Internal Marketing: Making Employees Your Best Customers

For most services, the server cannot be separated from the service. The accountant is a significant part of the accounting service, the physician a significant part of the medical service. In reality, customers "buy" the people when they buy a service. Service, after all, is a performance and the performance is often labor-intensive.

Thus, for labor-intensive service firms especially, the quality of employees influences the quality of service which, in turn, influences the effectiveness of services marketing. To practice services marketing successfully, firms must practice internal marketing successfully. They must market to their own employees and to employee prospects, competing as imaginatively and aggressively for internal customers as for external customers.

Internal marketing is attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their
needs. Internal marketing is the philosophy of treating employees as customers indeed, "wooing" employees as First Chicago's Linda Cooper puts it and it is the strategy of shaping job-products to fit human needs.

The ultimate goal of internal marketing is to encourage effective marketing behavior; the ultimate goal is to build an organization of marketers willing and able to create true customers for the firm. The ultimate strategy of internal marketing is to create true customers of employees. As Hyatt Hotels' Susan Wall puts it: "A knowledgeable, satisfied employee is our best marketing agent. . . . We treat our employees the way we want them to treat our guests."

Thinking like a marketer cannot be restricted to external marketing. By satisfying the needs of its internal customers, a firm enhances its ability to satisfy the needs of its external customers. In this report, we present seven essentials in the practice of internal marketing

**COMPETE FOR TALENT**

Hiring the best possible people to perform the service is a key factor in services marketing. Yet many service companies act as though this were not the case. Many companies have ill-defined or woefully low standards for the personnel they hire. They involve few employees in the recruiting, interviewing, and selection process, sometimes delegating these tasks entirely to the personnel department. They tol-
erate incredibly high employee turnover rates, assuming this is a fact of life they cannot change.

One of the principal causes of poor service quality is hiring the wrong people to perform the service. In a large, empirical study we conducted with customer-contact employees from five major service firms, we found that employees who felt their units were not meeting service standards also felt their company was not hiring people qualified to do their jobs.

Why do so many executives permit the wrong people to carry the company flag in front of customers? Part of the answer is the failure to think and act like a marketer when it comes to human resource issues. Marketing is used by most firms to compete for sales market share but not talent market share. Read the look-alike employment ads in the fine print in a local newspaper. Is this an effective way to compete for talent? The same firms that compete intensely and imaginatively for customers compete meekly and mundanely for employees.

**A Challenging Market.** If ever there was a time for service firms to compete more effectively for talent, that time is now. The service sector is experiencing a labor-force shortfall that will intensify in the years immediately ahead. An expansion of service-sector jobs and an elevation of the skills required for these jobs are occurring just as the
labor pool of young adults to assume these positions is shrinking. Moreover, many of the young adults who are available do not possess the required educational background and skills.

Virtually all of these high-growth service jobs require independent thinking ability and many require technical skills training. With the baby boomers (people born between 1946 and 1964) having only about half as many children as their parents did, with one million American youth dropping out of school each year, and with only one-fourth of a group of 21-to 24-year-old whites able to decipher a bus schedule in a Department of Education study (the ratio was even worse for Hispanics and blacks), there are simply not enough qualified employment candidates to satisfy the service sector's appetite in the next 10 years and beyond. The service firms that turn their marketing prowess to the labor market will fare best in the talent wars that lie ahead.

**Thinking Like a Marketer.** Here is what we recommend: Aim high, use multiple methods, cast a wide net, and segment the market. It is tempting, given the intense competition for capable employees, to lower hiring standards. Smart internal marketers ignore this temptation and instead work harder than competitors to find the right people. Smart internal marketers aim high. They develop ideal candidate profiles for each type of position based on customer service expectations, and they use these profiles in recruiting candidates. They
interview multiple candidates for one position, involve multiple employees in the interviewing process, and interview the more promising candidates on multiple occasions. They are tenacious in their pursuit of talent. Cadillac dealer Carl Sewell writes in his book, *Customers for Life*: "If you haven't talked to twenty-five people, you haven't looked hard enough." Jim Daniel, president of the high-performing Friendly Bank in Oklahoma City, sounds the same theme: A continual challenge is finding people . . . who have the qualities necessary to provide the top-notch customer service that we require. Creative interviewing techniques must be utilized to obtain a clear picture of how the applicant truly feels about the public. Most applicants have had some degree of customer contact in previous employment. However, very few really *thrive* on customer contact. We look until we find that person."

Using a variety of methods to reach prospective employees is also important. Firms seeking new employees need not use only classified advertising in newspapers, need not use only newspapers when advertising, and need not use only advertising when recruiting. Company-sponsored career fairs, tuition assistance for students who work while attending college, and employee-recruit-an-employee programs with finder fees or other incentives are just a few of the possibilities. In 1990 JCPenney employed more than 900 college students as summer interns with the objective of attracting at least 30 percent of them into full-time employment upon graduation.
Creative internal marketers also capitalize on the opportunities that demographic diversity brings, recruiting more women, minorities, seniors, disabled people, and immigrants. Pizza Hut is hiring approximately 1,500 disabled people each year, tapping into a pool of millions of disabled Americans who indicate in surveys that they wish to join the labor force." Wal-Mart employs more than 10,000 people aged 65 or older as this book goes to press. Von Johnston, Director of Wal-Mart's People Division, states: "If you are not including the senior citizen in your human resources planning, you are missing the boat."

Casting a wide net for new employees demands increased attention to internal market segmentation. The greater the heterogeneity of the labor pool, the greater the need to accommodate it with job-products tailored to different market segments. Research in the fast-food industry identifies several employee market segments, including people who work mostly for the money, people whose priority is a consistent work schedule, and people who want to advance and make a career in the industry. Fast-food operators offering one employment package for all are clearly missing the mark.

The growth in the 1980s of such human resource concepts as flexible benefits and flexible work hours ("flexitime") are indicative of the growing heterogeneity of the labor force and the need to be responsive. Rigid thinking is passe. Flexibility is in. Connecticut's
Union Trust Bank has been able to hire more mothers of young children as tellers by accommodating their desire not to work when their children are home from school. Dayton-Hudson, the Minneapolis-based retailer, is training thousands of home care providers so its employees can hire qualified babysitters." Marriott Corporation has established a Work and Family Life Department within its human resources function to deal with such issues. Marriott's Vice President of Personnel Services, Kathleen Alexander, says: "If I have 20 housekeepers who quit the same week in June that school lets out to take care of their children, then I have a problem. It doesn't matter if I have a lot of customers if I can't clean the rooms."

Original Research II, a Chicago telephone research company, successfully employs full-time college students to work part-time as interviewers. One factor in its success is allowing the students to redesign their work schedules every two weeks. The company pays bonuses to meet staffing requirements at unpopular times like Saturday." Toys R Us captures employees' locational preferences in its on-line human resources information system, the most sophisticated system of this type we have seen. When the company decided to open stores in Germany, its human resources department immediately provided a list of 42 employees who wanted to work in Germany.
OFFER A VISION

The attraction, development, motivation, and retention of quality employees requires a clear vision worth pursuing. A paycheck may keep a person on the job physically, but it alone will not keep a person on the job emotionally. People delivering service need to know how their work fits in the broader scheme of business operations, how their work contributes to the firm. They need to understand and believe in the goal to which they contribute; they need to have a cause because serving others is just too demanding and frustrating to be done well each day without one.

Great internal marketing companies stand for something worthwhile and they communicate this vision to employees with passion. Passion is a strange word to use in a business book, but it is the word that best captures the fervent commitment to the goal-oriented values that distinguish the best internal marketing companies from others. Chick-fil-A, the highly successful Atlanta-based fast-food chain, pursues its vision of product and service integrity with a zeal matched by few competitors. The company is so committed to hands-on, day-to-day management of its more than 400 stores that it insists store operators (independent businesspeople who enter into a partnership with the parent company) run only one store. To attract first-rate operators who could opt for the competition and the possibility of multiple stores, Chick-fil-A splits store profits with the operators on a 50-50 basis.
ServiceMaster's vision is to add dignity to work. Managing janitorial, laundry, and other unglamorous support services for hospitals, schools, and companies, ServiceMaster lives by the principle of "before asking someone to do something you have to help them be something." The Downers Grove, Illinois, company invests in a variety of basic skills training and educational programs to help employees improve their self-image and future prospects. ServiceMaster also emphasizes the contribution each server makes to the end customer. For example, a physician might be asked to address hospital janitorial staff on how a sanitary and neat room improves patients' recovery chances. Chairman and CEO C. William Pollard states: "We have housekeepers relating to their task and saying 'Hey, I've got something to do with that person being well.' . . . [Our people] work better when they understand the value of their contribution."

Visions should be simple, communicated at every opportunity, and communicated personally by top management. Seattle restaurant owner Timothy Firnstahl illustrates the virtues of a simple vision:

“I spent considerable time writing Ten Tenets of Excellence for our organization. We included them in our training manuals and posted them in the restaurants and the offices. One day about a year later, someone asked me what the sixth tenet was,
and I couldn't tell her. It came to me that if I couldn't remember the Ten Tenets of Excellence, surely no one else could either. That meant the company had no strategy known to its employees.”

Stew Leonard's vision is conveyed by the word STEW where S stands for satisfy, T for teamwork, E for excellence, and W for wow. At Deluxe Corporation (formerly Deluxe Check Printers) the vision is error-free printing of bank checks and next-day order shipment. At Southwest Airlines the vision is productivity, fun, and working together as a family.

Smart internal marketers use every opportunity to convey the vision. Delta Airlines considers employees a critical second audience for its advertising and runs campaigns with the dual objectives of reaching the flying public and communicating its vision to employees. Delta frequently uses its own employees in its advertising. Before opening its new headquarters building in Dallas, Southwest Airlines put 11,000 employee photographs on the walls. Russell Vernon, the owner of West Point Market, uses an Associates Handbook to help define what the company believes in for all employees.

Senior management's personal involvement in communicating the vision to employees is a must. Bernie Marcus and Arthur Blank, the CEO and president of the home improvement chain, Home Depot,
are personally involved in the initial training of store managers. With a plan to grow from 60,000 employees in 1995 to 90,000 in 2001, Marcus and Blank believe their personal involvement is essential to preserving the company's culture.

When British Airways presented more than 400 two-day seminars between 1983 and 1985 to focus employee attention on service improvement, new CEO Sir Colin Marshall was personally involved. "Sir Colin personally opened or closed 70 percent of those classes around the world," says Anthony Lane, managing director of Total Manager International, a human resources development firm in the United Kingdom. "That is extraordinary commitment. But it sends a message that isn't soon forgotten."20

PREPARE PEOPLE TO PERFORM

Preparing people to perform and market the service enhances every subgoal of internal marketing: attracting, developing, motivating, and retaining superior employees. Unfortunately, servers are often ill-prepared for the service role. They receive training, but it is too little, or too late, or not the kind of training they need. Or they may receive adequate technical skills training, but they do not receive enough knowledge; they learn how but not why.

A common mistake that companies make is to view employee skills
and knowledge development as events (a one-week course, an annual seminar) rather than an ongoing process. The inclination to put employees through a specific training program and then to consider them "trained" is both strong and wrong. Servers need to learn continuously as learning is a confidence builder, a motivating force, and a source of self-esteem. What managers perceive as unmotivated employee behavior is often unconfident employee behavior. Employees are unlikely to be motivated to perform services they do not feel competent and confident to perform. Sometimes managers see employees as unwilling to perform when in fact they are unable to perform.

*Middle Managers as Teachers.* One of the most positive actions firms can take to improve employee learning is to promote better teachers into middle management. Virtually all employees in large and medium-size organizations report to middle managers to whom they are exposed daily. The opportunity for teaching is great and often wasted because the wrong people are in charge. They may have been promoted to management positions because they were successful in nonmanagement positions; their service philosophy, their commitment to helping others improve their performance, and their communication skills may not have been considered.

Companies need to help existing middle managers become better teachers in addition to improving the selection criteria for new managers. Indeed, managers should take the courses designed for front-
line servers before the front-line servers take them. It is demoralizing for employees to return from training and education experiences enthusiastic about applying new skills or knowledge only to confront an insecure supervisor who feels threatened by something new. It is also wasteful because new learning requires repetition and reinforcement to take hold. Just as learning boosts the confidence of front-line servers, so does it boost the confidence (and openness) of the managers for whom they work. As Berry, Bennett, and Brown write: “Training and education for managers is truly pivotal for the example it sets, for the understanding it builds, and for the leadership and coaching skills it nurtures.”

Health care services consultant Wendy Leebov challenges hospitals to use education to effect mindset changes in middle management. Her list of needed mindset changes, which clearly applies beyond health care, touches the manager-as-teacher issue in every instance:

- From provider orientation to a customer orientation
- From tolerance of status quo to higher standards
- From director to empowerer
- From "employee as replaceable" to "employee as irreplaceable"
- From reactive to proactive
- From tradition and safety to experimentation and risk
- From turf protection to teamwork across lines
- From cynicism to optimism
**Becoming a High-Learning Company.** A company that makes a strategic commitment to the skill and knowledge development of its employees develops a reputation for investing in people and benefits accordingly. Original Research II offers its employees more than 100 different short workshops or reading packages. Many of these offerings are on subjects requested by the employees, such as using a calculator and memo writing. GTE Mobile Communications unconditionally guarantees employees at least 40 hours of formal classroom education and training annually. Here are some guidelines for making the training and education investment:

1. **Be guided by data.** Use market and employee research data in determining what skills and knowledge to teach. Prepare servers to perform the service their customers expect. Identify the skill and knowledge areas in which servers feel most deficient.

2. **Use a mix of learning approaches.** Use multiple learning approaches, such as classroom instruction, role playing, and self-instructional programming; no single approach fits all needs and people. Be bold and creative. Meridian Banking Group has had employees prepare deposit slips with Vaseline smeared on their glasses and count money with three fingers taped together to help them understand the problems that elderly customers with poor eyesight or arthritis might face in the bank.
3. *Use role models.* Invite the most credible executives to be instructors in company courses. Put them in the position to share their expertise and model their values and style. Also invite successful peers to be instructors and session leaders.

4. *Institutionalize learning.* Devote part of regular staff meetings to skill and knowledge development. Distribute selected articles, videos, or other educational materials systematically. Take employees on field trips to visit other companies and then share with each other the best and worst of what they saw.

5. *Evaluate and fine-tune.* Administer multi-stage evaluations of skill and knowledge development efforts. Find out from employees and their managers what on-the-job changes have resulted from participation in a learning program. Evaluate at several different times after the program has ended, for example, after one and three months.

**STRESS TEAM PLAY**

Service work is demanding, frequently frustrating, and sometimes demoralizing. The sheer number of customers to serve, such as on a full airline flight or in a busy bank branch at noon on a Friday, can be psychologically and physically overwhelming. Some customers are insensitive if not downright rude. Control over the service is often
dispersed among different organizational units that function without cohesion or a unified spirit, limiting contact employees' ability to effectively serve their customers.

It is common for service providers to be so stressed by the service role that they become less caring, less sensitive, less eager to please. What customers perceive as impersonal or bureaucratic behavior is often the coping behavior of weary servers who have endured too many hurts in the real world of service delivery. In effect, the experience of serving becomes a negative.

*An Antidote for Burnout.* One important dynamic in sustaining servers' motivation to serve is the presence of service "teammates." An interactive community of coworkers who help each other, commiserate, and achieve together is a powerful antidote to service burnout. Team involvement can be rejuvenating, inspirational, and fun. It also raises the stakes for individual performance. Letting down the team may be worse than letting down the boss. Few motivators are more potent than the respect of teammates.

One way teamwork bolsters the will to serve is by enhancing the ability to serve. For servers to come through for their customers, others within the organization must come through for them. Teamwork enhances internal service. Our research shows convincingly that teamwork is central to delivering excellent service. Contact em-
ployees in five major service firms who indicate that their organizational units are not meeting service standards disagree with the following statements:

- I feel that I am part of a team in my unit.
- Everyone in my unit contributes to a team effort in serving customers.
- I feel a sense of responsibility to help my fellow employees do their jobs well.
- My fellow employees and I cooperate more than we compete.
- I feel that I am an important member of this company.

The more people and functions involved in the chain of services leading to the end service, the greater the need for service teams. As University of Southern California's Edward Lawler says: "You have to ask, 'How complex is the work?' The more complex, the more suited it is for teams."

**Working at Teamwork.** Service team building cannot be left to chance. Internal marketers who think service teams make sense must be prepared to work at teamwork. Sometimes the decisive factor in improved teamwork is an attitude shift of a key player. Bob Legler, President of First Marketing Corporation, a Florida-based producer of customer newsletters, offers the following example:

“For several years, we experienced a continuing strain between
our editorial and printing divisions. The constant complaints I heard were ‘They never give us enough time’ from the printing side and, ‘Why can't they ever do it right’ from the editorial folks.

The result was an invisible wall between the two areas and a greater concern for protecting turf than seeing to the client's needs.

Three years ago our printing division director took a new approach. His strategy was to convince his staff (and himself) that our editorial personnel were really his customers and the task of his division was to do whatever it takes to keep the customer happy.

It worked. He has created a culture within the printing division that allows us to meet every delivery no matter how critical the deadline. Morale is at an all time high. And we have a spirit of cooperation far higher than we could have ever imagined.”

Attitudinal shifts are usually just part of the answer, however. The richest form of service teamwork requires long-lasting team membership, regular team contact, team leadership, shared goals, and team performance measurement and rewards (in addition to individual
employee measurement and rewards). Unfortunately, functional organization structures impede the development of these teamwork characteristics. If the spirit of editorial and printing division teamwork that Bob Legler describes breaks down, he should consider abolishing the two divisions and replacing them with market-based teams. Legler could then assign teams of editorial and printing staff to serve specific accounts. The existing inter-unit structure (printing serving editorial) would become an intra-unit structure (a team of people with different skills serving a common end customer).

Aid Association for Lutherans (AAL) totally reorganized its $50 billion insurance business from a functional structure to a market-team structure in 1987. Before reorganizing, AAL field agents contacted various internal departments for support services, a cumbersome and impersonal process. Field agents now contact an assigned home office team to receive the internal service they need. These all-purpose teams perform more than 150 internal services previously spread throughout the organization. Management gives the restructuring credit for reducing case-processing time by as much as 75 percent.

Aetna Life has reorganized its operations staff into cross-functional teams and has even installed "team" furniture to support the groups. The furniture provides a central work area for team meetings and nearby desks that offer privacy for individual work. Says Aetna executive William Watson, "You don't need to run
around the building to get something done."

**LEVERAGE THE FREEDOM FACTOR**

Human beings were not meant to be robots. Yet managers treat them this way when they use thick policy and procedure manuals to severely limit employees' freedom of action in delivering service. Rule book management undermines employees' confidence in managers, stifles employees' personal growth and creativity, and chases the most able employees out the door in search of more interesting work.

Rule book management usually does not benefit end-customers either. Unempowered employees deliver regimented, "by-the-book" service when a creatively tailored "by-the-customer" service is really needed. While managers rein in servers, customers wish they could be served by "thinking servers."

Two stories surfacing during research for another book demonstrate the virtues of building a culture that encourages service freedom. The first story concerns a banking office manager who kept shivering customers outside on a cold day while he stood inside the door in full view, watch in hand, waiting for opening time to let customers in. When asked why he didn't open early to accommodate the waiting customers, the banker claimed that banking law prevented him from doing so. In fact, it was the bank's policy; law had nothing to do with it.
The second story concerns a distressed bank customer whose ATM card was swallowed by the machine just as she was leaving on a trip. Needing cash for the trip and not near the bank, the customer telephoned a bank officer who sent her the needed $200 in a taxicab. The two stories illustrate the difference between unthinking and thinking service behaviors. The manager in the first story is nothing more than an enforcer of rules; and the officer in the second story, it turns out, ignored bank policy by sending the money by cab. Although his actions cost little money and helped a desperate customer (who now raves about the bank's fantastic service), the banker probably would have been turned down had he asked his superior, according to the bank's executive vice president. Nonetheless, thinking behavior prevailed and the customer, banker, and bank benefited. Often, however, unthinking behavior prevails and customer, server, and company all lose out.

Service companies do need rules, of course. Airline travelers certainly want pilots to follow the rules of flight safety. We are not advocating the elimination of policies and procedures; what we are advocating is thinning the rule book to its bare essentials. Good internal marketing involves giving servers the opportunity to create for their customers and achieve for themselves. As Lowell Mayone, Vice President of Personnel and Services for Hallmark Cards, puts it: "Empowerment gives people the best avenue to succeed and gives
them ownership of the success.”

Practicing the other facets of internal marketing discussed in this report encourages empowerment. Executives have the confidence to award authority and responsibility which is what empowerment means when they truly compete for talent. A strong, well-defined vision guides employee behavior and fewer rules are needed. Skill and knowledge development gives employees the confidence to innovate for customers. The interdependencies and shared goals of team play stimulate individual initiative.

Empowering employees is not easy. Some employees would prefer everything spelled out so they would not have the additional pressure of creative problem-solving and the risk of making errors in judgment. It is, after all, less work and less risky to tell a customer that nothing can be done than to send the customer $200 in a taxi. Nor will managers necessarily welcome more authority for their direct reports and less control for themselves.

Pushing authority and responsibility downward into the organization, close to the customer, requires determination, patience, and conscious efforts to thin the rule book. Most service companies would benefit from task forces that review existing policies and procedures with the mandate to modify or discard those that unnecessarily restrict service freedom. Companies would also benefit from
training and education programs that teach front-line servers values, not just rules. And performance measurement and reward systems need to encourage creativity and initiative on behalf of customers. Moreover, firms need to directly address the issue of empowerment in educating and training managers. Managers must be taught and retaught the dangers of overmanagement; they must learn about the good that can come from widening the solution boundaries for their people.

**MEASURE AND REWARD**

The goals of internal marketing are thwarted if employee performance is not measured and rewarded. People at work need to know that they will be measured on how well they do and that it is worthwhile to do well. Job-products that offer the opportunity for achievement are most likely to fit the needs of human beings, yet achievement remains unidentified and uncelebrated without measurement and rewards.

Unfortunately, many service companies do a poor job of building an achievement culture. Performance measurement systems often focus exclusively on *output measures*, such as size or accuracy of transactions, and ignore *behavioral measures*, such as customer perception of the responsiveness or empathy of the service. Moreover, performance feedback to employees may be infrequent or not pre-
sented constructively. Sometimes measurement leads to no apparent consequence; the employees who perform well fare no better than others in compensation, advancement, or recognition.

Firms intent on rewarding the best performers often focus too narrowly on financial incentives and do not reap the benefits of multiple forms of recognition. Dallas consultant George Rieder studied the relative importance of different rewards to commercial and corporate account managers in a large North American bank. Rieder found that they considered responsibility and authority, a personalized development plan, and sales skills training to be among the most important. Dollars were important but not all-important.

_A Few Guidelines on Measurement._ The key to an effective reward system is an effective performance measurement system that identifies who deserves the rewards. An effective system measures performance that most contributes to the company's vision and strategy, and it does so in a clear, timely, and fair manner. Convoluted or complicated systems fail to focus employee attention one of the principal objectives of performance measurement. Infrequent feedback does not provide the regular reinforcement that the objectives of teaching and continual improvement require. Reviewing a series of studies on the application of behavioral management techniques in service companies, Luthans and Davis write:
“As most of the studies showed, the feedback of service performance information to employees can be a powerful intervention strategy for behavioral management. In a surprisingly large number of cases, service employees have little idea of how they are doing. Regularly displayed feedback can keep employees aware of their performance and, as shown in the studies reviewed, lead them to increase desirable service behaviors.”

Unfair systems undermine the credibility of the measurement feedback they produce and the reward decisions they influence. Characteristics of a fair performance measurement system include:

- The measures relate directly to service standards. There is consistency between the priorities of a service role and the manner in which role performance is measured.
- Service providers are prepared to perform the service role. They have been given the opportunity to learn the skills and knowledge they need to do well in the measurement system.
- Service providers have provided input on the appropriateness and fairness of the measures that are used.
- The measurement approaches have been explained to those whose performance is being measured.
- The measures are administered on an ongoing basis to minimize the impact of a single measurement encounter.
- The measures are as uniform as possible among work groups so that everyone plays by the same rules.
Multiple measures are used to overcome the disadvantages of any one approach and to provide different-angled views of service performance. Performance measurement and reward systems symbolize a company’s culture in a powerful way. Employees know that management measures and rewards what is important. Thus, it is beneficial to disseminate performance measurement data to the appropriate senior executives. People in the trenches of service organizations performing work that at least some of the time is intrinsically unrewarding need to know that significant others in the organization will be aware of their performance.

\textit{A Few Guidelines on Rewards.} Here are several reward-system guidelines developed from our studies of service organizations and interviews with service employees:

- Link rewards to the firm's vision and strategy. Reward performance that moves the firm in the intended direction.
- Distinguish between competence pay (compensation for doing one's job) and performance pay (extra rewards for outstanding performance).
- Use multiple methods to reward outstanding performers, including financial rewards, nonfinancial recognition, and career advancement. Consider the possibilities of rewarding employees with stock and making them owners.
- Remember the power of a pat on the back. Rewards need not always be elaborate or expensive; the sincerity of the recognition
is most important.

- Compete for the sustained commitment of employees. Develop enduring reward systems and use short-term programs such as sales contests sparingly or not at all.
- Stress the positive. Use reward systems to celebrate achievement rather than to punish.
- Give everyone a chance. Avoid the trap of rewarding people in some positions (for example, field salespeople) but not in other positions (for example, secretaries). Remember that all employees perform some kind of service for someone, their performance can be measured and they need the opportunity to excel and be recognized.
- Reward teams and not just individuals. Reinforce team play with team rewards, while also rewarding superior individual performers.

All but the smallest organizations have three groups of employees: those who, for whatever reason, are not performing well; those who are performing competently but not exceptionally; and those who are outstanding. Effectively measuring and rewarding employee performance affects all three groups. Some members of the bottom group either leave or improve. Members of the middle group have reason to strive for improvement. And members of the top group are less likely to feel unappreciated and leave. Alexander "Sandy" Berry, Senior Executive Vice President of Signet Bank in Richmond, Vir-
ginia, states: "Words alone won't work. What is measured and re-
warded, recognized or promoted will work."

**KNOW THY CUSTOMER**

Marketing's oldest axiom is to know the customer. Satisfying cus-
tomers requires that decision-makers first understand their wants
and needs. Employees are customers too, buying job-products from
their employers. Designing job-products that attract, develop, moti-
vate, and retain these internal customers demands sensitivity to their
aspirations, attitudes, and concerns. Assumptions about what em-
ployees want and feel often are wrong, and practicing the art of mar-
keting research is as important in internal marketing as in external
marketing.

Linda Cooper, Vice President of Consumer Affairs at First Chi-
cago, describes a situation in her bank where mystery shopping
scores for tellers were consistently low on the item "willingness to
help." This was a real problem because the bank's analysis of what
factor most influences customers to recommend the bank to a friend
showed it was "willingness to help." Another bank executive thought
that more training was the answer. Cooper was not so sure and held
several discussions with groups of tellers. What she learned was that
the tellers were upset at their supervisors and the bank. One signifi-
cant issue was that tellers were closely instructed about which
transactions were acceptable and which were not, e.g., exceeding
check-cashing limits. However, if customers complained, supervisors
sometimes overrode the tellers with tellers losing face in front of customers. Cooper's remedy was to have the tellers and supervisors jointly agree on a written guideline for overrides. (In this case, adding to the rulebook made sense.)

This story illustrates the need to listen to service performers in service businesses. The bank used research with end-customers to learn that it had a problem. Had it relied on the one executive's assumption about the solution to the problem and not made the effort to listen to the tellers, it probably would have wasted considerable time and money on the wrong solution.

First Chicago is an ardent practitioner of employee research. In addition to holding monthly focus group interviews with employee groups, the bank has installed an employee telephone hot line called "2-Talk" that is answered in the Consumer Affairs Department's Action Center. Employees are encouraged to call 2-Talk whenever they receive poor service themselves, witness service problems, or have service-improvement ideas.

Each quarter retail bank employees receive a questionnaire to which they respond anonymously. The questionnaire is accompanied by a letter from the banking group head summarizing the findings from the previous survey and the actions taken. In a recent year the first quarter's survey included questions such as: "Do you have what
you need to do your job?" and "Does the equipment work?" The second quarter survey concerned employees' attitudes toward the bank's services, prices, and communications. The third quarter survey focused on employees' perceptions of internal service quality. The fourth quarter survey covered employees' satisfaction with their immediate supervisors and senior management. Employees rated managers on issues such as whether they discussed work priorities, appreciated extra effort, and were visible. The following questions also were asked:

- Would you refer a friend to work here?
- Would you bank here if you weren't an employee?
- If you were president of the bank, what changes would you make to improve service quality and morale?

Internal marketing research backfires unless management is prepared to take action on significant findings. The New York Times cites an unidentified company that learned of employee unhappiness with the company's cafeteria from an employee survey. Management reported the survey results in the employee newsletter and then did nothing to improve the cafeteria. One manager says: "Before we could kid ourselves that the bosses did not know how bad the cafeteria was. After the survey, we knew they just didn't..." First Pennsylvania Bank Vice Chairman Les Butler states: "Don't ask if you really don't want to hear. Don't ask if you only seek your precon-
ceived answer. Value the input, value the participation, explain why their ideas are being sought and how they will be used."

**SUMMARY AND ACTION CHECKLIST**

A service company can be only as good as its people. A service is a performance, and it is usually difficult to separate the performance from the people. If the people don't meet customers' expectations, then neither does the service. Investing in people quality in a service business means investing in product quality.

To realize its potential in services marketing, a firm must realize its potential in internal marketing the attraction, development, motivation, and retention of qualified employee-customers through need-meeting job-products. Internal marketing paves the way for external marketing of services.

The companies that practice internal marketing most effectively will (1) compete aggressively for talent market share; (2) offer a vision that brings purpose and meaning to the workplace; (3) equip people with the skills and knowledge to perform their service roles excellently; (4) bring people together to benefit from the fruits of team play; (5) leverage the freedom factor; (6) nurture achievement through measurement and rewards; and (7) base job-product design decisions on research.

These seven components of internal marketing practice lend them-
selves to the following action checklist:

1. *Do we compete as hard for employees as we do for end-customers?* Are we imaginative in how we compete for talent? Are we bold? Do we experiment and try new strategies? Do we use a variety of media? Do we use the right people to recruit and interview? People who will make a strong impression? People who can sell?

2. *Does our company stand for something worthwhile?* Do we offer our employees a vision that they can grab hold of and believe in? Do we have a reason for being that makes our company a special place to work? Do we communicate our vision well? Do we weave it into our company culture at every opportunity?

3. *Do we prepare our people to perform excellently?* Do we view skill and knowledge development as an investment rather than an expense? Do we view it as an ongoing process rather than as an event? Do we view it as a confidence builder and a motivator? Do we teach our people "why" and not just "how?" Do we go beyond training and educate as well?

4. *Do we stress team play?* Does our organizational structure foster teamwork? Do our physical work environments? Do
our training and educational efforts? Do our performance measurement and reward systems? Do our employees understand where they fit in the company team? Do they understand the big picture?

5. Do we allow our employees the freedom to come through for their customers? Do we make rules that fit the aspirations of our best employees rather than protect us from our worst employees? Do we work at keeping our policy and procedure manuals thin? Do we work at building empowerment into our culture?

6. Do we measure and reward that which is important? Do we measure and reward employee performance that contributes most to our vision? Do we use multiple methods to measure and to reward? Do we emphasize fairness in the methods we use? Do we give all employees the opportunity to be recognized for their excellence?

7. Do we listen to our employees? Do we use formal and informal research techniques to investigate their attitudes, concerns, and needs? Do we proactively solicit their input? Do we act on what we learn? Do we use the data to improve the job-product?