
MARKET ORIENTATION AND INTERNAL MARKETING

Dhanya Joseph**Dhanya Joseph: Doctoral Program Student, Amrut Mody School of Management, Ahmedabad University****Bijal Mehta****Bijal Mehta: Assistant Professor, Marketing and Communication, Amrut Mody School of Management, Ahmedabad University.****Abstract:**

The concept of Market Orientation (MO) has had its share of limelight for decades now with researchers taking an insightful fragmented view of its components, their interplay, its consequences and its antecedents. Internal Marketing (IM) as a concept has gained importance and mentioning from the last decade onwards. And both these concepts have an emphatic role to play in service industry. However both the concepts are yet to receive a strategic spot in the body of marketing literature and textbooks. This Paper through the extant literature review introspects the interconnection between the two concepts and also extends proposition and questions that further associate the two concepts to build a unified perspective.

Key Words: Interfunctional Coordination, Internal Marketing, Market Orientation, Services

Market Orientation

Over these years the researches on market orientation have voiced it as more of a philosophy than a strategy. It should always be treated with a holistic lens that encompasses the entire organization. It is an approach reflected in the culture that an organization adapts to deliver superior value and differentiated performance to its buyers. Going by the organizational paradigms of Contingency Marketing Management and that of Marketing Cognition, it is evident that Market Orientation (MO) is more of a matter of the organization culture (Deshpande and Webster, 1989).

Esteban et al.(2002) present an evolution of the concept. The analysis of market orientation in services began only in the 1990s. During the 1950s and the early 60s, market orientation was termed as the marketing concept and the existing literature explained the meaning, implications and applications of it. The contributions were largely theoretical and not much of business adaptations of the philosophy. From the mid 1960s to the early 80s, attention was diverted to the limitations of the concept and researches were largely directed at unleashing the attitudes of the corporate with regard to adoption of the concept. From the 80s to the early 90s, the concept was well received and studies were conducted on checking how the concept was implanted in the corporate. And from the 1990s the term is well established, and befitting measurement scales were created to evaluate the extent of adoption of the philosophy in business.

One definition of MO states that: "MO consists of three behavioral components: 1) customer orientation, 2) competitor orientation, and 3) inter-functional coordination and two decision criteria: 1) long-term focus and 2) profitability" (Narver and Slater, 1990). The Customer and Competitor orientation refers to acquiring and collecting all information regarding the buyers and the competitors in the target market and then disseminating the information at all levels in the business(es). The third component, interfunctional coordination refers to the business's coordinated efforts at all levels, not just confining to the marketing department, in delivering superior value to the end user. Deshpande and Farley (1998) declared market orientation as the central component of the marketing concept.

Kohli and Jaworski (1990) gave an explicated insight into the concept of market orientation. Market orientation always begins with market intelligence, that is not just an understanding of the customer's needs and preferences, but also a tracking of exogenous variables like government regulations, technology, any other environmental factor that can affect customer's needs and preferences, and that this information generation is not the exclusive responsibility of the marketing department, infact the responsibility is spread across all departments. This garnered intelligence must be disseminated to generate concerted efforts by all departments. And this intelligence collection and dissemination has to be teamed with responsiveness, in the form of the action taken based on the intelligence generated and disseminated. To deliver superior customer value, customer orientation strikes at having a deeper insight of one's target market, competitor orientation targets at a close monitoring of competitors' moves and keeping track of their strengths and weaknesses, and interfunctional coordination talks about employing a unified and integrated approach throughout the company towards achievement of customer value (Narver and Slater, 1990). However Kohli and Jaworski (1990) warn against viewing the concept of market orientation in too abstract a form by either judging it to be absent or present in an organization. It is more to be interpreted in relative or degree terms since organizations can vary in their capacity to gather, disseminate and act on market intelligence.

Kohli and Jaworski (1990) emphasized on the pivotal role played by all the three components of market orientation in gathering, disseminating and applying market information. Researchers have largely agreed on the positive impact of market orientation, however there is the presence of literature that provides different views about the roles of the two core components of market orientation: customer orientation and competitor orientation. There is a viewpoint that these two components are conceptually of equal importance (Narver and Slater, 1990; Slater and Narver, 1994). Still others argue over the predominance of customer orientation over the others (Deshpande' and Farley, 1998); and some posit that a competitor orientation can be antithetical to a customer orientation (Deshpande' et al., 1993); and then there are researchers who believe that an effective strategic approach requires a balanced blend of customer and competitor orientations, and that excessive reliance on customer orientation is detrimental to a continued success for the business since customers are more likely to resist to change, and only innovation can lead to a long term sustenance(Voss and Voss, 2000). Customer orientation can be considered as the main factor for achieving incremental innovations in the service industry. On the other hand, competitor orientation and inter-functional coordination display a positive impact on radical innovation and not very significant influence on incremental innovation, thereby explaining why customer and competitor orientations can be antithetical to each other (Cheng and Krumweide, 2012).

Zhou et al.(2007) presented a different perspective to this discussion. They posit that customer orientation works better in developed countries, whereas competitor orientation is more effective in developing countries. At the local market level, customer orientation is more desirable in markets that have favorable business conditions and possess readily available resources. In contrast, competitor orientation seems more helpful in leaner markets with not so positive local business conditions and the ones that mark a dearth of resources. Their study attested that customer and competitor orientations behave differently and that their performance impacts vary across different market conditions.

A market orientation is crucial for the fact that it focuses the organization on continuously gathering information about target customers' needs and competitors' capabilities and using this information to create continuously superior customer value (Slater and Narver, 1995). Though most of the researchers in their definition of market orientation have defined it as an approach to deliver superior customer value based on the knowledge derived from customer and competitor analysis, this however doesn't not mean to undermine the potential contributions of other knowledge sources in the form of strategic partnerships like suppliers, allied industries, consultants, government agencies, that possess the learning and knowledge which can be equally valuable for a

business, thereby making relationships with vendors as much crucial, if not more than the relationships with the customers (Webster, 1992). The businesses having highest degree of market orientation will display higher positive association with profitability (Slater and Narver, 1990). Market orientation is more than a boundary-spanning activity, since it does not just confine to collection and dissemination of market intelligence, but also includes acting on the intelligence in a manner that yields high organizational performance (Kumar et al., 1998). Market orientation is an antecedent to a market-focused strategic flexibility (Javalgi et al., 2005); which in turn brings superior value to the customer (Slater and Narver, 1995) and sustainable competitive advantage to the firm (Slater and Narver, 1994) and continuous superior performance for the business (Kohli and Jawaorski, 1990).

There has always been the presence of controversy surrounding the effectiveness of a market orientation in different environments. Owing to the underlying cost and time involved in the process, a market orientation can make sense only when its extended benefits exceed the cost of the resources deployed. Kohli and Jaworski (1990) therefore suggest that a market orientation may not be beneficial in situations marked with limited competition, relatively stable market preferences, rapid change in technology, and booming economies. In contrast, Slater and Narver (1994) believe that market orientation is beneficial to performance irrespective of the business condition.

Market orientation should enhance an organization's innovativeness, both administrative and technical, because it drives a continuous and a proactive inclination towards meeting customer needs (Han et al., 1998). For employee consequences, Kohli and Jaworski (1990) argue that market orientation enhances organizational commitment expressed in terms of willingness and readiness to sacrifice for the organization, employee team spirit, dedication towards satisfying customer needs, and job satisfaction. Kirca et al. (2005) suggest that market orientation has a strong influence and effect on performance by way of innovativeness, enhanced customer loyalty and superior quality. They also believe that it is the internal processes that have a greater influence than organizational structure variables in implementing market orientation.

However, there are studies that float against the positive association; that rule out the existence of a linear trend between market orientation and organizational performance. They don't refute the finding of market orientation leading to success; but they state that the success is due to the interplay of other phenomena too, like entrepreneurship, innovativeness and organizational learning (Hult and Ketchen, 2001). The market orientation of the firm can significantly influence sales persons' attitude towards the job and also their customer orientation. If the firm is perceived to practice higher degree of market orientation, then its salesforce practices a greater customer orientation, has reduced role stress that is low levels of role ambiguity and role conflict, and expresses greater job satisfaction and organizational commitment (Siguaw et al., 1993).

Internal Marketing

Internal marketing (IM) is a planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and interfunctionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer orientated employees (Rafiq and Ahmed, 2000).

A systematic insight into the concept of IM makes vision, reward and development as its components (Foreman and Money, 1995). There are many concerns which a manager has to look into while pursuing IM. However, there has always been a question regarding the relevance of the concept. IM is also assumed as synonymous to Human Resource practices and also that there is a discretion of replacing IM with sound HR practices. So largely, it is applicable to firms that treat employees as customers (Foreman and Money, 1995). Piercy and Morgan (1991) identified the 'internal marketing gap' erupting as a result of failure on part of the top management and strategic decision makers in communicating and promoting these strategies at employee levels. They

presented a structure for the internal marketing actions by applying the 4P framework just like a company would do for its external marketing planning. Product implies the values, attitudes, and behaviours deemed necessary for the marketing plan to work. The price element of the internal marketing mix signifies the sacrifice that the internal customers have to make in terms of other projects which compete with the stated marketing plan, but more fundamentally the psychological cost of adopting different values, and changing the approaches to doing job. The most tangible aspect of the internal marketing programme is promotion which is directed at informing and to persuading to goal attainment, and also to work on the attitudinal shift required for this goal attainment in the internal market-place. This includes written communications such as plan summaries and reports, as well as making presentations to relevant individuals and groups. The distribution channels element of the mix is concerned with the physical and socio-technical medium that would deliver the product and its communications like meetings, committees, training sessions, seminars, written reports, informal communications, and so on. However the ultimate distribution channel lies in human resource management, and the array of HR activities like training, evaluating and reward systems, and recruitment deployed to implement the marketing strategies, so that the culture of the company becomes the distribution channel for IM strategies.

Companies can vary in their adoption of approaches and intensity of achieving their IM objectives; with larger firms having a bigger disposition to researching their employees' needs and expectations, and also in researching the effectiveness of their IM programs from time to time (Quester and Kelly, 1999). Access to information is necessary in order for them to effectively serve customers. Also discretion to deal with customer crisis, as and when they arise, makes the employees feel empowered; which in turn motivates to pursue customer satisfaction, even more diligently. Thus when the firm's management gathers intelligence on the internal market, and applies them to make positive changes in employees' jobs, working conditions, training etc; this would lead to more satisfied and motivated employees who would be willing to put in more effort for the customer's satisfaction (Amangala and Amangala, 2013).

Ahmed et al.(2003) coined the term IM Mix, analogous to the marketing mix; which comprised of all the elements that can contribute to IM implementation based on the extant literature. This IM mix comprises of Strategic rewards; Internal communications; training and development; organizational structure; senior leadership; physical environment; staffing, selection and succession; interfunctional coordination; incentive systems; empowerment; and operational/ process changes. The researchers propose that this IM mix can enhance organizational competencies (Customer/market orientation, employee satisfaction and specific individual competencies), which in turn can affect business performance.

Internal Marketing and Market Orientation

IM is a very important determinant to the level of market orientation. Also IM significantly contributes to the economic and non-economic success of the business, thereby making it a very important factor in market orientation as well as the overall performance of a business (Keelson, 2014). However, IM lacks its due when it comes to finding a place in the management literature. Its effects are charred by not applying the concept throughout the organization and limiting it to a few departments, functions or groups (Foreman and Money, 1995). In fact, IM must receive the most impetus from strategic management for its primary objective of effective and integrated implementation of functional goals (Rafiq and Ahmed, 1993).

The emphasis and risk aversion of the top management; interdepartmental dynamics (conflict and connectedness) and organizational systems are antecedents to MO (Jaworski and Kohli, 1993; Kirca et al., 2005). The concept of "Internal Customer Orientation" (ICO) has gained momentum and is taken to be a parallel approach to MO, and also ICO subsequently leads to MO. The concept of IM and Organizational Dynamics are proposed as antecedents to ICO (Conduit and Mavondo, 2001).

Company's Culture influences the level of adoption of Internal Market Orientation by a firm which in turn is an antecedent to the adoption and implementation of IM (Gounaris, 2007).

Interfunctional co-ordination, as discussed before is one of the three components of market orientation and it plays a crucial role in making a firm market oriented (Narver and Slater, 1990; Kohli and Jawaorski, 1990). In this regard, the concept of cross-functional cooperation draws similarity with market orientation, where both the concepts emphasize on the importance of cross functional cooperation. However the difference between the concepts is that the latter suggests working on interfunctional coordination by reducing conflicts; and the latter sides with the favorable outcomes of interdepartmental conflict by proposing that the existence of interdepartmental competition along with coordination can nurture an environment of knowledge absorption and sharing that will lead to constructive interactions and exchanges which subsequently will lead to superior customer and financial performance through enhanced market learning (Luo et al., 2006).

IM, as a concept promotes customer sensitivity throughout the entire organization. Rafiq and Ahmed (1993) warn against limiting the scope of IM to motivating employees towards enhanced customer consciousness; it can also be employed to motivate the non-contact employees towards acting in a manner that leads to serving the end user better. Practices like TQM speak of the same underlying intention where all functions are aligned, motivated and integrated to one unified goal of delivering superior end user experiences consistently.

This paper intends to provide the base for establishing and concretizing a position for the concept of IM in the philosophy of MO. One of the important components of MO, Interfunctional Coordination can be achieved appropriately if the firm implants IM endeavors. IM programs can bring about unification in the overall approach towards customer service by way of creating a collaborative aptitude and attitude among all departments, which the component of Interfunctional Coordination intends to. Thereby theoretically speaking, there is enough evidence to suggest IM as an antecedent to Interfunctional Coordination, and consequently to MO. Figure 1 represents these established associations and the proposed one. **Proposition:** IM is an antecedent to Interfunctional Coordination, and consequently to MO.

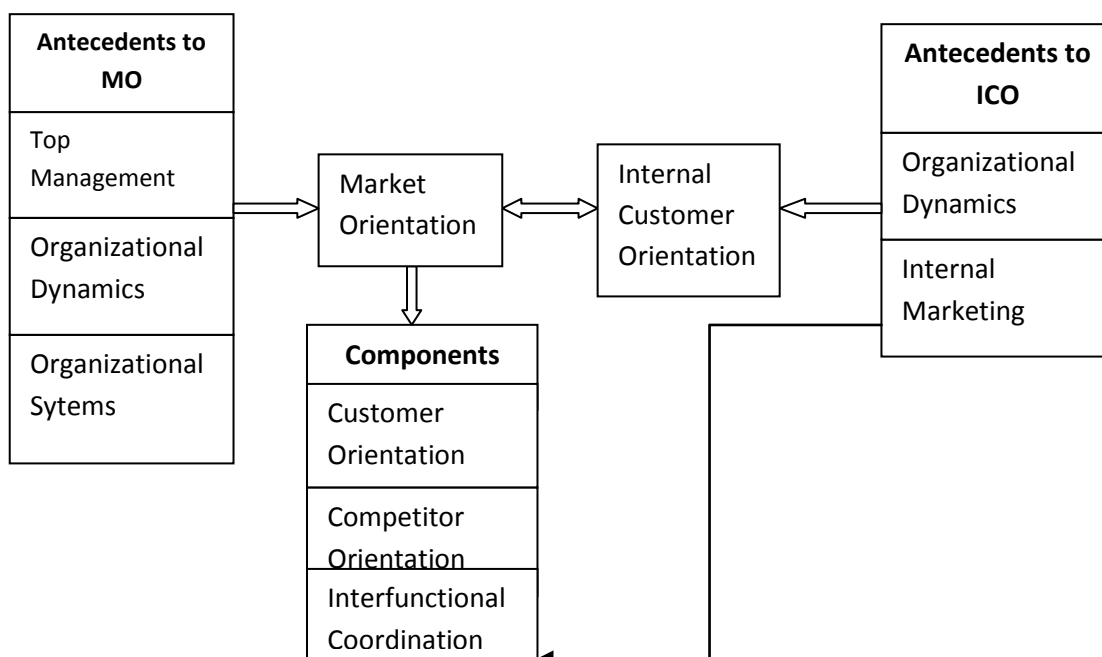


Figure 1: Figure depicting MO and ICO. Also depicting the propositioned association of IM being the antecedent to Interfunctional Coordination.

For the Service Industry

Services Marketing as a field has been growing in leaps and bounds over the past few decades, realizing the criticality of the sector in international economy. The distinctive natures of services testify the criticality of philosophies like MO and practices like IM. The impact of developing a market orientation for service providers should be higher levels of Customer Relationship Management, retention, satisfaction, loyalty, and higher Life Time Value from each customer. Moreover, these implications should be even more visible and meaningful for service providers as opposed to goods marketers due to the intrinsic nature of services themselves. The importance of market orientation in service firms is underscored by the pivotal role that it plays (Javalgi et al., 2005).

An organization always requires the right people with the appropriate inclinations in order to function in a given environmental context and also in the event of adapting to environmental changes. And an organization's success at adapting to these changes is decisive of the decisions involved over time in attracting, selecting and retaining the people with the right inclination (Schneider, 1987). IM can have a significant impact on employees' organizational commitment, their market orientation and overall business profitability (Zaman et al., 2012). IM, with its specific practices like empowerment, participative decision making and communication informality and implementation of Internal Market Orientation, can lead to employee job satisfaction (Gounaris, 2007). Thomas et al. (1991) in their case study of geriatric services had explored that services require extensive internal marketing activities before they offer any new service to the medical community; absence of which will expose the internal deficiencies, both in physical and people resources. Internal Marketing concept provides a medium for analyzing organizational issues such as the impact of organizational power, political behavior and corporate culture (Piercy and Morgan, 1991). Applying Internal Marketing concept could bring about significant improvements in developing inter-functional co-ordination to overcome several crucial issues confronting the organization with respect to strengthening its inter-functional integrity and understanding (Minar et al., 2008).

Rafiq and Ahmed (2000) are the contemporaries who have an important role to play in popularizing IM by looking at the concept from very broad lens that considers IM as a tool to implement strategy and change rather focusing solely on employees as internal customer. The concept revolves around the acknowledgement of the role that employees play in delivering customer satisfaction, thereby making it a tool for achieving strategic objectives, either internal or external, as it can reduce departmental isolation, inter-functional friction and overcome resistance to change (Rafiq and Ahmed, 2000). In the service sector, employees from the lowest rank to the highest, from front stage to backstage are all important links in the Service-Profit chain as designed by Heskett and his colleagues (1994). Proactive and well crafted IM endeavors can polish and reinforce these links to deliver superior customer service consistently (Joseph, 1996). The concept of service excellence has a subjective nature; despite of which excellence can be achieved through superior service born out of an unwavering commitment of the employees to serve its external customers better than the competition. Thus IM has an important role to play in service excellence (Farias, 2010). Successful implementation of IM strategies is the sine qua non for the execution of polished and extended philosophies like Relationship Marketing which fetches external customer loyalty and value (Barnes et al., 2004). Effective implementation of internal marketing can have a positive impact on personnel attitudes and behavior. Investments made towards the development of human resources can demonstrate a caring attitude towards the staff that can lead to employee satisfaction. Successful implementation and execution of IM strategies can instill a very positive team spirit and a sense of camaraderie (Doukakis, 2003).

Directions for Future Research:

The paper, by describing the extant literature in the areas of MO and IM, had propositioned the role of IM as an antecedent to Interfunctional Coordination, and consequently to MO. However, this proposition has to be empirically tested to validate the association. Also the review of the extant literature in the light of industry practices opens up some key questions, like the ones mentioned below, which academia and industry needs to explore through further research.

- Are firms giving strategic importance to the IM programs conducted or they are treated as yet another marketing activity?
- Are all the departments brought under the ambit of IM activities or is it confined to marketing department and/or few others?
- Are the IM activities being diligently pursued by the back-end operations department as much as they are by the front-end departments?
- In service firms, are the IM activities designing and implementation task a prerogative and responsibility of the marketing department or are they an outcome of synergetic association of the Marketing and the HR teams?

Conclusion:

The advantages of IM are clear and known by now to academics and industry alike. But this knowhow doesn't translate into practice all the time as it should ideally. However, the establishment of a concrete association between IM as an antecedent to MO, will give a facelift to the former concept in terms of acceptability, applicability and relativity. This will ultimately make service firms to immerse in customer centrisism, an inevitable perspective today.

References:

Ahmed, P. K., Rafiq, M., & Saad, N. M. (2003). Internal marketing and the mediating role of organisational competencies. *European Journal of Marketing*, 37(9), 1221-1241.

Amangala, T., & Amangala, E. (2013). Effects of Internal Marketing and Its Components on Organisational Level Customer Orientation: An Empirical Analysis. *European Journal of Business and Management*, 5(8), 64-73.

Barnes, B. R., Fox, M. T., & Morris, D. S. (2004). Exploring the linkage between internal marketing, relationship marketing and service quality: a case study of a consulting organization. *Total Quality Management & Business Excellence*, 15(5-6), 593-601.

Cheng, C. C., & Krumwiede, D. (2012). The role of service innovation in the market orientation—new service performance linkage. *Technovation*, 32(7), 487-497.

Conduit, J., & Mavondo, F. T. (2001). How critical is internal customer orientation to market orientation?. *Journal of business research*, 51(1), 11-24.

Deshpande', R. and Farley, J.U. (1998) 'Measuring market orientation: generalization and synthesis', *Journal of Market-Focused Management* 2(3): 213–232.

Deshpande, R., & Webster Jr, F. E. (1989). Organizational culture and marketing: defining the research agenda. *The Journal of Marketing*, 3-15.

de Farias, S. A. (2010). Internal Marketing (IM): a literature review and research propositions for service excellence. *Brazilian Business Review*, 7(2), 99-115.

Esteban, Á., Millán, Á., Molina, A., & Martín-Consuegra, D. (2002). Market orientation in service: a review and analysis. *European Journal of Marketing*, 36(9/10), 1003-1021.

Foreman, S. K., & Money, A. H. (1995). Internal marketing: concepts, measurement and application. *Journal of Marketing Management*, 11(8), 755-768.

Gounaris, S. (2008). Antecedents of internal marketing practice: some preliminary empirical evidence. *International Journal of Service Industry Management*, 19(3), 400-434.

Han, J. K., Kim, N., & Srivastava, R. K. (1998). Market orientation and organizational performance: is innovation a missing link?. *The Journal of marketing*, 30-45.

Hult, G. T. M., & Ketchen, D. J. (2001). Does market orientation matter?: A test of the relationship between positional advantage and performance. *Strategic management journal*, 22(9), 899-906.

Javalgi, R. R. G., Whipple, T. W., Ghosh, A. K., & Young, R. B. (2005). Market orientation, strategic flexibility, and performance: implications for services providers. *Journal of Services Marketing*, 19(4), 212-221.

Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: antecedents and consequences. *The Journal of marketing*, 53-70.

Joseph, W. B. (1996). Internal marketing builds service quality. *Journal of Health Care Marketing*, 16(1), 54-59.

Keelson, S. A. (2014). The Moderating Role of Organizational Capabilities and Internal Marketing in Market Orientation and Business Success. *Review of Business & Finance Studies*, 5(1), 1-17.

Kirca, A. H., Jayachandran, S., & Bearden, W. O. (2005). Market orientation: a meta-analytic review and assessment of its antecedents and impact on performance. *Journal of marketing*, 69(2), 24-41.

Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: the construct, research propositions, and managerial implications. *The Journal of Marketing*, 1-18.

Kumar, K., Subramanian, R., & Yauger, C. (1998). Examining the market orientation-performance relationship: a context-specific study. *Journal of management*, 24(2), 201-233.

Luo, X., Slotegraaf, R. J., & Pan, X. (2006). Cross-functional "coopetition": The simultaneous role of cooperation and competition within firms. *Journal of Marketing*, 70(2), 67-80.

Minar, T. A., Sarwari, S., & Salam, M. (2008). Internal Marketing: A Strategic Tool to Achieve Inter-functional Co-ordination in the Context of a Manufacturer of Industrial Equipment.

Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability. *The Journal of Marketing*, 20-35.

Papasolomou-Doukakis, I. (2003). Internal marketing in the UK retail banking sector: Rhetoric or reality. *Journal of Marketing Management*, 19(1-2), 197-224.

Piercy, N., & Morgan, N. (1991). Internal marketing—The missing half of the marketing programme. *Long Range Planning*, 24(2), 82-93.

Quester, P. G., & Kelly, A. (1999). Internal marketing practices in the Australian financial sector: an exploratory study. *Journal of Applied Management Studies*, 8(2), 217-229.

Rafiq, M., & Ahmed, P. K. (1993). The scope of internal marketing: defining the boundary between marketing and human resource management. *Journal of Marketing Management*, 9(3), 219-232.

Rafiq, M., & Ahmed, P. K. (2000). Advances in the internal marketing concept: definition, synthesis and extension. *Journal of services marketing*, 14(6), 449-462.

Schneider, B. (1987). The people make the place. *Personnel psychology*, 40(3), 437-453.

Siguaw, J. A., Brown, G., & Widing, R. E. (1994). The influence of the market orientation of the firm on sales force behavior and attitudes. *Journal of marketing research*, 106-116.

Slater, S. F., & Narver, J. C. (1994). Market orientation, customer value, and superior performance. *Business horizons*, 37(2), 22-28.

Slater, S. F., & Narver, J. C. (1995). Market orientation and the learning organization. *The Journal of Marketing*, 63-74.

Thomas, R. K., Farmer, E., & Wallace, B. (1991). The importance of internal marketing: the case of geriatric services. *Journal of health care marketing*, 11(1), 55-58.

Voss, G. B., & Voss, Z. G. (2000). Strategic orientation and firm performance in an artistic environment. *Journal of marketing*, 64(1), 67-83.

Webster Jr, F. E. (1992). The changing role of marketing in the corporation. *The Journal of Marketing*, 1-17.

Zaman, K., Javaid, N., Arshad, A., & Bibi, S. (2012). Impact of internal marketing on market orientation and business performance. *International Journal of Business and Social Science*, 3(12), 76-87.

Zhou, K. Z., Brown, J. R., Dev, C. S., & Agarwal, S. (2007). The effects of customer and competitor orientations on performance in global markets: a contingency analysis. *Journal of International Business Studies*, 38(2), 303-319.