

**SWP 59/91 "INTERNAL SERVICES MARKETING"**

**PROFESSOR BRETT COLLINS**  
School of Management  
Deakin University  
Victoria 3217  
Australia

(Tel: +61 52 471277)

and

**PROFESSOR ADRIAN PAYNE**  
Marketing and Logistics Group  
Cranfield School of Management  
Cranfield Institute of Technology  
Cranfield  
Bedford MK43 0AL  
UK

(Tel: 0234 751122)

Submitted to European Management Journal

Copyright: Collins and Payne 1991

## INTERNAL SERVICES MARKETING

### INTRODUCTION

Over the past few years the term **internal marketing** is increasingly being used to describe the application of marketing internally within the organisation. There are two dimensions relevant to our discussion of internal marketing. Firstly there is the notion that every department and every person within an organisation is both a supplier and a customer. The second aspect relates to the organisation's staff and involves ensuring they work together in a manner supporting the company strategy and goals. This has been recognised as being especially important in service firms where there is a close relationship between production and consumption of the service. It is thus concerned with both quality management and customer service and involves co-ordinated people and process improvement strategies.

Internal marketing relates to all functions within the organisation, but it is vitally concerned with the management of human resources. However the traditional personnel department, and the more advanced human resources department, have frequently been oriented towards control and administrative activities rather than the alignment of human resources towards achieving strategic organisational purposes and goals. In this paper we explore the marketing of a particular internal service within the organisation - the human resource function. Our purpose is to illustrate how internal marketing concepts and methods used by marketing managers can provide the basis of a new perspective on meeting the opportunities and challenges faced by human resource managers. A market-oriented human resource manager is more likely to make an impact on the success of a company, through being more effective in both demonstrating the relevance of human resource management (HRM) to all management team members, and helping other managers to increase their productivity.

Our approach is to first consider the nature of the challenges and opportunities confronting human resource (HR) managers. A view of what is seen to be a central task for the HR management professional is then outlined. The congruence between marketing function activities and the HR management activities is then described. Finally, we consider how the HR manager can utilise the philosophy, ideas, and tools of the marketing function to make a more effective contribution toward the organisation's objectives.

## CHALLENGES FACING THE HR MANAGER

The managers in a company who deal with the 'people' issues are now recognised as having an increasingly strategic role in the success of many businesses. Regardless of whether the function these managers perform is called personnel, human resources, industrial relations, or training and development, it collectively now represents a business role similar in importance to the areas of finance, marketing and operations management. This trend has been driven by a more intensely competitive business environment, increased use of technology in some industries, and the shift in corporate philosophy from asset management to operations management.

A focus on operations management has forced CEO's to understand the need for skilled HR executives if they are to successfully cope with change. An organisation able to adapt to change is generally found to be more able to sustain competitive advantage in an environment of increasing uncertainty. The constant stress of corporate take-overs, new ventures, the restructuring of companies, rationalisation of existing operations, new technology introduction and staff lay-offs, means that the success of basic strategic decisions increasingly depends on "matching skills with jobs, keeping key personnel after a merger, and solving the human problems that arise from introducing new technology or closing a plant".<sup>1</sup> The dramatic turnaround of SAS by Jan Carlzon was driven through people rather than through an expensive investment in equipment and assets.<sup>2</sup>

Increasing attention is being focused on the area of external customer retention and the enormous potential for improved profitability.<sup>3</sup> Top management should also seek to obtain improved organisational performance through effective HRM strategies aimed at improving personnel retention. The base-line benefits are cost savings on retraining in a rapid turnover job market and cutting down the equally expensive knowledge drain. Companies able to manage this issue will reap the rewards which go with a team of committed, active individuals at a time when under-training is sapping productivity among competitors.

Increased usage of technology in some industries has led to the assumption that the quality of people performance will become a less important issue as technology becomes more pervasive. However the maintenance of reliable performance by competent employees is becoming more crucial. For example, we are now in an era where electronic banking means fewer face-to-face encounters between the bank

and its customers. Consequently the importance of handling these interactions, and the 'costs' of not making the most of opportunities are greater. In a relatively homogeneous industry such as banking, a key opportunity for banks to gain a competitive edge over competitors lies in the quality of its people. In an era of electronic fund transfer there is opportunity for a bank to position itself as one that has good people, not just good machines.<sup>4</sup> Many of the key challenges facing retail banking involve the employee: the need to sell and cross-sell, unionisation, electronic banking, affirmative action, service quality management and technology management.

It has been argued that HR professionals have failed in the past to reach their full potential within the corporate framework because they devoted themselves to the creation of ever more sophisticated programmes and forgot the whole purpose of the business.<sup>5</sup> HR managers have had a role in organisations dealing with outside pressures such as government, unions, and safety, but their active involvement and collaboration is also needed with the production, marketing, and finance functions. They have been responsible for fending off interruptions, handling the reporting requirements of regulatory bodies, and dealing with social responsibility issues, but often are not involved in activities perceived by other managers to be fundamentally important to the business.

Managing a corporation is complex, and CEOs find it necessary to simplify their task by concentrating on what appear to be the most important strategic issues. Because of resource limitations, it is necessary to focus senior management's attention and time on those aspects of the business process with the highest expected payoff. This means that some areas with extremely high potential impact, but a very low perceived probability of delivering significant results, must get less attention than one might really wish. Strategic HRM requires a significant investment of organisational resources, which directly and immediately affects profits, and can thus make it unattractive to managers under pressure for short-term results. Further, any real understanding of what competent HRM could contribute to the success of a business has only been popularised fairly recently.<sup>6</sup> For these reasons senior management has often failed to grasp why HRM was relevant to business strategy, business performance, and the cost management function.

Clearly the central task of HRM must be to gain the support of senior management, secure the commitment of the CEO, and ensure HRM makes the most effective contribution possible to the organisation's objectives.

The HRM function in a company is never likely to be valued unless it convinces management it can provide significant payoffs, and is part of the key interactions between the organisation and environment. HRM will become established as an integral part of a business through helping other managers to increase their productivity. Managers do not require more sophisticated programmes. They require someone who understands their problems, can actively contribute to the more effective and efficient management of human resources, and who has a good understanding of the business. We will now consider how the roles of marketing managers and HR managers are linked.

### THE MARKETING - HRM ANALOGY

The HRM function has three distinct client groups, or markets, with which it must deal effectively; employees within the organisation, other managers involved with the senior management tasks including the CEO, and external groups such as prospective employees, government, unions, and regulatory bodies. Consideration of the challenges faced by HR managers indicates that they are similar to those challenges faced by other senior managers, and requirements for success correspond to those needed by good marketing managers. The use of marketing ideas does not need to be narrowly confined to products and markets. Marketing has been defined as "a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others"<sup>7</sup>, and implies two voluntary parties with unsatisfied needs, an expectation of mutual benefit, a means of communication, and a medium to complete the exchange.

People who buy goods and services are involved in the same type of exchange process as people who seek employment that is satisfying, interesting, and more than a well-lit work space. The relationship between buyer and seller in a labour market is such that the employee must sell labour to earn an income. A company must create goods or services and exchange them in order to earn profits. Clearly there are times when one party to an exchange has much more bargaining power than the other party. The manager who seeks mutual benefit through working closely with the HRM department is involved in a similar exchange process to that which takes place between consumers and companies everywhere.

A source of interdepartmental conflict can be the need for a marketing manager to represent the interests of a customer against the needs of other managers. We do not lack examples of conflict between the marketing and accounting functions. For

example, while the Sales department are properly concerned with maintaining a good relationship and uninterrupted supply to the customer, the Accounts department is concerned with administering credit control. Accounts may seek the withholding of supply, because credit guidelines have been exceeded at a time when Sales is trying to service a sudden increase in demand, resulting in open conflict.<sup>8</sup> Similarly, an HR manager can become involved in interdepartmental conflict through a need to represent the interests of an employee against the needs of another manager. Like marketing, HRM is a function where success requires close co-operation with other functions, but there can be significant potential for conflict. The coalitions of power and politics at the core of fundamental conflicts such as this can be used to maximise business performance, or detract from it. The task for the HR manager is made more difficult because the quality of management performance is difficult to quantify - there is no bottom line responsibility. This can leave the HR manager without the defence available to managers of profitable business units who have tangible evidence of performance in their regular financial reports; bottom line results.

Marketing performs a valuable role in that it creates utility, the capacity to satisfy needs.<sup>9</sup> The HR manager is similarly concerned with the creation of utilities. The marketing philosophy or concept states that, in serving marketplace needs, the entire organisation should be guided by thinking that centres around the consumer. For our purposes the concept has three key elements:

- The HR manager requires a thorough knowledge of the needs, wants, and problems of the CEO, other managers and employees. There are three customers for a training programme: the delegate (who is also the consumer), the delegate's line manager; and top management. The needs of these three customer groups vary and may need to be reconciled. Ideally the HR manager should start with a knowledge of client needs and work backwards to developing products and services to satisfy them.
- The second element requires that the cost, design, implementation and follow up on HR projects should be carefully planned so all features are consistent with project goals, and the process co-ordinated with other functions in the organisation.

- Finally, in our definition of marketing we recognise individuals or groups engaging in the marketing process have diverse goals and objectives. If the organisation itself does not gain utility from an exchange then this element of the philosophy is not met. Consequently we would expect that if an HR activity did not lead to organisational gain the activity would be discontinued.

Quantification of performance plays a crucial role in the success of the marketing function, and the performance audit guides corrective action, while providing measurements essential to supporting access to resources for projects. HR managers have sometimes been characterised by a lack of willingness to work with performance measures. Marketing strongly depends on techniques developed in the behavioural sciences for quantification of the needs, wants, and perceptions of consumers. These tools can be readily adapted to requirements of the HR manager. While measures employed by marketing managers are not always of high precision, they are essential to the building of credibility through measurement, and performance against explicit goals. Management performance in functions other than marketing and HRM are generally more amenable to performance measurement.

An HR manager with a market orientation would have good knowledge of the needs and wants of the client groups served, and develop a co-ordinated approach to servicing those requirements consistent with organisation goals, and with the expectation of achieving organisational gain from any exchange process. In contrast, a product-oriented HR manager would place primary emphasis on the products or services the HRM department offers, and how these are provided. It is instructive to consider the differences between these two opposing views. Consider training programmes for example; the difference between a product-oriented, and a market-oriented manager, is shown in Figure 1. This example is stereotypical in that the model represents two extreme positions. No one person would be expected to exhibit all of the characteristics presented for a specific orientation, but an HR practitioner would be expected to possess several if they were either market or product-oriented and the distinction between two very different management philosophies are illustrated.

We have found it a useful exercise, in workshops with senior managers, to discuss the role of conflicting philosophies and how they affect achievement of a marketing orientation. This can be addressed in the context of both external customers<sup>10</sup> and internal customers<sup>11</sup>. Although it has been accepted for many years that a market orientation is essential to the success of a business, it has not been proven in all

**Figure 1: Stereotypical Differences Between Market-Oriented and Product-Oriented HR Managers with Respect to Training Programmes**

**ATTITUDES & PROCEDURES**

Attitudes towards clients:

Programme offering:

Interest in innovation:

Importance of costs:

Number of programmes scheduled for the year:

Role of marketing research:

Attendance at programs:

Promotion of programmes:

**PRODUCT ORIENTATION**

They should be glad we exist. Trying to cut costs and bring out better programmes.

Department provides courses that fit our skills & interests.

Focus is on technology and cost cutting.

A number in the budget we cannot exceed.

Set with the delivery requirements in mind.

To determine client reaction if used at all.

Fill all available places - repeating is good revision.

Advise managers when their staff is to attend the next course.

**MARKET ORIENTATION**

Client needs determine training programmes.

Schedule programmes we know the clients need.

Focus on identifying new opportunities.

A critical objective.

Set with client needs and costs in mind.

To determine client needs and if they are being met.

Select attendees according to their needs and coordinate this with other managers.

Demonstrate need satisfying benefits of course to clients.



contingent situations. Monopoly or regulated markets provide examples of non-market orientation. As the difference between a market orientation, and any one of many conflicting orientations possible, is accepted as the difference between unstable short-term success and stable long-term growth, it becomes of considerable importance to senior managers to push a market orientation within their company. Similarly, the importance of HRM has gradually gained credibility and importance, as managers have come to understand how it can contribute to the achievement of business success. There exists an increasing number of well known companies where superior HRM is believed to be a key factor in their success.

We have seen the similarity in roles of the marketing and HR managers. The marketing and HRM processes both involve the creation and exchange of utilities. A need to represent the interests of a client, against the narrow interests of another manager, may be conducive to the well being of the company but a source of open interdepartmental conflict. This conflict is difficult to manage and can detract from the effectiveness of the function and the organisation. Both functions require commitment and support from the CEO to succeed, and performance measurement is seen to be an important tool for building credibility within the company. The market orientation can be applied equally to either the marketing or HR functions when it is accepted that success is achieving organisational goals through delivering customer satisfaction. We will now consider how the HR manager can harness the ideas, and tools of the marketing function to more effectively contribute toward the organisation's objectives.

## **THE HRM-MARKETING FUNCTION**

We are concerned here with internal marketing - that form of marketing where both the "customer" and the "supplier" are inside the organisation. In this context we consider employees as customers or clients. These classifications are quite broad, and could be further divided into such groupings as the board, managers, supervisors, foremen, clerical staff, etc. The HRM-Marketing function can be described in terms of seeing managers and employees as in-house customers, viewing the tasks and activities performed by the HRM function as in-house products or services, and offering in-house or services that satisfy the needs and wants of managers and employees, while addressing the objectives of the organisation.<sup>12</sup>

The reasons for believing marketing provides a useful framework for HRM depend largely on the congruences we have demonstrated between essential activities of the

two functions. In addition to these congruences, there is a strong similarity in the constraints and difficulties facing either marketing or HR managers. Concepts and tools proven to be useful to the marketing function can also be applied to the benefit of HRM.

The HRM function provides services or programmes to employees and management, which means it sells performances that directly influence business productivity. Internal marketing can help an HR manager to attract and hold the type of people a company wants, and get the best of in-house customers, the HR function can upgrade the capability of a company to satisfy the needs and wants of its external customers.

Marketing management is the process of increasing the effectiveness and/or efficiency by which marketing activities are performed. Effectiveness refers to the degree to which organisational objectives are attained, while efficiency is concerned with the expenditure of resources to accomplish these objectives. This difference is eloquently expressed in the view that it is more important to do the *right things* (improve effectiveness) than to do *things right* (improve efficiency).<sup>13</sup> An organisation that is doing the right things wrong (effective but not efficient), can outperform organisations that are doing the wrong things right. Effectiveness and efficiency is also a concern of the HR manager seeking improved performance.

## MARKETING ACTIVITIES

The marketing function in any organisation is concerned with a number of related activities which include:

- Understanding of the market and competitive environment.
- Definition of the firm's Mission.
- Determination of the Target Market Segments to be emphasised.
- Developing integrated Marketing Mix strategies to accomplish this Mission in the selected segments.
- Implement Marketing Mix strategies and Control marketing activity.

This well known model of marketing function activities, which involves the above steps, is used as a basis for a discussion on internal HRM marketing.

## **Market and Competitive Environment**

The starting point is for HR managers to gain a good knowledge of the needs and wants of the client groups served, the significant factors influencing the HR department's operations, and identify the 'publics' which interact with the company. This process is market analysis and involves collecting information on the different client markets into a database.

Market research should be used to identify internal client needs, wants and attitudes just as it can be used to identify the needs, wants and attitudes of external consumers or industrial buyers. For example, 'climate surveys' concerning perceptions of remuneration packages, employment conditions and performance appraisal, and opinions of quality improvement programmes, provide direct benefits for the redesign and improvement of key policies, processes and programmes. There is also the positive effect on morale that flows from taking an interest in the views of employees.

This channel of communication provides an early means for pin-pointing organisational breakdowns and problem areas. An important requirement before undertaking data collection is to adopt a commitment to face the issues uncovered, no matter how unpalatable. It is an on-going process requiring that issues be resolved in order to maintain credibility of the HR department at all levels within the company. To raise the expectations of client groups without delivering can generate strongly negative effects. Finally, market research can also provide a basis for monitoring the impact of programmes on employees, and check whether HR programmes are achieving what they were designed to achieve.

This market research process sometimes suffers from a condition referred to as the "no-full-disclosure disease" <sup>14</sup>. It manifests itself through people within the management hierarchy who fear the things threatening them may become known to others, and then used to their personal detriment. The extent of this problem depends on survey design and content. People interviewed tend to speak freely when given a chance to express their thoughts and opinions on HRM issues. However undertaking not to reveal the content of an interview under any circumstances, without prior approval from the person interviewed, is sometimes necessary in order to get at the real problems and issues. Whether use is made of questionnaires, personal interviews, informal meetings of managers, or group discussions, market research provides a clear means of identifying client needs and wants. It also

provides the means for tracking performance.

### **Mission**

The second step involves the development of a mission for the HR department. The corporate mission statement for an organisation is too broad to be meaningful for a specific business function, and consequently a mission statement should be specifically developed for the HRM function. It involves asking the questions - "what is our role within the organisation?" and "what should our role be within the organisation?". Figure 2 provides an example of a HR mission statement based on one developed with a leading British service organisation.

**Figure 2: Human Resource Mission Statement**

To develop and promote the highest quality human resource practices and initiatives in an ethical, cost effective and timely manner to support the current and future business objectives of the organisation and to enable line managers to maximise the calibre, effectiveness and development of their human resources.

This will be achieved through working with managers and staff to:

- Develop an integrated human resource policy and implement its consistent use throughout the organisation
- Enhance managers' efficient use of human resources through the provision of responsive and adaptable services
- Be the preferred source of core strategic HR services
- Provide high quality tailored HR consultancy
- Introduce methods to plan for the provision of required calibre and quantity of staff
- Ensure consistent line accountability throughout all areas within the organisation
- Assist the organisation in becoming more customer aware and responsive to changing needs
- Define and encourage implementation of an improved communications culture throughout the organisation
- Maintain an innovative and affordable profile for HRM

At the HRM level the definition of mission does not have to be complex. It should provide a framework for explaining the HR department's role and how it can help

the different levels and units of an organisation to co-ordinate their efforts to achieve the overall objectives of the organisation.

Once the mission statement has been adopted objectives need to be formalised. Because objectives are not equally important, a hierarchy of potential services, programmes and projects should be put together. If possible these objectives should be operationalised - stated in terms that are specific, and which will lead to measurable end results. It is important to understand what needs to be accomplished, when the task should be completed, and how it will be decided that the task is completed. This process links very closely with the market research function which can be used to demonstrate performance against specific objectives. A function which provides a service, and deals predominantly in intangibles, requires tangible evidence of success in order to demonstrate competent performance, and help build credibility.

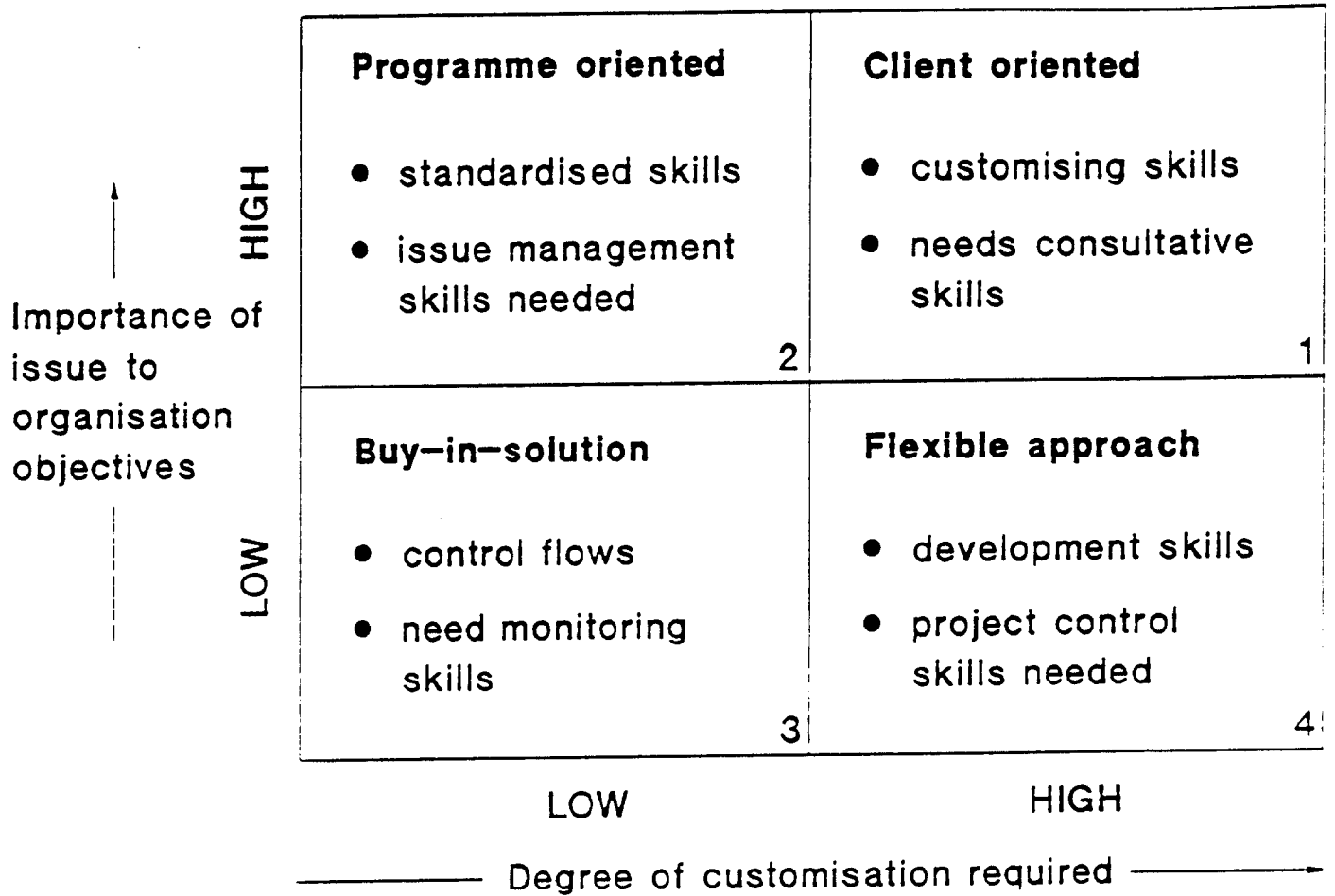
### **Market Segmentation**

The third step is deciding which market groups should be emphasised. Market segmentation is a process by which we divide the total, heterogeneous group of clients into smaller, more homogeneous groups with similar needs and wants that the HR function can successfully satisfy. By developing specific services we can generally improve the effectiveness of our performance in satisfying clients. It may cost more to serve smaller groups, or handle problems requiring customised solutions. Because of this, there is sometimes a need to balance the level of customisation required to adequately solve a problem, against the benefits which might accrue to the organisation. This is very much a cost-benefit exercise. The characterisation shown in Figure 3 can be helpful for sorting problems into classes, each of which require different capabilities.

At a high degree of customisation, there is increased demand for resources from the HR function. The HR cost to the organisation increases with an increase in the level of customisation. Programmes, or projects undertaken by HR typically involve long-term benefits with short-term costs, and given limited resources, this has direct impact on the HR department's effectiveness.

Quadrant 1 in Figure 3 represents the situation where there is need to fit a key programme to the specialised needs of a client group. A major company wishing to run an in-house strategic management seminar, enabling senior management to

Figure 3. CHARACTERISING HR MARKETING PROBLEMS



review and discuss current management thinking and practice, is an example. The CEO would perceive this to be of high value to the organisation, while requiring this process to fit closely with the business context.

The programme-oriented task found in quadrant 2 is characterised by the opportunity for a high quality but standardised approach to be taken. For example, consider a betting agency involved in the conversion of operations from a manual to a computerised telephone betting system. There is a need to develop and implement a programme at low cost which will enable a smooth transition to the new system. Due to the large group of operators requiring new skills there is an opportunity to seek savings through standardisation. The importance of this issue means effective performance by the HR department is more critical.

In quadrant 3 the degree of customisation required for a task is low - for example where factory staff are being given first-aid training. The content of a first-aid training programme will be fairly standard across a range of industries. Such a programme is not central to achievement of organisation objectives, and represents a situation where service delivery can readily be obtained from outside the organisation. Once the training programme was in place knowing who had attended the course, and monitoring the training process would be the key tasks.

An increase in the degree of customisation required corresponds to an increase in the level of organisation-specific content, as shown in quadrant 4. Consider a retail tyre organisation which needs to train shop floor staff in the testing and servicing of car batteries. This more specialised course requires company-specific input, and an in-house programme is the best solution. In this quadrant the need is for course development skills, a flexible approach, and the ability to manage the development process. Other examples are custom-designed employee retirement programmes, or surveys of work group satisfaction where there is a need here to design and implement a project with the specific needs of a client group in mind.

Obviously most impact can be made by HRM focusing efforts in those quadrants involving problems of high importance to the organisation, but not involving significant short-term investment. This type of problem area, identified because the issues involved are considered central to the achievement of business objectives, will often be more able to attract support and adequate funding. Working in areas requiring a high level of customisation, which are also critical to business success, is the challenge facing HR. This is the direction in which HR requirements have

moved due to the increased complexity of business, changing technology, and the shift from an asset management to operations management philosophy.

Segmentation of employees on the basis of their needs and wants, as opposed to the segmentation of management clients, recognises the need to accommodate individual differences. This is the basis for concepts such as negotiable remuneration packages, employment contracts, flexible working hours, and job sharing. The techniques used for consumer segmentation by marketers can be applied directly here. It provides opportunity for companies to "lessen the influence of unions by placing greater emphasis on direct employee communication, in addition to, or instead of, industrial relations conducted in the traditional representative way"<sup>15</sup>.

### **Developing and Implementing the Marketing Mix**

Once the tasks of determining the mission of the HR department and the target market segments to be emphasised have been undertaken, a marketing-oriented HR function will focus on the 'marketing mix'. The marketing programme is developed based upon a decision on marketing mix variables over which the HR manager has some control: designing the product or service, costing it, setting up a service delivery system, promotion of the product to clients, and gaining commitment for proposals from management. Figure 4 illustrates the four elements of the marketing mix which need to be addressed. Whilst all elements need to be considered, two key variables - the design of the 'product' (ie courses or services) and communications are especially important. These two key variables and their relevance for the HR manager are now reviewed.

#### **■ Designing the 'Product'.**

It has been pointed out that the process of a marketing department introducing a new product, and resolution of a complex long-standing problem by the HR function are very similar. Figure 5 illustrates this, and is based on Desatnick<sup>16</sup> who argues that "as the contribution of HRM is less tangible and more difficult to measure in terms of end results, it is even more important to market it effectively. This implies taking the time to reflect, to position, to package, to merchandise, and to sell". Thus the HR manager must get the maximum impact from each situation through careful



**Figure 4: The Four Elements of the Marketing Mix**

<b>ELEMENTS OF THE MARKETING MIX FOR A COMPANY</b>	<b>EQUIVALENT ELEMENTS FOR THE HRM FUNCTION</b>
1. PRODUCTS OR SERVICES  2. PLACE (DISTRIBUTION)  3. PROMOTION (MAINLY THROUGH ADVERTISING AND PERSONAL SELLING)  4. PRICING	1. 'PRODUCTS' (SERVICES, COURSES, ETC)  2. THE LOCATION AND DELIVERY MEANS OF SERVICES AND COURSES  3. COMMUNICATIONS WITH CLIENT GROUPS (PRIMARILY THROUGH DISCUSSION AND DOCUMENTATION)  4. TRANSFER PRICING AND EXPENSE ALLOCATION

**FIGURE 5: COMPARING PRODUCT DEVELOPMENT TO RESOLVING A COMPLEX HR ISSUE**

Introducing the new product (a 1 to 3 year cycle)	Resolving a complex HR issue (a 1 to 3 year cycle)
<p><b>DETERMINE NEED FOR NEW PRODUCT</b></p>	<p><b>DETERMINE NEED FOR NEW PROJECT/ PROGRAM</b></p>
<p>Who will buy it and why? How much will they spend on it? What needs will it satisfy?</p>	<p>What is the cost of not resolving this issue? What will be its impact on norms and values? What is cost/benefit value to internal clients?</p>
<p><b>SCREEN NEW PRODUCT IDEA</b></p>	<p><b>EVALUATE POSSIBLE SOLUTIONS FOR CLIENTS</b></p>
<p>What impact will it have? Will it be profitable? Is it compatible existing products?</p>	<p>What impact will it have on operations? Who will manage and use the project? How does it fit with current projects/priorities?</p>
<p><b>TEST MARKET THE PRODUCT</b></p>	<p><b>CONDUCT A PILOT PROJECT</b></p>
<p>How do prospects view the product? What needs does it satisfy? Have we designed the right product?</p>	<p>Do internal clients find it useful? Will they support/pay? To what extent? Who will oppose it? Why?</p>
<p><b>EXPAND TO OTHER TEST MARKETS</b></p>	<p><b>ADVANCE TO OTHER POTENTIAL USERS</b></p>
<p>Are findings consistent? Are there logistic/quality problems? Did promotions result in expected sales?</p>	<p>Is the project valid/reliable? Does it meet needs of all company locations? Have the benefits been properly communicated?</p>
<p><b>ANALYSE. MEASURE. PROJECT</b></p>	<p><b>ASSESS OUTCOME IN ADVANCE</b></p>
<p>What impact on other functions? Detailed budget and plans. Have all implications been considered?</p>	<p>Which functions are affected and how? Will it cause confusion? Have times, resources &amp; costs been detailed?</p>
<p><b>EXPAND TO A NATIONAL LAUNCH</b></p>	<p><b>IMPLEMENT COMPANY WIDE</b></p>
<p>Does the potential outweigh risks? Are promotions and follow-up planned? Are logistics and supply lines ready? Have we means for identifying service problems, and dissatisfactions?</p>	<p>Does project add to HR's credibility? Who will train whom to do what, where, when? Have we an effective audit/evaluation system? Will the issue really be resolved?</p>

management of those elements he can control. Developing a product or service for a client group is an activity over which the HR manager has a great deal of control, and consequently provides an area where management attention can be rewarded with maximum impact.

#### ■ **Communication.**

Communication represents promotional activity in the form of advertising, indirect publicity, and face-to-face selling which is employed by marketers to influence potential, or existing customers to behave in desired ways, such as to undertake the trial purchase of a product the firm has just launched onto the market. Promotion can also be used to influence employees to reconsider attitudes, to inform managers, or alter the way in which a particular programme is perceived by the clients to whom it is directed. The use of "publicity" through internal publications and other documentation can be used to provide feedback to employees on current issues, as well as enhance and reinforce the credibility of the research process. A well conceived internal promotional programme can have very positive effects on employees. It can motivate, educate, or help provide a sense of belonging. The famous Avis Rent-a-Car slogan suggesting that Avis employees "Try harder" was as effective for their employees as it was for the public image of Avis. This type of corporate advertisement primarily seeks to influence the perceptions of external publics, but management tends to forget these campaigns are also critically viewed by employees at all levels within the organisation. A campaign which lacks credibility with employees is not consistent with development of a positive organisational culture. Management should develop corporate communications which are consistent with the HRM objectives of the organisation. Simpler, less ambitious projects can also produce significant impact for the HR function.

Personal interaction with other functional areas can contribute significantly to HR marketing efforts. In situations where a service or programme is either partly, or fully dependent on the performance of employees for success, the communications and promotional activity should be concerned not only with encouraging clients to buy, but with encouraging employees to perform. Success in business requires the commitment of both employees and management.

The implementation and control processes represent the final step which involves the measuring of effectiveness and efficiency, taking corrective action, and iteration through the marketing planning processes. The well established marketing planning

literature<sup>17</sup> provides a framework to follow in undertaking this task.

## CONCLUSIONS

The 1980s saw the start of a new emphasis on the HRM function. It has been pointed out that the reality is that a firm adopting 'HRM' may simply involve a retitling of the old personnel department with no obvious change in its functional role, or it may be 'strategic HRM' which represents a fundamental re-conceptualisation and re-organisation of personnel roles and departments.<sup>18</sup> There are different models of HRM and this has importance for its evaluation.<sup>19</sup> The focus of strategic HRM encompasses all those decisions and actions which concern the management of employees at all levels within the organisation and which are directed towards creating and sustaining competitive advantage<sup>20</sup>, but recent European research suggest that 'strategic HRM' is still not widespread. Findings from the Price Waterhouse/Cranfield HR research project shows that in many European organisations HR strategies follow on behind corporate strategy rather than making a positive contribution to it; and although HR representation at board level is becoming more common, this does not necessarily bring with it involvement in key decisions.<sup>21</sup> Some firms have been able to integrate HR and strategy but to achieve this it usually requires a concentrated and multi-dimensional effort.<sup>22</sup>

The scope of marketing has traditionally been limited to the exchanges that take place between organisations and their customers. More recently this scope has been expanded to encompass the field of 'relationship marketing'<sup>23</sup> which suggests that marketing principles can be applied to a number of other key markets, including internal markets within the firm. We argue that there exist compelling reasons for bringing the internal marketing concept to bear on problems faced by all HR managers, but the greatest value will be obtained in these firms adopting 'strategic HRM'.

The shift in organisational philosophy from asset management to operations management, the introduction of new technologies to some industries, and the increased strategic importance of managing people resources effectively and efficiently, has meant the role performed by HR managers demands a much higher level of competence and professional skills. Marketing provides an action framework, and a practical approach by which the HR manager can provide effective solutions to key corporate problems. This fresh perspective will bring market-oriented HR managers significant benefits.

In spite of emphasis in this paper on the need for HR managers to deal effectively with the challenges they face, it must be recognised that much opportunity for the future status of HRM lies with the CEOs. Their task is to provide organisational vision, and many have still failed to recognise the value of strategic HRM in the present business environment. In spite of this, the HR manager must share the responsibility through not having convinced top management that HRM is strategically relevant to business success. Adopting a market orientation requires the HR manager to focus on the needs and wants of internal customer groups and to stimulate internal service. An investment in the marketing approach is an investment in people.

## REFERENCES

1. BUSINESS WEEK, "Human Resource Managers Aren't Corporate Nobodies Anymore", 2 December 1985, p 58.
2. CARLZON, J, *Moments of Truth*, Ballinger Publishing Company, 1987.
3. REINCHELD, F F and SASSER, W E Jr, "Zero Defections: Quality Comes to Services", *Harvard Business Review*, September-October 1990, pp105-111 and BUCHANAN, R W J and GILLIES, C S, "Value Managed Relationships: The Key to Customer Retention and Profitability", *European Management Journal*, Vol 8, No 4, December 1990, pp 523-526.
4. BERRY, L L, "The Employee as Customer", *Journal of Retail Banking*, Vol 3, No 1, March 1981, pp 33-40.
5. BAIRD, L and MESHOULAM, I, "A Second Chance for HR to Make the Grade", *Personnel*, Vol 63, No 4, April 1986, pp 45-48.
6. PETERS, T J and WATERMAN, R H JR, *In Search of Excellence: Lessons form America's Best Run Companies*, Harper & Row, 1982.
7. KOTLER, P, *Marketing Management*, 5th edition, Prentice-Hall, 1984, p 4.
8. COLLINS, B A, "The Friction Between Marketing and Finance", *The Australian Accountant*, Vol 55, No 4, May 1985, p 45-48.
9. MURPHY, P E and ENIS, B M, *Marketing*, Scott, Foresman & Co, 1985, p 16.
10. PAYNE, A F T, "Developing a Marketing Oriented Organisation", *Business Horizons*, Vol 31, No 3, May-June 1988, pp 46-53.
11. VANDERMERWE, S and GILBERT, D, "Making Internal Service Market Driven", *Business Horizons*, Vol 32, No 6, November-December 1989, pp 83-89.
12. Berry, *op cit*
13. DRUCKER, P F, *Management: Tasks, Responsibilities, Practices*, Harper & Row, 1974.

14. WEINSHALL, T D, "Help for Chief Executives: The Outside Consultant", *California Management Review*, Summer 1982, Vol 24, No 4, p 47-58.
15. CUPPER, L G, "An Employer's Viewpoint on the Use of Dialogue in Industrial and Employee Relations", *Melbourne University Business School Association Journal*, Vol 10, No 1, 1987.
16. DESATNICK, R L, "Marketing HRD: The Creditability Gap That's Got To Go", *Training*, June 1983, Vol 20, No 6, p 52.
17. McDONALD, M, *Marketing Plans: How to Prepare Them; How To Use Them*, Heinemann, second edition, 1989.
18. See GUEST, D E, "Human Resource Management and Industrial Relations", *Journal of Management Studies*, Vol 24, No 5, 1987, pp 503-521 and GUEST D, "Personnel and HRM: Can You Tell the Difference?", *Personnel Management*, Vol 13, No 1, January 1989, pp 48-51.
19. TYSON, S V and FELL, A, *Evaluating the Personnel Function*, Hutchinson, 1986.
20. MILLER P, "Strategic HRM: What It Is and What It Isn't", *Personnel Management*, February 1989, pp46-51.
21. BREWSTER, C and SMITH C, "Corporate Strategy: A No-Go Area for Personnel?", *Personnel Management*, July 1990, pp 36-40. For a US view also see: BURACK, E H, "Corporate Business and Human Resource Planning Practices: Strategic Issues and Concerns", *Organisational Dynamics*, Vol 15, No 1, Summer 1986, pp 73-87.
22. BULLER, P F, "Successful Partnerships: HR and Strategic Planning at Eight Top Firms", *Organizational Dynamics*, Vol 17, No 2, Autumn 1988, pp 27-43.
23. CHRISTOPHER, M, PAYNE, A F T and BALLANTYNE, D, *Relationship Marketing: Bringing Quality, Customer Service and Marketing Together*, Heinemann 1991 (forthcoming).