Differentiating the Concept of Internal Marketing and Human Resource Management-a Comparative Study on the Existing Literature

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Abstract
Various definitions of internal marketing appear to suggest that there is a close similarity between the concept of internal marketing and human resource management. Various functions, tools and elements of internal marketing are covered under the scope of human resource management as well. So there is a need for clearly understanding the nature and scope of internal marketing and its similarities and differences with the concept of HRM for its effective implementation. This paper attempts to differentiate the concept of internal marketing from HRM function. The paper also examines whether the marketing concepts and tools such as the marketing mix, segmentation and marketing research can be applied to managing internal customers called employees. There is a clear difference between the nature of internal and external customers due to the contractual nature of employment which forces the internal customers to comply with the rules and regulations of the organization.

Keywords: Customer Service, Internal marketing, Service delivery, HR Strategy.

INTRODUCTION
With the significant growth of service sector and the knowledge-based economy, internal marketing is increasingly important to organizations. The increasing recognition of importance of the employee’s role in the service industry has led organizations to adopt the internal marketing concept and thereby, treat their employees as internal customers. Internal marketing has so many definitions designed by various researchers. The term internal marketing was first used by Berry L.L. He described internal marketing as “The Employees as Customers” Berry first proposed the concept of internal marketing as a solution to the problem of delivering higher quality of service. In earlier days the internal marketing approach had a Uni-dimensional focus. Authors such as Gronroos (1990), Vary (2001) and Tsai (2008) came out with an opinion that internal marketing is just a supplementary to Human resources management. In early development phase the majority of the work on internal marketing focused upon the issues such as employee motivation and their satisfaction. The major reason behind these efforts is to improve the customer service quality. Internal marketing requires that everyone in the organization buy into the concepts and goals of marketing and engage in choosing, providing and communicating customer value. In current scenario enhancing customer’s experience with the service offered is a collective effort of each and every employee working in the organization though the degree to which they are associated with the particular service varies. To improve the quality of service rendered by an organization the employee’s contribution towards enhancing it is a most important one.

RESEARCH METHODOLOGY
This paper aims to present research carried on the field of human resource management and internal marketing in order to analyse the nature of the two fields. In the present research, the research problem identified is the difficulty to practically distinguish between the functions and tools of human resource management and of internal marketing. It is an explorative research on the existing literature in the field of internal marketing and human resource management. The two concepts – IM, and HRM, are analysed and described in terms of their definitions, objectives, activities, and organizational design. More attention is given to internal marketing, as this area is not unanimously defined. Therefore, different approaches and understandings of internal marketing are explained. Areas of human resource management IS given lesser attention since it is relatively unanimously understood by both academicians and practitioners.

1. INTERNAL MARKETING
The standpoint of internal marketing is that employees of an organization are its first market. Hence, the concept of internal marketing is based on the idea of employee as customer. Among the first who advocated that idea were Sasser and Arbeii. In their opinion internal marketing holds that personnel are the first market of a service organization (Sasser & Arbeii, 1976).

The concept of internal marketing is not limited to the ‘front-line’ customer service staff alone (De Bussy et al., 2003). Even the employees who do not interact directly with customers may impact upon perceived service quality because they directly influence the service providers (George, 1990 in De Bussy et al., 2003). If all employees perform their jobs well they are a value-added component of the service and product offering.
The definitions of internal marketing vary to a great extent. Based on the literature analysis according to their scope and dominant perspective IM definitions can be classified into the following groups:

(1) Internal marketing as a synonym of human resource management;
(2) Internal marketing as a usage of marketing techniques in internal marketplace;
(3) Internal marketing as a precondition for satisfied external customers;
(4) Internal marketing as a source of competitive advantage.

**IM as a synonym of HRM**

Reardon & Enis (1990)-IM is the application of persuasion strategies, both novel ones and those common to external marketing, to convince people in-house that they are connected to the customer. Reardon & Enis (1990)-IM is the employment of the same skills that are employed in external marketing to market in-house, in order to persuade employees that they are vital links in the production-customer satisfaction chain.

Rafiq & Ahmed (1993)-IM is the development of marketing program aimed at the internal marketplace in the company, by using the same basic structures used for external marketing.

Ballantyne (2000)-IM is a strategic approach to challenging both the attitudes and behavior of staff towards an understanding of the centrality of the customer.

Gilmore & Carson (2001)-IM is the spreading of the responsibility for all marketing activity across all functions of the organization, and the proactive application of marketing principles to “selling the staff” on their role in providing customer satisfaction within a supportive organizational environment.

Kotler (2003)-IM is a task of hiring, training, and motivating able employees who want to serve customers well.

**IM as a usage of marketing techniques in internal marketplace**

Varey (2001)-IM can be seen as a management approach that enables and motivates all members of the corporation to examine their own role and communication competence and to adopt a customer consciousness and service orientation (which requires an interest in the problems of customers), whether front-line service performers or back-office service support workers, to meet the needs of external customers through a commitment to the corporation’s goals.

Varey (2001)-IM can be seen as a means of promoting marketing orientation.

Ozretić Došen (2004)-IM encompasses internal market research and segmentation, internal product policy, internal pricing, internal sales and distribution, and internal communication and promotion.

**IM for the purpose of satisfied external customers**

Hales (1994 in Varey & Lewis, 1999)-IM is aimed at the attraction, retention, and motivation of “service minded”, “customer-conscious” employees to aid the perceived service quality and effective external marketing of the enterprise as a way to competitive advantage.

Kotler (2003)-IM must precede external marketing because it makes no sense to promise excellent service before the company’s staff is ready to provide it.

**IM as a source of competitive advantage**

Ballantyne et al. (1995 in Ballantyne, 2000)-IM is any form of marketing within an organization which focuses staff attention on the internal activities that need to be changed in order to enhance external market place performance.

**Table 1: Objectives and activities of internal marketing proposed by various researchers and scholars.**

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<tr>
<th>YEAR</th>
<th>AUTHORS</th>
<th>IM ACTIVITES</th>
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<tr>
<td>(1979)</td>
<td>Arndt</td>
<td>(1) the dissemination of information to and from all internal groups involved in or affected by the marketing activities, for the efficient implementation of marketing decisions; (2) the development of competence, especially important where “the organization is the product” (i.e. in service business); and (3) the development and maintenance of incentive and motivation systems which reward marketing performance.</td>
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<td>(1985)</td>
<td>MacStravic</td>
<td>(1) It is designed to complement external strategic marketing efforts through the facilitation of personal interaction between staff and internal clients. These interactions are instruments for encouraging customer attraction and satisfaction; (2) more fundamentally, it serves to develop and maintain motivated and satisfied work force that contributes to the organizations external and strategic marketing objectives, as well as to quality, productivity and efficiency.</td>
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(1987) Compton et al. (1) to help employees understand and accept the importance of the interactions with the customer and their responsibility for the total quality and the interactive marketing performance of the firm; (2) to help employees understand and accept the mission, strategies, goals, services, systems and external campaigns of the firm; (3) to continually motivate the employees and inform them about new concepts, goods, services and external campaigns, as well as economic results; and (4) to attract and keep good employees.

(1990) Grönroos The purpose of IM is to motivate employees toward service-mindedness and customer oriented performance by an active marketing-like approach, where a variety of activities are used internally in an active and coordinated way.

(1995) Gilmore & Carson (1) the internal and external marketing interface; (2) the application of the marketing mix to internal customers; (3) the use of marketing training and internal communication methods to sell the staff on their role within the organization; (4) the involvement and empowering of staff to allow them to make decisions in relation to dealing with customers; (5) the development of managers and employees' role responsibility and cross-functional participation; and (6) the functional responsibility of the organization for internal marketing integration.

(1999) Ewing & Caruana The main objective of the internal marketing function is to obtain motivated and customer conscious personnel at every level, since the internal marketing concept holds that the organization’s personnel are the first market of a company.

(2001) Varey The duty of IM is to develop employee awareness of their roles and help them to commit to active participation in the marketing or exchange process, i.e. to make the corporation more marketing-oriented.

2. HUMAN RESOURCE MANAGEMENT

Human resource management as a specialized function in organizations began to grow around 1900s (Mathis & Jackson, 1988). However, the decade of the 1980s brought a serious transformation in the practice and study of human resource management. Intense business competition forced organizations to think about the new source of wealth and competitive advantage – employees. Therefore the field of HRM was indeed begun to embrace, a strategic perspective. Moreover, in the 21st century, “in a world in which all work is knowledge work and intellectual capital is crucial for economic success, it is logical that the ability to attract, retain, and use the talents of people provides a competitive edge” (O’Reilly & Pfeffer, 2000).

HRM is commonly defined as a “process of acquiring, training, appraising, and compensation employees, and attending to their labour relations, health and safety, and fairness concerns” (Dessler, 2005), and as a “strategic and coherent approach to the management of an organization’s most valued assets – the people working there who individually and collectively contribute to the achievement of its goals” (Armstrong, 1999). Hall and Goodale (1986, p. 4) add that HRM is a “process of bringing people and organizations together so that the goals of each are met,” with the aim of the “optimal degree of fit among the four components – the environment, organization, job, and individual”.

The overall goal of HRM is to enable organizations to be successful through their people. More extensively, HR aims to (Armstrong, 1999, p. 4): (1) provide a range of services which support the achievement of corporate objectives as part of the process of running the organization; (2) enable the organization to obtain and retain the skilled, committed and well-motivated workforce it needs; (3) enhance and develop the inherent capacities of people – their contributions, potential and employability – by providing learning and continuous development opportunities; (4) create a climate in which productive and harmonious relationships can be maintained between management and employees and in which feelings of mutual trust can be developed; (5) develop an environment in which teamwork and flexibility can flourish; (6) help the organization to balance and adapt to the needs of its stakeholders (owners, government bodies or trustees, management, employees, customers, suppliers and the public at large); (7) ensure that people are valued and rewarded for what they do and achieve; (8) manage a diverse workforce, taking into account individual and group differences in employment needs, work style and aspiration; (9) ensure that equal opportunities are available to all; (10) adopt an ethical approach to managing employees which is based on concern for people, fairness and transparency; and (11) maintain and improve the physical and mental wellbeing of employees.

Functions/Activities of HR

Means of achieving HR goals are various HR functions or activities. Bahtijarević-Šiber (1999) groups them into the following: strategic human resource management, human resource planning, job analysis, recruitment and selection,
performance management, motivating and compensating, training and development, career management, creation of adequate organizational climate and culture, health and safety issues, labor relations, and employee services.

The HR practice is very well developed and present in contemporary organizations. Most of them have a stand alone department responsible for HR activities, led by HR director, and employing HR professionals.

3. THE RELATION BETWEEN IM AND HRM

The aim of internal marketing is to promote the marketing as internal way of thinking, through an employee focusing, in order to achieve the market goals of the organisation. In the internal marketing the employees are the target audience or “internal customers”. They are subject of marketing activities planned by the management of the organisation in order to achieve the marketing and the business goals of the organisation.

The main objectives of the internal marketing are:
- Employees’ customer-orientation consciousness (norms, values, principles of customer-oriented thinking way);
- Employees’ motivation;
- Employees’ satisfaction;
- Employees’ engagement and loyalty;
- Employees’ know-how and competencies;
- Employees’ retention;
- Acceptance and adherence to the organisations’ goals;
- A friendly work climate.

In correspondence with these objectives, the main specific activities in the internal marketing are:
- Human resources policies (personal and professional development, career development, job satisfaction, motivation, status symbols, job rotation, work conditions, social facilities etc);
- Marketing practices (employee’s attraction and retention, internal communications, relationships etc).

As a process, the internal marketing consists of the following components: attraction and recruitment; selection, integration; motivation; retention and loyalty.

These processes of internal marketing are belongs partly to marketing practices (attraction, retention and loyalty) and partly to human resources management (recruitment, selection, motivation, Integration).

So we can see from the literature that, internal marketing and human resources management has a common part, which is termed as human resources marketing.

Although there are different understandings of internal marketing, one can conclude that it is the overlap between marketing management and human resource management. The same is articulated by Glassman and McAfee (1992), Varey (2001), and Dunne and Barnes (2000), who propose that the concept of ‘human resource as customer’ would “best be served through the contributions of both the marketing and human resources functions as it reflects the common roots of each discipline within psychological theory” (p. 192).

Some researchers think that the important role of internal marketing is to foster effective human resource management (Ewing & Caruana, 1999), which implies the subordinate position of internal marketing in relation to HRM. On the contrary, there are researchers that consider HRM not proficient to ensure employees’ feeling that management cares about them and their needs. Thus, that should be “the major thrust of the internal marketing concept” (Ewing & Caruana, 1999, p. 20). Human resource experts, however, argue that they are already charged with this responsibility. Finally, there are researchers that do not find IM necessary for organizations that have a good HR practice. For example, Tansuhaj et al. (1991 in Foreman & Money, 1995) suggest that organizations do not need to provide IM programs if they pay attention to employee needs and base management decisions on those needs. In addition, Foreman and Money (1995) question whether it is always necessary to treat all employees as customers. If the answer is no, which depends on the nature of the organization, in their opinion there is no sure case for IM.

The functions of Human Resource Management and Internal Marketing

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<tr>
<th>Human Resources Management Functions</th>
<th>Internal Marketing Functions</th>
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<tr>
<td>Assurance</td>
<td>Motivation</td>
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<tr>
<td>Maintaining</td>
<td>Development</td>
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<td>Development</td>
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4. FURTHER RESEARCH

This paper is trying to fuse different and commonly detached areas of internal marketing, and human resource management in a new philosophy of internal marketing. In order to fully define this philosophy, it is necessary to conduct empirical researches. Two main future research directions are evident:

(1) Study on the existence of internal marketing philosophy in organizations, i.e. whether internal marketing is really a philosophy spread through the organizations, whose responsibility it is, etc.,

(2) Study on the relationship between the level of existence of internal marketing philosophy and organizational performance, with the long-term goal of assessing causal relationship between the two through longitudinal study.

5. CONCLUSION

Internal marketing includes activities aimed for employees and their development. It is targeted on identifying, motivating and retaining customer oriented employees. Regardless of its
industry, adoption and implementation of internal marketing concept lead to long-term growth and success of the company. Internal marketing has important points of contact with human resources field of activity; therefore the analysis of internal marketing concept and its basic dimensions is a significant factor for creating competitive advantage in current business environment. The goal of internal marketing is to focus attention of employees on internal activities that need to be developed, maintained, and promoted for the purpose of business and strengthening competitiveness of the company on the external market. Human resources management through qualifying and motivation of employees to fulfill customer needs as much as possible, namely to recruit appropriate personnel, and maintain and improve long-term relationship with them, is one of the key prerequisites for company’s business success.

Even though there are differences in view with respect to which stream internal marketing belongs to, many researchers are convinced with the fact that internal marketing should be treated as an integral part in enhancing customer satisfaction. With service quality, customer satisfaction and their enhanced association with the organization are the prime motive of any service organization its internal marketing which plays a huge role in achieving the above-mentioned ones. The above discussed dimensions which contribute the internal service quality are generalized things and they vary with respect to different organizations. Internal customer satisfaction continuous to draw more amount of research as it is one of the major tool which helps in achieving sustainable competitive advantage over others.

REFERENCES


