

# 1. Introduction

*In this chapter we present the background for the problem of this dissertation and discuss why the topic is of interest. This will be followed by the purpose for our research as well as our research question. Lastly the delimitations for this dissertation are explained.*

## 1.1 Problem background

It is yet another warm day in Thebes, Greece, people are starting to gather in the agora, a place located in the city centre surrounded by buildings and temples dedicated to the gods. Farmers have travelled through the night from their own yard to stand here in the agora to sell their crops. The agora is filled with dusty stalls made of reeds; the morning sun quickly heats up the stalls as sweaty merchants cry out their offers. "Spices from Syria" a man yells out over the crowd. The stall next to him has linen all the way from Egypt, another one has ivory from the northern plains of Africa. Fishermen have travelled far to sell yesterday's catch from the Mediterranean Sea. Despite the variety of products, there are competing merchants who offer the same kind of products. This means that they are looking to attract the same segment of buyers that wish to satisfy their needs and wants. They have to fight to attract these rare customers and they do so by offering their product to either a price that is cheaper, or by saying that their product has something that the other ones do not have.

Even now, over two thousand years later, Thebes is still a market town where farmers and merchants come to sell their products in a very similar way to how it was done in ancient Greece. The competition between merchants still exist today, and at a much broader context, one which we today call marketing. Marketing is said to have been around for as long as people have been trading or selling products to one another (Shaw & Jones, 2005). However, in these days they did not perceive these activities as what we today call marketing. According to Kotler, Wong, Saunders and Armstrong (2005) marketing entered a new era after the industrial revolution as markets have become more saturated and a product overflow has led to harder competition. Meaning that companies now have to focus outside the company, on what the customers demand instead of as before, what the company produced. Marketing is therefore today important for companies all over the world and a part of their strategies to attract and keep customers by satisfying their needs and wants.

While satisfying the customers' needs and wants have become an important part of marketing the idea emerged of looking inside the company to achieve this, and do so by satisfying the employees' needs and wants first. The issue was raised over 35 years

ago and the concept was defined by Berry as internal marketing five years later, where employees are referred to as internal customers. (Ahmed & Rafiq, 2003)

As the subject is becoming an important part of marketing it is now a popular focus of research and more and more companies are starting to use internal marketing strategies. There is still however no widely accepted definition in the academic world of what internal marketing truly is (Ahmed & Rafiq, 2000). While many authors at this time are starting to research internal marketing there is a need arising of defining the subject (Ahmed & Rafiq, 2000; Bansal, Mendelson & Sharma, 2001; Herington, Johnson & Scott, 2006 & Varey, 1995). This does not matter if they are front-line personnel or working in the back-office, which can be viewed as there is a need for internal marketing in both service and production companies. However an underlying principle or thought of internal marketing is that of seeing employees as the company's internal customers. Meant by this is offering them products as they do with external customers, but in this sense offer them jobs. The rules for the internal market are the same as for the external, the customer's needs and wants should be fulfilled in order to be successful (Caruana & Calleya, 1998; Greene, Walls & Schrest, 1994). The goal of internal marketing should be to motivate, attract and develop the internal customer as well as to address the goals and objectives of the organization. As the rules are the same for internal as for external marketing, Davis (2001) states that if the claims made to the internal customer falls through and expectations are not met, the internal customer will act the same as the external (i.e. getting disappointed and angry). If the purpose is to get employees more committed towards the goals and objectives of the organization Bansal et al. (2001, p. 63) state that *"Employees should be seen as assets to be invested in rather than costs to be controlled."*

Google is a company that has put a lot of time and effort into their employees for some time, which is something that is appreciated by the employees. Their effort includes creating an interesting workplace, massages and free meals. An employee at Google describes the work team as an amazing crowd and when describing the most amazing experience interviewing local candidates and speaking with the sales team how they should work together are high on the list [1]. Herington et al. (2006) mean to describe how relationships are built and managed in the firm's markets, both internal and external, marketing literature use the term relationship marketing. Even though the external market are crucial for firm success, even more so is the internal market since it is the employees that provide for the customer. Herington et al. (2006) continue with stating that the relationship with the external customer is strengthened in the end due to the better relationships within the company that the internal marketing brings.

Strengthened relationships with external customers is however only one of many outcomes of successful internal marketing. Applying internal marketing to build strong internal relationships can for example according to the research on social incentives in the workplace [2] make the employees more productive. It was found that employees who worked with friends worked harder than when compared to working with people they did not know. Further they found that the work environment becomes more motivating when the relationships between employees are strong and well functioning.

## 1.2 Problem discussion

Considering that stronger relationships within the company has been found to be beneficial for the company as a whole, Herington et al. (2006) see a need to nurture and develop these internal relationships. To achieve this, these relationships needs to be considered as an important part not only for the firm's marketing but for the organization as a whole. This because everyone involved in the organization needs to be involved and motivated for relationships between the management and employees and between the employees themselves to be successful. Herington et al. (2006) raise the importance of internal relationships to the firm and mean that it has become a subject of great interest to numerous marketing authors. They discuss that considerably less attention has been given to firm's internal customer than to their external ones. Given that the internal relationships have been found to be of great interest there is therefore a need for further investigation of the subject.

However, among the research that has been made there are those who discuss the internal relationships and how they can be characterized. According to Vikström (2007) an investigation of relationships was carried out by Kerstin Isaksson a few years ago in which she explained that between management and employees there are so called informal contracts. These contracts dictate demands and expectations made by and between people in the work place. There are rules that are not written down or even spoken but are applied and are included as components in these informal contracts. Employees may have a view of what falls within their rights and obligation in the work place and how a performed task should be rewarded, but because of these informal and often unclear contracts management may posit another view on the subject at hand. This difference in opinions of what is included in the informal contract may raise dissatisfaction among employees and result in them feeling betrayed and end up making spiteful comments about the company to other co-workers or friends. Clear and sound information should always be given to employees, even if it is about the company's financial situation. This kind of information may be withheld by the company in fear of losing important and valuable employees, but if a long term relationship is

valued then even bad information is important to share and explained to those groups that it may affect. (Vikstöm, 2007)

How and what companies should communicate to their employees to gain and keep strong relationships with them is not always obvious. As Isaksson pointed out in her research both good and bad news is something that needs to be shared with employees. Ballantyne (2003) mean that one way for companies to work towards developing and maintaining strong relationships within the company, is to apply internal marketing. However, Papasolomou and Vrontis (2006) mean that companies today, with no clear knowledge of what is included in internal marketing instead of using a unified model, build their own. This means that each company use their own way to work with internal marketing and might not have the knowledge of what and how to communicate it, which can lead to a negative outcome. This view is something that Ahmed and Rafiq (2000) brought up six years earlier when they stated that companies mix theories, models and ideas that they see suitable for their company. They stated that *"There is a great deal of confusion in the literature as to what IM is, what it is supposed to do, how it is supposed to do it, and who is supposed to do it"* (Ahmed & Rafiq, 2000, p. 449).

While there is no clarification on how companies work with internal marketing it is difficult to investigate what the outcome may be. Therefore there is a need for future research and Ahmed and Rafiq (2000) hoped that a clarification of internal marketing can make a more focused empirical work on internal marketing possible. This clarification can also help when companies wish to use internal marketing for relationship building. Ballantyne (2003) argue that there is a need of a relationship-mediated approach in internal marketing. The need for this approach is for example due to that the organizational learning and knowledge renewal is constrained without relationships within the organization. This would mean that having a relationship mediated approach while working with internal marketing aids the learning and knowledge renewal within a company.

Using internal marketing for the purpose of relationship building within the company is therefore something that has been found to be successful and Bansal et al. (2001, p. 62) state that *"If relationship building is indeed the focus, then no factor other than effective internal marketing could be more important to an organization from a strategic viewpoint"* As a way for building relationships with customers, relationship marketing have been applied since the beginning of trade and is something that can be used when working with internal customers as well. In Ballantyne's (2000) article on internal relationship marketing he sees relationship marketing as an approach to internal marketing, this by using the foundation of relationship marketing internally. While

discussing the matter theoretically there is no clear view on how companies do this in practice.

In the article of Ahmed and Rafiq (2003) they see building relationships as an alternative approach to internal marketing and that this may be the right way to explore the area, however this needs substantial further investigation. This would mean an investigation of how internal marketing can be used for building relationships within a company and if it is possible to develop and maintain the essential factors that are needed for relationships to exist. They concluded this issue by raising the question: *"How can the company develop an effective process for structuring and managing internal relationships?"* As they found no clear answer to this question we find the need to investigate this further.