

17

Strategy implementation and internal marketing

You want to create the same buy-in to the products, services, and philosophy of your organization among your employees as you would hope for among customers.

Susan Drake et al. (2005)

A company is either customer-focused from top to bottom, or it simply is not customer-focused . . . To become genuinely customer-focused you have to be prepared to change your culture, processes, systems and organization.

**George Cox, Chief Executive,
Unisys Ltd, June 1995**

Introduction

This chapter continues our consideration of marketing strategy, by evaluating the issue of implementation and particularly the role of internal marketing in enhancing and sustaining a company's ability to compete. There are several different models of internal marketing which overlap to a degree and require clarification (since as a consequence there are a number of different roles that internal marketing can play in a company's strategic development in different situations). Linkages between internal marketing and certain of the issues we have examined earlier include the following:

- Much new thinking and practice in strategic marketing is concerned with *managing relationships*: with the customer (see Chapter 14), and with partners in strategic alliances (see Chapter 16). However, a further aspect of relationship management and relationship marketing is the relationship with the employees and managers,

upon whose skills, commitment and performance the success of a marketing strategy unavoidably relies. This is the internal market inside the company. The logic being followed by an increasing number of companies is that building effective relationships with customers and alliance partners will depend in part (and possibly in large part), on the strengths and types of relationships built with employees and managers inside the organisation. The goal may be for all employees to become 'brand ambassadors' – brand owners such as Unilever, SABMiller, Cadbury Schweppes and BT are among those with established internal marketing excellence programmes to pursue this goal (*Brand Strategy*, 2006). At Honda, for example, all new staff receive the 'Book of Everything' containing the normal employee handbook information but also extensive explanation of the Honda brand philosophy – 'spreading "Honda-ness" and turning people into brand ambassadors' (Croft, 2007). In some companies, the emphasis has turned from internal communications to internal branding to build employee understanding and buy-in to corporate brand values – British Petroleum uses a behaviour reward scheme, based on its 'new spirit of radical openness', and a 'discuss, discover, and define' programme to show employees how to turn its brand values into actions that improve performance (Dowdy, 2005).

- We have emphasised the importance of *competitive differentiation* to build market position. Yet truly exploiting a company's potential competitiveness and its capabilities in reality is often in the hands of what Evert Gummesson (1990) has called the 'part-time marketers', i.e. the people who run the business and provide the real scope for competitive differentiation. Indeed, in some situations, the employees of a company may be the most important resource that provides differentiation. Certainly, research at Northwestern University found internal marketing to be one of the top three determinants of a company's financial performance – companies with better integration of internal and external marketing report better financial results (Chang, 2005).
- In a similar way, the growing emphasis on competing through superior *service quality* relies ultimately on the behaviour and effectiveness of the people who deliver the service, rather than the people who design the strategy. When the Hampton Inn hotel chain in the US was ready to roll out 122 changes to its products and services, its new marketing campaign was 'Make It Hampton', but was aimed at hotel managers and employees, not guests. Building internal brand enthusiasm and employee motivation involved a giant model of a hotel to showcase the improvements and allow employees to experience them, motivational conference calls, focus groups, targeted newsletters and training materials. The end of the first phase of 'Make It Hampton' saw a 5 per cent increase in market share, and a similar growth in the percentage of highly satisfied customers (Drake *et al.*, 2005).

- Indeed, increasingly it is recognised that one of the greatest barriers to effectiveness in strategic marketing lies not in a company's ability to conceive and design innovative marketing strategies or to produce sophisticated marketing plans, but in its ability to gain the effective and enduring *implementation* of those strategies. A route to planning and operationalising implementation in strategic marketing is 'strategic internal marketing' (Cespedes and Piercy, 1996).

These applications suggest that, depending on the particular circumstances, the internal marketing process might include the following types of activity and programme:

- Gaining the *support* of key decision-makers for our plans – but also all that those plans imply in terms of the need to acquire personnel and financial resources, possibly in conflict with established company 'policies', and to get what is needed from other functions like operations and finance departments to implement a marketing strategy effectively.
- Changing some of the *attitudes and behaviour* of employees and managers, who are working at the key interfaces with customers and distributors, to those required to make plans work effectively (but also reinforcing effective attitudes and behaviour as well).
- Winning *commitment* to making the plan work and 'ownership' of the key problem-solving tasks from those units and individuals in the firm whose working support is needed.
- Ultimately, managing incremental *changes in the culture* from 'the way we always do things' to 'the way we *need* to do things to be successful' and to make the marketing strategy work.

The potential importance of internal marketing to relationship marketing strategies, to strategic alliances, to competitive differentiation, to delivering superior service quality and above all to effective marketing implementation is underlined by the growing emphasis placed by companies on this issue. Nonetheless, studies suggest that many organisations reveal an 'inadequate' state of internal marketing – they cannot deliver their brand propositions, for example, because of lack of investment in the internal company marketplace (*Marketing Week*, 2003).

Certainly, it remains true that internal marketing means very different things in different companies and different situations. If we are to evaluate the potential contribution of internal marketing to building and implementing our competitive strategy and achieving our chosen position in the market, then we need to consider such issues as the following:

- the sources of internal marketing theory;
- the types of internal marketing practice in companies;
- how internal marketing can be planned as part of our competitive strategy; and

- the implication for other significant relationships such as the potential partnership between marketing and human resource management within organisations to achieve the effective implementation of marketing strategies.

However, first we place internal marketing in the context of strategy implementation, and the challenge that execution poses for marketing managers. Our view of internal marketing is that it provides a model to facilitate a company's effective execution of marketing strategies.

17.1 The strategy implementation challenge in marketing

Achieving more effective implementation or execution of marketing strategies remains a high priority for many organisations, because of the long history of strategy implementation failures which they may have experienced. For example, on the general front, Miller (2002) suggests that organisations fail to implement more than 70 per cent of their new strategic initiatives.

In fact, there are many pitfalls faced in moving from strategies and plans to effective implementation and the changes that are usually involved for an organisation, its people and its partners. One listing of implementation pitfalls likely to resonate with managers' experiences identifies the following issues:

- **Strategic inertia** – things never get started because executives resist change or fail to give it priority.
- **Lack of stakeholder commitment** – not having everyone on board, particularly at middle management levels, where progress can be blocked.
- **Strategic drift** – a lack of focus on where the strategy should end up, leading to failure to reach that destination.
- **Strategic 'dilution'** – an absence of strong drive behind the strategy means that managers give more priority to operational decisions than strategic goals.
- **Failure to understand progress** – not having the appropriate metrics to monitor progress towards strategic goals.
- **Initiative fatigue** – too many 'top priority' projects lead to cynicism and inadequate emphasis on the strategy.
- **Impatience** – expecting results too quickly, and giving up when the reality is slower.
- **No celebrating success** – failing to recognise and reward milestones that lead towards the strategic goal (Freedman, 2003).

In fact, there is a strong argument that much of the implementation problem comes down to the fact that generally managers are trained to plan, not to execute, and frequently are judged on their capabilities for managing day-to-day operations rather than strategic initiatives. The problem is likely to be worse when execution is seen as a low-level responsibility in the organisation (Hrebiniak, 2006). In fact, the

reality is that strategy and implementation are interdependent – strategic choices should be linked to implementation capabilities, and implementation capabilities should be developed in line with strategic imperatives, and the dichotomy between strategy and implementation is false and unproductive (Cespedes and Piercy, 1996). Nonetheless, the tendency to separate strategy from implementation remains in organisations and creates obstacles and challenges in executing strategic initiatives.

Hrebiniak (2006) draws on a range of research studies and discussions with managers to identify the following factors as the top obstacles to effective strategy execution:

- **Inability to manage change effectively and overcome resistance to change** – managing change well is vital to effective strategy implementation. Nonetheless, where change impacts on corporate culture, then moving too fast may be dangerous.
- **Poor or vague strategy** – good implementation capabilities cannot compensate for a strategy which is weak or ambiguous. Strategy drives execution, and if strategy is unclear or weak then implementation is irrelevant.
- **Not having guidelines or a model to guide strategy implementation efforts** – managers want a logical model to guide implementation efforts and actions, particularly in translating strategic imperatives into practical actions.
- **Poor or inadequate information sharing among individuals/units responsible for strategy execution** – poor sharing of information or poor knowledge transfer and unclear responsibility and accountability make it unlikely strategy implementation will be effective.
- **Trying to execute a strategy that conflicts with the existing power structure** – working against the power structure presents a major obstacle to implementation effectiveness, and underlines the importance of gaining the support of the influential in the organisation and forming coalitions to share implementation responsibility.
- **Unclear responsibility or accountability for implementation decisions or actions** – lack of clarity in responsibility for implementation and the achievement of measurable progress presents another obstacle to effective implementation.

Similarly, it has been suggested that:

One key reason why implementation fails is that practicing [sic] executives, managers and supervisors do not have practical, yet theoretically sound, models to guide their actions during implementation. Without adequate models, they try to implement strategies without a good understanding of the multiple factors that must be addressed, often simultaneously, to make implementation work.

(Alexander, 1991)

While it is not a complete answer to all these obstacles, internal marketing provides us with a set of tools to address some of the major barriers faced to the effective implementation of marketing strategies, and managing the associated organisational changes. It provides us with a model for structuring and managing the implementation process, defining responsibilities, evaluating progress, and managing the cross-functional relationships important to strategy execution.

17.2 The development of internal marketing

Conventional training and development of marketing executives, quite reasonably, focuses primarily on the *external* environment of customers, competitors and markets, and the matching of corporate resources to marketplace targets. The argument we now present is that, while analysing markets and developing strategies to exploit the external marketplace remains quite appropriately a central focus, it is frequently not enough on its own to achieve the effective implementation of marketing strategies. In addition to developing marketing programmes and strategies aimed at the external marketplace, in order to achieve the organisational change that is needed to make those strategies work, there is a need to carry out essentially the same process for the *internal marketplace* within companies.

That marketplace is made up of the people, the culture, the systems, the procedures, the structures and developments inside the company, whose skills, resources, participation, support and commitment are needed to implement marketing strategies. Indeed, the internal marketplace may increasingly extend to include our partners in alliances and network organisations.

It seems that the reality in many organisations is that often an implicit assumption is made by executives that marketing plans and strategies will ‘sell’ themselves to those in the company whose support and commitment are needed. When made explicit in this way, it is apparent that this is just as naive as making similar assumptions that, if they are good enough, products will ‘sell themselves’ to external customers. It is often surprising that those same executives who have been trained and developed to cope with behavioural problems – like ‘irrational’ behaviour by consumers and buyers, or the problems of managing power and conflict in the distribution channel, or the need to communicate to buyers through a mix of communications vehicles and media, or the problems of trying to outguess competitors – have taken so long to arrive at the conclusion that these same issues have to be coped with *inside* the company. Real commitment to strategic marketing must involve a managerial role of creating the conditions necessary to permit strategic change to happen.

What we are calling strategic internal marketing here has the goal of developing a marketing programme aimed at the internal marketplace in the company that *parallels* and *matches* the marketing programme aimed at the external marketplace of customers and competitors. This model comes from the simple observation that the implementation of external marketing strategies implies changes of various kinds within organisations – in the allocation of resources, in the culture of ‘how we do things here’, and even in the organisational structure needed to deliver marketing strategies to customer segments. In practical terms, those same techniques of analysis and communication, which are used for the external marketplace, can be adapted and used to market our plans and strategies to important targets within the company. The goals of the internal marketing plan are taken directly from the implementation requirements for the external marketing plan, and the objectives to be pursued.

This is not as radical as it may at first seem. The marketing literature traditionally displayed attempts to link the marketing concept to the ‘human resource concept’

(e.g. Cascino, 1969; Dawson, 1969) and attention has been given specifically to the interaction between the human and organisational context and the effectiveness of marketing (Arndt, 1983). Other evidence relating to the impact of the internal market on marketing effectiveness has focused on various aspects of the intervention of organisational issues as a determinant of marketing strategies rather than a result of them: Leppard and MacDonald (1987) attempted to relate the effectiveness and appropriateness of marketing planning to the different stages of organisational evolution; John and Martin (1984) have analysed the credibility and use of marketing plans in terms of characteristics of the surrounding organisational structure; Cunningham and Clarke (1976) studied product managers as self-serving manipulators of targets and marketing information; Deshpandé (1982) and Deshpandé and Zaltman (1984) attempted an analysis of the cultural context of marketing management and commented on the lack of a marketing theory of culture; while Bonoma (1985) commented on the problems of a lack of 'marketing culture' in the specific context of implementation obstacles. In a similar way, Ruekert and Walker (1987) studied the interaction between marketing and other functional units and the role of marketing in implementing business strategies.

While this focus on the significance of various dimensions of organisational context provides a foundation, the most specific attention given to acting on the organisational environment through internal marketing, to achieve marketing goals, is found in the services literature. One of the earlier conceptualisations of the employee as 'internal customer' was provided by Berry (1981) in the context of bank marketing, and this theme has been pursued by others, and it is heavily oriented towards the identification of employee training and development needs to improve quality in the delivery of services. Similarly, the interdependence of internal and external markets has been stressed by Flipo (1986), who emphasised the need to overcome conflict and challenges to marketing strategies from the internal market, implicitly following Arndt's (1983) conceptualisation of internal markets in a political economy model of marketing.

Perhaps the best-known conceptualisations of internal marketing come from the 'Nordic School of Services', where among other contributions Grönroos (1984, 1985) has written of the need for strategic and tactical internal marketing, and Gummesson (1987) has studied the use of internal marketing to achieve culture change in organisations. The practical application of these concepts is reflected in the literature of 'customer care' (e.g. Moores, 1986; Thomas, 1987; Lewis, 1989), which emphasises customer perceptions of quality, and the importance of fostering this perception through the training and development of personnel at the point of sale.

There is some established precedent for use of the terms 'internal marketing' and the 'internal customer'. We see these developments as important for two main reasons. First, the internal marketing paradigm provides an easily accessible mechanism for executives to analyse the organisational issues which may need to be addressed in implementing marketing strategies. Quite simply, concepts of marketing programmes and targets are familiar to marketing executives and they are 'comfortable' with them. The second point is that the internal marketing model provides a language which actually legitimises focusing attention on issues like power, culture and political behaviour which appear quite often to be avoided by executives as somehow 'improper'.

17.3 The scope of internal marketing

It follows from the emergence of the internal marketing paradigm from diverse conceptual sources that the practice of internal marketing and its potential contribution to marketing strategy are similarly varied. It is possible to consider the following 'types' of internal marketing, although they are probably not equal in importance:

- internal marketing that focuses on the development and delivery of high standards of *service quality* and customer satisfaction;
- internal marketing that is concerned primarily with development of *internal communications programmes* to provide employees with information and to win their support;
- internal marketing which is used as a systematic approach to managing the *adoption of innovations* within an organisation;
- internal marketing concerned with providing products and services to users *inside the organisation*; and
- internal marketing as the *implementation strategy* for our marketing plans.

17.3.1 Internal marketing and service quality

The original and most extensive use of internal marketing has been in efforts to improve the quality of service at the point of sale in services business like banking, leisure, retailing, and so on – the so-called 'moment of truth' for the services marketer. Some call this 'selling the staff', because the 'product' promoted is the person's job as a creator of customer service and value. This tends to be seen in customer care training programmes and similar initiatives. These types of internal marketing programme are, in practice, essentially tactical and often restricted to the operational level of the organisation.

The logic is that it is apparent and obvious that marketplace success is frequently largely dependent on employees who are far removed from the excitement of creating marketing strategies – service engineers, customer services departments, production and finance personnel dealing with customers, field sales personnel, and so on. As we noted earlier, these are all people Evert Gummesson (1990) called 'part-time marketers' – they impact directly and significantly on customer relationships, but are normally not part of any formal marketing organisation, nor are they typically within the marketing department's direct control.

Indeed, US research suggests we should think more carefully about the impact of the organisation's external communications on employees – as 'advertising's second audience' (Gilly and Wolfinbarger, 1996). The chances are that employees are more aware and more influenced by our advertising than are our customers, so the suggestion is that we should use that awareness productively to deliver messages to employees.

There are a growing number of cases of companies whose service quality excellence has been driven by explicit attention to internal marketing. Southwest Airlines is the much-admired originator of the 'no frills' airline model, and has achieved not only outstanding profit performance in a difficult sector, but has also regularly won

industry awards for service quality and low levels of customer complaints. From the outset, Southwest's mission statement said, 'Above all, employees will be provided the same concern, respect and caring attitude within the organization that they are expected to share externally with every Southwest customer'. The company uses high employee morale and service quality to achieve excellent profitability. Tactics include offering employees a vision that provides purpose and meaning to the workplace, competing aggressively for the most talented people, providing skills and knowledge, but also emphasising teamwork and motivation, and ensuring that organisational management understands the internal customer. The effect is an integrated internal marketing approach that drives service quality. Southwest shows the positive impact of internal marketing on employees, external customers and performance. Southwest's success is based in large part on its employees' positive attitudes, high productivity and customer orientation. (Czaplewski *et al.*, 2001).

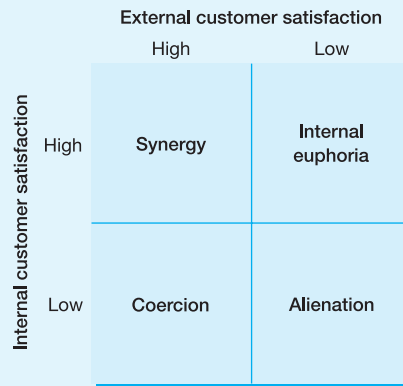
It can be argued that there is no one 'right' strategy in any given product market situation, but there are good and bad ways of *delivering* market strategies, which determine if they succeed or fail. The critical issue is becoming the consistency between strategies, tactics and implementation actions. This suggests that real culture change is a central part of the process of going to market effectively. At its simplest, the disgruntled employee produces the disgruntled customer. Bonoma (1990) summarises this point succinctly: 'treat your employees like customers, or your customers will get treated like employees'.

However, it is apparent that successfully exploiting the linkage between employee and customer satisfaction may not always be straightforward. Research into the way in which customer satisfaction is measured and managed in British companies is revealing (Piercy, 1995). Studies suggest that:

- 1 There is a need to create clarity for all employees regarding customer service quality policies and customer satisfaction targets. It is not enough to pay lip-service to these ideals and to expect success in attaining them. The starting point must be to identify what has to be achieved in customer satisfaction to implement specific market strategies, and to position the company against the competition in a specific market. It is unlikely that achieving what is needed will be free from cost. We need to take a realistic view of the time needed and the real costs of implementation in aligning the internal market with the external market.
- 2 Internal processes and barriers suggest the need to consider both the internal and external markets faced in implementing customer satisfaction measurement and management systems. To ignore the internal market is to risk actually damaging the company's capacity to achieve and improve customer satisfaction in the external market. If, for example, management uses customer feedback in a negative and coercive way, then it may reduce employee enthusiasm for customer service, or create 'game-playing' behaviour where people compete for 'Brownie points' in the system at the expense of both the company and the customer. This said, we have also to recognise not just the complementarity between internal and external markets, but the potential for conflict of interest. Achieving target levels of customer service and satisfaction may require managers and employees to change the way they do things and to make sacrifices they do not want to make. This may take more than simple advocacy or management threat.

Figure 17.1

Customer satisfaction – the internal market and the external market



- 3 Related to the above argument, recognising the internal market suggests that there may be a need for a structured and planned internal marketing programme to achieve the effective implementation of customer satisfaction measurement and management. This has been described elsewhere as ‘marketing our customers to our employees’ (Piercy, 1995), and can be built into the implementation process to address the needs of the internal customer and to confront the types of internal processual barrier we have encountered.
- 4 Also related to the recognition of the internal market is the need to question the relationship between internal and external customer satisfaction. This can be discussed with executives using the structure shown in Figure 17.1. This suggests four possible scenarios that result when internal and external customer satisfaction are compared:
 - (a) **Synergy**, which is what we hope for, when internal and external customer satisfaction are high, and we see them as sustainable and self-regenerating. As one hotel manager explained it: ‘I know that we are winning on customer service when my operational staff come to me and complain about how I am getting in their way in providing customer service, and tell me to get my act together!’ This is the ‘happy customers and happy employees’ situation, assumed by many to be obvious and easily achieved.
 - (b) **Coercion** is where we achieve high levels of external customer satisfaction by changing the behaviour of employees through management direction and control systems. In the short term this may be the only option, but it may be very difficult and expensive to sustain this position in the longer term, and we give up flexibility for control.
 - (c) **Alienation** is where we have low levels of satisfaction internally and externally, and we are likely to be highly vulnerable to competitive attack on service quality, and to the instability in our competitive capabilities produced by low staff morale and high staff turnover.

- (d) **Internal euphoria** is where we have high levels of satisfaction in the internal market, but this does not translate into external customer satisfaction – for example, if internal socialisation and group cohesiveness actually shut out the paying customer in the external market. These scenarios are exaggerated, but have provided a useful way of confronting these issues with executives.
- 5 A critical mistake is to ignore the real costs and challenges in sustaining high service quality levels and the limitation which may exist in a company's capabilities for improving customer satisfaction levels. While advocacy is widespread and the appeal is obvious, achieving the potential benefits requires more planning and attention to implementation realities than is suggested by the existing conventional literature.

17.3.2 Internal marketing as internal communications

As well as customer care training and a focus on service quality, internal marketing may also be seen as internal communications. In fact, the largest growth in this area has been investment by companies in broader internal communications programmes of various kinds – where 'communications' is understood as providing our employees with information and delivering messages which support the business strategy. Although up-to-date figures are scarce, in 2001 one study found that the *Fortune* Top 200 'most admired' companies spent an average of \$1.6 million (£1.1 million) each on internal communications (*Marketing Weekly*, 2001). The goal of internal communications is normally to build both understanding and commitment. Often, these activities tend to be a responsibility of the human resource department.

One industry study (Pounsford, 1994) suggested that managers saw the role of internal communications in the following terms and with the following advantages, as shown in Table 17.1.

The manifestations of this form of internal marketing include: company newsletters, employee conferences and training, video-conferencing, satellite TV transmissions, interactive video, e-mail, and so on. Increasingly, creating dialogue within an organisation and encouraging employee involvement can involve approaches like web-based internal blogs (Hathi, 2007). These delivery mechanisms are important, but are in danger of obscuring an important point. Instructing and informing people about strategic developments is not the same as winning their real involvement and participation. Communication is a two-way process – listening as well as informing. This may be why internal communications appear ineffective in some companies.

There is a risk that internal communications programmes become about telling and persuading, not listening. This may be said to be internal *selling* not internal *marketing*.

An interesting illustration of the gains from two-way communications comes from Dana Corp., the US car parts manufacturer. At that company, the 'suggestions box' is described by the CEO as 'a core part of our value system'. Employees contribute ideas to improve operations and service, and 70 per cent are actually used. Dana is an example of an organisation where employees have taken a share of the responsibility for keeping the company competitive. This underlines the important practical

Table 17.1 The role of internal communications

<i>Perceived role</i>	<i>Illustrative comments</i>
Team building	Educate employees about breadth and diversity of the organisation. Assist cooperation between divisions.
Damage control	Prevent managers getting communications wrong. Suppress bad news. Counter pessimism.
Morale builders	Build confidence. Increase motivation.
Involvement	Represent employee opinions upwards. Create channel to share problems/values. Increase people recognition.
Change management	Increase understanding of the need for change. Test new ideas. Help people relate to rapidly changing environment.
Goal-setting	Help organisation steer in a coordinated direction. Provide focus on corporate goals. Generate support for policies.

difference between producing company newsletters and taking internal communications seriously.

17.3.3 Internal marketing and innovation management

Somewhat different is the use of the internal marketing framework to place, and gain use of, innovations like computers and electronic communications in the IT field. These applications use tools of market analysis and planning to cope with and avoid resistance and to manage the process of change. This may be particularly important where the effectiveness of a marketing strategy relies on the adoption of new technologies and ways of working. The argument here is that people in an organisation are 'customers' for our ideas and innovations. This view encourages us to consider:

- **looking at customer needs** – even in hierarchical companies people are not robots waiting to be told what to do, so making the effort to understand their needs increases the likely effectiveness of innovation;
- **delivering the goods** – the needs of customers tell us what matters most to them;
- **raising unrealistic expectations** – is as dangerous with internal customers as it is with external customers (Divita, 1996).

An example of a company using this approach is OASIS, the IT consultancy firm, which has a well-developed system for the internal marketing of IT applications. The use of laptop computers by a geographically dispersed salesforce in one company was guided by the analysis of the 'internal market' using the classic diffusion

of innovation model to identify opinion leaders as key influencers in the adoption process. Similarly, the BT problem of marketing its information systems and services to its internal customers was addressed through the same principles used to market solutions to the organisation's external customers: segmentation, targeting, and positioning IS solutions to the internal customer base (Morgan, 2004).

17.3.4 Internal markets instead of external markets for products and services

The terms 'internal market' and 'internal marketing' have been applied to internal relationships between different parts of the same organisation – making them suppliers and customers as a way of improving the focus on efficiency and value. This is common in total quality management programmes, and in wider applications like the reform of the UK National Health Service.

This can lead to some interesting issues. For example, work with the R&D division of a major brewery suggested that the internal customer issues were really about the type and degree of dependence between the internal supplier (in this case the provider of R&D solutions to process problems in the brewery) and the internal customer (here the production and sales units of the brewery), which in turn reflects the freedom of either internal supplier or customer to deal with third parties outside the company.

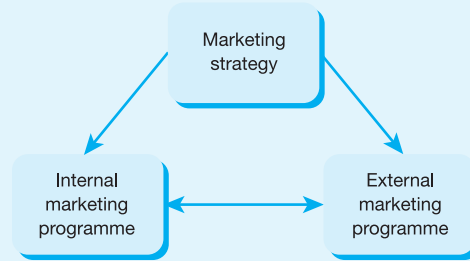
17.3.5 Strategic internal marketing

Lastly, we note the use of strategic internal marketing (SIM) as an approach to the structured planning of marketing strategy implementation, and analysis of underlying implementation problems in an organisation. This form of internal marketing is a direct parallel to our conventional external marketing strategy and marketing programme, which aims at winning the support, cooperation and commitment we need inside the company, if our external market strategies are to work. This is a somewhat different view of internal marketing compared with those discussed above, although it is informed by the other types of internal marketing which have a longer history. The key underlying issue here is the organisational and cultural change needed to make marketing strategies happen.

A structure for an internal marketing programme is shown in Figure 17.2. The underlying proposal is that the easiest way to make practical progress with this type of internal marketing, and to establish what it may achieve, is to use exactly the same structures that we use for planning *external* marketing. This suggests that we should think in terms of integrating the elements needed for an internal marketing mix or programme, based on our analysis of the opportunities and threats in the internal marketplace represented by the company with which we are working. This is shown in Figure 17.2 as a formal and legitimate part of the planning process.

In fact, in this model, we take the internal marketing programme not only as an *output* of the planning process and the external marketing programme, but also as an *input*, i.e. constraints and barriers in the internal marketplace should be considered and analysed as a part of the planning at both strategic and tactical levels. For the proposals to make sense in practice, we rely on this iterative relationship.

Figure 17.2 Internal and external marketing programmes



The starting point for this approach is that the marketing strategy and the planning process may define an external marketing programme in the conventional way, and less conventionally the internal barriers suggest that some external strategies are not capable of being implemented in the timescale concerned, and we have to feed back into the planning process the message that some adjustments are needed while there is still time to make those adjustments to plans.

More positively, however, it is equally true that our analysis of the internal market may suggest new opportunities and neglected company resources which should be exploited, which in turn impact on our external marketing plan and thus on the planning process. What we are trying to make explicit for executives is the need to balance the impact of both internal and external market attributes on the strategic assumptions that they make in planning.

The structure of such an internal marketing programme can be presented in the following terms:

- **The product:** At the simplest level the ‘product’ consists of the marketing strategies and the marketing plan. Implied, however, is that the product to be ‘sold’ is those values, attitudes and behaviours which are needed to make the marketing plan work effectively. These hidden dimensions of the product may range from increased budgets and different resource allocations, to changed control systems and criteria used to evaluate performance, to changed ways of handling customers at the point of sale. At the extreme the product is the person’s job – as it is redefined and reshaped by the market strategy so it will make people’s working lives more enjoyable. There may also be negatives – changes people will not like, which brings us to price.
- **The price:** The price element of the internal marketing mix is not *our* costs; it is concerned with what we are asking our internal customers to ‘pay’ when they buy in to the product and the marketing plan. This may include the sacrifice of other projects which compete for resources with our plan, but more fundamentally the personal psychological cost of adopting different key values, and changing the way jobs are done, and asking managers to step outside their ‘comfort zones’ with new methods of operation. The price to be paid by different parts of the internal marketplace, if the marketing plan is to be implemented successfully, should not be ignored as a major source of barriers and obstacles of varying degrees of difficulty.

- **Communications:** The most tangible aspect of the internal marketing programme is the communications medium and the messages used to inform and to persuade, and to work on the attitudes of the key personnel in the internal marketplace. This includes not only written communications, such as plan summaries and reports, but also face-to-face presentations to individuals and groups who are important to the success of the plan. Broadly, we should remember that to assume that simply ‘telling’ people will get them on our side is likely to be as naive inside the company as it is outside. We suggest it is important to consider the full range of communications possibilities and associated goals, as we would with external customers, and we should not forget to budget the time and financial costs that may be associated with these activities. At the simplest level, the purpose of our internal marketing communication may be served by a video presentation explaining things, or a roadshow taking the message out to the regions and the distributors. But real communication is two-way – we listen, we adapt, we focus on our audience’s problems and needs.
- **Distribution:** The distribution channels element of the mix is concerned with the physical and socio-technical venues at which we have to deliver our product and its communications: meetings, committees, training sessions for managers and staff, seminars, workshops, written reports, informal communications, social occasions, and so on. Ultimately, however, the real distribution channel is human resource management, and in the lining up of recruitment, training, evaluation and reward systems behind marketing strategies, so that the culture of the company becomes the real distribution channel for internal marketing strategies. In fact, as long ago as the 1990s, Ulrich (1992) made some radical points about this, which are worth confronting. He said that if we really want complete customer commitment from our external customers, through independent, shared values and shared strategies, then we should give our customers a major role in our:
 - staff recruitment and selection decisions;
 - staff promotion and development decisions;
 - staff appraisal, from setting the standards to measuring the performance;
 - staff reward systems, both financial and non-financial;
 - organisational design strategies; and
 - internal communications programmes.

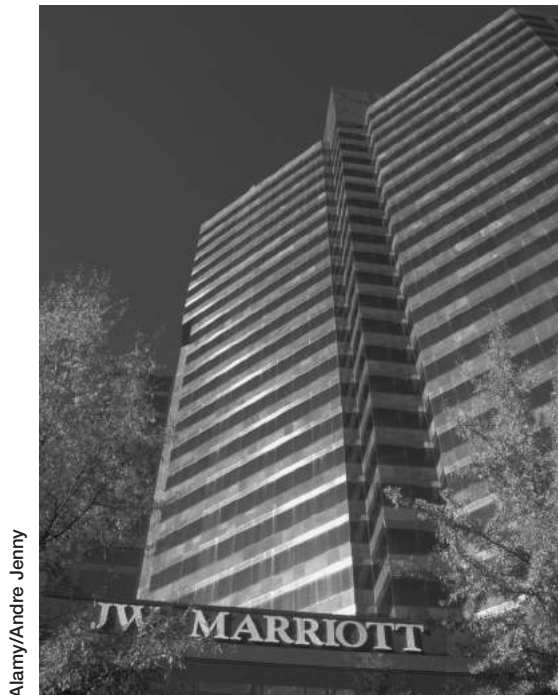
In effect this means using our human resource management systems as the internal marketing channel, thus taking the internal and external customer issue to its logical conclusion (see Section 17.5.2 below). Companies developing such approaches in the US included General Electric, Marriott, Borg-Warner, DEC, Ford Motor Company, Hewlett-Packard and Honeywell.

For example, a simple internal marketing analysis for two companies is illustrated in Tables 17.2 and 17.3. These examples concern a key customer account strategy in a financial services organisation and a vertical marketing strategy in a computer company. In both cases we can see a ‘formal’ level of internal marketing which concerns the marketing plan or strategy, but also levels of internal marketing concerned with the informal organisation and the processes of decision making and change inside the company. In the computer company, vertical marketing is not a simple strategy

Table 17.2 Internal marketing in a computer company

Internal market targets (1) *Business unit management*
 (2) *Product group management*
 (3) *Salesforce*

<i>Internal marketing programme</i>	<i>Internal marketing levels</i>		
	<i>Formal</i>	<i>Informal</i>	<i>Processual</i>
<i>Product</i>	Marketing plan to attack a small industry as a special vertical market, rather than grouping it with many other industries as at present, with specialised products and advertising	Separation of resources and control of this market from the existing business unit	Change from technology-oriented management to recognition of differences in buyer needs in different industries – the clash between technology and customer orientation
<i>Price</i>	Costs of developing specialised ‘badged’ or branded products for this industry	Loss of control for existing business units	Fear of ‘fragmentation’ of markets leading to internal structural and status changes
<i>Communications</i>	Written plan Presentations to key groups	Support for plan by key board members gained by pre-presentation ‘softening up’ by planners	Action planning team formed, including original planners, but also key players from business unit and product group – rediscovering the wheel to gain ‘ownership’ Advertising the new strategy in trade press read by company technologists and managers
<i>Distribution</i>	Business unit board meeting Product group board meeting Main board meeting Salesforce conference	Informal meetings	Joint seminars in applying IT to this industry, involving business unit managers and key customers Joint charity events for the industry’s benevolent fund



Alamy/Andre Jenny

Marriott, one of the best companies to work for, 2007

Table 17.3 Internal marketing in a financial services organisation

Internal market targets (1) *Branch managers of retail banks and finance company offices*
(2) *Divisional chief executives for the banks and the finance*

<i>Internal marketing programme</i>	<i>Internal marketing levels</i>		
	<i>Formal</i>	<i>Informal</i>	<i>Processual</i>
<i>Product</i>	Integration of selling efforts around key customers, as a key marketing strategy	Head office group-based planning and resource allocation with greater central control	Change in the individual manager's role from independent branch entrepreneur to group-based collaborator
<i>Price</i>	Branch profit/commission from independent selling to smaller customers, to be sacrificed to build long-term relationships with key accounts	Loss of freedom/independence of action in the marketplace Potential loss of commission-earning power	Time, effort and psychological 'pain' of collaborating with former 'competitors' with different ethnic/educational/professional backgrounds – the 'banker versus the hire purchase salesman' Fear that the other side would damage existing customer relationships
<i>Distribution</i>	Written strategic marketing plans Sales conferences	Written communications Informal discussion of chief executive's 'attitude' Redesign of commission and incentives systems in both companies	Joint planning/problem-solving teams for each region – built around central definition of target market segments Combining/integrating management information systems, and changing its structure to reflect new segments
<i>Communications</i>	Formal presentation by chief executive at conferences Written support from chief executive Redesign market information systems to be more up-to-date	Sponsorship by chief executive – 'the train is now leaving the station, you are either on it or . . .' (written memo sent to all branches)	Social events Joint training course Redefinition of markets and target segments

because it is linked to changing resource allocation and departmental responsibilities, and also to a change of management culture. In the financial services company, a key account strategy involves not simply a new marketing direction, but a change in line management freedom and ways of doing business. These cases are indicative of the types of implementation and change problem that can be addressed by internal marketing.

It also follows that we can use conventional market research techniques inside the company to get to grips with who has to change, in what way, how much and what the patterns are in our internal marketplace.

Finally, as with the external marketing programme, we should not neglect the importance of measuring results wherever possible. This may be in terms of such criteria as people's attitudes towards the market strategy and their commitment to putting it into practice, or customer perceptions of our success in delivering our

promises to them – or, perhaps more appositely, our lack of success as presented by complaints, and so on.

Again, in exact parallel with the conventional external marketing plan, our internal marketing programmes should be directed at chosen targets or segments within the market. The choice of key targets for the internal marketing programme should be derived directly from the goals of the external marketing programme, and the types of organisational and human changes needed to implement marketing strategies. The internal marketplace may be segmented at the simplest level by the job roles and functions played by groups of people, e.g. top management, other departments and marketing and sales staff.

Alternatively, we might look beyond job characteristics to the key sources of support and resistance to the external marketing plan which are anticipated, to identify targets for reinforcement, or for persuasion and negotiation. Perhaps at the deepest level we might choose our targets on the basis of the individual's attitudes towards the external market and customers, and the key values that we need communicated to external customers, together with people's career goals.

It can be seen, therefore, that internal marketing can be used in different ways, and that the role may vary from developing customer care and service quality programmes to improve and maintain service standards and customer satisfaction at the point of sale, through to internal communications programmes, to providing a structured approach to planning the full implementation of marketing strategy. We noted also that internal marketing may be of particular importance in the alliance-based network organisation.

17.4 Planning for internal marketing

There are a variety of situations when strategic thinking about competitive strategy should address the possible role of internal marketing:

- where performance in critical areas of customer service are unsatisfactory and not sufficient to establish a strong competitive position;
- where customer satisfaction is consistently low and complaints suggest that the underlying causes are employee attitudes and behaviour, rather than poor product standards or inadequate support systems;
- when market conditions and customer requirements have shifted, so that continuing the standards and practices of the past will no longer bring success;
- when new marketing strategies require new skills and ways of behaving – a 'stretch' strategy;
- when bridging the gap between planning and implementation has proved problematic in the past.

In such situations, we may wish to consider an internal marketing strategy with the following components:

- **Internal market orientation** – recently attention has been given to internal market orientation as the foundation for success, in the same way that external

market orientation has been linked to the effective implementation of external marketing strategies. The logic is that internal market orientation increases the responsiveness of a market-oriented company to external market conditions, because it allows management to better align external market objectives with internal capabilities. However, this symmetry relies on assessment of internal market orientation as a precursor to action (Gounaris, 2006). Lings and Greenley (2005) propose that assessing internal market orientation should encompass directly parallel measures to those associated with external market orientation, thus internal market orientation involves the generation and dissemination of intelligence pertaining to the wants and needs of employees, and the design and implementation of appropriate responses to meet those wants and needs.

- **Internal market strategy:** In broad terms what is needed to gain the successful implementation of an external market strategy. It is here that we need to confront the real implications of our external market strategy for the internal customer – the decision-makers, managers, operatives and others without whose support, cooperation and commitment the external strategy will fail. This is the most critical question in the whole internal marketing exercise. It may be worth consulting the people directly concerned – doing internal market research. It is certainly worth incorporating some diversity of opinion. As we learn more, we can come back and redraft and rethink our conclusions here. It is here that we should take a view of what it is likely to cost us to achieve these things and the deadline for achieving them to implement the external marketing strategy on time.
- **Internal market segmentation** is about identifying the targets in the internal marketplace around which we can build internal marketing programmes, which are different in what we have to achieve and how we are going to do it. This may not be straightforward, but is the route to real insights into the internal market problem and effectiveness in how we cope with that problem. The most obvious way of identifying internal segments may be by role or function, or location, and this may be sufficient. It might be more productive to think of who are the innovators and opinion leaders who will influence others. We might approach this more directly in terms of the role that different people will play in implementing the external strategy and the problems they may face in this, or simply how much different people will have to change to get the external strategy to work.
- **Internal marketing programmes** specify which internal marketing programmes will be needed in each internal market segment to achieve the objectives we have set. In each area we need to collect our thoughts about the rational issues but also the human and cultural issues. To us the product may be a new marketing plan that we need to inform people about (internal marketing communications) through formal presentations (internal marketing distribution), adjusting commission and evaluation systems as need be (internal marketing price). To the internal customer, the same plan may be about disruption and threat (product), loss of initiative and status (price), imposed without consultation by management (communication) and rigorously ‘policed’ through coercion (distribution). If internal marketing is about anything, it is about confronting and coping with this conflict. It is this confrontation which will drive us away from thinking about internal marketing as simply writing customer care brochures and doing great

plan presentations, towards coping with the human and organisational realities of what strategic change involves and costs. This is also the stage to take a look at the cost implications of what we now see to be necessary in our internal marketing: does the internal marketing cost mean that the external market strategy is no longer attractive? Do we have to account for internal marketing cost which is more than we expected, but bearable? Do we have to change the external strategy to reduce the internal marketing cost? Are there cheaper ways of achieving the critical internal marketing goals?

- **Internal marketing evaluation** – what we can measure to see if we are getting there, ideally quantified and objective: reduced customer complaint rates or higher customer satisfaction scores. This may be ambitious and we should not abandon important objectives because they are difficult to evaluate – we may have to settle for a subjective or qualitative evaluation, which is better than nothing.

However, the possible problems to be anticipated in implementing internal marketing strategy programmes effectively should not be underestimated. For example, Don Schultz (2004) suggests that many, if not most, internal marketing approaches fail for the following reasons:

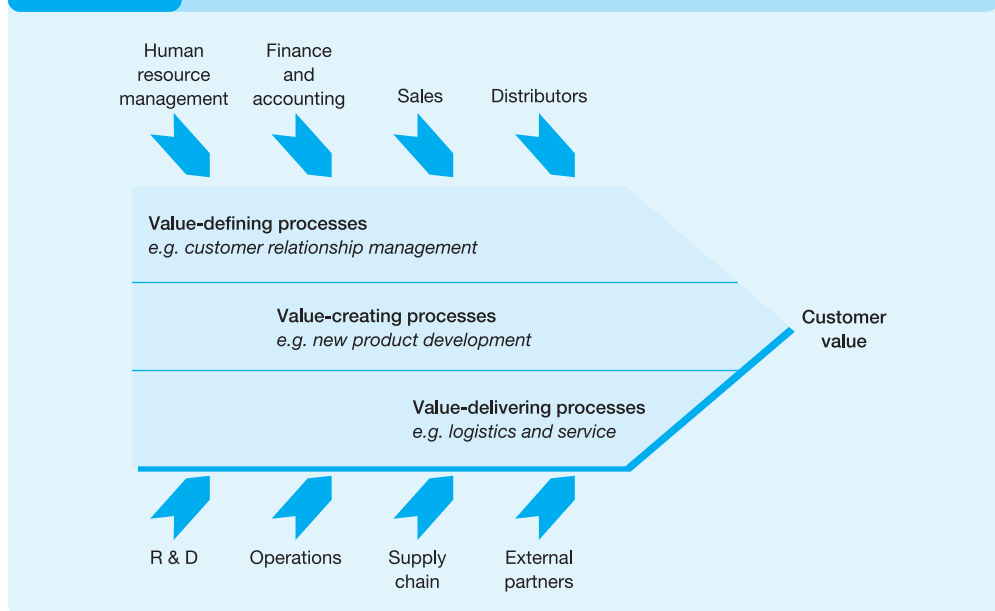
- **Lack of financial measures of internal marketing success** – the goal should be to link measurable behavioural changes to financial returns for the business.
- **Weak management cohesion** – the organisational location of responsibility for internal marketing is confused and those responsible have no authority or responsibility for the people whose behaviours they are trying to change.
- **Lack of senior management support** – internal marketing is not perceived as a senior management issue, but the concern of middle managers with all the inherent problems of turf wars and organisational politics.
- **No connection between internal stakeholders and external customers** – the difficulty for employees in non-customer-facing roles to understand how internal marketing affects them, or how they affect the external customer.
- **Lack of a management calculus** – there are no clear ideas about the value or return of internal marketing and an effective internal marketing planning system.

Schultz suggests that we should apply the lessons of integrated marketing communications in internal as well as external marketing. However, the issue of integration has yet further practical aspects, as we see in the next section of the chapter.

17.5 Cross-functional partnership as internal marketing

17.5.1 Rationale for cross-functional partnership

Perhaps the greatest contemporary challenge for internal marketing is the achievement of the effective cross-functional partnerships required to deliver superior customer value. Two things are increasingly apparent. First, delivering value results from a complex set of processes and activities inside the organisation and possibly

Figure 17.3 Cross-functional contribution to value processes

also in a network of organisations in a strategic alliance (see Chapter 16). Many of the processes of defining, creating and delivering value to customers are not 'owned' or directly managed by marketing or sales departments. Second, sophisticated customers will not accept anything less than seamless delivery of value in their terms – problems in the integration of processes in the seller's organisation are the seller's problem, not the buyer's (Hulbert *et al.*, 2003).

The integration of the whole organisation around the drivers of customer value has become an imperative – all activities must work together, fit together, and be seen to appear together by the customer. Nonetheless, many organisations appear to struggle with this imperative. The model in Figure 17.3 provides a framework for analysing the challenges in identifying and integrating the complex of functional specialisms and internal and external resource centres that impact on the operation of the value processes of value identification, creation and delivery (however these processes are labelled in a particular company).

We consider briefly the nature of each of the interfaces between marketing and other functional groups, which may provide internal marketing targets for internal alliance building.

17.5.2 Marketing and human resource management

It is now a considerable time since Glassman and McAfee (1992) called for the full-scale integration of marketing and human resource management departments. Their logic was that the two functions were both focused on 'people issues' (the one on customers and the other on employees), yet seemed unable to integrate their activities effectively. However, HRM in many organisations has moved towards a

'strategic human resource management' approach, with a primary concern for aligning the skills and capabilities of employees and managers with the requirements of business strategy. The processes usually managed in HRM are extremely relevant to the goals of marketing strategy: recruitment and selection, evaluation and reward system, training and development, and other drivers of corporate culture. There is an opportunity for marketing to work with HRM in identifying the key elements of employee motivation, and the development of training and development programmes – but particularly in providing the research capabilities to evaluate the internal marketplace including employees, channel partners and customer service providers (Schultz, 2002).

Some companies are making large efforts to ensure that marketing and HRM work together to ensure that they communicate and deliver brand values to both internal and external audiences. The 'Everything is Possible' campaign at H-P Invest (formerly Hewlett-Packard) is aimed to be as inspirational for staff as it is for customers. Allied-Domecq sees its 'people brand' as one of its nine core brands. Some companies, such as Allied-Domecq and Sainsbury's, have appointed employer brand managers to bridge the gap between HR and marketing. Others have created jobs with titles like 'great place to work manager' (at B&Q), or 'head of great company' (at Microsoft) (Simms, 2003).

An internal marketing agenda concerned with the contribution of HRM to value processes might include the following issues:

- The better alignment of employee and manager training and development processes with customer priorities.
- Tracking and comparing employee satisfaction and customer satisfaction to understand the relationship between them.
- Working on the links between customer satisfaction and retention issues, and employee training, reward and evaluation processes.
- Looking at the way in which internal communications approaches support external market strategies. (Piercy, 2002)

The importance of the marketing/HRM link is such that in many situations major customers are increasingly playing a direct role in participating in the operation of suppliers' internal HRM processes, such as recruitment into sales and service jobs.

Indeed, more operational views of the interface between marketing and HRM issues focus on the link between HRM and relationship marketing strategies (Perrien *et al.*, 1993; Perrien and Ricard, 1995), and the need to direct HRM policies to focus on customer service and customer value (Cripe, 1994; Gubman, 1995). Conversely, Sheth and Mittal (1996) have examined the use of HRM skills in the management of customer expectations. Nonetheless, research suggests that the marketing/HRM relationship is frequently associated with conflict and poor interdepartmental conflicts with a detrimental impact on strategy implementation (Chimhanzi, 2004).

17.5.3 Marketing and finance and accounting

The conflict between marketing and finance/accounting in the past has reflected the goal of accounting to cut costs and to increase reported short-term profit, compared

with the objective of marketing to gain long-term investment in brands and market share. Conflicts have also centred on different views of pricing – the accounting model of cost-plus pricing produces very different outcomes from a marketing model of price based on customer value. However, these disputes have been rendered largely obsolete by two important factors. The first factor is the overwhelming pressure that marketing is under in a growing number of companies to ‘prove’ its added value to the company and its shareholders (Ambler, 2003). Many of the metrics which marketing most needs to establish its shareholder value creation can only be achieved through collaboration with finance and accounting (Farris *et al.*, 2006). The second factor is the increasingly strategic view of business being taken by finance and accounting executives, which is likely to reduce the conflicts with marketing and sales. Moves towards internal alliances between marketing and finance/accounting are likely to be important in achieving the speed of change and market responsiveness required by modern customers.

17.5.4 Marketing and sales integration

In Chapter 15 we examined the growing role of the sales organisation in strategic customer management, and as a change agent inside the company. Nonetheless, for many companies the relationship between marketing and sales remains problematic. It has been noted: ‘The relationship between sales and marketing functions has persisted as one of the major sources of organizational conflict’ (Webster, 1997), and that ‘The marketing–sales relationship, whilst strongly interdependent, is reported as neither collaborative nor harmonious’ (Dewsnap and Jobber, 2000). For these reasons sales and marketing integration remains a high and very topical priority on the management agenda (Rouzies *et al.*, 2005). This question merits more detailed consideration, since it appears to be frequently one of the most critical obstacles to marketing strategy implementation.

The conventional literature often assumes that marketing departments and sales organisations are a single organisational unit, but they are frequently quite distinct functions in companies. For example, in their 1998 study, Workman *et al.* suggest that ‘it is highly significant that more than thirty years after the call to integrate sales and marketing activities under a CME [Chief Marketing Executive], we find no firms that had adopted this recommendation.’ In fact, part of the reason is that marketing and sales should not be the same because the functions they perform are different (Shapiro, 2002). However, the new market conditions and strategic sales role we described in Chapter 15 place considerable importance on cross-functional collaboration and cooperation, which may align poorly with the traditional need for functional separation based on task specialisation.

What is far from well understood is what conflicts or elements of conflict actually have negative consequences for business performance and which do not (Deshpande and Webster, 1989). While marketing and sales exist alongside each other as business functions, there are likely to be fundamental differences between them in perspective and priorities. However, in examining the coordination of these differentiated functions, Cespedes (1996) highlights an important paradox: ‘the solution is *not* to eliminate differences among these groups’, but that ‘paradoxically, there is virtue

in *separating* and distinguishing functional roles in order to improve the cross-functional coordination needed' (Cespedes, 1995). The suggestion is that differences between marketing and sales may actually provide a much-needed breadth of perspective and richness of market understanding *because* of the differences between the functions. As collaboration and cooperation between marketing and sales grow in importance, this paradox provides an important insight – teamwork and joint-working have to accommodate differences in perspective and understanding, and to focus on enhanced business performance not simply smooth team operation or harmonious interrelationships.

The marketing/sales interface

To other functions in the business, the marketing and sales functions look alike – they are both focused on the customer and the market – but aligning sales and marketing has proved difficult in practice and is likely to be even more difficult in the future. The importance of the issue is quite simply that poor cooperation between marketing and sales will lead to inconsistent and weak strategy, coupled with flawed and inefficient implementation (Shapiro, 2002).

When the customer base was homogeneous, simple and dominated by mid-sized accounts, marketing operated as a strategic function concentrating on product strategy, segmentation and competitive positioning, while sales executed the strategy in the field, selling to end users and distributors. The easy separation of sales and marketing has come to an end in markets dominated by very large accounts with sophisticated buying teams, and multi-channel strategies to reach medium and small accounts. With the largest accounts, marketing and sales need to make joint decisions to achieve an integrated offer that meets the standards required by purchasers who can dictate many terms to their suppliers. Marketing executives need to acquire new understanding of individual customers, key account needs, and the sales task – the reality is that 'As power shifted from the seller to the buyer, it also shifted from headquarters to the field' (Shapiro, 2002). With multi-channelling (e.g. an Internet channel, telesales, direct marketing and personal selling working alongside each other), effectiveness and profitability also require shared sales and marketing decisions on channel strategy and execution (Shapiro, 2002).

While relatively little empirical evidence is available, executive opinion and anecdote suggest the relationship between marketing and sales remains problematic in many companies, with conflict surrounding such issues as the division of responsibilities and demarcation lines, ownership of customer information, competition for resources, control of price, and the short-term orientation of sales versus the long-term orientation of marketing. Differences in reward systems (volume-based in sales and margin-based in marketing), information needs (geographically and customer-based in sales and product/brand oriented in marketing) and competencies underline the potential for conflict rather than collaboration between marketing and sales (Cespedes, 1993, 1994; Montgomery and Webster, 1997; Dewsnap and Jobber, 2000).

Underpinning the potential for marketing/sales conflict is what has been described as the existence of different 'mindsets' in marketing and sales – different perspectives on issues and approaches for addressing problems – which have been described as:

- *Customer versus product* – focus and rewards for sales are based on customers and territories, while marketing champions products and brands.
- *Personal relationships versus analysis* – sales may be more ‘people-oriented’ and relationship-focused, while marketing emphasises aggregations of data and abstractions.
- *Continuous daily activity versus sporadic projects* – sales is driven by constant daily tasks, while marketing is organised around longer-term projects.
- *Field versus office* – sales is under immediate customer and budget pressures, while marketing may be removed from this environment.
- *Results versus process* – sales lives by fast, direct results from its selling efforts, while marketing activities are less easily linked to short-term results, so may emphasise process and intermediate outcomes.
- *Short-term orientation versus long-term orientation* – sales emphasises month-to-month sales results, while marketing concentrates on long-term competitive position. (Rouzies *et al.*, 2005)

Such differences in ‘mindset’ provide the context in which marketing–sales collaboration must be achieved, but may provide important practical barriers.

The signs of poor marketing/sales integration

The pioneering study by Strahle *et al.* (1996) noted that sales managers frequently do not set sales objectives consistent with the strategy developed by marketing executives for a product, through poor communications and incompatibility between marketing and sales goals. They note also attempts by marketing executives to mislead sales managers about product performance in attempts to manipulate their behaviour. Unsurprisingly, the result is feelings of distrust and resentment towards marketing on the part of sales managers. Other research also suggests that changes in marketing strategy do not lead to consistent modification of sales operations (Colletti and Chonko, 1997).

A checklist of signals that marketing and sales are not well aligned is provided by the following statements, which may be assessed by marketing and sales executives in their own operations.

- Your marketing strategies fail to affect sales operations, impeding effective implementation.
- New marketing strategies ignore customer and competitor insights developed by the salesforce.
- Managers in other functions misunderstand what sales can and should achieve.
- Conflicts between sales and marketing managers frequently spill over into acrimony.
- You are experiencing serious salesperson retention problems and escalating replacement costs.
- There are serious mismatches between the tasks that salespeople must perform to implement marketing strategy and the ways in which they are organised, evaluated and rewarded.

- Career paths for salespeople take the best performers away from customers and place them in administration or management.
- Your salespeople struggle to cope with the ambiguous roles they now play.
- Your company offers little support for salespeople to make the transition from transaction to relationship selling.
- Your salespeople are hostile to your other routes to market, such as the Internet.
- Your customer relationships are getting weaker not stronger. (Hulbert *et al.*, 2003)

Careful assessment of these statements may be useful in identifying the beginning of marketing/sales rifts which would otherwise remain hidden until becoming serious barriers to effective cross-functional working.

The internal marketing challenge

Shapiro (2002) notes that the prerequisites for effective marketing/sales relationships are a common understanding of the need for integration, and that both sales and marketing focus on the productive sharing of power, information and resources, but also warns: 'There are many approaches to improving integration. They work best when they themselves are well integrated (big surprise!) . . . the stress will be on "mixing and matching" the individual elements of coordination to get a robust, efficient program.' This need for understanding and alignment between marketing strategy and the sales organisation defines the internal marketing challenge. The challenge is to both marketing and sales, as we suggested when examining the underlying premises of the strategic sales organisation. Indeed, if organisations cannot do better in building partnerships between marketing and sales, it does not bode well for marketing's ability to create alliances with other functional groups.

17.5.5 Marketing and operations functions: R&D, manufacturing, supply chain management

The relationship between marketing and R&D is most usually associated with effectiveness in areas like new product development. The synergy achieved by linking R&D spend to customer value is clear. However, the role of R&D may be significant to value-defining and value-delivering processes, as well as the classic function of value creation (new products). For example, companies like IBM and Xerox bring lead-customers into their R&D laboratories, to meet the challenge of translating technical advances into new business options and profitable products. On the other hand, in some high-technology businesses R&D is a major component of relationship marketing – working with suppliers and customers on technology innovation is a key component of buyer–seller relationships (Tzokas *et al.*, 1997). Indeed, in industries associated with an accelerating rate of innovation, poor integration of marketing and R&D has been linked to reducing customer loyalty and long-term profits – innovations may be pushed into the marketplace without adequate commercialisation and technology readiness, so while customers may buy the innovation, in the absence of superior quality and service, they are ready to migrate to the next 'big idea' as soon as it appears from a rival (Donath, 1997). The building of

firmer links between R&D and marketing poses a greater challenge than simply providing new product pipelines.

In the other 'technical' functions, modern thinking is dominated by supply-chain strategy – in particular the promise of the 'lean' supply-chain to 'banish waste and create wealth' (Womack and Jones, 1996). The supply-chain model of identifying value streams for products and organising around flow and the demand pull of products has been enormously influential, because of the potential it offers for reducing storage and waste costs to a minimum. Nonetheless, from a marketing perspective, the weakness of the lean supply chain lies in its rigid definition of customer value in purely technical terms, and the desirability of reducing product choices to reduce supply-chain costs. However, the strategic link between supply-chain and marketing strategy lies in the relationship between supply-chain advantage and marketing/brand advantage. Applying internal marketing efforts to enhancing the understanding and collaboration between supply-chain strategy and marketing strategy is a new mandate for marketing executives.

Certainly, at the supply-chain operations level, there is evidence that internal marketing efforts to stimulate the impact of front-line logistics workers on customer value creation can lead to higher job satisfaction and performance in distribution centre employees, and increased interdepartmental customer orientation (Keller *et al.*, 2006).

17.5.6 Marketing and external partners

It will very frequently be the case that the successful implementation of marketing strategy will rely on the efforts of partnered organisations operating externally – distributors at home and abroad, outsourced manufacturers, third-party suppliers of customer services, network members delivering the product or service for the supplier. We examined in Chapter 16 the growing role of alliances and networks, and the way in which in some sectors, such as global air travel, competition is between networks rather than individual airlines. The challenge of achieving effective delivery of strategic goals through partnered organisations remains considerable in many situations. Networks are characterised by dependencies. These increasingly common situations define a new and possibly critical function for internal marketing: the positioning of strategic imperatives with partner organisations in the networks which have been formed to reach the marketplace.

17.5.7 A processual role for internal marketing

The logic for this part of the chapter is based on the following premises: that increasingly the effective implementation of marketing strategies will rely on effectiveness in managing cross-functional relationships, and that the management of processes of collaboration and alliance building in organisations (and extended alliance-based networks) extends the internal marketing agenda from simply planning implementation strategy to a process design and management role. The Figure 17.3 model provides a basis for addressing the nature of the main value processes in an organisation and then identifying the actual or potential contributions of diverse functional specialisms to the effectiveness of the value processes. Once identified, the cross-functional integration and collaboration needs define the internal marketing role.

Summary

The focus of this chapter is strategy implementation – the transition from plans to execution. Strategy implementation faces a variety of obstacles and poses several important challenges for marketing executives. Part of the challenge is to avoid the separation of strategy and implementation and to recognise their interdependence. We take the increasingly widespread view that part of thinking about implementing competitive marketing strategy should be concerned with managing the internal market (of employees, functional specialists, managers, and so on), because this may enhance a company's ability to deliver its strategies to customers in the external market. In part, this view is based on the recognition of the importance of relationship management with partners, achieving competition differentiation through the skills of the 'part-time marketers' in the organisation, and the role of internal branding to parallel external branding.

We saw that internal marketing may be traced back to early views about the synergy between the marketing concept and the 'human relations' concept, and to have developed operationally in a variety of ways. The scope of internal marketing was seen to encompass service quality enhancement, internal communications programmes, managing the adoption of innovations inside an organisation, cross-functional and cross-divisional supply of products and services, and a framework for marketing implementation. Our interest here is primarily, though not exclusively, in strategic internal marketing as a framework for managing implementation.

In this area we saw that internal marketing offers a framework for evaluating the costs of change and for managing change that utilises the same concepts, terminology and techniques as planning external marketing. This provides a pragmatic model for guiding implementation choices and actions.

The last part of the chapter gave attention to the more process-based view of internal marketing, which focuses on integration of company efforts around customer value creation, and the challenges of forming cross-functional partnerships to deliver marketing strategy to the marketplace. We examined the potentials for internal marketing efforts to build closer ties and collaboration between marketing, human resource management, finance and accounting, sales, operations functions, and external partners. We suggested that perhaps one of the most important roles of internal marketing goes beyond aligning employees' values and behaviours with strategies, and confronts the need to achieve superior customer value through seamlessness in strategy delivery. This role emphasises internal marketing to achieve cross-functional partnerships within the organisation, and crossing organisational boundaries to align external partners with the imperatives of marketing strategy.

British Airways

Case study

Getty Images News



British Airways has calculated that the economic damage from the Gate Gourmet dispute amounts to at least £30m.

No one has yet put a figure on the losses to the airline's brand image caused by cancellations and the travel chaos that ensued from this month's strike action. The final bill for that could be much higher. But experts suggest that a great deal depends on how BA handles its response. If there is any lasting damage to BA's image, the consequences could be significant.

This month, Mori, the polling group, reported a link between the reputation and share prices of listed companies. It tracked the 'favourability' rating of five companies and found changes in customer satisfaction led to corresponding moves in share performance, typically three to 12 months later.

Some fund managers have begun to commission research into customer perceptions of companies. Waheed Aslam, Mori development director, said: 'Investors believe in the link and increasingly want private data that add value to their investment decisions.'

The disruption faced by travellers in the holiday season, the scenes of low-paid workers protesting to get their jobs back, and a well-orchestrated union campaign have kept the dispute high up the news agenda. Tim Ambler, a senior fellow in the London Business School marketing faculty, believes that BA's brand risks hitting the low

points last seen in its days as a nationalised industry.

'It is now the third summer in a row that BA has made what looks from the outside like a serious managerial error,' he noted.

The unrest among BA's ground services staff at Heathrow showed that some of the biggest image problems lay in internal perceptions of the BA brand among the company's own staff.

'Colin Marshall [BA's former chairman and chief executive] took control of the internal branding of BA to the staff. That was lost when he left, and they never really got it back,' Mr Ambler said.

Internal marketing was not just a case of raising staff morale, which could be achieved by 'simply' paying people more and giving them longer holidays, according to Mr Ambler. 'It is actually motivating your staff to want what is best for BA.'

Jes Frampton, the chief executive of Inter-brand, the branding consultancy, argued that BA had been pulled into a problem not of its making. 'When it is this important, it has a massive impact [on the brand].'

But BA had been able to limit the damage by acting quickly and being seen to be honest about the situation. 'Given the fact that they have had limited control over this [strike action], they have benefited by being very open and honest and straightforward.'

Companies that have been seen to respond effectively have limited the damage from difficult situations, one example being Shell's reversal of its decision to sink the Brent Spar oil platform, Mr Frampton said.

'The common thread that runs through the people that have done it well is speed of reaction and honesty.'

Source: Jonathan Moules, 'Damage limitation is vital to a brand under fire', *The Financial Times*, 24 August 2005.

Discussion questions

- 1 What is the link between internal marketing and service quality in the airline industry?
- 2 What internal marketing programmes could British Airways put into place to avoid further internal unrest? What potential is there to extend such programmes to external partners?
- 3 What challenges may BA face in implementing an internal marketing programme to deliver value to its customers?