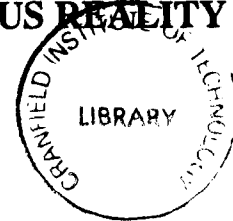




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SWP 5/92 INTERNAL MARKETING : MYTH VERSUS REALITY



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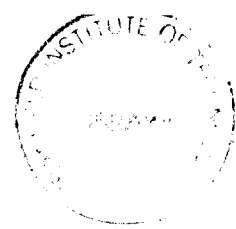
This paper reports the results of a preliminary exploratory study of the development of internal marketing in organisations. An initial expectation that companies would be found with highly formal internal marketing programmes was not met. Although widely adopted, internal marketing as it is currently practiced, tends to be fairly informally organised and highly organisational specific.

INTRODUCTION

Internal marketing is concerned with turning traditional marketing techniques inwards; focusing on the internal customers and suppliers of the internal marketplace, with the aim of improving internal market relationships, quality and customer service and ultimately corporate effectiveness. Internal marketing represents one of the key markets addressed in relationship marketing (Christopher, Payne and Ballantyne, 1991) and is emerging as a topic of increasing interest to both academics and practitioners. This interest is reflected in a growing literature on the topic reporting the development and implementation of internal marketing programmes in organisations. Much of the existing literature takes one of two predominant forms, it either details the experience of a specific organisation or it is largely prescriptive in nature with little or no reference to the realities of the organisational context. Currently, no real theory has emerged and no attempt has been made to contrast internal marketing in different organisations to determine the characteristics of good internal marketing practice. Internal marketing is said to be a "good thing", but we do not understand exactly what it is, who in the organisation has responsibility for it, nor what its effects are.

This paper reports preliminary findings of an exploratory study to determine the nature and extent of internal marketing activity across a range of organisations, in an attempt to dispel some of the myths associated with it and explain the reality of its practice. Interestingly the prompt for the current research came from the realisation that practitioners were some way ahead of academics in addressing the internal marketing issue.

In the literature, as we found in practice, internal marketing encompasses a broad range of activities, to confuse matters internal marketing is also closely associated with the concept of the "internal customer" and is often otherwise defined as "inner marketing" or "internal communications". There are at least four interesting approaches to internal marketing in the literature. The first relates to Gronroos' (1981, 1985) pioneering work on the integrative marketing concept, and perceived service quality, where internal marketing facilitates improvements in service quality. The second is concerned with Flipo's (1986)



alignment of external and internal marketing strategies and the resolution of functional conflicts; internal marketing must support and be aligned with external marketing efforts to ensure the latter's success. The third, to Berry's (1981) and Gummesson's (1987) concept of the internal customer, which is closely linked to the issue of quality management. And, fourthly, to recent work that integrates the earlier work on internal marketing, where internal marketing is seen as a means of affecting organisational change and implementing marketing strategies (Piercy and Morgan, 1990a and 1990b).

Marketing usually focuses on external exchanges. With internal marketing the argument is made for the efficacy of marketing in exchanges between employees and organisations. Berry (1981) suggests there are several forms of internal marketing, but they have in common a focus on the customer inside the organisation. For instance, he considers the employee as customer, where jobs are internal products and the organisation endeavours to offer jobs - internal products that will satisfy internal customers in keeping with the objectives of the organisation. For example, Berry suggests by satisfying internal customers a bank upgrades its capability for satisfying the needs and wants of its external customers. Marketing research, segmentation and advertising are applied to internal markets providing a marketing solution to managing people. He suggests internal marketing is of great importance in service industries where employee performance is the "product", it provides a means to differentiate from competitors, via the quality of people - it is an investment in "people quality" as opposed to "product quality". Collins and Payne (1991) examine the use of internal marketing in the human resource management function.

Internal marketing may not be as nebulous and ill-defined as it might appear at first glance, for at the core of most of this work are the inter-related themes of people, quality, and managing relationships. An argument could be made that internal marketing encompasses more than the proper sphere of marketing and does not have as its central focus the (internal) customer.

A consideration of the literature and discussions with executives in companies raises two perspectives that are often to question. Is internal marketing some formalised "cure-all", enabling smooth operations, superior communication and implementation of strategies? Or does internal marketing, in reality, describe a unique set of loosely related activities, aimed at improving the effectiveness of operations and relationships within the organisation?

SOME QUESTIONS ANSWERED ABOUT INTERNAL MARKETING

The following observations of internal marketing in practice come from discussions with senior marketing managers from a range of large service and manufacturing organisations that have undertaken internal marketing programmes.

Managers were asked in semi-structured interviews to describe the internal marketing programmes established in their organisations. Specific questions were asked in relation to the length of time an internal marketing programme had been running, whether the programme was formal, if it had a specific name, the job title of the person in charge of internal marketing, whether this was a full-time or part-time appointment and the size of the internal marketing staff, and whom the staff reported to. Additionally, respondents were asked to describe the critical success factors of the internal marketing programme and to describe modifications to the programme, employee perceptions and potential future developments.

Three forms of internal marketing identified in the literature were discussed in the interviews:

- 1) Marketing to employees - motivating employees to better performance and improved relationships with internal and external customers.
- 2) Marketing of an internal function - e.g. marketing the marketing department, so that marketing is perceived as investment not expenditure, or other functional areas/departments marketing their roles within the organisation.
- 3) Marketing the organisation's products and services to employees - for example, where a bank would encourage employees to use the bank's own services.

As far as internal marketing as a discrete activity is concerned no clear pattern emerges in terms of a distinct set of activities. The concept of internal marketing is used to define a range of both formally organised activities and a range of ad hoc initiatives. In relation to the three forms of internal marketing identified above, we have observed in practice, that "marketing to employees" is the most common form of internal marketing. Internal marketing has evolved in organisations to facilitate the implementation of quality initiatives and a diverse range of activities targeted at customer contact staff to improve performance and employee/customer relations. In relation to "marketing of a functional department", less use of this form of internal marketing is found, although where it is used, the need to market the marketing function may be especially important. "Marketing the organisation's products and services to employees", is only sometimes considered by managers as a form of internal marketing, even though most organisations offer their own products and services at discounted prices to employees.

Internal marketing has evolved alongside the development of customer-driven thinking in organisations. A variety of claims are made for internal marketing ranging from the suggestion that internal marketing is not a new concept, but is

rather a new label attached to internal communication projects, to claims that internal marketing performs an important new role in changing the structure of the organisation enabling the creation of autonomous units which display a greater sense of ownership, accountability and responsibility. We now consider the responses to our questions in more detail below:

What is the scope of Internal Marketing?

Internal marketing primarily takes two main forms in the organisations reviewed: Marketing to employees - motivating employees to better performance and improved relationships with internal and external customers; and marketing the marketing department, such that marketing is perceived as an investment rather than an expenditure, and encouraging other functional areas to market themselves within the organisation.

Organisations tend to do one or the other depending on the specific objectives of the internal marketing programme. Internal marketing may be focused on specific groups within the organisation - for example customer contact staff, the sales force; or have a wider audience - for example an education programme from the Board on downwards. Internal marketing may involve a communication programme throughout the organisation, thus involving everyone in the organisation in internal marketing.

The marketing of an internal function is an important form of internal marketing. It may be necessary to demonstrate internally the skills and competences of a newly formed marketing function to justify its existence. Internal marketing may even be a wholly defensive action to safeguard the survival of a marketing department. Internal marketing is also used to internally sell strategic marketing initiatives and objectives.

How long have organisations been doing Internal Marketing - and why?

Internal marketing has been introduced by organisations over the past decade. It has often been initiated as part of a Total Quality Management programme or similar activities. In the past few years internal marketing has emerged as a separate task, in many cases representing the co-ordination of a range of disparate activities.

Internal marketing is introduced for a variety of reasons connected with the realisation that the organisation has to be better integrated and directed towards the customer; thus internal marketing forms part of broader business objectives. Internal marketing is used to develop inter-functional relationships, to improve understanding and minimise conflict (including, those between sales and marketing functions). Internal marketing has also been used to assist in cultural

change as part of the post-merger integration process. Internal marketing is often recognised as an important task by key individuals in a company who then champion its introduction. Internal marketing has been used to raise the profile of marketing departments, to make them more responsive, and to improve their internal credibility where they have suffered from poor image or performance.

Are Internal Marketing programmes formalised?

Internal marketing programmes tend not to be highly formalised, in the sense of having a distinct set of plans, policies and documents. Rather internal marketing involves a range of activities some of which are structured and others ad hoc. Formal aspects of internal marketing programmes tend to originate from Head Office, which may provide a formal framework or skeleton of a programme. For example in one company specific activities are labelled the "Sales and Marketing Programme". This involves a range of activities which collectively constitute internal marketing, but are not expressly described as such. An internal marketing programme tends to be subtle; it exists and it has manifestations everywhere but is not explicit. Whilst in many cases very little would have to be done to actually formalise the programme, there is a strong belief in the companies surveyed that formalising internal marketing programmes may undermine their credibility and effectiveness.

What are the specific objectives of Internal Marketing?

In relation to marketing the marketing function, the objectives of internal marketing are to improve internal perceptions of the marketing department, and more broadly to remove (or reduce) inter-functional conflicts and develop a more integrated organisation.

Internal marketing often forms part of quality and service initiatives with the objective of getting everyone in the organisation oriented towards the same direction, to develop awareness of internal and external customers and to foster a team spirit within business units.

In some organisations the objective of internal marketing is to promote a greater degree of innovation. In response to ever shortening product life cycles, internal marketing is being used to generate greater responsiveness at every level. Internal marketing in promoting leadership in innovation involves the empowerment of all staff towards making a contribution. Related to this, internal marketing may be used to market new technologies internally, to market a new corporate image, to change the ethos of the organisation and, importantly, to communicate strategic market issues.

Internal marketing may be used as a competitive weapon to differentiate the organisation externally, giving the organisation an externally-perceived competitive advantage in terms of responsiveness.

Who organises the Internal Marketing effort?

Responsibility for organising internal marketing often rests with marketing managers, and in some cases involves direct board level representation as part of the marketing director's brief, 'Internal marketing managers' per se are rare, but internal marketing may exist as part of the internal communications unit's remit. However in some cases responsibility is delegated to an external consultant, or may be considered the responsibility of everyone in the organisation. In other cases responsibility falls to the individuals responsible for implementing specific programmes and these often come under the auspices of personnel or human resource departments. In very large firms with autonomous business units, each unit tends to "do its own thing" within head office guide-lines, therefore some units may have internal marketing appointments and others not. Often responsibility lies with the whole marketing department who seek to diffuse an internal marketing message throughout the organisation. Those responsible for internal marketing report variously to their CEOs, commercial directors or sales VPs who tend to be the champions of the internal marketing programme.

A lack of formality and structure in the organisations examined is evident in the absence of specific plans, policies and documentation, and appointments that are formulated and implemented in internal marketing.

What range of activities comprise Internal Marketing?

Internal marketing is achieved by a broad range of activities. These fall into two basic forms of communication exercises: internal publications, and briefing sessions and educational programmes. Internal marketing tends to use different messages and forums for discussion for different groups of employees. It is important to identify the target customer and determine if it is all employees, specific groups of customer contact staff, or decision makers who will influence adoption of proposals.

In relation to internal publications, information is circulated throughout the organisation to raise awareness concerning how the business is doing and understanding customer relationships. This typically involves, monthly marketing reports, in-house magazines, and quarterly and monthly newsletters. Videos are also used to convey the internal marketing message in much the same way. Internal marketing related issues are often discussed in workshops and monthly meetings and reported back through internal magazines.

Briefing sessions and educational programmes are designed to transmit the internal marketing message, additionally they provide the opportunity to collect ideas and feedback from employees, and to publicise the organisation's successes. These may involve:

- a package of exercises involving workshops and incentives for all employees.
- team briefings, awareness programmes that 'cascade' down the organisation accumulating more local issues at each stage.
- regular workshops for staff and managers.
- quarterly briefings to senior managers, which are corporate strategy oriented - in turn these senior managers brief their own line managers.
- meetings for product marketing managers to establish sales guide-lines and discuss product development. This can provide a feedback mechanism, where managers also attend the meetings of other departments.

Educational programmes may be designed for all employees. Programmes are tailored for the needs of key customer contact staff. Internal marketing, as mentioned above is an inherent part of quality and service initiatives such as TQM.

The following four examples demonstrate some contrasting approaches to internal marketing:

Case 1:

The sales and marketing effectiveness programme of one organisation had as its objective the diffusion of the customer orientation message throughout the organisation, based on the belief that customer needs are best met by a fully functionally integrated organisation. It was the marketing department's responsibility to define what customers wanted and help the other functions in the organisation understand this. As such it was largely an exercise in persuasion. The programme had top level commitment, but was organised by an external consultant. Essentially the programme's activities involved multi-functional problem solving teams. Participants in the projects also served as change agents and conveyed the message throughout the organisation. Projects were identified in areas where the customer had not been satisfactorily serviced. The process has involved writing case histories of successes and failures, based on the belief that there is something to be learnt even in failure. Indeed, the organisation rewards individuals who have tried, irrespective of the result. The programme has broken down functional barriers and as a result the focus of many jobs has changed and value has been added to them.

Case 2:

A large organisation provides a contrasting approach to internal marketing. Following the British Airways customer care programme model 18,000 employees attend a half day session programme. Employees pass through in small groups and the programme is designed to foster a team spirit, it has an extrovert quality and a customer orientation. Working parties of employees are also formed to deal with specific issues. The programme has involved a substantial investment and has evolved through three stages.

Case 3:

A business unit of a large hotel group, with a substantial degree of autonomy operates its own internal marketing programme. Activities are organised around an internal marketing plan. Emphasis is placed on teams within the business unit developing a thorough knowledge of the organisation. This is achieved by quality circles which communicate with one another, with a staff magazine in which teams compete for space, and with a newsletter. Employees knowledge of the organisation is also developed by visits to other parts of the organisation, which in this instance involves free stays at other hotels in the group. Internal marketing also performs an important role in developing the company's local reputation as a good employer which is seen as critical in a labour intensive service business.

Case 4:

A recently privatised company has used internal marketing to develop customer and competitor awareness. An internal communications programme includes an in-house journal which covers product development, customer initiatives and performance results. This is sent to all employees' homes. Other publications are targeted at different divisions and levels within the organisation. Regular team meetings are held which convey the corporate or division message, the roles of individuals and specific local issues are discussed. Corporate videos presented by celebrities are also used to transmit specific corporate messages.

What are employee perceptions of Internal Marketing?

Companies are finding their employees are responding to internal marketing both positively and with a degree of scepticism. In organisations where the reaction is positive, internal marketing is helping significantly improve quality of work and developing a deeper involvement and cross-fertilisation amongst staff. Responses are more positive in those organisations which have a supportive culture. Employees in such companies are less cynical than they might otherwise be of internal marketing activities. This suggests the right organisational climate is highly desirable prior to developing an internal marketing programme.

What problems are encountered with Internal Marketing?

Some problems are encountered in establishing internal marketing as a priority, although once a small group of individuals become involved the programme can run itself. Relying on the internal marketing message to diffuse through the organisation can be problematic, even where a good grapevine exists as the message may not get through to the right people. Many internal marketing activities, for example getting people together to celebrate the organisation's successes, may be difficult to implement because of the company's geographic spread. When "selling" internal marketing by written form, it is seen as important to recognise that you are competing for the readers' time, as a consequence written materials and reports must be attractively "packaged" to gain attention.

With internal marketing activities measurement is difficult. However organisations may impose formal measures on specific initiatives which affords some measure of control. There is a general feeling that introduction of tight financial controls may endanger the effectiveness of internal marketing.

What results have been achieved?

The results of internal marketing efforts are largely qualitative. Examples given by respondents include:

- "Relationships have improved between functions in organisations, by the establishment of two way communications. For example, the marketing department is now told if product specifications are changed, where in the past they would not have been told."
- "General levels of information and communication have increased."

- "Employees are becoming aware of the objectives of internal marketing initiatives, and encourage others to become aware of the direction the organisation is following."
- "Success breeds confidence in initiatives and bolder approaches are being adopted."
- "Internal marketing is seen to be paying off in the creativity it has inspired."
- "Internal marketing is helping solve some of the problems of being a large company."

What are the critical success factors?

Successful internal marketing programmes appear to be dependent on a number of factors:

- Foremost, programmes rely on communications, good communication systems and strong messages. The message must get through to the people who need to hear it.
- Internal marketing depends on factors associated with the organisation's culture, including commitment at all levels, co-operation, an open management style, and general awareness of the need to make cultural changes and recognition that the customer comes first. This involves a recognition that everyone in the organisation must be pointing in the same direction towards the customer.
- Internal marketing must be accepted as a mainstream responsibility. Internal marketing must be "customer-led".
- Recipients of the internal marketing message need to see the benefits for themselves, this leads to ownership of the process.
- Internal marketing has to be consistent, balanced, maintained and built upon as an ongoing resource. This in turn is reliant upon feedback and continued interest - the internal marketing message should also be enjoyable.

How will Internal Marketing evolve in the future?

Internal marketing will continue to evolve as a concept. Many changes have occurred in the past ten years including changes in attitudes and changes in the problem solving techniques used in internal marketing. Employees are now

more aware of who the customer is. In some organisations it is difficult to anticipate future changes because the internal marketing programme is still in the early phase of development.

Internal marketing is seen as an ongoing process, with motivation, time and financial constraints determining its future. The success of many programmes are tied to the individuals who run them, as a consequence they may lapse if these individuals move on. It is also possible that the formal aspects of programmes will be discontinued, because the informal aspects are working well enough. Internal marketing could become more formalised, profit oriented and professional, although formalisation may undermine its effectiveness. Functional areas such as human resource management must learn to market themselves and head office departments such as computer operations will increasingly be concerned with developing the appropriate service orientation.

Internal marketing will have a more central role and will form an important part of the relationship marketing strategy. Organisations will continue to strive towards their current internal marketing objectives: for everyone in the organisation to understand the mission and the part they have to play as individuals and to enjoy their jobs more because they see the whole picture.

CONCLUSIONS

Internal marketing in all its forms is recognised as an important activity in developing a marketing oriented organisation. In practice, internal marketing is concerned primarily with communications, with developing responsiveness, responsibility and unity of purpose. Fundamental aims of internal marketing are to develop internal and external customer awareness and remove functional barriers to organisational effectiveness.

The following points emerge from this preliminary study.

- Internal marketing is generally not a discrete activity, but is implicit in quality initiatives, customer service programmes and broader marketing and business strategies.
- Internal marketing typically comprises some formal structured activities accompanied by a range of less formal ad hoc initiatives.
- Communication is critical to successful internal marketing.
- Internal marketing has evolved out of customer-driven thinking.
- Internal marketing has the potential to perform a significant role in the creation of competitive differentiation.

- Internal marketing has an important role to play in reducing inter functional conflict within the organisation.
- Internal marketing is an experiential process, leading employees to arrive at conclusions themselves.
- Internal marketing is evolutionary, it involves the slow erosion of barriers.
- Internal marketing has considerable potential as a force to help facilitate an innovative spirit within the organisation.
- Internal marketing is more successful when there is commitment at the highest level, the co-operation of all employees and an open management style.
- Overt packaging of the internal marketing concept may be less successful than a more subtle approach which permeates the organisation and becomes a shared value.
- Imposing profit goals and measurement on internal marketing could endanger the benefits derived from it.
- Internal marketing is concerned with getting all employees to understand the organisation's mission statement.

From a strategic perspective internal marketing provides considerable value. Firstly where internal marketing is concerned with the development of a customer orientation, the alignment of internal marketing and external marketing ensures a coherent strategy. Secondly, internal marketing plays an important role in employee motivation and retention. Expansion of the service sector and demographic changes will continue to increase the pressure on organisations to compete in the labour market and increase the attractiveness of employee retention.

This initial study suggests a set of issues to explore in future research, in particular: the barriers to successful implementation in terms of structures, systems and people; measurement and control; internal marketing as part of developing a marketing orientation; and marketing effectiveness and internal marketing. The effectiveness of programmes would be better understood by investigating "customer" perceptions. More can be learnt of how internal marketing within firms is organised and to what extent marketing techniques and tools are actually applied internally.

We conclude that there is considerable variation in the ways in which internal marketing is practiced due to differences in organisational culture and needs, but typically internal marketing involves using traditional marketing techniques inside the organisation. Good communications and top management support are the critical success factors. The benefits arising from internal marketing are seen to be increased organisational effectiveness through more effective implementation of marketing strategies, and specifically, in implementing the marketing concept and getting everyone in the organisation to become involved in marketing.

This preliminary investigation has revealed that whilst internal marketing does exist as more than a theoretical concept, there remains a myth about its formalisation and benefits. The reality is that internal marketing is not a "cure-all" but like all marketing requires vision, energy, commitment, and hard work to make it work. For those internal marketing programmes that are imaginatively and sensitively created and implements the result will be an improvement in both internal efficiency and external effectiveness of the company's marketing efforts.

In contrast to accepted wisdom, it was found that the widespread existence of highly formalised and structured internal marketing programmes was a myth. The reality is internal marketing programmes typically constitute a diverse range of activities and are often relatively unstructured.

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