SWP 31/91 **RELATIONSHIP MARKETING: BRINGING QUALITY CUSTOMER SERVICE AND MARKETING TOGETHER**

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**This paper draws in part on material from Christopher M, Payne A and Ballantyne D, Relationship Marketing, forthcoming Heinemann, London 1991**

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BRINGING QUALITY, CUSTOMER SERVICE
AND MARKETING TOGETHER**

**by**

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**Abstract**

Relationship Marketing is as much about keeping customers as it is about getting them in the first place. The aim is to provide unique value in chosen markets, sustainable over time. Relationship Marketing emphasizes both quality and customer service and how these can be managed towards closing the 'quality gap' between what customers expect and what they get. The authors explore the process of developing and implementing relationship strategies and in so doing, signal a radical shift in marketing practice involving firstly, the coordination of external (customer) markets and secondly, collaboration within internal (staff) markets in order to get the marketing mix right.

This paper draws in part on material from Christopher, M., Payne, A. and Ballantyne, D., Relationship Marketing, to be published by Heinemann, London, in 1991.

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## INTRODUCTION

The relationship between quality, customer service and marketing, is undergoing review. In respect of quality, the traditional production based concept of 'conformance to specifications' is giving way to a market orientation of quality, i.e. customer perceived quality. The new view of customer service is set in a broader organizational context, as a cross-functional co-ordination issue, which impacts on relationships with specific markets across a broad range of a company's activities. Also the idea of **total quality** across all functions extends the scope of quality management to the total relationship between the firm and its customers, suppliers and other key markets, on an ongoing basis.

Many of the techniques of Total Quality Management (TQM) and its organisational values - based approach are being introduced in the services sector and in customer service divisions of manufacturing companies. Some managers feel that marketing has lost its way and its sense of mission. They see TQM as a 'takeover' bid for the customer at the expense of marketing.

Of concern is the wide-spread failure of marketing initiatives, whether goods or service based, in meeting customer requirements on the one hand and management and staff expectations on the other. Our evidence for these claims is drawn from broad based action research and informal discussions with company executives.

This paper is about developing and implementing effective marketing strategy. To begin, we describe the new synthesis emerging between quality, customer service and marketing. Unless marketing management bring these activities together with new forms of collaboration and cross-functional coordination, there can in our view be no sustainable **market-orientated** performance improvement and therefore no sustainable competitive advantage.

We then describe the building blocks for implementing Relationship Marketing strategies. Unless we come to grips with the **intangibility** of exchange relationships between the organisation and its customers, there can be no company-wide understanding of quality problems and customer service opportunities, and no 'continuous improvement'.

Lastly, we describe a process for service quality management which is about customer focussed service improvement rather more than maintenance against internal standards.

## GROUNDSWELL FOR A NEW SYNTHESIS

Marketing is concerned with exchange relationships between the organisation and its customers. Quality and customer service are key linkages in this relationship (see Figure 1). The challenge is to bring these three critical areas into closer alignment. So often in the past they have been treated as separate and unrelated and as a result, marketing management has had a hard time implementing marketing strategies. Relationship Marketing is a focal point for integrating customer service and quality with a market orientation. If we look at the changing historical role of each we can more clearly see where the point of integration lies.

### The Role of Customer Service

The meaning of customer service varies considerably from one company to another.[1] Contextual perspectives range from the marketing logistics required to accept, process, deliver and build customer orders through to the 'friendliness' of staff in

# Figure 1

Linkages Between Marketing, Customer Service and Quality

the service encounter. There are also historically bound resonances which locate 'service' as a servile activity and impede acceptance of the view that service underpins the exchange process and influences long term relationships to mutual advantage.

Customer service can also be seen as a process which provides time, place and form utilities for the customer which involve pre-sale, sale and post-sale transactions.[2] Customer service is not just an issue in the context of the company and immediate relationship with customers but in its **downstream** relationship with ultimate consumers as well as its **upstream** relationships with suppliers and even the supplier's suppliers.

Customer service decisions are part of marketing strategy in our view. However, the 'demarcation' between production, distribution and marketing functions is such that an overlap in responsibility can occur between quality management and marketing, often to the detriment of quality and service perceived by the customer. An important new responsibility for marketing is to take charge or collaborate in **service quality management**, that is, planning and organizing improvements continuously, as well as monitoring customer service requirements externally and controlling the service support processes internally.

**The Role of Quality**

The typical approach to quality management is moving from emphasising final inspection to assessing whether critical work processes are in control and giving guidance to staff company-wide in the techniques involved. This change of focus from inspecting production outputs to monitoring the variation in process **during the process** has special significance in distribution and service industries, where production and consumption can occur simultaneously. Traditional quality inspection techniques are impossible in some of these industries and ineffective or costly in others.

This change in the role of quality has been a long time coming. Dr. Walter Shewhart of the Bell Laboratories (USA) first made the distinction between 'controlled' and 'uncontrolled' variation in work processes in the 1920s. He used statistical control charts to monitor the performance quality of a process. According to the type of process, this measurement might be temperature, units, dimensions, or error rate, etc. W. Edwards Deming and J.M. Juran are widely regarded as the men who taught the Japanese to achieve high quality at low cost. Deming had worked with Shewhart in America before World War II and his methods were used extensively during that War. Afterwards, markets for American goods sought volume, and quality was put to one side. Meanwhile, the Japanese faced a 'do or die' economic situation. They listened to Deming, Juran and others.

Quality management in the 1980s expanded from the factory floor to the purchasing department on the one hand, and distribution on the other. Some mistakes have been made. Techniques have become articles of faith, and expectations have been raised to dizzy heights for customers, staff and shareholders alike. Many if not most quality improvement initiatives in the 1980s have turned out to be prescriptions for failure. What has been largely overlooked is that there is an important collaborative role for marketing, in liaison with operations and personnel managers, to get the internal 'exchange' processes right.

**The Role of Marketing**

The marketing spotlight has shifted across a range of marketing sectors during the past few decades.

In the 1950s marketing interest was primarily focused on consumer goods. In the 1960s, attention was directed towards industrial markets. In the 1970s considerable academic effort was placed on the area of non-profit or societal marketing. In the 1980s attention focussed on the services sector, an area of marketing that had received remarkably little attention in view of its importance in the overall economy.

Historically, much of marketing theory evolved from a study of consumer markets. However, the study of service and industrial markets has suggested that new perspectives are needed. The Swedish School of Service Marketing and the IMP Group have been important contributors, as has the American Marketing Association. Gummesson[3] points out how industrial firms for example are not so much concerned with the manipulation of the 'Four Ps', as used in consumer goods marketing, as they are with reaching a critical service support level in terms of the **relations** with customers, distributors, suppliers, public institutions, individuals, etc. The new theory of industrial marketing, 'network-interaction marketing', embraces "all activities by the firm to build, maintain and develop customer relations".[4]

While a relationship building focus has been present in some firms' marketing activities for many years, it is by no means a common philosophy. The goal is not only to get customers but to keep them. The 1990s will, in our view, see a much increased acceptance of the relationship concept because it attempts to resolve (re-align) the competing interests of customers, staff and shareholders. Moreover, Relationship Marketing offers a broader view of marketing's orientation to the **market**, in which these competing interests are made visible and therefore manageable. In fractured deregulated markets, firms will not survive without attending to quality and customer service. Customer service is the means by which the firm **sustains** its position among competing offers over time. Quality is how the offer **gains** uniqueness and value in the eyes of the customer.

Relationship Marketing is concerned with both the act of making the offer different and its evaluation by customers over time. This is not new in itself. However, this in turn prompts two vital yet under-examined considerations. Firstly, at a macro level, the recognition that marketing must broaden its impact across a wider range of 'market' relationships. These include customer markets, employee markets, supply markets, internal markets, referral markets and 'influencer' markets such as governmental and financial agencies (see Figure 2). Secondly, at the micro level, the recognition that the quality of relationships **within** the company are critical to the success of marketing plans. This is the locus of **internal marketing.**

**Internal Marketing**

Internal marketing describes any form of marketing within an organization which focuses staff attention on the internal activities that need to be changed for marketing plans to be implemented.[5]

There are two key aspects to this. One involves the notion of the internal customer. That is, every person working within an organization is both a supplier and a customer. Here we are concerned with what can be done to improve customer service and quality at an individual 'exchange' level.

# Figure 2

<u>THE SIX MARKETS MODEL: A BROADER VIEW OF MARKETING RELATIONSHIPS</u>

1. Customer Markets (new and existing)

   The goal is to not only to get customers but to keep them. Sustained growth in business usually depends upon the same customer coming back again and again. Existing relationships with customers cost less to sustain than new ones.

2. Supplier Markets

   Establishing long term relations with suppliers is a departure from traditional adversarial buyer/supplier positions. This development means that suppliers are seen as collaborators or partners in improving quality and managing costs.

3. Referral Markets

   Developing relationships in referral markets means to link up with those people or institutions that have the power to direct business to the company. Key existing customers are often referral sources, and so are intermediaries, third party buyers, agencies and business networks.

4. Employee Markets

   Managing staff intakes and induction processes for new employees means an improvement in the reliability of staff and a direct opportunity for the inculcation of company culture.

5. Influencer Markets

   The opportunity exists to develop relationships with people and organisations whose goodwill or activities can directly or indirectly influence success in customer markets. There is overlap here with the activities and means of Public Relations, except that the underpinning orientation is success in customer markets.

6. Internal Markets

   Internal marketing means developing strategic plans and actions to identify and collaborate in the management of any <u>internal</u> activity which has as its goal the enhancement or success of the <u>external</u> marketing plans.

The second aspect is concerned with how staff work together **across** functional boundaries so that work is attuned to the company's mission, strategy and goals. The importance of this is transparent in service firms where back up support is needed for the staff interface with the customer. The idea behind internal marketing, in this context, is that all members of the staff are part of a process which connects with the customer at the point of interface. This forms part of quality management initiatives in some firms and marketing activity in others.

A pilot study on internal marketing at the Cranfield School of Management[6] suggests that formalised internal marketing rarely exists. In practice, a diverse range of activities constitute 'internal marketing', however such activities tend not to be labelled as 'internal marketing' by organisations. Notwithstanding, the common theme is to remove communication barriers to organizational effectiveness.

Internal marketing as we see it involves creating an organizational climate where cross-functional quality improvement can be sponsored and worked on by the staff whose job tasks are involved. The internal marketing task might further extend to empowering and enabling internal customers and internal suppliers to work together in quality review teams.

**Integrating Marketing and Relationship Marketing**

The challenge of survival in the 1990s in volatile markets demands a management orientation which accepts that getting and keeping customers requires continuous improvement and innovation. The choice management must make is whether to drive workers harder at their assigned tasks, or whether to invite them to **participate** in generating new ways of improving the performance system. The first way treats staff as 'prisoners' of the process and the second invites them to be agents of the process - a distinct and separate contribution for which their experience **within** the process makes them ideally suited.

Relationship Marketing implies a consideration of not just better relationships with customer markets and internal markets but the development and enhancement of relationships with supplier, employee, referral, and 'influencer' markets. We would argue that companies need to have some form of strategy to address each of these markets. In some cases this may be implicit. However, there is a risk associated with implicit strategy unless it is culturally ingrained.

**THE STRATEGIC PROCESS**

In modern deregulated markets, you either attempt to guide your business destiny, or let destiny have its way. The tendency has often been to believe that top management has all the answers. Top management in turn, hesitate to admit they do not, for fear of demoralising lower level employees. The result of this has been a cleavage between strategy setting and strategy implementation. Strategy formulation becomes an elitist activity separated from implementation.[7]

Many approaches to understanding the strategic process have been suggested. Most of them are based on a series of steps, starting from the formulation of a mission or purpose statement, then undertaking a strategic audit which involves an internal analysis of the firm as well as an analysis of both the market and competition. The formulation of a strategy based on decisions about how and where to compete in the marketplace comes next and, finally, the implementation of strategy.

The strategic process for Relationship Marketing, shown in Figure 3, does not imply rigidly sequential development. In reality, strategy is developed and implemented more interactively. Also, like Piercy and Morgan[8], we separate internal and external marketing for planning purposes. However, the expression of our marketing mix elements differs in articulation and emphasis, if not in strategic intent.

**An Expanded Marketing Mix**

The wide acceptance of the marketing mix concept is due in part to the simplification of Borden's original list of 12 elements[9] into a much shorter one under four headings which became known as the 'Four Ps'. This fixed list of four categories has almost become "enshrined" in marketing theory but less so in marketing practice.

It has been suggested that this offers a seductive sense of simplicity to students, teachers and practitioners of marketing, which has resulted in a lack of empirical study into the key marketing variables, how they are perceived and used by marketing managers and a neglect of coordinative, systemic processes in favour of analytic structure[10,11].

A number of authors have suggested modifying the Four Ps framework[12,13,14,15]. The consideration of the appropriate marketing mix elements and the emphasis to be placed on them will always vary according to the context being considered.

With this caveat, we use an expanded marketing mix which enables the broader issues associated with Relationship Marketing to be addressed. Our expanded marketing mix contains seven elements - the traditional Four Ps of product, price, promotion and place, plus the three additional elements of people, processes and the performance of customer service.

In the context of Relationship Marketing, **customer service** is strategic, potentially a differentiated value proposition for specific customer segments, and the means by which the firm sustains its position among competing offers over time.

The inclusion of both **people** (staff) and **processes** (work activities) in our expanded marketing mix has special significance as we consider these elements to be the service-quality drivers, that is, the elements which most underpin quality and customer service improvement. We will return to this theme later.

The decision as to which **inputs** to include in the marketing mix in the end depends upon what **outputs** provide the maximum responsiveness from the final arbiter, the customer. Thus the organizing and coordinating of mix elements is a dynamic process (see Figure 3, op cit).

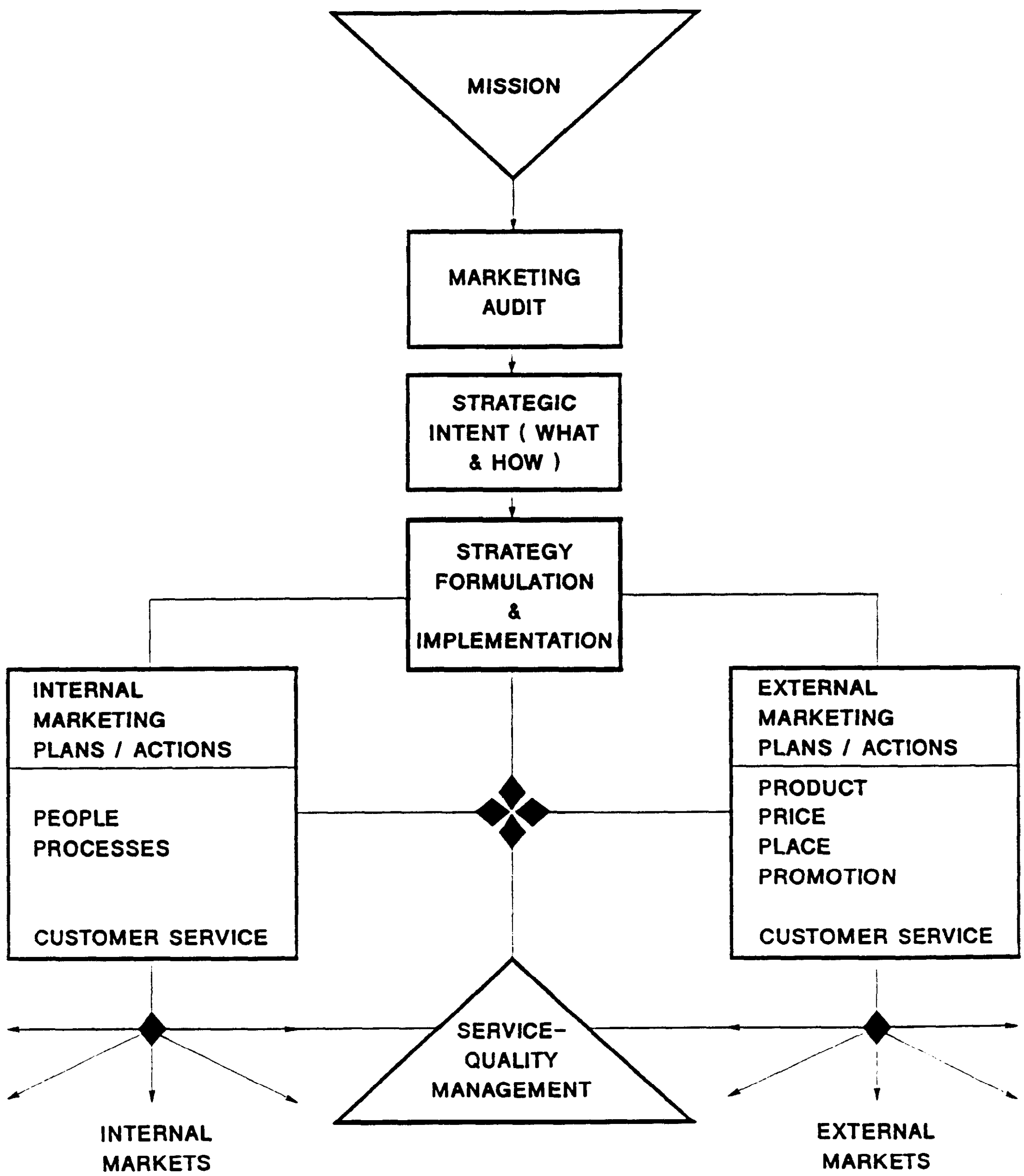
The job of the marketing manager in developing a marketing programme is to ensure the best match between the internal capabilities of the company and the external market environment. The external forces are not stable. Whilst changes in these forces can have adverse effects on the organisation's existing marketing efforts, they can also create marketing opportunities. Marketing planning can be characterised as a **matching** process, so it follows that there will be a 'quality gap' if in implementing plans a mismatch occurs.

**Quality as a Competitive Strategy**

The concept of quality referred to here is the match between what customers expect and what they experience. This is perceived

## Figure 3

RELATIONSHIP MARKETING FRAMEWORK



quality.[16] Any mismatch between these two is a 'quality gap'. It follows that **both** the goal of marketing and the goal of quality management must be to narrow the 'quality gap'. This not only facilitates getting customers, but **keeping** them. As quality goes up, non-value wastes and time related costs come down.[17] When staff participate in the quality improvement process, the beneficiaries are the staff, as well as shareholders and customers. Implementing quality strategies this way means that stake-holder expectations are more likely to be in harmony with each other.

The problem is that quality solutions and service support dimensions have no connections to marketing divisions which would provide some neat functional allocation of responsibility for quality. This is particularly the case in service industries, where production, delivery and consumption can occur at the same time.

Every production process generates outputs which in some way fall short of perfection and uniformity. All processes contain sources of variability. The quality management goal is to reduce these variations, so long as the value being added exceeds the total cost of achieving it.

Process variation is generated and passed along the whole chain of internal customers and suppliers to the final customer.[18] Indeed, one eminent Japanese statistician, Genichi Taguchi, says that there is an incremental economic "loss" for each deviation from customer 'target requirements', which has a flow-on effect to society as a whole.[19]

One of the most remarkable features of Total Quality Management (TQM) is the way in which it has drawn practising managers from many departmental divisions to work together across traditional functional boundaries.[20] This points up a rather simple yet dramatic conclusion that has not been properly brought to attention. It is this: the ideal of quality has become an integrating concept between production-orientation and marketing-orientation.[21]

**Continuous Improvement**

As quality management techniques extend out from the factory floor to the purchasing department on the one hand, and distribution and marketing on the other, 'people' dimensions become all the more important. There is a role here for marketing, in liaison with operations and personnel managers, to get the total quality planning cycle right. Marketing's internal role extends to staff climate surveys, internal (staff) communications, and collaborating in the design of the staff training packages. This three-way department relationship would greatly ease the entry of quality management into any organisation.

Certainly 'front line' service staff must perform well and need training in customer service skills. this is a separate and important marketing function. However, efforts to improve 'front line' service performance by improving staff 'customer service' training will add cost, not value, unless the design of work activities, the environment in which service is delivered, and the processes involved are all targeted for improvement, part of a continuous diagnostic review.[22]

The traditional - or control oriented - management approach would restrict employee input to a relatively narrow agenda, whereas continuous improvement 'breakthrough' involves an expansion of staff input in problem solving and ideas generation. We are talking about improving work processes from inbound supply to sales and service to eliminate bottle-necks and inefficiencies. This requires a shift in managerial responsibility so that quality starts to become the concern of everybody and, in time, the **self directed** responsibility of everybody.

At issue here are two incompatible views of what management can reasonably expect of workers and the kind of partnership they can share with them. One way is based on imposing **control** to achieve compliance. The other based on eliciting **commitment.** A transitional process from the first to the second is possible. The cornerstone of the transitional stage is the **voluntary** participation of employees in problem-solving groups.[23]

**Commitment and Participation**

Real commitment to quality involves organizational change, and marketing must change too. A common error, especially in mature organizations, is to make only token changes and rely on internal and external 'communications' to achieve effects. Alternatively, or in conjunction with 'communications', management tries a succession of technique orientated changes to achieve quality effects. None of this is wrong. It is just not sufficient. Improvement in performance involves changing the way work is organized and the way managers 'manage' the activities of the business.

Where there is no room for staff participation in strategic changes, difficulties in getting things done become labelled 'communications problems'. In such underled and overmanaged situations, middle management is seen as part of problem, or victim, according to your hierarchical perspective. In any event, tensions and dissatisfactions become institutionalised. On the other hand, when top management has confidence in its ability to share information in the change process, and encourage its people to participate in that process, managers down the line gain the courage to commit themselves to new strategies. Then there is fusion between the 'what' to do, and the 'how' to do it (Figure 4). This goes to the heart of the strategic process and what is meant by **strategic intent.**[24]

## SERVICE QUALITY MANAGEMENT

We have stressed the need for formalized and structured processes whereby customer relationships can be supported and improved. As **service support** underpins Relationship Marketing we need now to examine the service delivery system and see how the quality concept of 'continuous improvement' might be applied.

Coming to grips with service intangibles challenges the traditional approaches to quality assurance developed in manufacturing industries. We may like to attribute the quality of 'front line' service to the strengths or weaknesses of service staff but what really constitutes 'performance' is the sum of all the performance **processes** for which staff are the agents.

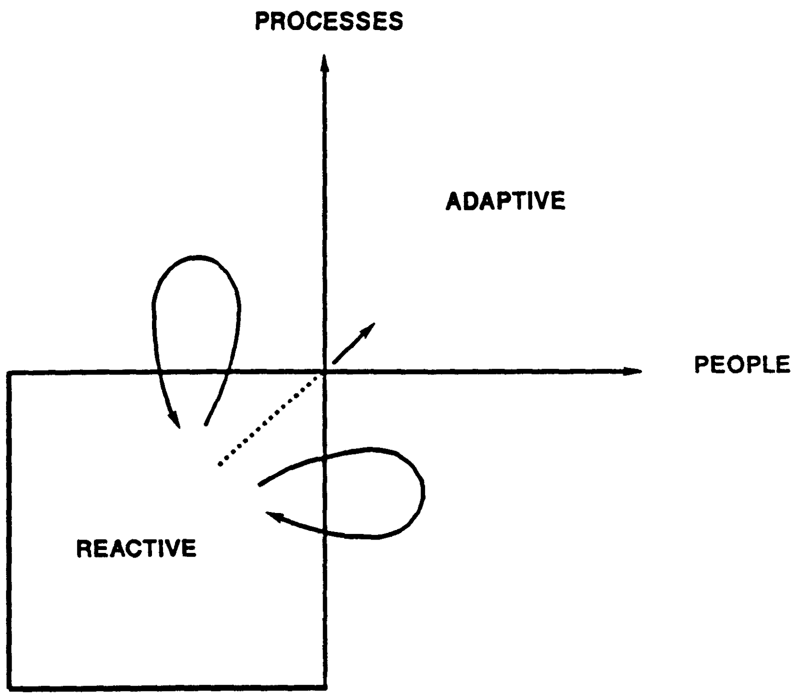
### Monitoring Service Quality Performance

The starting point for effective management of customer service has to be the measurement of service quality performance and the response of customers to that performance.

Earlier in this paper quality was defined as the match between what customers expect and what they experience. In the service context customer expectations may be defined as the 'desires or wants of consumers, i.e. what they feel a service provider **should** offer rather than **would** offer'.[25] In an industrial marketing or business-to-business context the concept of expectations might be modified to encompass the idea of 'negotiated' expectations. In

## Figure 4

ORGANIZATIONAL TRANSITIONS




- If steps are taken to improve work processes but the old habits are still reinforced, then organizational innovation is stifled.

- If people are encouraged to open up communications but key issues stay 'undiscussable', then organizational learning is stifled.

- Each transformational driver involves the other... from work practices to labour relations...each contains the evidence of the other.

other words, quality is measured in terms of the extent to which performance as perceived by the customer (the 'experience')meets or exceeds implicit or agreed levels of service (the 'expectation').

We are now in a position to advance the basic measure of service quality:

$$\text{Service Quality} = \frac{\text{Perceived Performance} \times 100}{\text{Desired Expectation}}$$

Under this formulation, anything less than 100% is to be construed as a service failure. The service quality challenge can be put quite simply: to bring perceived performance and customer expectations into line.

Where expectations and perceived performance do not coincide, there are two possible responses by the organisation, not necessarily mutually exclusive. The first is to explore why perceived performance is low. Is it because actual performance is low generally? Or is it because perceptions have been influenced by negative experiences in one aspect of performance, e.g. difficulties getting a satisfactory response to a telephone query although the product was delivered on time. The second possible response is to check that the customer expectations are being properly 'managed'. In other words, are customers gaining expectations which are out of line with the organisation's ability to perform?

There is little chance of management acting in any meaningful way to close the quality gap if these two key variables are not defined and measured. It thus becomes imperative to design and implement procedures for routinely monitoring customer perceived performance against prior expectations.

## The Service Delivery System

When we talk about service delivery systems we are essentially concerned with the logistics of service. Conventionally, logistics has been associated with the movement of physical materials and products, yet it is equally valid as an approach to the delivery of all information, ideas and data that contribute to service performance.

In structuring a logistics system for service delivery the objective is to achieve a cost effective yet consistent output. It is only by looking in detail at each stage in the process where inputs are converted into service outputs, and particularly at the interfaces between those stages, that cost effective delivery systems can be designed.

In those organisations where service delivery systems are haphazard and poorly managed then typically, service failures will be high. One reason for this loss of quality is that no one person in the chain is responsible for overall performance. Indeed, managers are rarely aware of the cause and effect linkages.

A further source of quality failure is that in loosely co-ordinated systems, inconsistency of output tends to be high. For example, if a service delivery system has ten stages and if a failure or mistake occurs at each stage on one in a hundred occasions, then 11% of the final output will be affected (ie $1 - (1-0.01)^{10}$). Thus we may find that errors in the order entry stage, which may by themselves appear insignificant, can quickly be compounded by errors in the warehouse, accounts department or elsewhere.

## Service Quality Diagnostics

A major challenge for service quality management is to overcome the fragmented nature of most service delivery systems to ensure a consistent quality output. In the same way that manufacturing systems can be modelled and redesigned to improve operating performance, so too can the service delivery system.

A basic starting point in the diagnostic review process is what has come to be known as **flowcharting**, or service 'blue-printing'. Essentially this is a systems analysis of the service delivery system or parts of it. Another useful diagnostic tool which can be used is the so-called **fishbone**, also called an Ishikawa diagram after the name of its inventor. The fishbone is a creative approach to structuring a particular work process by representing the probable cause and effect relationships in a simple diagram.[27]

The service manager must first identify all of the evidence of service perceived by the customer. Each item **visible** to the customer represents an encounter point during which interaction with the service provider will occur. What Shostack[26] describes as the 'encounter point' was termed a **moment of truth** by Richard Normann and successfully applied by Carlzon[28]. These are critical risk points in the service delivery system.

Identification of 'moments of truth' is vital if quality service is to be achieved with the highest possible consistency. Each 'moment of truth' is an opportunity for the service provider to demonstrate the quality of service. The challenge in improving service delivery systems is to consciously seek to create a linked system of activities designed and managed so that the 'moments of truth' leave very little to chance.

This may sound a little mechanistic but when 'stretch' is allowed for special staff competencies, service customisation may proceed flexibly according to need. Thus the variability in customer service performance may be contained. In fact, structuring the level of service support through carefully designed and managed processes actually helps the people involved to perform their job better, thus reinforcing the ethos of quality improvement.

At the 'face' of the service encounter, the necessary staff skills and competencies are displayed. Behind the 'face' lies the inter-dependent service support territories of environment, work processes and job design. This is where 'breakthrough' improvements can be made. A step by step plan-do-check-act approach is necessary.

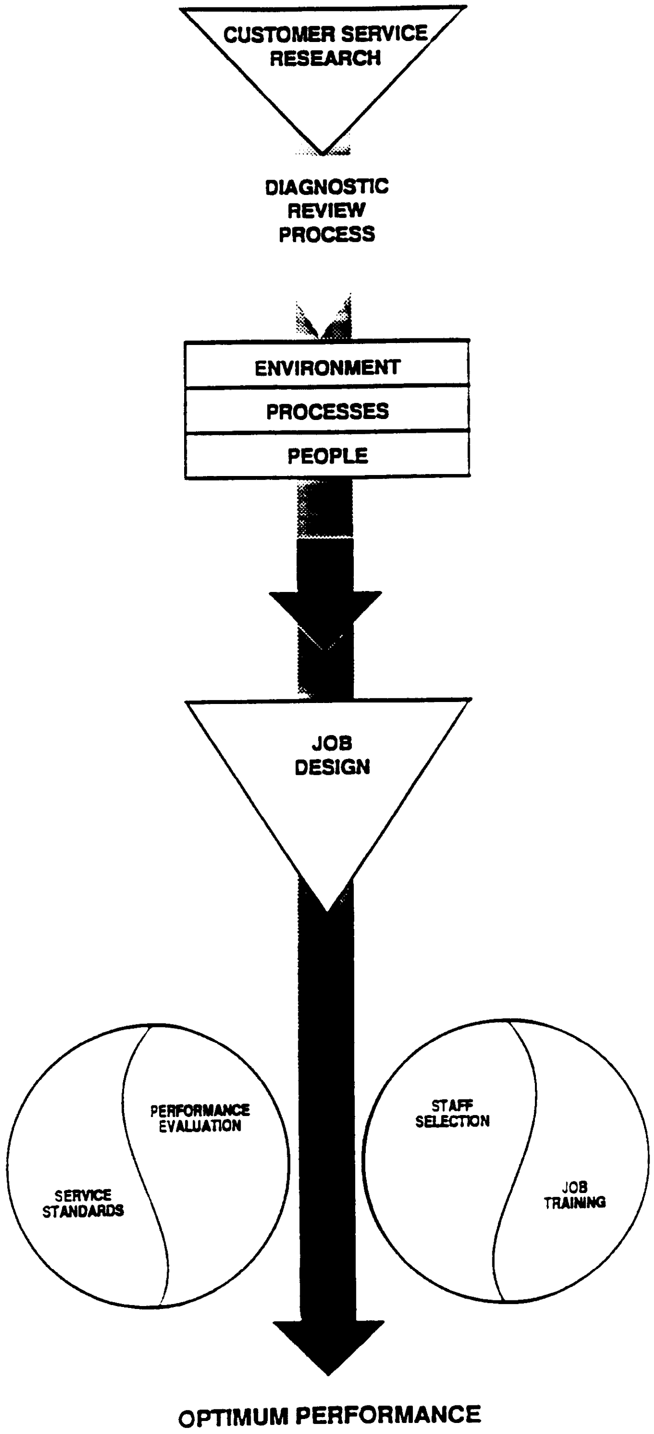
A generic framework for service quality management is proposed in Figure 5.

In this model the basic logic of the service quality management process moves from a customer research based benchmarking study through to diagnosis of the service issues (from customer research), then to implementation of improvements to the system on a continuing basis. Setting up a range of service standards is important but these serve essentially as 'risk point' feedback measures which then support further diagnostic and problem solving activities. Not least, attention is needed to staff selection and job training.

Diagnosis of critical service problems is best achieved by the people involved in the work processes, and a suitable support structure might be 'quality improvement teams' which cut across departmental lines and reflect 'lines of flow' in the service flowcharts.

## Figure 5

CHANGING THE FACE OF
SERVICE QUALITY MANAGEMENT



The challenge for service quality management is that the production and delivery of service often occurs at the same time. The focus of quality standard setting therefore shifts to the customer. How the customer's "standards" are dealt with in the service encounter is the central issue.

**POST SCRIPT: THE MARKET-FACING ORGANIZATION**

In this paper we have argued that quality, customer service and marketing are related activities that need to be brought into closer alignment. The sub-text however, has been concerned with marketing's role, indeed marketing's future. Relationship Marketing is certainly a role challenge. Yet any other pathway seems even more a difficult in these turbulent times, when **having** customers, not just **acquiring** them, is the goal[29].

Relationship Marketing is both an external and an internal **market** intervention. It is made more effective by developing shared organizational values which are themselves of significance and importance in chosen external markets. Thus staff attitudes and behaviour (or style) are an intangible part of the value seamlessly built into the products and service being offered.

The basic difficulty for marketing is that traditional organizations are functionally focussed, not market focussed. In other words they are compartmentalised around the short-run functions of production, finance, marketing, purchasing and so on. They are typically command driven and budget controlled. There is often a constrained (or corrupted) flow of information **across** functions. The psycho-social boundaries which closely shadow these functional structures act as a 'cultural wall' and limit the successful implementation of any strategic plan which happens to be market focussed.

In the **market facing organization**, the attempt is made to draw staff together, sometimes in multi-disciplinary teams or networks that seek to marshall resources across functions. The functions still exist but they are now seen as 'pools of resources' from which the market facing teams draw members in order to achieve market based objectives. This is the relationship approach.

The internal market, the heart of the enterprise, is the subject of all change processes as well as the author of them. The task is to work more cross-functionally, more participatively, more politically in the common interest of customers, staff and shareholders, building a platform from which to grow. This would sound idealistic except that some organisations are already doing it, making Theodore Levitt's[30] succinct words a reality:

"The purpose of a business is to create and keep a customer."

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