

Internal market orientation Construct and consequences

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Abstract

Research in services has long recognized the need for managers to focus internally on employees as well as externally on customers. This internal focus is the domain of internal marketing. Despite over 2 decades of discussion of internal marketing, most operationalizations of marketing are grounded in ideas of product markets and remain resolutely focused on the external market, ignoring the internal focus necessary in services markets. Such operationalizations of marketing are outdated in modern markets where most purchases involve a combination of product and service elements, and, in the long term, service quality may be more important than product quality to the consumer. This paper reconceptualizes marketing and develops a new construct, 'internal market orientation' (IMO), which closely parallels and complements existing models of external market orientation. The relationship between internal and external market orientations is explored, and the performance implications of IMO are discussed. A second model of these proposed relationships is presented with implications for managers and recommendations for future research.

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Keywords: Internal marketing; Internal market orientation; Market orientation; Internal customers

1. Introduction

Despite the increasing recognition that services drive competitive advantage in modern markets (Doyle, 1994), and that employees drive services (Gummesson, 1994), the literature on the implementation of marketing remains dominated by its external focus on customers and competitors. For the most part, researchers have ignored the need to focus internally on service employees, especially those that come into contact with customers.

The importance of contact personnel in the delivery of services is illustrated by the general acceptance that during the service encounter, customers base their impressions of the firm on the performance of customer contact personnel (Parasuraman et al., 1985). As a result of this scrutiny of contact employees by customers, it has been shown that the attitudes and behaviors of customer contact employees influence customers' perceptions of the service they receive (Schneider and Bowen, 1985; Foster and Cadogan, 2000). For this reason, it is important for managers to identify ways

to effectively manage contact employees, ensuring that their attitudes and behaviors are conducive to delivery of quality services (Hartline and Ferrell, 1996), and in doing so, it becomes crucial that organizations adopt suitable internal programs, aimed at employees, complementing the existing external marketing programs aimed at customers (see e.g. Gummesson, 1994; Greenley and Foxall, 1996, 1998; Berman et al., 1999).

Early attempts to incorporate an internal focus of marketing to complement the external focus arose in the services marketing literature. For example, Booms and Bitner (1981) presented an expanded marketing mix operationalization of services marketing, which incorporates three additional elements, complementing the traditional four elements of the marketing mix, that services marketers should focus on: people, process and physical evidence. By including people as one of the additional services marketing mix elements, Booms and Bitner (1981) make explicit the need for services marketers to focus internally on employees as well as externally on customers and competitors. Booms and Bitner's (1981) 'process' element of the services marketing mix also offers an internal focus, concentrating on the service delivery process of the firm.

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More recently, Kotler (1994, p. 170) proposed a services marketing triangle, which represents a triad of marketing relationships on which services managers should focus their attention. These are:

1. the relationship between the customer and the company (external marketing);
2. the relationship between the customer and the employees (interactive marketing) and
3. the relationship between the company and employees (internal marketing).

The final relationship, between the company and its employees, represents an internal focus of the firm. This corresponds to the people element of Booms and Bitner's (1981) people element of the services marketing mix.

This internal relationship between service employees and the company is the focus of the internal marketing discourse. Several researchers have suggested that competitive advantage in service markets may be obtained if managers focus attention on satisfying the wants and needs of their employees, since the latter are prerequisites to ensuring that these employees provide good service to customers (see e.g. Sasser and Arbeit, 1976; Berry, 1984; Berry and Parasuraman, 1991). However, while there is some consideration in the literature about goals and instruments of internal marketing, there remains confusion about what exactly internal marketing is, what it is supposed to do, how it is supposed to do it and who is supposed to do it (Rafiq and Ahmed, 1993, 2000). This lack of a generally accepted operational definition of internal marketing also means that there is no generally accepted instrument to measure the concept or to examine the quantitative impact of internal marketing, as Varey (1995, p. 42) comments, "much of the work done in the internal marketing area has been embryonic and is descriptive or prescriptive". There is need for suitable research to develop terminology for a single clear understanding of internal marketing and serious empirical fieldwork to address the impact of treating employees as customers on market responsiveness.

The view that services marketers face unique problems (arising from the unique characteristics of services) that are not encountered by marketers of tangible goods (see e.g. Bateson, 1977; Zeithaml et al., 1996) perpetuates a false distinction between 'services marketing' and 'product marketing' that is now outdated. A number of commentators recognize the importance of service, as an important characteristic of any product offering, and the service element of products is suggested to be the single most important factor in determining long run market share and profitability (Doyle, 1994). Marketing management in modern markets requires the integration of both the product and service offering to achieve competitive advantage, and, consequently, marketing theory needs to concentrate on both the internal market (necessary for the provision of superior

services) as well as the external market (necessary to better understand customer needs).

Recent advances in the operationalization of marketing, using market orientation typify the enduring reluctance of marketing academics to incorporate internal considerations in the marketing concept. Market orientation has as its focus, external stakeholders such as customers and competitors. In the context of services marketing, this exclusive external focus of market orientation is increasingly being challenged (Gummesson, 1994, 1998). Although evidence does exist to suggest that an external market orientation improves performance in the context of service suppliers (Naidu and Narayana, 1991; Chang and Chen, 1998; Vorhies et al., 1999), there are increasing calls for research to examine the impact of internal orientations on business performance (Gummesson, 1994, 1998; Greenley and Foxall, 1996, 1998; Berman et al., 1999).

The objective of this paper is to redress this myopic vision of marketing. More specifically, the paper aims to (a) examine the contribution of the internal marketing discourse in developing an internal focus for the firm, (b) delineate and clarify the internal marketing construct and (c) define a new concept, 'internal market orientation' (IMO), which parallels existing models of the implementation of the marketing concept and represents the internal focus of service firms on their employees. Finally, directions for operationalizing IMO, and other future research in the area of IMO are suggested.

Consequently, the paper is organized into five main sections. The first section examines the academic discourse on the concept of internal marketing; specifically, two perspectives of internal marketing are presented and differentiated. First, a service process perspective, *internal customer orientation*, is presented and discussed, and second, a service employee perspective, *IMO*, is presented and discussed. The discussion on internal marketing continues in the following section, examining the service employee perspective in more detail. The third section of the paper defines the domain of IMO and a model of the IMO construct, closely paralleling existing models of the implementation of the marketing concept, is presented. In the fourth section, the relationship between internal and external marketing is examined, and a model of, and propositions about, the impact of IMO, external market orientation and organizational performance are presented. In the final section, the implications of this research for service managers and academics are discussed, and some directions for future research in this area are considered.

2. The marketing concept and internal marketing

From a conceptual viewpoint, the marketing concept is straightforward (Wright et al., 1997). Many commonly used marketing textbooks provide similar definitions of the marketing concept. Kotler (1994, p. 17) lists four pillars

of marketing; market focus, customer orientation, coordinated marketing and profitability. Jobber (1995, p. 5) lists three pillars of marketing: customer orientation, integrated effort and goal achievement. The inclusion of coordinated marketing (Kotler, 1994) and integrated effort (Jobber, 1995) would appear to indicate that marketing concept recognizes the need for an element of marketing focused on the internal environment of the firm. However, subsequent operationalization of the marketing concept appears to ignore this internal focus.

More specifically, market orientation, as an operationalization of the marketing concept, does not have the internal focus on employees that is necessary for modern product-service industries. Market orientation puts the marketing emphasis on customers, competitors and organizational (process) issues (Narver and Slater, 1990; Day and Nedun-gadi, 1994; Slater and Narver, 1994). Although it has been defined empirically and validated as a way of improving business performance (Jaworski and Kohli, 1993; Pelham and Wilson, 1996; Vorhies et al., 1999; Chang and Chen, 1998), the lack of internal focus limits the applicability of market orientation to modern market contexts, where service and product coexist as one offering. By reconceptualizing market orientation to encompass internal as well as external markets, a more holistic model of marketing may be developed. This could have the benefit of aligning organizational efforts on understanding the relationship between the firm and its the external market of customers and competitors, while simultaneously ensuring that the internal relationship with customer contact personnel is also addressed.

3. Internal marketing

Internal marketing is generally considered to be the application of marketing like tools to the employee market inside the firm (Sasser and Arbeit, 1976; Azzolini and Shillaber, 1993; George, 1990; Grönroos, 1985; Gummesson, 1987; Piercy, 1995; Piercy and Morgan, 1990, 1991; Stauss and Schulze, 1990). However, despite more than 20 years of academic and managerial discourse on the subject, there remains a great deal of confusion as to the exact nature of internal marketing (Varey, 1995; Rafiq and Ahmed, 1993, 2000). The extant literature on internal marketing contains a variety of interpretations of the domain of internal marketing, its aims and its focus. In order to clarify and effectively operationalize the construct, a precise specification of the behaviors that constitute internal marketing would be beneficial. Examination of the literature reveals two distinct but complementary domains of the internal marketing concept. In the interest of clarity, these two approaches are delineated and categorized in the next section, distinctions between the two types of internal marketing behaviors are drawn, and they are classified accordingly.

3.1. Process versus human resources perspectives of internal marketing

The first strand of the internal marketing literature is based on a total quality management perspective and focuses on the service delivery process. This approach to the internal market views all employees and departments as simultaneously being internal customers of, and internal suppliers to, other employees and departments in the firm (see e.g. Barrett, 1994; Bhote, 1991; Lukas and Maignan, 1996). It is grounded in the belief that quality is a progressive function of the operations in the value chain of the firm, and it is closely related to the process element of the services marketing mix (Booms and Bitner, 1981), the service profit chain (Heskett et al., 1994) and services blueprinting (Shostack, 1984, 1987). The basic premise of this approach to internal marketing is that, by increasing the quality of service transactions with internal customers, organizations can positively influence the quality of service transactions with external customers (see e.g. Schneider et al., 1994; Marshall et al., 1998; Brooks et al., 1999; Frost and Kumar, 2000). To differentiate this approach to internal marketing from other approaches found in the literature, the label ‘internal customer orientation’ is adopted in line with that used by Lukas and Maignan (1996).

The issues associated with an internal customer orientation are neatly summarized by Reynoso and Moores (1996) as follows:

- the creation of internal awareness about internal service quality;
- the identification of ‘internal customers’ and ‘internal suppliers’;
- the identification of the expectations of the ‘internal customers’;
- the communication of these expectations to ‘internal suppliers’ in order to discuss their own capabilities and/or obstacles to meeting these requirements;
- the identification and implementation of behavioral changes on the part of the ‘internal suppliers’ to ensure delivery of required levels of service;
- that ‘internal suppliers’ should work to make the necessary changes so as to be able to deliver the level of service required and
- the measurement of internal service quality and its feedback to ‘internal suppliers’.

A second strand of internal marketing literature concentrates on a human resources perspective. This approach more closely aligns with the people element of the services marketing mix (Booms and Bitner, 1981) and the internal and boundary relationships identified in the services marketing triangle (Kotler, 1994). It is grounded in the belief that external marketing success is, in part, contingent on the firm having satisfied and motivated employees and that creating satisfied and motivated employees is the

role of internal marketing (Sasser and Arbeit, 1976; Berry, 1984; Berry and Parasuraman, 1991). The focus of this strand of the internal marketing literature is, therefore, on the relationship between the company and its employees and how this relationship can facilitate the relationship between the employees and customers. In order to differentiate this approach to internal marketing from the ‘internal customer orientation’ discussed above, the behaviors associated with creating satisfied and motivated employees are labeled, ‘IMO’.

‘Internal market-oriented behaviors’ are typified by marketing-like activities directed towards firms’ customer-facing personnel. Typically, an ‘IMO’ describes the view that employees constitute the internal customers, while employment constitutes the internal product (Berry, 1981, 1983, 1984; Berry and Parasuraman, 1991; Van Haastreht and Bekkers, 1995; George, 1977, 1990). IMO has implications for (a) internal aspects of organizational performance, such as employee retention (Berry and Parasuraman, 1991; Comm, 1989; Tansuhaj et al., 1988), employee motivation and morale (Piercy, 1995; Van Haastreht and Bekkers, 1995), employee satisfaction (Piercy, 1995; Bowen, 1996) and organizational commitment (Berry and Parasuraman, 1991; Stauss and Schulze, 1990; Piercy and Morgan, 1990) and (b) external aspects of performance such as service quality (Grönroos, 1981), customer satisfaction (Piercy, 1995) and, ultimately, financial performance (Tansuhaj et al., 1988; Crawford and Getty, 1991).

The role of IMO in facilitating the relationship between the company and its employees, as a prerequisite to effective relationships between employees and customers, needs to be examined in order that a more holistic approach to marketing be developed. The ensuing discussion in this paper will, therefore, focus on ‘IMO’ rather than the more process-oriented ‘internal customer orientation’. **A more comprehensive discussion of ‘internal customer orientations’ may be found in the trade (see e.g. Vandermerwe and Gilbert, 1989; McDermott and Emmerson, 1991; Gulledge, 1991; Chung, 1993; Cirusuolo and Scheuing, 1991; Wilson, 1991; Sandelands, 1994) and academic literatures (see e.g. Chaston, 1994; Heskett et al., 1994; Tannenbaum et al., 1994; Lings, 2000; Conduit and Mavondo, 2000).**

4. Internal market orientation

IMO arises from the view that customer contact personnel are of primary importance to service industries, and that satisfied, committed and motivated front-line employees are essential if customers are to perceive that they have received good service (see e.g. Sasser and Arbeit, 1976; Berry, 1984; Berry and Parasuraman, 1991). This focus on customer contact personnel and the philosophy of treating these employees as customers of the firm’s jobs is the foundation on which IMO is based. Majority of the academic literature addressing IMO define internal marketing in this way.

Grönroos (1982) provides a commonly cited perspective of internal marketing,

The internal marketing concept holds that an organization’s internal market of employees can be influenced most effectively and hence motivated to customer consciousness, market orientation and sales mindedness by a marketing-like internal approach and by applying marketing like activities internally (Grönroos, 1982).

Many other definitions can be found in the literature, which although different in their detail, have a common, underlying theme: IMO is about identifying and satisfying the wants and needs of employees as a prerequisite to satisfying the wants and needs of customers. Essentially, IMO is concerned with engendering market-oriented management (Grönroos, 1982) in which marketing is not a function but a way of doing business (McKenna, 1992). The success of the external marketing program (external market orientation) is dependent on IMO (Piercy, 1995), and, therefore, marketing managers need to be well versed in both types of marketing practices.

5. Linking internal and external marketing

It is well documented that the customer’s perception of the quality of the services delivered and consumed are largely affected by the performance of the contact personnel (Wasmer and Brunner, 1991; Hartline and Jones, 1996; Bitran and Hoechs, 1990; Bitner, 1990; Bitner et al., 1990; Shemwell et al., 1998; Avkiran, 1999). This dependence of external marketing success on customer contact employees was emphasized by Sasser and Arbeit (1976), who stated that service employees are at the forefront of the firm’s public image, and, therefore, competent and well-motivated employees are, in effect, the firm’s products. Sasser and Arbeit (1976) asserted that firms’ most critical productive resources are its workforce and suggested that services managers focus on satisfying and motivating their front-line personnel by regarding jobs as principal products and employees as the most important customer. Rosenblunth and Peters (1994) go further and argue that the needs of customers should come second to the needs of ‘employees as customers’ needs will only be satisfactorily met after those of employees have been satisfied. Greene et al. (1994) suggest that the practices of marketing, applied internally to the people who serve the external customer, will ensure that the employment offered meets the needs of those employed, and employees will then be motivated to meet the needs of customers.

Some parallels between internal and external market exchanges may also be drawn. In the external market, customers exchange cash for goods and services; in the internal market, employees exchange time, energy and values for money (Sasser and Arbeit, 1976). The importance of internal exchange is well recognized. Stauss and Schulze

(1990) suggest that internal marketing refers to the management of exchange processes with internal members and assert that one of the challenges of internal marketing is to generate information about these things of value that are exchanged, specifically what the employee seeks from the job, what they are prepared to give up to get it and what competitors are offering in terms of employment. [Stauss and Schulze \(1990\)](#) recognize that generating and understanding information about the internal exchange will allow employers to formulate appropriate responses to the internal market and to make internal products (jobs) more attractive to potential and existing employees than competitors' jobs. By undertaking such a program, organizations will satisfy employees and motivate them to perform better in the service encounter with the external customer, and so increase customer satisfaction ([Sasser and Arbeit, 1976](#)).

[Sasser and Arbeit \(1976\)](#) suggest that the internal exchange objects are time, energy, and values (from the employee) and money (from the employer). This would suggest that salary should be one of the major determinants of employee satisfaction. However, this is not always the case. Augmenting employment is not merely a matter of increasing salary, although this is undoubtedly an important consideration for most employees. [Varey \(1995\)](#) emphasizes the societal nature of internal marketing and asserts that it is not limited to economic exchange and not dependent on the existence of competition or choice. The societal nature of internal marketing is also captured in the concept of managerial consideration. Consideration, in this context, refers to the degree to which managers develop a work climate of psychological support, helpfulness, friendliness, and mutual trust and respect ([Johnston et al., 1990](#)). It does not mean that supervisors cater to employees needs on a carte blanche basis, but is simply the degree to which supervisors recognize employees as individuals and treat them with dignity and respect. [Katz and Kahn \(1978\)](#) suggest that because the supervisor is the employee's primary link with his or her company, considerate behavior from the supervisor fosters identification with the organization. [Ramaswami \(1996\)](#) asserts that this identification translates into lower employee dysfunctional behaviors and suggests that inconsiderate managers fail to perceive employees as having personal needs and the goals and use restrictions and threats of punishment to control employee behavior. Accordingly, such managers increase employees' feelings of hostility toward the control systems being administered. The emphasis on output control, typical of inconsiderate managers, is primarily "punitive" and may have a "net result that is counter productive" ([Otley, 1978, p. 143](#)).

5.1. A model of IMO and its consequences

An examination of the literature reveals that there are many parallels between the broad concepts of internal marketing and the more focused concept of 'external market orientation'. Significantly, writers in the field of internal

marketing have tended to discuss three broad sets of actions pertaining to firms who are successfully implementing internal marketing (i.e. have adopted an IMO). These actions can be summarized as (a) internal market research ([Stauss and Schulze, 1990](#); [Wasmer and Brunner, 1991](#); [Piercy, 1995](#)), (b) internal communications ([Tansuhaj et al., 1988](#); [Piercy, 1995](#); [Reynoso and Moores, 1996](#)) and (c) internal responsiveness ([Sasser and Arbeit, 1976](#); [Berry and Parasuraman, 1991](#); [Lukas and Maignan, 1996](#)). A diagrammatic representation of IMO is presented in [Fig. 1](#).

It can be seen that the internal market research dimension of IMO reflects a similar concept to external market orientation 'information generation'; internal communications and external market orientation's 'information dissemination' share conceptual groundings; and internal responsiveness in the form of developing job-products, which satisfy and motivate, has similar conceptual boundaries (albeit internally focused) to external market orientation's 'responsiveness' concept.

These three behavioral dimensions of IMO are discussed in more detail below.

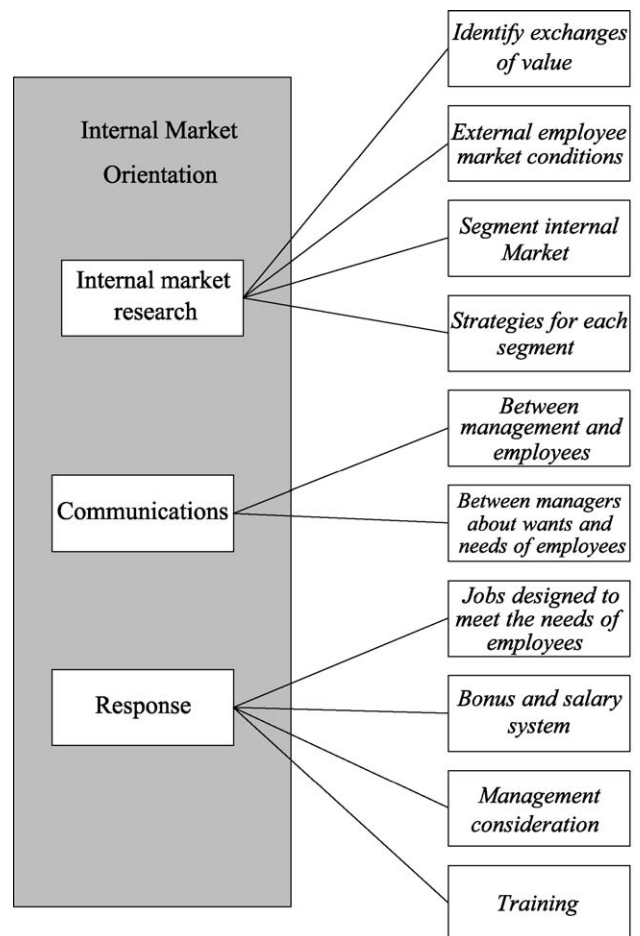


Fig. 1. Behavioral dimensions of internal market orientation and the activities that typify them.

5.1.1. Generating information pertinent to the internal market

The need to collect information about the internal environment has been discussed by several authors. [Stauss and Schulze \(1990\)](#) and [Sasser and Arbeit \(1976\)](#) advocate generating information about exchanges of value in the internal market, specifically what employees seek from their job, what they are prepared to give up to get it and what competitors are offering in terms of employment. [Piercy \(1995\)](#) and [Wasmer and Brunner \(1991\)](#) suggest segmenting the internal market based on differences in the characteristics of employees in order to better identify the different needs of these employees. Information pertinent to the internal market includes information about (a) important attributes of jobs, (b) satisfaction of employees with their working conditions, (c) the internal and external factors that influence employee satisfaction, (d) the external market, e.g. legislative changes, the activities of competitors in the employee market and employment conditions with firms competing for the same employees.

An important factor, relevant to generating information pertinent to the internal market, is competition in the employment market, in particular, the range of firms competing for employees with the same skills. Competition for employees may arise from organizations that do not compete in the same customer markets, and so may not be immediately apparent to traditionally focused marketing managers as competitors. However, many organizations seek effective customer contact employees who have transferable skills, which may not be company specific or even sector specific. Such competition for employees results in a need for internal marketers to generate information about the type of jobs on offer in the market and the important attributes of those jobs, from a wider range of sources than external marketers may have to consider when looking at competing products or services.

5.1.2. Communication of information pertinent to the internal market

Several authors stress the need for effective internal communications as part of an internal marketing program. [Tansuhaj et al. \(1987\)](#) assert that communication between management and employees is one element of the internal marketing mix and that mass communication should provide information on new marketing strategies and involves using newsletters and other sources. [Piercy \(1995\)](#) and [Bitner et al. \(1994\)](#) also stress communication as part of an internal marketing mix and advocate the use of reports, presentations and formal meetings. [Hurley \(1998\)](#) points out that good communication and response from managers to employees (i.e. high levels of IMO) facilitate rapid acceptance of organizational directives and behavior change. Internal communications appear to parallel the concept of dissemination of information in the context of external market orientation. [Kohli and Jaworski \(1990\)](#) note in their exploratory examination of the external market orientation con-

struct that, for an organization to adapt to market needs, market intelligence must be communicated, disseminated and perhaps even sold to relevant departments and individuals in the organization. Similarly, in the IMO construct, information pertinent to the internal market must be communicated and disseminated for an organization to adapt to needs of the internal market.

5.1.3. Responding to information pertinent to the internal market

Responding to information about the internal market may take several forms. Appropriate responses have been suggested as the design of jobs ([Sasser and Arbeit, 1976](#); [Berry and Parasuraman, 1991](#)), the manipulation of financial rewards ([Sasser and Arbeit, 1976](#)) and the administration of nonfinancial rewards and desirable outcomes ([Varey, 1995](#)), including management consideration ([Johnston et al., 1990](#)), training ([Van Haastreht and Bekkers, 1995](#)), recruitment ([Tansuhaj et al., 1988](#)) and targeted internal communications ([Stauss and Schulze, 1990](#); [Piercy, 1995](#)).

The internal marketing literature suggests that IMO impacts several aspects of organizational performance. ‘IMO’ is suggested to (a) improve employee motivation and retention ([Grönroos, 1981](#); [Berry and Parasuraman, 1991](#)), (b) increase employee satisfaction ([Piercy, 1995](#)) and (c) foster employee commitment to the organization ([Berry and Parasuraman, 1991](#); [Stauss and Schulze, 1990](#)). This gives rise to Proposition 1:

Proposition 1: IMO has a direct positive impact on the internal aspects of organizational performance.

The role of these internal aspects of organizational performance on external aspects of performance such as customer satisfaction and retention, and, ultimately, the financial performance of the firm is well recognized in the literature (see e.g. [Heskett et al., 1994](#); [Comm, 1989](#); [Piercy, 1995](#)). Employee satisfaction has a positive impact on the probability that employees will remain with the firm longer and develop skills in their role. Such long-serving and satisfied employees are more likely to be better equipped to understand customer needs and be better motivated to satisfy those needs, thus creating more satisfied and loyal customers. Furthermore, a low turnover of staff will have a direct impact on the financial performance of the firm as costs associated with recruiting staff and training new staff should be reduced.

This gives rise to Proposition 2:

Proposition 2: Internal aspects of company performance impact directly on the external aspects of performance.

In addition to the direct effect of internal aspects of organizational performance on external aspects of performance, employee satisfaction, commitment and retention are also posited to impact the external market orientation of the firm. [Grönroos \(1982\)](#) suggests that one of the consequen-

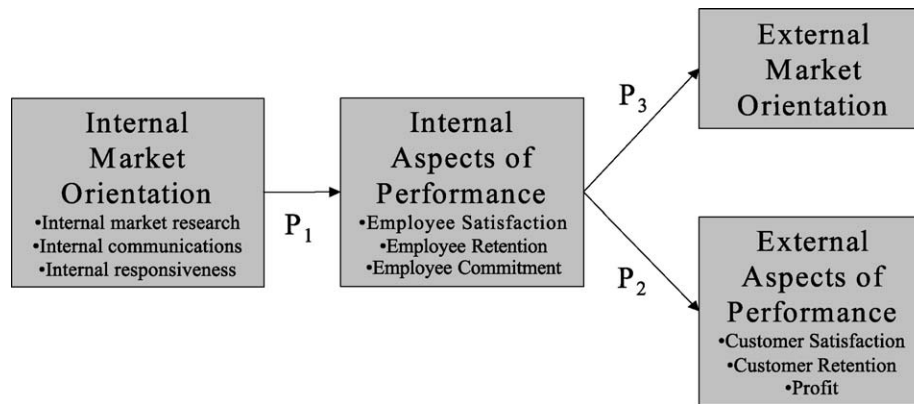


Fig. 2. Proposed relationships between internal market orientation, external market orientation and internal and external aspects of organizational performance.

ces of IMO will be that employees are motivated to be more market oriented, an assertion also reflected by Piercy (1995), Gummesson (1987) and Berry and Parasuraman (1991). This gives rise to Proposition 3:

Proposition 3: Internal aspects of company performance impact directly on the external market orientation of the firm.

A model of the relationship between IMO, external market orientation and internal and external aspects of organizational performance is shown in Fig. 2. The relationship between external market orientation and performance is not included in this model as this has already been validated and tested empirically.

6. Implications

The definition of IMO and the model presented in this paper suggest several implications for managers of employees involved in delivering services. First, service managers can influence the behavior of their employees, making them more satisfied with their work, more motivated to serve the customer and more likely to stay with the firm, if they treat jobs as products. Such an approach involves designing jobs with the needs of employees in mind, rather than singularly focusing on the needs of the firm. Treating jobs as products forces services managers to pay the same attention to designing jobs as they do to designing products or services, and the same techniques are applicable to this process. The process of designing jobs to meet the needs of employees (i.e. adopting an IMO) involves managers in gaining a better understanding of the things that employees value in their employment. Such information may be acquired through formal internal market research, as is often the case in the external market, but due to the close physical and psychological proximity of service managers and their employees, information about wants and needs may be obtained through informal routes such as conversations and ‘hall talk’. Once managers have insights into the wants and needs of their

employees, they must then act upon this information, either to communicate it to the relevant decision makers or to act upon it themselves, so that an appropriate response in the form of better employment results.

Second, in order to ensure external aspects of organizational performance, such as customer satisfaction and loyalty, services managers must ensure that internal aspects of performance, such as employee satisfaction, employee retention and employee commitment, are maintained. It is therefore important that internal research is conducted to evaluate the effectiveness of the IMO strategy in maintaining employee satisfaction, employee retention and employee commitment. The IMO strategy should then be modified accordingly and the impact of such modifications assessed, as such an ‘IMO’ should be incorporated into the organizations ongoing strategic planning cycle and resources allocated to the IMO strategy.

Third, ensuring that IMO is successfully adopted in any service organization requires that service managers understand and subscribe to both marketing and human resources philosophies. Managers who do not believe in the basic tenets of these business philosophies are unlikely to either make the effort to understand the wishes of employees or to be flexible enough to seek win–win solutions to designing jobs that meet the needs of employees as well as the requirements of the firm. When recruiting, organizations should ensure that potential services managers have a strong sense of both employee and customer focus. Training of services managers should develop skills in identifying employees wants and needs and developing jobs as solutions to these needs.

Fourth, within the field of services marketing, research examining the role of employees in delivering quality services to customers has predominantly focused on the interaction between service employees and service customers. Typically, interactions between employees and their managers have been the remit of human resources managers and researchers. The concept of an IMO provides tools for marketing managers to incorporate human resources issues into a marketing plan and for human resource managers to incorporate marketing practices into an HR plan. The span-

ning of functional or departmental boundaries has long been discussed as important goal for managers, and the concept of an IMO may go some way to achieving this.

Fifth, the implications of IMO are not limited to marketing practice, they are also important to marketing science. This study suggests that marketing should include an internal focus to complement the external focus on customers and competitors, however, this concept is still relatively alien to most operationalizations of marketing. Viewing marketing as having an exclusive external focus, with the customer as king, may well be an outdated paradigm in modern markets where customers expect services to accompany the products that they buy and, consequently, the behavior of employees is as important as the quality of the product.

6.1. Research directions

Empirical research in the area of IMO is limited because of the lack of suitable models of IMO and any valid and reliable instrument to measure it. If the propositions presented in this paper are to be tested, and the influence of IMO on internal and external aspects of organizational performance are to be determined, it will be necessary to develop a valid and reliable instrument to measure IMO. Future research should focus on the development of such an instrument. One possible avenue to the formulation of such a scale is to modify existing instruments measuring external market orientation. The conceptual similarities between IMO and external market orientation means that existing market orientation measurement instruments, such as MARKOR (Kohli et al., 1993), when modified, may well capture marketing behaviors in the internal market of the firm. However, although the internal market research dimension of IMO reflects a similar concept to ‘information generation’ in external market orientation, and internal communications and external market orientation’s ‘information dissemination’ share conceptual groundings, and internal responsiveness in the form of developing job-products, which satisfy and motivate, have similar conceptual boundaries to external market orientation’s ‘responsiveness’ concept, any modification of the MARKOR scale for use in the internal market must be preceded by qualitative research. Such qualitative research must examine the nature of the IMO construct and to ascertain its parallels with external market orientation, prior to the adaptation of any existing scales.

The development of valid measure of ‘IMO’ would constitute a considerable advancement in the field of internal marketing research. The measure could then be used to assess the claims made for the impact of IMO on internal and external aspects of organizational performance.

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