p. 237). In this view, it is not sufficient that employees are motivated to perform better (as in the approach of Berry and his followers), but they must also be “sales” minded. Furthermore, effective service also requires effective co-ordination between contact staff and backroom support staff. Grönroos also views the IM concept as a means of integrating the different functions that are vital to the customer relations of service companies (Grönroos, 1981).

Grönroos (1985) extended his original definition of IM as a method of motivating personnel towards customer consciousness and sales mindedness, to include the use of marketing-like activities in this pursuit:

... holding that an organization’s internal market of employees can be influenced most effectively and hence motivated to customer-consciousness, market orientation and sales-mindedness by a marketing-like internal approach and by applying marketing-like activities internally (Grönroos, 1985, p. 42).

George (1990) similarly accepts this position by asserting that IM holds that employees are “best motivated for service-mindedness and customer oriented behaviour by an active marketing-like approach, where marketing-like activities are used internally”. The addition of marketing-like techniques internally, moves Grönroos’ definition closer to that of Berry’s (1981) definition, in that both sets of approaches stress the need to motivate employees, and advocate the use of “marketing-like” techniques to do it. However, the critical difference between Grönroos’ approach and that of Berry and collaborators is that employees are not treated as customers, as is the case in the latter conceptualization. Additionally, Grönroos’ conceptualization focuses attention on creating customer orientation in employees through a process of influencing, rather than satisfying and motivating employees *per se*.

A vehicle for strategy implementation

Phase 3: Broadening the internal marketing concept – strategy implementation and change management

The beginning of the third phase is marked by insights drawn from a number of authors who explicitly began to recognize the role of IM as a vehicle for strategy implementation. Winter (1985) was one of the earliest to bring to prominence the potential role of IM as a technique for managing employees towards the achievement of organizational goals. Winter emphasizes that the role of IM is that of:

Aligning, educating and motivating staff towards institutional objectives ... the process by which personnel understand and recognize not only the value of the program but their place in it (p. 69).

This emphasis appears to have implanted the initial notions of IM as an implementation mechanism. The development of IM as an implementation vehicle was also aided by the growing belief that IM had potential as a cross-functional integration mechanism within the organization. For instance, George (1990) argues that IM is a philosophy for managing the organization’s human resources “as a holistic ... management process to integrate the multiple functions” (p. 64). This view is expressed more forcefully by Glassman and McAfee (1992) who emphasize the role of IM in integrating marketing and personnel functions to the extent that personnel becomes a resource for the marketing function.

In this phase the role of IM as an implementation tool/methodology is made more explicit. Initially, this viewpoint appeared in the context of services marketing in the works of Flipo (1986), and Tansuhaj *et al.* (1987). Later it was generalized to any type of marketing strategy by Piercy and Morgan

Five main elements of internal marketing

(1989). Broadly speaking, all of these approaches appear to be based upon the recognition that if strategies are to be implemented more effectively then there is a need to overcome inter-functional conflict (Flipo, 1986) and a need to achieve better internal communication. These extensions led to IM being advocated as a general tool for the implementation of any organizational strategy whether internal or external. In due course, IM has come to be seen as a mechanism for reducing departmental isolation (Martin, 1992), reducing inter-functional friction, and overcoming resistance to change (Darling and Taylor, 1989; Rafiq and Ahmed, 1993). This has led to a widening of IM applications to any type of organization, not merely to services. For example, Harrell and Fors (1992) apply the concept to manufacturing firms, and Ahmed and Rafiq (1995) propose it as a change management implementation methodology suitable for a wide range of contexts.

The discussion of the third phase suggests that the scope of IM activity is much wider than motivation of employees towards customer consciousness. For instance, it can also be used to motivate non-contact employees towards behaving in a manner that enhances the service for end-customers. Taking these issues into account Rafiq and Ahmed (1993) defined internal marketing as “planned effort to overcome organizational resistance to change and to align, motivate and integrate employees towards the effective implementation of corporate and functional strategies”. This definition incorporates the notion that any change in strategy is likely to require an IM effort to overcome organizational inertia and to motivate employees towards requisite behaviour. Furthermore, as some (including marketing) strategies are likely to span several functional areas, this is likely to require cross-functional integration. The above definition of IM appears capable of handling these issues within the remit of its boundary. Moreover, this definition also places less emphasis on the concept of employee as customer and more on the tasks and activities that need to be undertaken for the effective implementation of marketing and other programs to achieve customer satisfaction, while recognizing the central role of employees.

Synthesis and definition of internal marketing

The review of the literature indicates that there are a number of competing definitions and activities all claiming to address IM. In order to check the validity of these competing claims, what is required is a set of criteria against which to assess each definition. From the analysis of the key conceptual and empirical literature five main elements of internal marketing are identified. These are:

- (1) Employee motivation and satisfaction.
- (2) Customer orientation and customer satisfaction.
- (3) Inter-functional co-ordination and integration.
- (4) Marketing-like approach to the above.
- (5) Implementation of specific corporate or functional strategies.

From detailed examination of the literature it is generally safe to say that in each of the different phases not all the elements of the criteria listed above are present. For instance, it was highlighted in the discussion earlier that employee motivation through employee satisfaction was the major concern during phase one of the development of the IM concept. During phase two customer orientation (or “customer consciousness” as Grönroos puts it) and the use of marketing-like techniques received emphasis. In phase three the major emphasis was on inter-functional co-ordination and implementation.

Thus far, the definitions that come closest to fully satisfying the above criteria are those of Grönroos (1985) and Rafiq and Ahmed (1993). However, Grönroos' (1985) definition lacks an emphasis on inter-functional co-ordination while Rafiq and Ahmed's (1993) definition fails to emphasize the use of a marketing-like approach. Hence, it is proposed that IM is defined either in the Grönroos' sense, but suitably modified by incorporating inter-functional co-ordination and strategic dimension, or the definition of Rafiq and Ahmed is modified to incorporate the use of marketing techniques. Bearing in mind the weaknesses and strengths of existing definitions, as well as the need to generalize the conceptualization beyond the services context to a more widely relevant area of application, the following definition is proposed:

Internal marketing is a planned effort using a marketing-like approach (4) to overcome organizational resistance to change and to align, motivate and inter-functionally co-ordinate and integrate (3) employees towards the effective implementation of corporate and functional strategies (5) in order to deliver customer satisfaction (2) through a process of creating motivated and customer orientated employees (1). (Numbers in brackets indicate the criteria listed above.)

Customer-orientated strategies

This definition meets the five requisite components of IM set out, in that it emphasizes achieving customer satisfaction through effective implementation of customer-orientated strategies by virtue of managing and co-ordinating cross-functional efforts within a process of motivating and satisfying employees. In fact, it is suggested that any proposed definition of IM needs to satisfy the listed criteria in order to be taken seriously, since the parameters proposed help to clearly define instances of IM.

A model of internal marketing

While the criteria listed above are useful in assessing what constitutes IM and what does not, it is also necessary to show how they can be used in order to implement effective IM strategies. This is important, as at present there are no models that show how IM works.

Inter-functional co-ordination and integration

Going beyond definitions, and based on the IM literature reviewed above, Figure 1 shows the interrelationships between the criteria for IM and the implementation of one particular organizational strategy that is at the heart of service organizations, namely, service quality. The relationships indicated in Figure 1 are derived directly from the IM literature. For instance, the motivation of employees via marketing-like activities was implicit in the phase one literature and explicitly stated in the phase two literature in the evolutionary development of IM (Berry *et al.*, 1976; George, 1977; Berry, 1981). Grönroos (1981) and others also recommend the marketing-like approach to improve the inter-functional co-ordination and hence customer orientation. Inter-functional co-ordination and integration are central to phases two and three (see for instance, Flipo, 1986; Tansuhaj *et al.*, 1987; Piercy and Morgan, 1989). Improving customer orientation of the organization is central to phases one and two of the development of the IM concept. In phase three the central reason for interest in IM was the contribution of IM to effective implementation of strategy via increased inter-functional co-ordination and employee motivation.

At the centre of this framework is customer orientation which is achieved through a marketing-like approach to the motivation of employees, and inter-functional co-ordination. The centrality of customer orientation reflects its importance in the marketing literature and its central role in achieving customer satisfaction and hence organizational goals. In fact, according to Narver and Slater (1990), inter-functional co-ordination is an essential facet

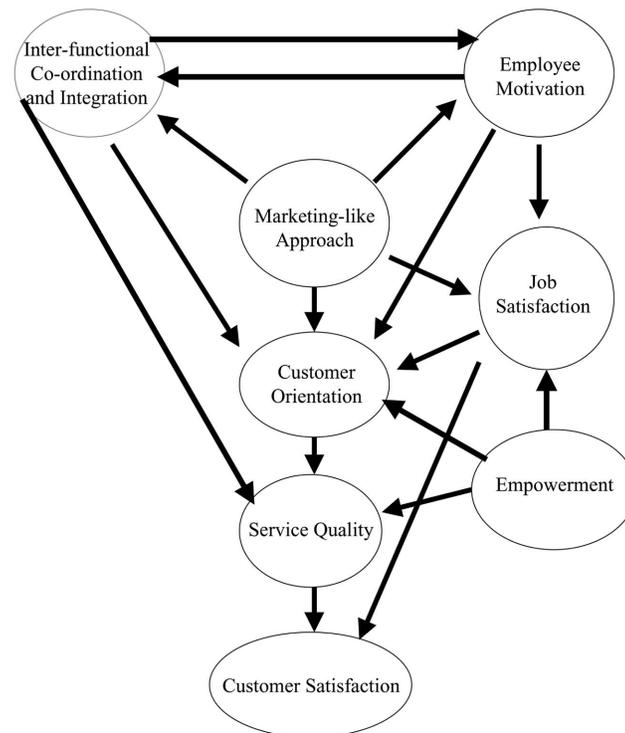


Figure 1. A model of internal marketing for services

of market orientation (see also Kohli and Jaworski, 1990; Jaworski and Kohli, 1993).

The inclusion of the empowerment variable is essential for the operationalisation of Grönroos' interactive marketing concept. In order for interactive marketing to occur, front-line employees need to be empowered, that is they require a degree of latitude over the service task performance in order to be responsive to customer needs and be able to perform service recovery. Berry and Parasuraman (1991) also regard empowerment as an essential aspect of IM. However, the degree of empowerment is contingent on the complexity/variability of customer needs and the degree of task complexity (see Rafiq and Ahmed, 1998). Empowerment in our model impacts on job satisfaction, customer orientation and service quality.

The empirical evidence on the relationships in the model is fairly limited and somewhat mixed. For instance, Hoffman and Ingram (1991) found that there was a weak correlation between job satisfaction and customer orientation ($r = 0.28$) and that role ambiguity, conflict and job satisfaction explained only 9 per cent of customer orientation. Kelley's (1990) study of bank employees also found a weak correlation of customer orientation with job satisfaction ($r = 0.18$) and motivation ($r = 0.24$). However, when the effects of role clarity and motivation were held constant, job satisfaction was found not to be a significant predictor of customer orientation. Furthermore, although the study found that there was no significant difference in customer orientation among four groups of contact employees (managers, officers, customer service representatives, and tellers), the tellers were significantly more dissatisfied with their jobs and significantly less motivated than the other groups of employees. What this suggests is that employees are quite capable of separating their feelings about their jobs (job satisfaction) from the actual performance of the job. Siguaw *et al.* (1994) found that customer orientation was not related to job satisfaction (this is the inverse of the

Job satisfaction and customer orientation

relationship proposed in IM models (i.e. job satisfaction leads to increased customer orientation). Herrington and Lomax (1999) in their study of financial advisers of UK found no relationship between job satisfaction and customer perceptions of service quality. However, they did find a weak relationship between job satisfaction and customer intention to repurchase.

These studies seriously question the basic assumption underlying much of IM literature that employee satisfaction is a key to having satisfied customers. Hence, instead of regarding employee satisfaction as a major precursor to performance, it can be regarded as one of a number of factors such as employee motivation, customer orientation, and sales mindedness simultaneously determining productivity and the quality of the service. Hence, in our model the impact of job satisfaction on service quality occurs indirectly via customer orientation rather than directly between job satisfaction and service quality. This may partially explain the ambiguity in the empirical research noted above.

Lack of IM models

Empirical research on IM as a whole is limited mainly because of the lack of IM models. Money and Foreman (1996) attempt to operationalise the IM concept by developing a 15-item IM scale based on checklists suggested by Berry and Parasuraman (1991), and Berry *et al.* (1991). Their IM scale had three underlying factors which they term development (items relating to the development of employees), reward (items relating to rewarding of employees) and vision (items relating to goals and objectives of the organization). Carruna and Calleya (1998) use this scale to assess its impact on organizational commitment, an important objective behind IM efforts to have satisfied employees. Carruna and Calleya found that in their sample of managers from a retail bank that there was a significant but weak ($R^2 = 0.185$) positive relationship between IM and organizational commitment. However, their research showed that IM had a significant effect only on the affective dimension of organizational commitment (that is, the strength of identification and involvement with an organization) but not continuance and normative dimensions (see Allen and Meyer, 1990). Carruna and Calleya concluded that the IM construct requires further development and elaboration to distinguish it from similar HRM constructs. These conclusions are not surprising given the underlying factors in the Money and Foreman IM scale.

Research directions

Market orientation scales

The outlined model includes constructs that are already well developed in the marketing and services literature and suggest ways of developing IM measures. For instance, the inter-functional co-ordination, customer orientation and marketing like approach constructs could be measured by items adapted from market orientation scales of Kohli *et al.* (1993). A number of scales are available for job satisfaction and employee motivation (for example, Wood *et al.*, 1986). Employee motivation, and the antecedents of job satisfaction have been operationalised and researched using the role conflict and ambiguity constructs by a number of researchers (e.g. Rizzo *et al.*, 1970; Chonko *et al.*, 1986). At present there has been little research into the development of a scale to measure employee empowerment. However, Hartline and Ferrell (1996) present a usable scale which measures the degree to which managers encourage initiative, give employees freedom and trust employees to exercise their judgement. For the measurement of service quality either the SERVQUAL (Parasuraman *et al.*, 1988) or SERVPERF (Cronin and Taylor, 1992) scales could be utilized.

Given that valid measures of the constructs in the model already exist, it should be possible to develop a reliable measure of IM scale. This would be

a considerable step forward in IM research. This measure can then be used to assess the claims made for IM, for instance regarding service quality, customer satisfaction, customer loyalty, and profitability.

A number of managerial implications

Managerial implications

The definition of IM and the model outlined in this paper suggests a number of managerial implications for motivating employees, customer orientation and role of internal marketing in the implementation of strategies in general. First, managers need to pay significantly more attention to the communication of marketing (and other organizational) strategies and objectives to employees so that they understand their role and importance in the implementation of the strategies and achievement of marketing and organizational objectives (Grönroos, 1981). Research evidence suggests that the frequency, quality and accuracy of downward communication moderates employee role ambiguity (Zeithaml *et al.*, 1988) and hence increases job satisfaction. Managers need to find appropriate communication mechanisms for their particular organizations and the task in hand. Supportive senior management is fundamental to the success of IM as it indicates to all employees the importance of IM initiatives and thereby facilitates inter-functional co-ordination.

Jobs as products

Second, managers can increase employee job satisfaction by treating “jobs as products”, that is, designing jobs with features that prospective employees value (Berry, 1981) rather than just concentrating on task requirements of the job. Treating jobs as products forces managers to devote the same care to jobs as they devote to products that they sell to the external customers (Sasser and Arbeit, 1976). This is the only way of attracting and retaining the best staff (Berry and Parasuraman, 1991). This means that marketing managers and human resource managers need to get more involved in job specifications (particularly where contact with customers is involved).

Third, ensuring that employees are highly motivated, customer oriented and sales minded, requires recruitment practices that attract and select employees with the requisite attitudes (Berry, 1981; Berry and Parasuraman, 1991). Changing employee attitudes and behaviours is more difficult and costly once they have been recruited. For instance, empowerment does not suit all employees because of the extra responsibility that it inevitably entails. Providing employees with the right type and level of training to perform their jobs is also very important. Research evidence indicates that role ambiguity can also be reduced (and job satisfaction increased) by training employees appropriately against the criteria used in their selection (Walker *et al.*, 1975). Appropriate training also means that employees can meet the needs of customers more effectively.

Fourth, in services marketing in particular, the importance is noted of explicitly managing the interactions of customer-contact employees and customers or “the moments of truth” by training employees for customer orientation and “sales mindedness” (Grönroos, 1981). Managers also need to adopt a participative management style, and allow a degree of discretion (contingent on the service strategy of the organization) to frontline employees so that they can meet customers’ expectations and take advantage of interactive marketing opportunities. The challenge for managers is to find a mechanism for controlling the behaviours of employees in these situations without stifling the flexibility the contact-employees need to meet the needs of customers effectively.

Fifth, in the marketing field, it is taken as axiomatic that customer orientation needs to be inculcated all through the organization and particularly in the case of customer-contact employees. Customer contact

Three distinct phases

employees refers not only to the personnel who deliver the product (in the case of services) but also to what Gummesson (1987) terms “part-time marketers” and those involved in relationship marketing (Grönroos, 1995). The importance of customer orientation, of course, lies in the central role that it plays in achieving customer satisfaction and hence organizational goals. Customer orientation also has other benefits. For instance, in the services area, Chang and Chen (1998) provide empirical evidence of the positive impact of customer orientation on service quality in a study of stock brokerage firms in Taiwan.

Finally, numerous authors highlight the importance of using a marketing-like approach to the motivation of employees, and inter-functional co-ordination (Berry, 1981; George, 1990; Grönroos, 1981; Sasser and Arbeit, 1976) rather than just relying on traditional human resource strategies and instruments. However, work in this area is limited but Ahmed and Rafiq (1995) show how an adapted services marketing mix approach was successfully used by a financial services company to implement a major change in marketing strategy (see also Piercy and Morgan, 1991). Managers, therefore, need to carefully examine which marketing techniques are appropriate and how they are going to adapt them for their organization as not all marketing techniques can be applied without adaptation to the internal “market” (Rafiq and Ahmed, 1993).

Summary

This paper has traced the development of the IM concept over the last 20 years and shown that there is still much discussion in the literature over its definition and scope. The paper has also highlighted the fact that the IM conceptualization appears to have evolved through three distinct phases. From the synthesis of the ideas in each of the three phases the paper develops a list of criteria that underpin the concept of IM. On the basis of these criteria the paper synthesizes a more rigorous definition of IM. The paper also proposes a model of IM by linking the developed criteria and using constructs already extant in the marketing literature. However, the relationships proposed in the model need to be tested empirically and the paper provides some possible research directions. Overall it is hoped that the clarification of the scope of IM will allow a much more focused conceptual and empirical work on IM to be undertaken, and also aid the process for a more rapid development and acceptance of the concept among practitioners and academics.

References

- Ahmed, P.K. and Rafiq, M. (1995), “The role of internal marketing in the implementation of marketing strategies”, *Journal of Marketing Practice: Applied Marketing Science*, Vol. 1 No. 4, pp. 32-51.
- Allen, N.J. and Meyer, J.P. (1990), “The measurement and antecedents of affective, continuance and normative commitment to the organization”, *Journal of Occupational Psychology*, Vol. 63 No. 1, pp. 1-18.
- Barnes, J.G. (1989), “The role of internal marketing: if the staff won’t buy it why should the customer?”, *Irish Marketing Review*, Vol. 4 No. 2, pp. 11-21.
- Baumol, W. (1967), *Business Behavior, Value and Growth*, Harcourt-Brace, New York, NY.
- Berry, L.L. (1981), “The employee as customer”, *Journal of Retail Banking*, Vol. 3, March, pp. 25-8.
- Berry, L.L. and Parasuraman A. (1991), *Marketing Services: Competing through Quality*, The Free Press, New York, NY.
- Berry, L.L., Conant, J.S. and Parasuraman, A. (1991), “A framework for conducting a service marketing audit”, *Journal of the Academy of Marketing Science*, Vol. 19, Summer, pp. 255-68.

- Berry, L.L., Hensel, J.S. and Burke, M.C. (1976), "Improving retailer capability for effective consumerism response", *Journal of Retailing*, Vol. 52 No. 3, Fall, pp. 3-14, 94.
- Cahill, D.J. (1996), *Internal Marketing: Your Company's Next Stage of Growth*, The Haworth Press, New York, NY.
- Carruna, A. and Calleya, P. (1998), "The effect of internal marketing on organizational commitment among retail bank managers", *International Journal of Bank Marketing*, Vol. 16 No. 3, pp. 108-16.
- Chang, T-Z. and Chen, S-J. (1998), "Market orientation, service quality and business profitability: a conceptual model and empirical evidence", *Journal of Services Marketing*, Vol. 12 No. 4, pp. 246-62.
- Chonko, L.B., Howell, R.B. and Bellenger, D. (1986), "Congruence in sales force evaluations: relation to sales force conflict and ambiguity", *Journal of Personal Selling & Sales Management*, Vol. 6, May, pp. 35-48.
- Collins, B. and Payne, A. (1991), "Internal marketing: a new perspective for HRM", *European Management Journal*, Vol. 9 No. 3, September, pp. 261-70.
- Cronin, J. Jr and Taylor, S.A. (1992), "Measuring service quality: a reexamination and extension", *Journal of Marketing*, Vol. 52 No. 3, July, pp. 55-68.
- Darling, R.J. and Taylor, R.E. (1989), "A model for reducing internal resistance to change in a firm's international strategy", *European Journal of Marketing*, Vol. 23 No. 7, pp. 34-41.
- Fama, E.F. (1980), "Agency problems of the theory of the firm", *Journal of Political Economy*, April, pp. 288-307.
- Flipo, J-P. (1986), "Service firms: interdependence of external and internal marketing strategies", *Journal of European Marketing*, Vol. 20 No. 8, pp. 5-14.
- George, W.R. (1977), "The retailing of services – a challenging future", *Journal of Retailing*, Fall, pp. 85-98.
- George, W.R. (1990), "Internal marketing and organizational behavior: a partnership in developing customer-conscious employees at every level", *Journal of Business Research*, Vol. 20, pp. 63-70.
- Glassman, M. and McAfee, B. (1992), "Integrating the personnel and marketing functions", *Business Horizons*, Vol. 35 No. 3, May-June, pp. 52-9.
- Grönroos, C. (1981), "Internal marketing – an integral part of marketing theory", in Donnelly, J.H. and George, W.E. (Eds), *Marketing of Services*, American Marketing Association Proceedings Series, pp. 236-8.
- Grönroos, C. (1985), "Internal marketing – theory and practice", *American Marketing Association's Services Conference Proceedings*, pp. 41-7.
- Grönroos, C. (1995), "Relationship marketing: the strategy continuum", *Journal of the Academy of Marketing Science*, Vol. 23 No. 4, pp. 252-5.
- Gummesson, E. (1987), "The new marketing-developing long term interactive relationships", *Long Range Planning*, Vol. 20 No. 4, pp. 10-20.
- Harrell, G.D. and Fors, M.F. (1992), "Internal marketing of a service", *Industrial Marketing Management*, Vol. 21, November, pp. 299-306.
- Hartline, M.D. and Ferrell, O.C. (1996), "The management of customer-contact service employees: an empirical investigation", *Journal of Marketing*, Vol. 60 No. 4, pp. 52-69.
- Herrington, G. and Lomax, W. (1999), "Do satisfied employees make customers satisfied? An investigation into the relationship between service employee job satisfaction and customer perceived service quality", in Hildebrandt, L., Annacker, D. and Klapper (Eds), *Marketing and Competition in the Information Age, Proceedings of the 28th EMAC Conference*, Humboldt University Berlin, May 11-14, p. 110.
- Hoffman, D.K. and Ingram, T.N. (1991), "Creating customer orientated employees: the case in home health care", *Journal of Health Care Marketing*, Vol. 11, June, pp. 24-32.
- Hunt, S.D. (1976), *Marketing Theory, Grid*, Columbus, OH.
- Jaworski, B.J. and Kohli, A.K. (1993), "Market orientation: antecedents and consequences", *Journal of Marketing*, Vol. 57 No. 3, pp. 53-70.
- Kelley, S.W. (1990), "Customer orientation of bank employees and culture", *International Journal of Bank Marketing*, Vol. 8 No. 6, pp. 25-9.
- Kohli, A.K. and Jaworski, B.J. (1990), "Market orientation: the construct, research propositions, and managerial implications", *Journal of Marketing*, Vol. 54 No. 2, pp. 35-58.
- Kohli, A.K., Jaworski, B.J. and Kumar, A. (1993), "MARKOR: a measure of market orientation", *Journal of Marketing Research*, Vol. 30 No. 4, pp. 467-77.

- Lovelock, C.H. (1983), "Classifying services to gain strategic marketing insights", *Journal of Marketing*, Vol. 47, Summer, pp. 9-20.
- Martin, R.A. (1992), "Creating, and maintaining service culture", *International Journal of Quality and Reliability Management*, Vol. 9 No. 1, pp. 9-19.
- Money, A.H. and Foreman, S. (1996), "The measurement of internal marketing: a confirmatory case study", *Journal of Marketing Management*, Vol. 11 No. 8, pp. 755-66.
- Murray, J.G. (1979), "The importance of internal marketing", *Bankers Magazine*, July/August, pp. 38-40.
- Narver, J.C. and Slater, S.F. (1990), "The effect of a market orientation on business profitability", *Journal of Marketing*, Vol. 54 No. 5, pp. 20-35.
- Parasuraman, A., Berry, L.L. and Zeithaml, V.A. (1988), "SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality", *Journal of Retailing*, Vol. 64, Spring, pp. 12-40.
- Piercy, N. (1995), "Customer satisfaction and the internal market: marketing our customers to our employees", *Journal of Marketing Practice: Applied Marketing Science*, Vol. 1 No. 1, pp. 22-44.
- Piercy, N. and Morgan, N. (1989), "Internal marketing strategy: leverage for managing marketing-led change", *Irish Marketing Review*, Vol. 4 No. 3, pp. 11-28.
- Piercy, N. and Morgan, N. (1991), "Internal marketing the missing half of the marketing programme", *Long Range Planning*, Vol. 24 No. 2, pp. 82-93.
- Pitt, L.F. and Foreman, S.K. (1999), "Internal marketing role in organizations: a transaction cost perspective", *Journal of Business Research*, Vol. 44 No. 1, pp. 25-36.
- Rafiq, M. and Ahmed, P.K. (1993), "The scope of internal marketing: defining the boundary between marketing and human resource management", *Journal of Marketing Management*, Vol. 9, pp. 219-32.
- Rafiq, M. and Ahmed, P.K. (1998), "A customer-oriented framework for empowering service employees", *Journal of Services Marketing*, Vol. 12 No. 5, pp. 379-94.
- Richardson, B.A. and Robinson, G.C. (1986), "The impact of internal marketing on customer service in a retail bank", *International Journal of Bank Marketing*, Vol. 4 No. 5, pp. 3-30.
- Rizzo, J.R., House, R.J. and Lirtzman, S.I. (1970), "Role conflict and ambiguity in complex organizations", *Administrative Science Quarterly*, 15 June, pp. 150-64.
- Sargent, A. and Saadia, A. (1998), "The strategic application of internal marketing – an investigation of UK banking", *International Journal of Bank Marketing*, Vol. 16 No. 2, pp. 66-79.
- Sasser, W.E. and Arbeit, S.F. (1976), "Selling jobs in the service sector", *Business Horizons*, June, pp. 61-2.
- Siguaw, J.A., Brown, G. and Widing, R.E. II (1994), "The influence of the market orientation of the firm on sales force behavior and attitudes", *Journal of Marketing Research*, Vol. 31 No. 1, pp. 106-16.
- Tansuhaj, P.S., Wong, J. and McCullough, J. (1987), "Internal and external marketing: effects on customer satisfaction in banks in Thailand", *International Journal of Bank Marketing*, Vol. 5 No. 3, pp. 73-83.
- Thompson, T.W., Berry, L.L. and Davidson, P.H. (1978), *Banking Tomorrow: Managing Markets Through Planning*, Van Nostrand Reinhold Company, New York, NY.
- Walker, O.C., Churchill, G.A. Jr and Ford N.M. (1975), "Organizational determinants of the industrial salesman's role conflict and ambiguity", *Journal of Marketing*, Vol. 39, January, pp. 32-9.
- Williamson, O. (1964), *Corporate Control and Business Behavior*, Prentice Hall, Englewood Cliffs, NJ.
- Williamson, O., Wachter, M. and Harris, J. (1975), "Understanding the employment relation: analysis of idiosyncratic exchange", *Bell Journal of Economics*, Vol. 6, pp. 250-80.
- Winter, J.P. (1985), "Getting your house in order with internal marketing: a marketing prerequisite", *Health Marketing Quarterly*, Vol. 3 No. 1, pp. 69-77.
- Wood, V.R., Chonko, L.B. and Hunt, S. (1986), "Social responsibility and personal success: are they incompatible", *Journal of Business Research*, Vol. 14 No. 3, pp. 193-212.
- Zeithaml, V.A., Berry, L.L. and Parasuraman, A. (1988), "Communication and control processes in the delivery of service quality", *Journal of Marketing*, Vol. 52, April, pp. 35-48.



This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present

Executive summary and implications for managers and executives

What is internal marketing?

Internal marketing (IM) was first proposed more than 20 years ago as a way of helping to deliver consistently high service quality. But there remains much confusion about exactly what IM is.

The employee satisfaction phase

Most of the initial work on IM focused on employee motivation and satisfaction. It was believed that a firm must have satisfied employees in order to have satisfied customers, because so much of what customers of service companies buy is labour. The basic way of achieving employee satisfaction was to treat employees as customers.

An important problem with this approach was that the needs of the external customer could be seen as secondary to those of the firm's own employees. Moreover, the financial cost of having satisfied employees could be considerable. Unlike external customers, employees may have no choice in the product they are being "sold" and may not want it in the first place.

The customer-orientation phase

Later writers recognized that the relationship between buyer and seller not only affects the customer's decision to buy a service or go back for more, but also provides a marketing opportunity for the company. Employees should, therefore, be sales-minded as well as customer-orientated. The object of IM was therefore to get motivated and customer conscious employees, and to achieve good co-ordination between employees dealing directly with the customer and the company's support staff.

The strategy implementation and change management phase

Authors now explicitly began to recognize that IM could help a company to achieve its strategy. In particular, it was believed that if strategies are to be implemented more effectively, internal conflicts must be overcome and internal communications improved.

IM today is seen as a way of reducing departmental isolation, reducing internal friction and overcoming resistance to change. It is now applied to any type of organization, not merely service companies.

Definition of IM

Rafiq and Ahmed identify the main elements of IM as:

- employee motivation and satisfaction;*
- customer orientation and customer satisfaction;*
- inter-functional co-ordination and integration;*
- marketing-like approach to the above; and*
- implementation of specific corporate or functional strategies.*

Based on these, they define IM as "a planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer-orientated employees".

Increasing job satisfaction

This definition of IM suggests that managers need to pay much more attention to communicating marketing and other strategies to employees, so they understand the effect that their work has on these. Good communication helps to increase job satisfaction and inter-functional co-ordination.

Managers should try to design jobs with features that prospective employees value, rather than simply concentrating on the task requirements of the job. Such an approach will help to attract and retain the best employees.

Key role of training

Companies should ensure that they recruit employees who are highly motivated, customer orientated and sales minded, because changing employee attitudes and behaviours is more difficult and costly once they have been recruited. Employees also need the right type and level of training to perform their jobs. This can help to reduce ambiguity surrounding their role and help employees to meet the needs of customers more effectively.

Flexibility and control

Managers need to allow some discretion to front-line employees so they can meet customers' expectations and take advantage of interactive marketing opportunities. But this must be achieved while continuing to exercise adequate control over employees. Customer orientation needs to be present throughout the organization.

A marketing-like approach can be used to help to motivate employees and achieve inter-functional co-ordination. But managers must first examine which marketing techniques are appropriate and how they should be adapted to the internal market.

(A précis of the article "Advances in the internal marketing concept: definition, synthesis and extension". Supplied by Marketing Consultants for MCB University Press.)