

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 Such operationalizations of marketing are outdated in modern markets where most purchases involve a combination of product and service elements, and, in the long term, service quality may be more important than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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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

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