1. INTRODUCTION
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“The single most important thing to remember about any enterprise is that there are no results inside its walls. The result of a business is a satisfied customer”- Peter Drucker (Cook & Hunsaker, 2001)

“Profit in a business comes from repeat customers, customers that boast about your product and service, and that bring friends with them”- W Edward Deming. (Kale, 2004)

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1.1 Background

The product and service experience is one of the key drivers of customer satisfaction and delight. The human resource of the organization is a major factor influencing the product and service quality. There are two conjectures. They can be stated as: a) delighted employees lead to better service quality, b) better service quality leads to enhanced customer satisfaction and delight.

Studies have reported that service quality is related to the extent of ‘employee engagement’, ‘employee’s customer orientation’ and ‘employee’s organisational citizenship’ (Brooks, Lings, & Botschen, 1999). Service quality is also governed by the degree to which the employee is blended with the culture of the organization and is aligned with its vision and mission. (Barnes, Fox, & Morris, 2004) (Lings & Brooks, 1998) (Peck, 1994)
The activity of communicating with the employee, blending employee with culture of the organization and aligning him with its vision and mission, can be carried out through internal marketing. Internal marketing is defined as, “a planned effort using a marketing like approach directed at motivating employees, for implementing and integrating organizational strategies towards costumer orientation” (Ahmed & Rafiq, 2003)

This study examins impact of internal marketing activites on the employee engagement and consequent customer delight.

The concept of internal marketing came into being in 1980s. Researchers and scholars across the globe have explored multiple dimensions of internal marketing. All departments participate in the internal marketing activities. However, human resource department is the hub for internal marketing activities within an organisation.

Internal marketing is application of marketing concepts internally in the organization. It treats employees as internal customers (Berry, 1981). Each employee plays a duel role of a supplier as well as a customer. This dual role is pertinent individually, departmentally and hierarchically (Lings & Brooks, 1998). Internal marketing may lead to a sense of belonging or engagement that the employee feels with the organization (Mosley, 2007). In a survey done across 2997 private sector organizations from 42 countries in Europe, America & Oceania, it was reported that, engaged employee may render better service quality and performance. (Podnar & Golob, 2010).

It is said that ‘practice precedes theory’ (Spirkin, 1983). Earlier too, the transactions between employees within the organization may have influenced the behavior pattern, the sense of belonging, culture and climate of the organization. This may have been one of the factors for differential successes of various organizations. Internal marketing advocates a conscious strategy aimed towards desired objective/s. 

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An organization undergoes several changes in its life cycle like a) change in vision mission and goals, b) change in policies and procedures, c) starting or shutting down of products or services, d) expansions, e) start a new project, f) change in technology, g) setting up of a new function, h) change of authority and responsibility etc. Internal marketing builds awareness and sense of urgency in adapting to the change. It thus, motivates, aligns and harmonizes the employees towards the change. (Finney & Scherrebeck-Hansen, 2010). It may be inferred that internal marketing may improve employee engagement. This in turn may become the key to success in managing change.

1.2 Significance of the research

It is said that retaining a customer is 5 to 15 times less expensive as compared to gaining new customer. (Chartered Institute of Marketing, 2010) If the perceived service quality exceeds customers’ expectations, it is more likely that such delighted customer comes back to the organization. When the organization consistently exceeds customers’ expectation, a customer turns into an advocate, a brand ambassador and a partner in progress of the organization (Kotler, 2000). One can infer that service quality has positive impact on customer delight. As reported by scholars, employee engagement has positive impact on service quality (Podnar & Golob, 2010).

Like the external customers, it is said that retaining the existing internal customer i.e. the employee is less expensive than hiring new one. 31 case studies conducted between 1992 and 2007, across industry and across hierarchy. These case studies indicated that the cost of turnover was roughly around 20% of the annual salary of the employee being replaced (Heather Boushey, 2012). Studies have also reported that employee engagement is linked to retention of employees. Internal marketing may lead to employee engagement. (Chow & Liu, 2007) (Sarangi, 2012).
One may say that employee engagement is a common factor between customer delight and retention of employee. The above mentioned relationship is diagrammatically represented in Figure 1.1-Construct and significance.

**Brief description of elements in Figure 1.1-Construct and significance.**

*Work content:* In the figure 1.1, ‘work content’ is a loose assemblage of job content/description, job context, enablers for doing the job well, stimulating challenges in the jobs, fitment of job content to the persons’ skills, key result areas, well defined career path, authority and accountability of the person etc. (ref: Figure 1.1-Construct and significance)

*Compensation and benefits:* Compensation and benefit collectively stands for the remuneration in cash, kind and recognition, clearly defined career growth path. This may include the basic salary or the guaranteed pay. Variable pay, based on fixed parameters like percentage achievement of targets for sales force; productivity benchmarks for production staff, may also be a part of
compensation. The compensation package may include stock options or incentives based on tenure. Corporate include other benefits like insurance, provident fund, pension, paid time-off, car, driver, various allowances, domestic or international tours, holiday home facilities etc. as a part of benefit package. (ref: Figure 1-1-Construct and significance)

**Work environment:** It encompasses the physical work environment as well as other soft aspects like organization’s culture, climate and citizenship. Physical environment includes the location and layout of the work place, safety and facilities provided within the work premises. Organizational culture is built by several factors like relationship, leadership style, training and development effort. Interpersonal interaction, co-operation and respect, laterally as well as vertically, also influence the culture. The climate of the organization depends on the external dynamics. Culture and climate of the organization contribute to the feeling of citizenship amongst the employees. (ref: Figure 1-1-Construct and significance)

**Employer and internal brand:** Employer brand essentially is the reputation of an organization as an employer. These days there is a listing of ‘great places to work’ through surveys conducted by research organizations. Employee value proposition plays an important role in establishing an employer brand. Employer brand has to be supported through delivery of the value proposition to the employee. This ‘employer brand experience’ gets reinforced through internal branding efforts. There has to be a concurrence in employer and internal brand. (ref: Figure 1-1-Construct and significance)

**Organizational and external changes:** Various factors like certain events, people, systems, structures and conditions inside the organization change from time to time. Similarly, the external environment comprising of market, competition, economy, technology, political and social conditions also undergo changes that impact the organization directly or indirectly. An
organization’s adaptability to these changes determines its sustenance and prosperity. (ref: Figure 1-1-Construct and significance)

**Customer centricity**: As defined by Craig Bailey & Kurt Jensen “Customer-centricity involves aligning organizational resources for effectively responding to the ever-changing needs of customers, while building mutually profitable relationships.” The alignment of organizational resources needs malleability within the organization. Effective response to changing needs of customers, demands adaptability and sustained effort of the employees. (ref: Figure 1-1-Construct and significance)

As depicted in Figure 1-1 the three factors; viz., work content, compensation & benefits and work environment impact the employee delight independently. An internal marketing effort is likely to enhance its effect. Internal marketing may prove beneficial to induce factors like employer branding, adaptability to change and customer centricity. This may lead to further enhancing employee delight.

**Delighted employees**: When an organization exceeds the expectations of an employee consistently, it is likely that the employee feels delighted. Employee expectations relate to his basic needs, his comforts, sense of belonging and esteem. These are delivered through the work content, compensation and work environment. Delight is also dependent on the value delivered to the organization and received from the organization by the employee. A delighted employee may have a better engagement level with the organization. (ref: Figure 1-1-Construct and significance)

**Employee Engagement**: “Employee engagement is an emergent property of the relationship between an organization and its employees. An "engaged employee" is one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organization's reputation and
interests.” (Wikipedia) This may impact his ‘staying’ decision with the organization in a positive way. (ref: Figure 1-1-Construct and significance)

**Employee retention:** Employee retention refers to the ability of an organization to retain its employees. The goal of employers is to have least employee turnover as possible. This would reduce the loss of cost of training, productive time, organizational knowledge and separation processing of outgoing employee. Replacing an employee means additional costs like recruiter’s salary, new hire training cost and cost of unproductive initial period. There are intangible costs of attrition like reduced morale of co-workers. (ref: Figure 1-1-Construct and significance)

**Product and service quality:** There are two dimensions of product and service quality a) actual quality and b) perceived quality. The actual quality depends upon the technical aspects of the product or service, its functionality and utility, its ergonomics and economics etc. Several intangible factors may contribute to the perceived quality viz. a) the buying experience comprising of the ease of purchase and the treatment given during the purchase, b) perception of value for money, c) brand. (ref: Figure 1-1-Construct and significance)

Employee engagement as well as employee retention, with customer centricity may have a positive impact on the product and service quality.

**Customer delight:** Delight is a positive emotional reaction of a customer. A delivery that exceeds expectations repeatedly and consistently brings in upbeat surprise for the customer. An organization brings in this element, through its products, services and buying experience. A delighted customer is more likely to become a loyal customer. Over a period he may become an advocate of the organization and thus its partner in progress. (ref: Figure 1-1-Construct and significance)
The diagram also depicts that a delighted customer may further encourage employee engagement and retention.

Internal marketing may play the role of a catalyst that speeds up the intensity of the cycle.

1.3 Research focus

The research has studied the impact of internal marketing on the employee engagement. The study has considered employees from several departments that interface with the customers. The objective is to study the consequent impact of the above on the customer satisfaction and delight.

Experts and scholars have explored diverse facets of internal marketing. These facets include related concepts like external marketing, relationship marketing, integrated marketing, market/customer orientation, internal branding, human resource management (HRM), Strategic HRM, leadership, organizational culture, organizational citizenship, productivity, employee engagement, change management, etc. Studies have been conducted in profit as well as nonprofit organizations in service as well as manufacturing industries. The studies have reported a positive impact of internal marketing on the factors mentioned earlier in this paragraph. Several quantitative surveys have been conducted at one point in time to record these occurrences. Researcher did come across studies that were qualitative in nature; however, they were fewer in number. The researcher did not come across studies that were a) conducted over a period, b) within a single organization and c) that explore the cause and effect relation between internal marketing and customer delight.

It was therefore decided that the research should focus on singular organization. It was felt that focused activities and closer observations may lead to a better understanding of the cause and effect relationship.

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1.4 Choice of Industry & Organization for the study

Apropos the research focus, it was felt that an organization which satisfied following criteria, should be chosen for case study:

1. Employees from multiple departments should have active interface with the customers before delivery of the product and services.
2. The interaction between employees and customers should be in-depth and for relatively longer duration.
3. The customers should be knowledgeable.
4. The management of the organization should be willing to provide free access to researcher with respect to employees and customers, over extended period of time.
5. And if possible, researcher is familiar with the industry.

It was felt that an organization from industries like FMCG, consumer durables, banking and finance would not serve the purpose as the interface of employees other than frontliners is very less in these sectors.

The top three conditions, as mentioned above, exist in several types of organizations belonging to Business to Business and Service sector. One such type of organization where the last two conditions would also get satisfied was industrial contracting in the construction sector.

1.5 Background of the organization selected for case study

The organization that was chosen for case study is involved in giving integrated solutions in construction. It was incepted in 1993 as a Private Limited company in Pune. This is a family owned company. The company has multiple verticals that independently deal with infrastructure construction, industrial contracts and developing real estate.
The employee strength of the industrial construction division during the study was around 700. About 65% are located on the construction sites, where they are exposed to customer and consultant interactions.

Planned interventions were executed with the help of internal marketing within the organization selected for case study. It thus required intense interaction with large number of employees for a considerable period. This amounts to experimental design. However, the ‘experiment’ did not propose to control the behavioral aspect. The intent was to study the contemporary events and to understand the ‘how’ and ‘why’. These are the conditions where case study method of research proves effective (Yin, 2013).

Case Study was conducted in five phases:

a) Exploratory study was conducted to determine the aspects to be measured to assess customer satisfaction and employee engagement
b) Pilot study was conducted to validate the questionnaires developed
c) Survey was conducted to measure customer satisfaction- delight and employee engagement as a benchmark level
d) Deliberate internal marketing interventions were undertaken keeping in mind the key aspects
e) Survey was conducted again to measure customer satisfaction-delight and employee engagement. The results were compared with the benchmark level

Before- after comparison was intended to assess variation in employee engagement and customer satisfaction-delight. Internal marketing was used to implement these deliberate interventions in one single organization. It was expected that these will lead to finding of the linkages between internal marketing, employee engagement and customer delight.

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This action-case study research did not intend to develop new tool of measurement. It used established tools to measure the effect of the interventions on employees and customers.

It is often contested if case study method is rigorous enough. Another criticism also is that case studies may not follow systematic procedures. To avoid this, detailed plans were made to measure the before-after observations through triangulation. The interventions were elaborately planned and executed accordingly. A substantial period of 16 months was given for these multiple interventions that were spaced at consistent intervals.

Scholars have opined that the findings of a case study cannot be generalized. However, it may be stated that the findings of a case study can provide hints for subsequent case studies in some other industry and organization. A pattern can emerge out of such several case studies which may then lead to some generalization.

Another limitation while carrying out the study, particularly in this case, is the possibility of very little control over the factors external to the organization. Isolating the impact of the external factors and their consequences from the results may prove difficult.

It is said that being qualitative study, the results of case study research may be subjective. To minimize this bias, quantitative technique was used for customers’ and employees’ survey. Census was chosen for the sample size. In-depth interviews were conducted as a part of triangulation; they were used to validate the findings of the quantitative survey.

The main hypothesis of the study are not rejected, we may therefore, tentatively accept the following:

a. Organizations may look at internal marketing as a critical component in designing and implementing strategies for various situations.
b. Further study may get encouraged for other industries to reaffirm the findings. This would offer a lot of breadth to the conjectures.

c. Similarly, depth of the subject can be fathomed by conducted researches say a) to isolate impact of non-controllable factors, b) include other partners in progress like the suppliers, bankers, consultants in the fold etc.

d. Trainings on internal marketing may be imparted to practicing HR managers as well as managers of other departments who handle teams.

e. Internal marketing could become a part of the curriculum of management courses.

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