

# **The Effect of Internal Marketing on Operational Effectiveness.**

## **Draft Research Report: MBL3**

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This report is dedicated to Doret, DP and our unborn child.

I certify that the report is my own work and all references used have been accurately reported.

Signed

30 November 2007

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# Chapter 1

## Orientation & Introduction

### 1. Introduction

The introductory chapter will contain the background information to the study, and will pay specific attention to the audience, origin and motivation for the study. The research question will be presented, from which the research objectives as well as the restraints and assumptions will be derived.

#### 1.1 Audience

The study will target the following interested groups:

##### 1.1.1 Academic groups

The research report is first and foremost an academic publication, and as such will have the Unisa SBL, Mr Hennie Visser and other parties associate with the University interested in the effect of internal marketing on operational effectiveness, as its main focus.

##### 1.1.2 Mining companies

The research proposal is based on indicating the effect that internal marketing could have on the operational effectiveness of a company and what companies can gain and should have in place to achieve these desired results. The main aim will be to utilize internal resources to satisfy external customer requirements. By meeting external customer requirements profits can be optimised whereby a long-lasting win-win relationship will be developed between customer and client.

##### 1.1.3 Managers – (Heads of Departments)

The research report will be a valuable document with which departmental managers could use to utilize, train and empower their staff to perform better and to develop and maintain good internal customer relationships. The focus will be based on satisfying internal customer needs. By satisfying internal

customer needs first, an important value chain relationship will be developed that will both create an efficient internal business environment and a culture of continuous improvement within departments. This could have a direct impact on organisational culture.

## **1.2 Background**

Since April 2004, Middelburg Mines (MMS) has deployed a Business Excellence (BE) philosophy to develop sustainable performance increases. Various approaches have been used including different BE programs and use of external consultants. For example Six Sigma has and is being adopted and has been emphasized to varying degrees over the years to drive business excellence. Various external consultants have been used in the past such as McKinsey and Company, Competitive Dynamics International and Partners in Performance International. Various tools and new approaches to improved business performance have been introduced to optimise operational effectiveness. Regardless of the proprietary nature of specific tools and approaches, Business Excellence must develop and deliver a common set of intangible assets in order to have sustained value within MMS or any organization. These intangible assets created within departments will ultimately create centres of excellence whereby operational effectiveness will be optimized.

By having an effective internal marketing strategy in an organisation, organisational effectiveness could be achieved so much easier and faster.

## **1.3 Research Question**

The following research question is proposed through which the key issues on what effect internal marketing is having, and possibly could have on organizational effectiveness, if managed in accordance with best practices?

This question should focus the study on the key issue at hand and help guard against the process taking an irrelevant tangent. By determining the actual research question, it started with the original topic of this research study: "The effect of internal marketing on operational effectiveness". The 5 Y's principle, which is readily used within Six Sigma methodology, was applied to this question in determining the real research question of this research document.

The 5 Y's principle is normally being used in conjunction with the fishbone diagram, which is also widely used in getting to the root cause of problem solving in Six Sigma methodology. In this research document, the fishbone diagram was not necessary and the following results were obtained:

1. Q1 – Why do we want to determine the effect of internal marketing on operational effectiveness? A1 – To see if internal marketing principles and strategies play an important role in today's effective managing of companies.
2. Q2 – Why do we want to see if internal marketing principles and strategies play an important role in today's effective managing of companies? A2 – To see if internal marketing strategies is worthwhile pursuing and implementing to improve organisational effectiveness.
3. Q3 – Why do we want to see if internal marketing principles and strategies are worthwhile pursuing and implementing to improve organisational effectiveness? A3 – To determine through various research studies already done what the best practices are in the world and if it had any effect on those companies' performances.
4. Q4 – Why do we want see through various research studies already done what the best practices are in the world and if it had any effect on those companies' performances? A4 – To determine the effect of internal marketing on operational effectiveness?

By following the 5Y principle to determine the research question of this study, the final answer was obtained and it came back to the original heading of this research report – To determine the effect of internal marketing on the operational effectiveness?

#### **1.4 Research Objectives**

The research question will be further developed with a set of focussed research objectives, listed below:

1. To identify best practices from accredited research on the concept of internal marketing.
2. To investigate the moral and perceptions of line (staff) towards internal marketing concepts in MMS.

3. To evaluate the successes and failures of projects implemented (innovations) and the actual link with the company's financial performances.
4. To address fundamental research areas for the development and deployment of internal marketing in an organisation.

### **1.5 Delimitations of the Study**

The study will focus on the following aspects of the project, to limit it to the scope of an MBL research project (In Scope / Out of Scope):

In Scope:

- a) The effectiveness of the internal marketing concept in the mining environment.
- b) The effectiveness and impact of Business Excellence (innovations) in the mining environment on the financial performance of the organisation
- c) The effect of incentive schemes on internal marketing in the mining environment.
- d) The study is limited to Middelburg Mine Services. The findings of this study could be used to be rolled out on other similar operations, whereby the importance of certain internal marketing concepts will be highlighted and recommended to management.
- e) Theory of Constraints, Total Quality Management – (TQM) & Six Sigma methodologies are tools to be used within the whole internal marketing concepts whereby operational effectiveness could be obtained within an organisation

Out of Scope

- f) All other mining activities.
- g) All other Billiton Energy Coal South African (BECSA) operations.

### **1.6 Importance of the Study**

The importance of this study should be considered with the audience of stakeholders in mind and relates to the following:

- a) Business Excellence plays an integral link in developing a culture of continuous improvement in an organisation.

- b) An effective business excellence culture should create a competitive advantage for any organisation.
- c) Happy internal customers should produce / develop satisfactory products and services for external customers.
- d) By developing an internal marketing strategy within the organisation, it could be successfully rolled out to other similar operations.
- e) By taking the learning's from previous research and journals on internal marketing, management would be empowered to develop and maintain the intangible assets of an organisation.

The study will hope to involve academic models and theories in a synthesis process aimed at developing an effective internal marketing strategy / framework to optimize operational effectiveness.

### **1.7 Possible Constraints to the Research**

There are no real constraints to the research of this project. The only possible obstacles could be the relevant buy-in from line managers to participate in the final questionnaires to conduct the appropriate statistical tests.

### **1.8 Key Assumptions**

It is assumed that all of the projects evaluated and implemented, followed the same project management / BE methodology: Define; Measure; Analyse; Implement and Control for problem solving techniques. Following this assumption is that is assumed that the whole environment within MMS has been introduced to Mission Directed Work (MDW) teams as introduced by the consultants Competitive Dynamics International. MDW is based on the principle of implementing mini businesses within the work environment. These mini businesses are driven by team members (employees) whereby their work environment is seen as their own mini business. MDW teams are measured on a monthly basis to ensure growth in maturity as well as to ensure quality. Key areas of focus are alignment of mini businesses to the company's strategy; improving internal customer supplier relationships; focus on key performance areas and frequent communication on the company's

performances. The final assumption is that all employees are familiar with this methodology of project management.

### **1.9 Definitions, Acronyms and Abbreviations**

A list of definitions and abbreviations were drawn up to elucidate the terms used in the text.

- **MMS:** Refer to Middelburg Mine Services which form part of the bigger Billiton Energy Coal South Africa (BECSA) customer sector group
- **Business Excellence methodology:** Six Sigma; Lean Manufacturing, Theory of Constraints and Total Quality Management.
- **BCS:** Benefits Capturing System – A systems tool that captured benefits of improvement projects implemented.
- **EBIT:** Earnings before interest and Tax. This is a financial indicator on the profitability of an organization.
- **Intangible Assets:** Refers to the knowledge base and experience of employees in an organisation.
- **Mission Directed Work teams:** Refers to the implementation of mini businesses within the working environment of MMS. These mini businesses are based on a team/shift/department basis.

### **1.10 Chapter Outline of the Overall Research Report**

The following chapter outline is proposed for the research report:

- a) Chapter 1 – Orientation and motivation for the study.
- b) Chapter 2 – Theoretical foundation of the study which will outline the scope of the body of knowledge.
- c) Chapter 3 – An overview of the literature dealing with the research problem.
- d) Chapter 4 – Research Methodology
- e) Chapter 5 – Research Results
- f) Chapter 6 – Discussion of the Research Results
- g) References

# Chapter 2

## 2. Theoretical Foundation

The literature review will be focussed on generic theoretical studies and models (Paragraph 2.2) as discussed in this document.

### *2.1 Scope of body of knowledge*

The body of knowledge that will be relevant to this study will include the following elements:

- Internal Marketing concepts and leading practices through accredited research articles.
- Operational effectiveness through Business Excellence methodology and the implementation of internal systems to improve internal customer satisfaction within the organisation.
- Measurement systems to determine the quality of internal marketing within the company as well as the areas of opportunities for improvement as identified by the measurement systems.

The theory that will be covered on Internal Marketing will consist of key learning's, success rates and best practices from previous research that was done. These research articles cover all aspects of the business in an international arena.

Organisational competencies through Business Excellence will focus on critical elements in the business that ensures operational effectiveness. Key elements will be innovation, creativity, attitude and buy-in from strategic, tactical and operational levels of the organisation. The information will be based on previous research articles in an international environment.

Business Excellence methodology will include any literature that covers the determinants of effective management of intangible assets and actual

improvement of processes and systems through various methods and models.

Internal customer satisfaction refers to an effective internal value chain that is created within an organisation whereby internal customers know exactly what is expected from them in producing a superior product / service. This will enable the following department down the value chain to work more effectively in achieving their targets and quality specs.

## ***2.2 Theories and models to be used***

Theories and models derived from accredited research articles and journals on internal marketing will be evaluated. Business excellence theories i.e. Six Sigma, Lean manufacturing, Theory of Constraints and Total Quality Management will be evaluated to determine the effect of it on internal marketing concepts and the effect of it on operational performance.

Another set of theory that will be evaluated is from the company, Competitive Dynamics International © (CDI). The models used from this company were used to implement mission directed work teams within the organisation whereby employees will be given the opportunity to improve their own work environment. Critical measures that these mini businesses are measured against are speed, quality, cost and morale.

The theories will be used to devise a research framework wherein the presented research data can be analysed and through which value can be added to the information.

# Chapter 3

## 3 Literature Review

The literature review will include two areas:

- (a) Internal Marketing concepts and strategies on achieving optimal results in an organisation.
- (b) The effect that Business Excellence methodologies have on operational effectiveness.

A complete literature review will be done by making use of the library, internet, journals, testimonials and online data bases. The reference stated in the articles provides a wide network of interactive articles that is relevant to the research subject. An overview of the literature will be given in section 3.4.

### **3.1 Business Excellence Methodologies**

Business Excellence methodology will be based on a mixture of Six Sigma, Lean, Theory of Constraints and Total Quality Management criteria's. Key learning's from other organizations will be evaluated in determining optimal organizational effectiveness. The impact of leadership, creativity and innovation will be addressed through previous accredited research articles and benchmark exercises. The key areas here will be on how to sell these methodology's into the organization and for strategic, tactical and operational levels to buy into the bigger picture. Organisational culture, attitude and moral of employee's will play a critical part in the success of these methodologies. Below is an extraction of the differences between some of these Business Excellence methodologies. A comparison between Six Sigma, Lean and Theory of Constraints is made in this table to explain the different focus areas. These different business excellence methodologies will typically be applied to problem specific areas to either eliminate or streamline specific processes within the organisation. Table 1 below illustrates the comparison between these methodologies.

Table 1

Comparison between Six Sigma, Lean thinking and Theory of Constraints.

Program	Six Sigma	Lean thinking	Theory of constraints
Theory	Reduce variation	Remove waste	Manage constraints
Application guidelines	1. Define. 2. Measure. 3. Analyze. 4. Improve. 5. Control.	1. Identify value. 2. Identify value stream. 3. Flow. 4. Pull. 5. Perfection.	1. Identify constraint. 2. Exploit constraint. 3. Subordinate processes. 4. Elevate constraint. 5. Repeat cycle.
Focus	Problem focused	Flow focused	System constraints
Assumptions	A problem exists. Figures and numbers are valued. System output improves if variation in all processes is reduced.	Waste removal will improve business performance. Many small improvements are better than systems analysis.	Emphasis on speed and volume. Uses existing systems. Process interdependence.
Primary effect	Uniform process output	Reduced flow time	Fast throughput
Secondary effects	Less waste. Fast throughput. Less inventory. Fluctuation—performance measures for managers. Improved quality.	Less variation. Uniform output. Less inventory. New accounting system. Flow—performance measure for managers. Improved quality.	Less inventory/waste. Throughput cost accounting. Throughput—performance measurement system. Improved quality.
Criticisms	System interaction not considered. Processes improved independently.	Statistical or system analysis not valued.	Minimal worker input. Data analysis not valued.

Source: 2002 American Society for Quality

### **3.2 Internal Marketing Concepts**

Internal Marketing concepts will set the tone on how and what should be done to create a high performance organisation. Different learning's from previous accredited research articles will be evaluated and prioritised into a framework on how to measure the effect of internal marketing within an organisation, as well strategies needed to optimise organisational performance through internal marketing principles. Specific attention will be given to internal supplier / customer relationships and the effect of it on the rest of the organisation.

### **3.3 Successful Implementation strategies / learning's**

Implementation strategies refer to effective project management methodologies on how to prioritise and develop a supportive project pipeline.

This pipeline of initiatives need to be supported my senior management and all employees need to see what value it could ad to the organisation.

The study will endeavour to marry the internal marketing theories with real life practical experiences in the field, through the use of the different models and theories.

### **3.4 An overview of the literature review**

In the article by Barnes, Fox & Morris (2004), it is stated that “Matching the growing complexity of the business environment has led to an ever-more diversified and demanding customer base.” “In doing so, we noted from Relationship Marketing to succeed, client loyalty must be secured in a dynamic business environment.” “It is imperative that companies continuously learn about their customers’ ever-changing needs/expectations and manifest that understanding by offering increased value. In such a scenario, the role of the marketer lies in forming relationships both within the company and between the company’s markets.”

The marketer in the references refers to the person responsible within the organisation that creates the link between the different operations. In this case we refer to the operations manager or the Business Excellence / Projects manager.

Barnes *et al.* (2004) further states that the marketer job is thus extended beyond merely informing customer of products and services using the 4 P’s. (Product; Price; Place & Promotion). The 4 P’s could be extended by adding another 2 of them. (People and Processes). They also stated “the marketer’s role must involve informing the company’s personnel of the needs and expectations of customers.....”

In this case the customer can be either internal or external.

Suggestions from Barnes *et al.* (2004) states that “Relationship Marketing finds a ready congruence with Total Quality Management (TQM); given the concepts, tools and techniques of TQM and its joint emphasis upon product features which meet customer needs....” At MMS the aim of Total Quality management is to produce products of perfect quality and thus to satisfy

customers. Both of MMS's markets (Export and Eskom) do have certain criteria that the product should comply with before delivering it to them. If, however, MMS does not comply with these criteria's, major financial losses could occur. One of these criteria's is that MMS's coal should comply with certain specifications before delivery of the final product. If the product does not comply with these specifications, penalties could be initiated and reproduction could occur. It is thus crucial for this "Relationship Marketing" to link very closely in with TQM and internal marketing concepts as discussed during the rest of this literature review.

A further statement whereby Relationship marketing (RM) and Internal marketing is compared, states that: "...several practitioners and academics have re-addressed the effectiveness of their business operations and have come to the conclusion that customer orientation is only likely to occur when an appropriate design and structure is in place internally i.e. within the organisation..." "As a result, IM has evolved as a strategic tool for firms in order for them to create a sense of customer consciousness within their particular organisation

It is important to consider that employees can be considered as customers, with whom the employer/organisation has dealings.

One of the most important aspects of intangible assets and internal marketing can be concluded that: "...internal marketing can be cited as the mechanism for enabling the delivery of promises that are made via external marketing. Employees must have the skills, abilities, tools and motivation in order to deliver. Promises can easily be made, but unless the employees are not appropriately rewarded-then external promises may not be kept." (Zeithaml and Bitner, 2000). Kotler (1991) summarised the link between RM and IM as: "This reconfirms the IM concept and, in this sense, it is a prerequisite for successful external marketing. By satisfying the needs of its internal customers, both employees and the organisation as a whole may be better positioned to satisfy those requirements of its external customers".

Gronroos (1982) and Gummesson (1993) contest that quality consists of two elements. The "technical quality" provides a technical solution for the

customer, whereas “functional” quality represents those additional elements that impact the customer experience at the supplier-customer interface. In this the employee’s role is thus critical during the interface. “The internal marketing concept hinges on the assumption that employee and customer satisfaction is inextricable linked” (Zeithaml and Bitner, 2000).

Barnes and Morris (2000) summarised the Quality Impact as by saying: “Therefore, as a result of the internal customer concept becoming increasingly established, we are drawn to the conclusion that internal customer satisfaction, in addition to external customer satisfaction, is likely to have an impact on an organisation’s profits.” However, the article states further that a lot of research still needs to be done to prove this fact that internal customer satisfaction will rather have a direct effect on employee commitment than directly on organisational profits. Below in Figure 1 is an extraction on how Barnes and Morris (2000) illustrates the link between quality, productivity and customer satisfaction.

Figure 1

Link between quality, productivity and customer satisfaction.

596 B. R. Barnes et al.

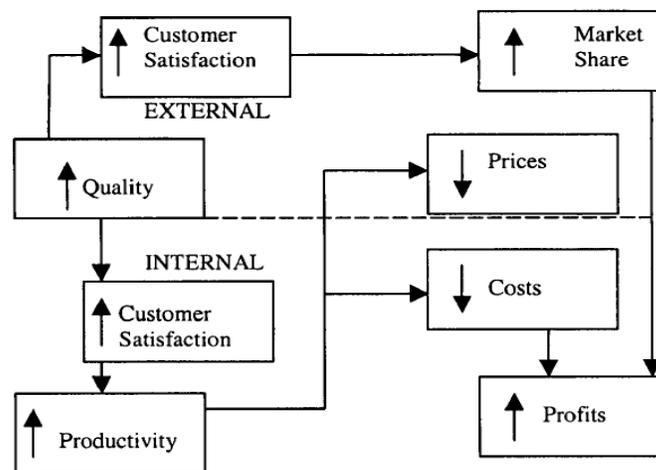


Figure 1. Re-drawing the links between quality, productivity and customer satisfaction. (Source: Barnes and Morris, 2000).

The abovementioned statement is the fundamental element in which employee satisfaction could cause departments to interact and communicate

in an efficient way, whereby employees will rather work toward a specific goal than oppose it.

Figure 1 above could also be summarised after the comparison between the three interrelated areas of RM, IM and TQM as follows: “At this point, we are able to conclude that Relationship Marketing, Internal Marketing and TQM are interrelated. Collectively, the three often aim to nurture service quality and enhance internal/external customer satisfaction from which corporate profitability is ultimately derived.” (Barnes *et al.*, 2004).

Barnes *et al.* (2004) made six recommendations that would complete the link from Internal Marketing to Relationship Marketing via the implementation of TQM. These recommendations are:

- Customer Focus – This area states that organisations should be able to create an environment of continuous improvement whereby employees are motivated to be customer focussed in their thinking.
- Communication – This area refers to the effectiveness of communicating the company’s strategic goals to the rest of the workforce. This enables the workforce to work towards to combined goals of the company, which in fact give purpose and a sense of belonging to employees.
- Knowledge Management – By having effective knowledge management systems embedded in an organisation, increased customer satisfaction could be achieved. Effective systems and programs could easily pick up trends on poor/good qualities of products and services etc.
- Leadership and Management – Improved management capabilities within an organisation could be a valuable future asset for a company that is customer orientated.
- Job Satisfaction – Rucci *et al.* (1998) suggests “that employee satisfaction and rewards are closely linked to business performance.” Job satisfaction is probably one of the primary drivers towards internal/external customer satisfaction.

- Staff Turnover – This could pose to be an expensive exercise for any organisation that is experiencing high staff turnovers. Knowledge, customer satisfaction and profitability could be the levers that could be influenced negatively by this. Proper systems should be put in place to encourage continuous staff surveys to measure a company’s cultural climate.

Sevier (2002: 27) states that: “The goal of an internal marketing plan is to build trust.” This is especially true because employees will only give their best when they trust their employer. He further mentioned that trust can be established by the following points:

- Listen – There is a saying from an unknown author: “The Lord provided you with two ears and one mouth”, so rather listen twice than talking too much. It is critical to listen what the customer want and need and not what you think they need.
- Identify – “After listening, you must identify the channels to which your audience are most likely to respond.” This option will identify the best option to communicate the company’s message to the workforce.
- Blend – It is critical to blending the company’s message of “this is what is happening on campus” with the larger “here is where we are going.”
- Evaluate – Continuous evaluation of the effectiveness of a company’s internal communication plan determines eventually closes the loop in the trust building circle.

Scott Powell, assistant to the president of the USA once mentioned that communication is the foundation for all effective change, and trust is the oxygen for open communication.

Ahmed, Rafiq & Saad (2002) argued that “In the proposed model Internal Marketing (IM) is a strategy that aims for the creation of high-performance work systems by managing the interdependent elements of the IM mix to create and achieve greater individual and collective competencies and ultimately influence business performance.” They further states that “IM is used to as a philosophy for managing the organisation’s human resources

based on a marketing perspective to build internal competencies for external success.”

There are three hypotheses tested in this study:

- Hypothesis statement 1

There is a significant and positive relationship between the IM mix and business performance.

- Hypothesis statement 2

Organisational competencies mediate the relationship of IM mix with business performance.

- Hypothesis statement 3

Application of marketing-like philosophy and the application of marketing-like tools moderate the relationship between the IM mix and organisational competencies.

In conclusion to this study it could be said that IM mix was in particular a reliable measure and strongly related to business performance. This statement had three components. “Organisational competencies were shown to be partial mediator of business performance. Also, application of marketing-like philosophy and application of marketing like tools was shown to have a moderate influence on the IM mix and organisational competencies variables. However the relationship between employee satisfaction and business performance was not supported.” It was stated that future research need to establish the reliability of the measurement instruments and that it should be extended to specific sectors i.e. services.

Straughan and Cooper (2002) states that the internal customer satisfaction derived is a function of the quality of the internal marketing efforts of that organisation. They further states that internal marketing is a component of a well-devised marketing strategy.

Berry and Parasuraman (1992) state that internal marketing involves “attracting, developing, motivating and retaining qualified employees through job products that satisfy their needs....” and “The more committed employees are to the services they sell and the more satisfied they are with the

companies they work for, the greater the likelihood that they will deliver excellent service to the firm's external customers.”

The quality of service is critical to customer goodwill, satisfaction, and loyalty; thus, by extension, highly committed internal customers would be expected to make greater contributions to a service firm's marketplace success.

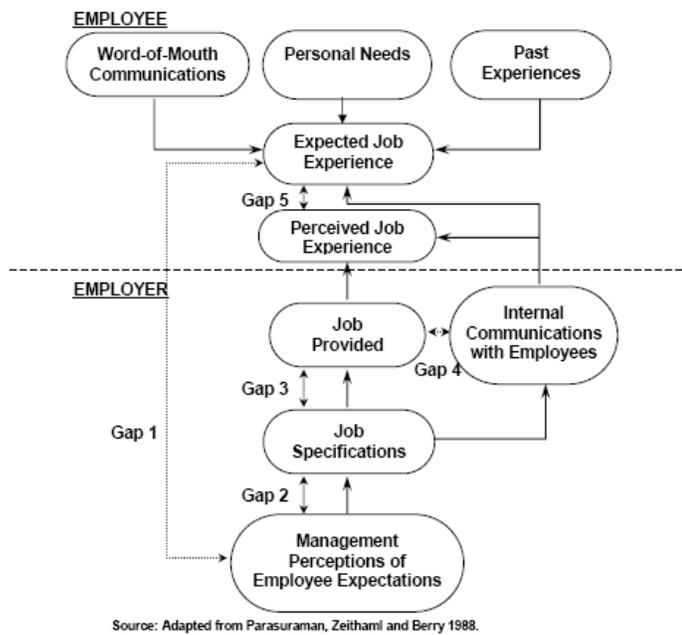
“Internal marketing initiatives reflect the company's “marketing mix” that is being “sold” within the internal marketplace.” (Straughan and Cooper, 2002)

Straughan and Cooper (2002) argued that as organisations increasingly look at intellectual capital as a source of competitive advantage, effective internal marketing becomes more important. Intellectual capital is only a sustainable competitive advantage if firms develop the loyalty among employees that result in a long-term commitment to the employing organisation. If employers achieve success in their internal marketing efforts, the resulting internal customer satisfactions will translate to improve employee job performance, increase employee loyalty and, ultimately external customer satisfaction and a competitive advantage.

It is also stated in the article of Straughan and Cooper (2002) that the SERVQUAL model of managing services basically focus on a series of key relationships which must systematically be addressed to maximise service quality and external customer satisfaction. See Figure 2 below extracted from the article from Straughan and Cooper (2002), linking SERVQUAL and Internal Marketing. The model was originally developed by Parasuraman, Zeithaml & Berry (1988).

Figure 2

### Internal Marketing Management Model



This model addresses 5 gaps which are:

- **Gap 1: Employees' Expectations – Management perceptions gap**

There is often a misplaced belief that management knows exactly what employees want. As with management's perceptions of external customers, so management's perceptions regarding internal customers' expectations are often not the same as employees' true expectations. Things like departmental requirements, clear role responsibilities, correct recruiting and hiring process and client expectations are just some areas to address to close this gap. An accurate analysis of employee expectations and motivations provides the foundation for well-designed internal marketing programs. Knowing what to change is a function of minimising gap 1.

- **Gap 2: The job product design gap**

For any organisation, the challenge in overcoming this gap is largely encompassed by management's (1) willingness to undertake the process of creatively generating job design specifications and (2) commitment to successfully implementing those new design solutions. In short, changing

job specifications and design to meet the needs and preferences of employees (knowing what to change to) is a function of minimising this gap.

- **Gap 3: The job product delivery gap**

The SERVQUAL model defines gap 3 as the “difference between service specifications and the actual service delivery” (Zeithaml *et al.* 1990), and terms this gap the *service-performance* gap. In short, the question of *how* appropriate employee empowerment can be implemented is the critical issue for minimising gap 3.

- **Gap 4: The internal communication gap**

Managers can minimise gap 4 by listening to internal customers and giving accurate and timely information. Employees need to know what is going on inside the organisation i.e. monthly / yearly targets, quality performances, new product/service developments, specials, profits and where the company is headed to. All of this will indirectly create a sense of belonging and ownership within the internal customer sector group. Management need to understand the challenges and frustrations of their employees and thus need to communicate more directly with them.

- **Gap 5: The expected job experience-perceived job experience gap**

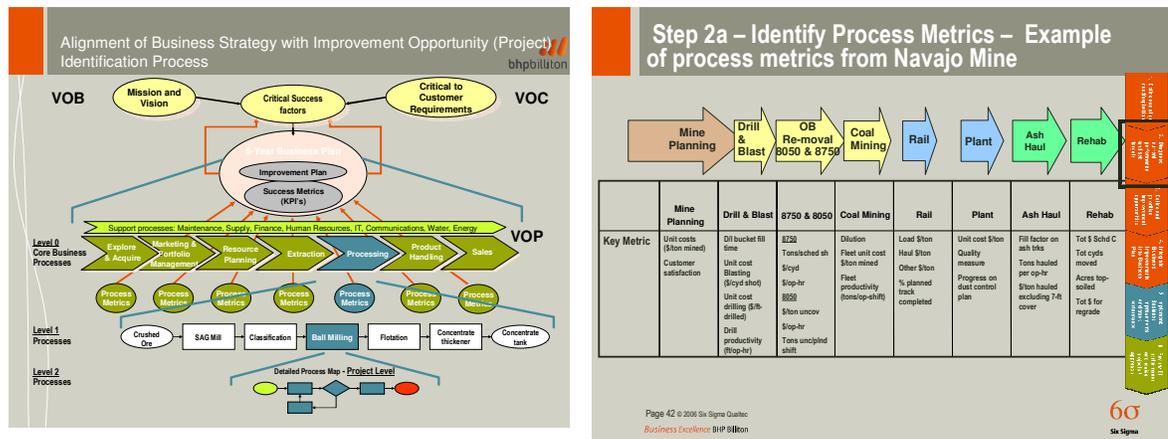
This gap in essence, is a simple case of managerial monitoring and controlling for perceptual and performance deviations. It could further be stated that that this gap addresses if perceived performance meets or exceeds / fall short the customers’ expectations.

From a theoretical perspective, the SERVQUAL model provides an organisation with systematic means of addressing service quality issues. By adapting the SERVQUAL model to fit internal marketing efforts, managers can identify a number of key links for managing the overall internal marketing effort, leading to improvements in both employee performance and employee satisfaction. (Straughan and Cooper, 2002). The SERVQUAL model serves as a tool in measuring service quality within organisational functions. “All

organisational functions need to work with each other providing a network of effective exchange processes” (Morgan, 2004). The Information System (IS) of a company forms part of these organisational functions whereby it is responsible for the way in which other functions deal with each other. In short it could be stated that “The IS function fundamentally markets a portfolio of services to its internal customers” (Morgan, 2004). When comparing what the SERVQUAL model offers by using the 5 gap analysis, MMS could apply these principles in measuring its internal customer relationships. In setting up the research questionnaire during the qualitative and quantitative analysis later in this document, a modified version of the SERVQUAL model will play an integral part in guiding the questions used in the discussion guideline and questionnaire. The applicability of the SERVQUAL model to the actual internal marketing functions within MMS will be discussed in more detail in literature review to follow.

In the article of Kang, James & Alexandris (2002), the measurement of internal service quality and the application of the SERVQUAL battery to internal service quality is discussed by George (1990) and Gronroos (1985) and it is stated that it is generally accepted that the ultimate goal of internal marketing is to satisfy employees in order to increase customers’ perceptions of service quality and satisfaction. Kang *et al.* (2002) claimed that having customer-conscious employees is a necessity but not a sufficient condition of effective service delivery. It is however necessary to have effective co-ordination between customer-contact employees and background support employees. It is thus important to identify core functions and support functions within your organization and by this create a visual process map. This process map will clearly show which departmental employees will have direct customer contact and which won’t. This process map will also indicate to what extend communication channels should exist / developed, to improve internal customer-supplier relationships. Figure 3 below is an example of a high-level process flow map of an organization.

Figure 3  
Core and support process identifications



Source: BECSA Corporate, 2006/2007

Varey (1995) and Quester and Kelly (1999) states in this article of (Kang *et al.*, 2002) that “the main objective of internal marketing is to identify and satisfy employees’ needs as individual service providers, and to promote customer consciousness among employees in order to improve customer satisfaction via employee-customer orientation.

It is further stated in this article of Kang *et al.* (2002) by Strauss (1995) that “Internal services are defined as services provided by distinct organizational units or the people working in these departments, to other units or employees within the organization”. These internal encounters include relationships and communication between customer-contact staff and the back-room staff. Another important aspect in this article of Kang *et al.* (2002) indicates that “The provision of good internal services to employees is crucial to the overall success of the organization” (George, 1997); (Gremier *et al.*, 1994); (Heskett, 1987); (Schlesinger and Heskett, 1991); (Schneider and Bowen, 1985).

As mentioned above, mini-businesses (Mission directed work teams) was implemented within departments at MMS. One of the aims of having these teams is also to give feedback to management with regards to internal services delivered as well as the effectiveness of communication channels on a top down as well as bottom-up approach. Feldman (1992); Nagel and Cilliers (1990) claims that the quality of internal service operations has been

identified as one of the essential elements of an overall service quality strategy, yielding to long-term cost savings and increasing financial gains. Although the SERVQUAL model is used to measure the service quality towards external customers, it can be modified to measure internal service quality within an organization. Chaston (1994) used this modified version of the SERVQUAL model. The results indicated that that gaps in service quality existed because departments placed efficiency above internal customer needs and made little effort to understand internal customer requirements. It is critical for the organization to identify the factors that impact an employee’s perception of overall service quality. “Understanding which factors have the most impact on the perception of overall service quality will enable an organization to focus on those particular factors in order to satisfy employees (Kang *et al.*, 2002). A study was conducted to asses the transferability of the SERVQUAL instrument for measuring internal service quality. The SERVQUAL items used in this study were modified in order to asses an internal service setting. Table 2 below indicates the five dimensions of the SERVQUAL model that were modified.

Table 2  
SERVQUAL dimensions on internal service quality

<b>Dimensions</b>	<b>Internal service quality battery (ISQB)</b>
Reliability	<ul style="list-style-type: none"> <li>• Coworkers provide service that is promised</li> <li>• Coworkers are dependable for handling problems Coworkers perform services right the first time, to avoid having to make corrections later</li> <li>• Coworkers provide correct and necessary information</li> <li>• Coworkers are reliable</li> </ul>
Assurance	<ul style="list-style-type: none"> <li>• I can trust my coworkers</li> <li>• I feel safe in dealing with coworkers</li> <li>• Coworkers are polite and kind</li> <li>• Coworkers are knowledgeable</li> </ul>
Tangibles	<ul style="list-style-type: none"> <li>• We have up to date equipment</li> </ul>

	<ul style="list-style-type: none"> <li>• Working environment is comfortable and attractive</li> <li>• Coworkers have a neat, professional appearance</li> </ul>
Empathy	<ul style="list-style-type: none"> <li>• Coworkers are sincerely concerned about problems</li> <li>• We have convenient working hours</li> <li>• Coworkers seem to have each other's best interests in mind</li> </ul>
Responsiveness	<ul style="list-style-type: none"> <li>• My communication with coworkers is appropriate, accurate, and clear</li> <li>• Coworkers respond quickly and efficiently to requests</li> </ul> <p>Coworkers are willing to help</p>

Source: Kang *et al.* (2002: Volume 12 – Number 5. pp. 278 – 291)

The results from the study indicated that the five dimensions – reliability, assurance, tangibles, empathy and responsiveness – were distinct and conceptually clear. The confirmation of the five-factor structure in this study suggests that the ISQB can be a valid and reliable tool for measuring internal service quality (Kang *et al.*, 2002). It is important for an organization to provide adequate service on all dimensions, and to then ascertain which dimensions may require greater attention within a particular organization. In the abovementioned study, reliability and responsiveness had significant influence on the overall service quality perceptions. It is possible that reliability and responsiveness had significant on perceptions of service quality because these dimensions were lacking in the study's environment setting. This modified version of the SERVQUAL model will be applied to MMS to ascertain the level of services provided, and to determine which dimensions need improvement. "By identifying strengths and weaknesses pertaining to the dimensions of internal service quality, organizations can better allocate internal resources to provide better internal service and ultimately better service to external customers" (Kang *et al.*, 2002).

In the article of Lings and Brooks (1998), the SERVQUAL model is also discussed in length in the implementation and measuring the effectiveness of

internal marketing. Many of the statements mentioned supported the research done by Kang *et al.* (2002). “Various reviews of the literature have resulted in alternative classifications of internal marketing. Bekkers and Van Haastrecht (1993) suggest three approaches to internal marketing in this article: hierarchical exchange process, internal suppliers, exchange process organization/employee” and “It is this relationship between internal customers and their internal suppliers that is the focus the internal marketing effort” (Lings and Brooks, 1998). Reynoso and Moores (1996) have identified six steps in a company’s internal marketing campaign:

1. The creation of internal awareness.
2. The identification of internal customers and suppliers.
3. The identification of the expectations of the internal customers.
4. The communication of these expectations to internal suppliers in order to discuss their own capabilities and / or obstacles to meeting these requirements.
5. As a result of the previous point, internal suppliers should work to make the necessary changes so as to be able to deliver the level of service required.
6. And finally, obtain a measure for internal service quality. Feedback should be given to internal suppliers if services are to be improved. (Reynoso and Moores, 1996).

The article states further that communication has been identified by several authors as an important motivational device. “By identifying internal customers and suppliers as part of the internal marketing campaign, interactions between internal suppliers and customers can be identified and the communications associated with these interactions can be examined to identify possibilities for improvement” (Lings *et al.*, 1998). Piercy and Morgan (1991) suggest that internal marketing programmes should be directed at chosen internal segments to complement the external marketing program and that these segments are the functions played by groups of people within the organization. “This relates closely to the concept of internal customers and suppliers, and is based on the premise that the internal environment of the organization can be divided into distinct internal market segments with different wants and needs” (Piercy and Morgan, 1990 and 1991); (Piercy

1995); (Harrell and Fors, 1992); (Trumbly and Arnold, 1989); (Burgetz, 1991); (Comm, 1989). With reference to the mission directed work teams as mentioned in the literature review of Kang *et al.* (2002), the intensions of the mini-businesses are just that as mentioned above. The mini-businesses are made up within departments and it happens every so often that a shift prior and/or after a specific mini-businesses shift forms one of the team's internal customers and/or internal suppliers. This specifically happens in production departments, where a shift that works from 22h00 to 06h00 needs to prepare a certain work area on the mine for the next shift to start with and to maintain current production levels. A good example will be that shift 1 needs to clean the coal face in area x so that the Dragline can move to the next strip, if it happens that the coal face was not cleaned properly, then shift 2 needs to clean the coal face that shift 1 was responsible for. This type of re-work causes loss in productivity and unhappiness between team members. In measuring MMS against the six-point criteria from Reynoso and Moores (1996), then MMS complies with all six points. A mini-business will not advance in maturity (scheduled coaching reviews), if internal customers are not identified and measured on a regular basis. At this stage it is done on at least a weekly basis. Measurement takes place in the form of service level agreements between internal customers and internal suppliers, whereby signed-off copies are required form foreman. Figure 4 represents a typical example of a service level agreement as used by mission directed work team (MDW) within the Exposure department.

Figure 4

Example of a service level agreement

Service Level Agreement Between Draglines and BME	
Draglines - what they need from BME	BME - what they need from the draglines
<p><b>Basic needs</b></p> <ol style="list-style-type: none"> <li>1 BME needs to tell us when a blast will take place and, if a blast has been scheduled, that it will not take place.</li> <li>2 BME needs to make sure that everyone is out of the pit.</li> </ol>	<p><b>Basic needs</b></p> <ol style="list-style-type: none"> <li>1 The blasting siren on the dragline needs to ring from before the blast till the end of the blast.</li> <li>2 The dragline operator will be the dragline guard</li> </ol> <p>He/She will make sure the area around the dragline is clear and that nobody leaves the cab before and during a blast</p>
<p><b>Performance needs</b></p> <ol style="list-style-type: none"> <li>1 After blast rocks needs to fit into bucket We always need 400 meters of blasted inventory in front of the dragline (Overburden and Interburden) The pre-split must be of such a condition that you are able to see the pre-split barrel on the highwall.</li> <li>3</li> <li>4 There needs to be a good balance on the fragmentation on both the mid-burden and the over-burden</li> <li>5 Blasting time should be less than 5-minutes for the dragline.</li> </ol>	<p><b>Performance needs</b></p>
<p><b>Excitement needs</b></p> <ol style="list-style-type: none"> <li>1 We are highly satisfied with a 30% cast on a blast.</li> </ol>	<p><b>Excitement needs</b></p> <p>We will try to provide feedback on fragmentation and the cast a 1 day after the blast has happened.</p>
<p>Signed on _____ at Klipspruit Mine by: _____ and _____</p>	

Source: MMS MDW teams, 2007

In this article of Lings *et al.* (1998), a six point concern list has been drawn up with regards to the functioning and extreme focus on the internal customer and supplier. These points are:

1. The recognition of internal suppliers and their internal customers and the application of internal marketing to this relationship can be incestuous resulting in the loss of focus on the external market.
2. Formalising the internal customer structure can result in incremental rather than radical step change.
3. The internal customer model does not address process issues. Internal suppliers are not encouraged to critically examine the process which they perform in order to provide the service. Are these processes necessary or could production be achieved more efficiently and effectively by adopting a new process of production.
4. The internal customer model perpetuates sequential pass off activities where one department is dependant on the output of another department in order to provide an output to the next in the

value chain. This sequential pass off of activities increases the time taken to serve the final customers as departments have to wait to be served by their internal suppliers, where a more multi-disciplinary approach could reduce this time.

5. The internal customer model fosters narrow vision and fiefdoms, with each department concentrating only on their immediate environment and ignoring the wider organisational and market picture.
6. The internal customer model sets up a series of dominance-subservience relationships within an organisation.

Source: (Lings *et al.*, 1998)

“Despite these criticisms the concept of internal marketing has been accepted as a strategic weapon to help retain the firm’s customers by delivering high quality services to them”. (George, 1977); (Berry, 1980, 1981, 1983); (Band, 1988).

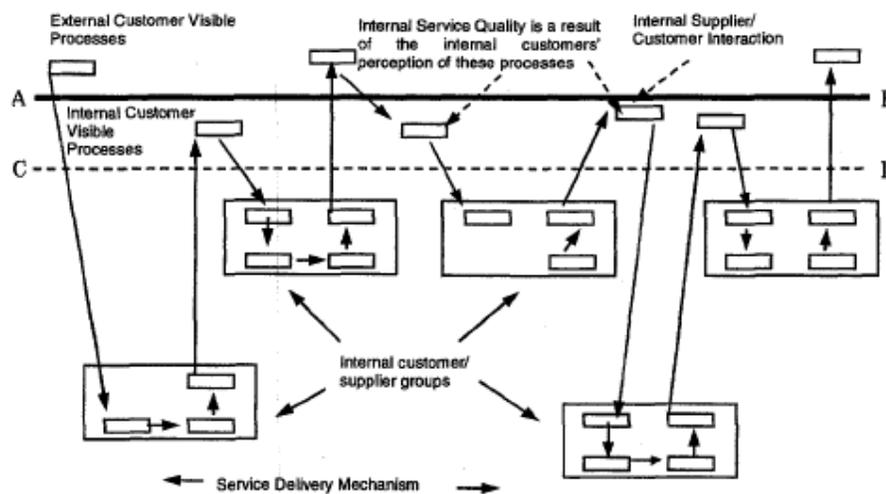
In comparing what has been said in the abovementioned six concerns with the current status of mission directed work teams (MDW) within MMS, concern 3, 4 and 5 could form part of possible recommendations towards MMS management to take note of when fine-tuning the whole MDW system of customer-supplier relationships.

Service blueprinting is another concept that is discussed in detail in the article of (Lings *et al.*, 1998). This is a tool used to design service systems (Shostack and Kingman-Brundage, 1981); (Shostack 1984a, 1984b, 1985, 1987). “The technique portrays service processes as flowcharts of interrelated activities. The service delivery activities are prioritized into those which are customer visible and those which are not customer visible, these being separated diagrammatically by a line at the top of the diagram known as the line of visibility” and “For many firms the majority of the process will lie below the line and will be invisible to the customer” (Lings *et al.*, 1998). As indicated previously in this research report, service quality is measured by the external customer based on the processes which they experienced. In the use of the service blueprint model, visible processes to the external and internal customer need to be identified within the organization. “Just as interactions between the supplying firm and the external customer are important in forming

the customers' perceptions of service quality, so the interactions between the internal supplier and the internal customer will be important in developing the internal customers' perceptions of the service which they receive from the internal supplier" and "Attention to these processes, improving internal service quality will build quality into the service which is offered to the external customer" (Lings *et al.*, 1998). During the process of identifying internal and external customer processes, internal customer/supplier groups need to be identified. Below in Figure 5 is an example of a service blueprint where internal groups have been identified within the internal and external customer visible processes.

Figure 5

The use of Service Blueprinting, Identifying Internal Groups, Internal and External Customer Visible Processes.



Source: Lings *et al.* (1998)

Line C-D in Figure 5 separates processes visible to the internal customer from the processes which are visible to the external customers. This model overcomes one of the criticisms of the internal customer model as stated earlier in this article. "By differentiating between internal and external customer visible processes in this way employees can focus on satisfying the internal customer whilst remaining aware of external visible processes which are of paramount importance in satisfying the external customer" (Lings *et al.*, 1998). Publishing the service blueprint to all employees will have two benefits:

1. Every employee will have a better understanding of how they fit into the activities of the firm and how they can improve external customer satisfaction by serving their internal customers better.
2. The information that the revised service blueprint contains about internal service quality levels provides an incentive for employees to serve their internal customers better.

The abovementioned two points can typically be demonstrated within MMS as for employees receive bonuses/incentives through audited coaching reviews on the maturity level of their mini-businesses and the roll-over effect of the “quality” product they deliver against better “speed” at lower “costs” by maintaining a high quality of “moral” that resulted in an improved bottom line of the company. The incentive part has been demonstrated in the discussion of the article of Ahmed and Rafiq (2003) on Internal marketing issues and challenges. In conclusion to this article, it is lastly stated that “Service blueprinting is an iterative process reflecting both the inherently dynamic nature of processes in many organizations and the fact that processes will change as internal suppliers strive to better meet the needs of their internal customers” (Lings *et al.*, 1998).

In the article of Ahmed and Rafiq (2003) IM, employee satisfaction and performance are discussed where it is implicitly assumed that by fulfilling employee needs, employee motivation and retention will be enhance and as a consequence the higher the degree of employee satisfaction. It is then furthermore stated the higher satisfaction, the higher the possibility of generating external satisfaction and loyalty from external customer.

The trick is thus to satisfy a company’s internal customers, whereby external customers will reap the benefits.

The article further stated that IM should rather function within a company as a cross-functional process approach. The reason for this is that cross-functional activities and the people who perform them all have a major influence in upon the final outcome. The article aimed that “IM is based on the understanding that no single management function will be effective it operates in isolation.

Multiple operations and people with different skill-sets have to actively involve in creating and delivering products and services.”

As mentioned earlier, MMS has recently embarked on implementing mission directed work teams within departments. Mini-businesses will function on a shift basis where there will be a cross departmental / functional involvement to improve overall communication, internal customer – supplier relationships as well as to track key metrics based on Speed, Quality, Cost and People on a daily/weekly and monthly basis. All metrics tracked within departments fits into the overall strategy of the company. These functional mini-businesses have been implemented from the shop floor right up to management. The detail of metrics just differ the higher up the mini-business, but the principle stays the same. Another aim of these mini-businesses is to create a culture of self driven teams, whereby team members within mini-businesses will have the power to improve their own work areas to the benefit of the organization. Innovations implemented are one of the key metrics being tracked within teams. The top innovations within departments are presented in multi-level meetings whereby benchmarking within functional areas could be established as well as recognition to be given to employees/teams with good ideas. Another key metric that is being tracked is customer-supplier charts. This entails that teams are to communicate on a shift basis to their internal customers and suppliers on any service related issues. Scoring is based on red (problems) and green (everything in order) criteria. Action plans are to be set in place to eliminate all red areas. The ensure sustainability of these mini-businesses, coaching reviews takes place on a frequent basis. Management are to visit mini-businesses and rate them on running their own business as well as the maturity of the team. The better the team scores, the bigger the recognition. Below in table 3 is an example of the recognition policy within mini-businesses.

Table 3

Example of Reward and recognition policy

## MMS MDW

# REWARD & RECOGNITION

Recognition Category	Measurement	Recognition	Reward	Platform/Frequency	Notes
Couches Reviewer Recognition	Accredited Coaching Reviewer	CDI Coaching Reviewer Certificate	None	D-Level Meeting	Mine wide MLM & VOICE
MDW Standard of Excellence Awards	Team Scorers 30	BHP Billiton Green Status Certificate	Hamper to the value of R 70-00 per person. Local provider !	Monthly Multi Level Meeting	If a team stay on same status the next month, they do not receive another certificate or hamper of the same status.
	Team Scorers 40	BHP Billiton Silver Status Certificate	None		
	Team Scorers 50	BHP Billiton Gold Status Certificate + HOD team visit the team "immediately" + BECSA Recognition letter	BHP Billiton golf shirt with achievement embroider shirt		
MLM Chairman's Prize	Chairman's discretion	Floating trophy	None		
Monthly Best Innovation	Election best innovation	Floating trophy	None	D-Level Meeting	Each team leader vote for the team with the Best INNOVATION in that MLM.
6 Monthly Best Innovation	Selection of best innovation presented in the MLM's	Certificate + presentation of Innovation at award function	None	D-Level Meeting	Best innovation will be selected by the HOD's from those that won Monthly awards
Cinderella award	Outstanding performance - motivational nomination by MDW coordinators	Floating trophy	None	Monthly Multi Level Meeting	
Pumpkin award	Optional - Nomination by MDW Coordinators for "ludicrous performance"	Floating trophy	None		
Individual	Recognition for outstanding achievement per departmental criteria.	Certificate + personalized letter from GM	Gift from MMS gift range or Voucher in line with R & R procedure	D-Level Meeting	Reward & approval as per Reward and Recognition

Source: MMS Mission Directed Work teams (MDW), 2007

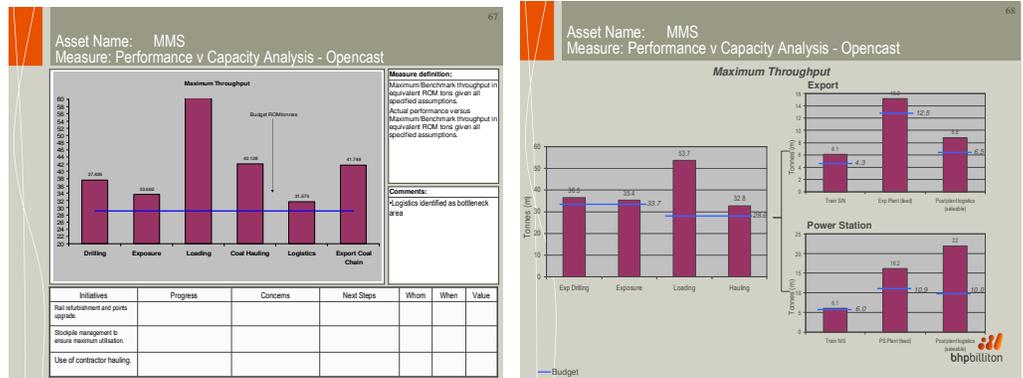
With regard to IM and internal relationships, Ahmed and Rafiq (2003) also stated that in the twenty-first century, company can no longer afford to maintain barriers between functions and departments. "IM looks to guide all people, functions and departments of an organization by its systematic appreciation of the needs, aspirations and cost of each. This underpins the internal customer-supply chain, which is replayed in organizational interaction by every single employee, from top management to middle managers, all the way down to shop floor workers"

Internal marketing is classified as a philosophy as well as a strategy (Ahmed and Rafiq, 2003). As a philosophy it proposes that IM as a coordinating philosophy, because it considers all internal and external relationships. This is due to the fact that IM examines all activities involved in satisfying customers throughout the internal supply chain. It can be further classified as a philosophy because it "focuses attention on customer satisfaction and organizational productivity through continuous attention and improvement on the jobs that employees execute and the environment in which they execute them." In this regard, MMS has adopted Six Sigma, LEAN and Theory of Constraint methodologies in streamlining processes and systems within bottleneck areas. Bottleneck areas are identified in doing capacity analysis of

the organization and doing actual performance checks over a certain time period. Six Sigma and Theory of Constraint projects will typically focus on projects within bottle neck areas, whereas LEAN project focuses on streamlining systems. Below is an example of a capacity analysis that was done:

**Figure 6**

**Performance vs. Capacity analysis examples**



Source: Middelburg Mine Services: Asset Appraisal 2007

In analyzing company’s performances and looking for opportunities to increase output, Ahmed *et al.* (2003) claims that the IM approach provide strategic guidance on how to leverage business performance and profitability in an increasing competitive environment.

There are three areas that Ahmed and Rafiq (2003) suggests whereto IM will work by establishing, developing and maintaining successful reciprocal exchange relationships within the organization:

- Understanding and intimacy;
- trust; and
- commitment

It specifically focuses on the trust issue, where it stated that “IM is built on trust. When people trust that the organization will do what it says, then it encourages behaviours within the organisation that allow for quality to be embedded through the entire supply-chain process.” In summary it could be said that IM helps develop and grow trust and commitment among parties. This give a clear signal to the internal market that the company values its employees.

IM is also seen in this article as a tool in developing individual competencies within the organisation, which is linked to the individual's intelligence, creativity, responsibility and experience.

In the article of Morgan (2004) on business agility, IM is seen more as a tool to market Information Systems (IS) to internal customers. It further states that: "... in recent research in Europe and the US, the ability for organisations to remain agile and competitive is not dependent on the nature of technology, but rather the way in which IT is managed and organised within the organisation." Their need to be a good relationship between the IS function and the rest of the organisation. If the IS strategy is not implemented effectively within the organisation the some opportunities can be lost; efforts can be duplicated; incompatible systems can be implemented and resources can be wasted. (Gottschalk, 1999). It is further stated that specific goals and objectives of the internal marketing plan for the IS function might include:

- Achieving the support of all key functions and individuals in the organisation;
- Acquiring the resources necessary to set about implementing the plan;
- To better relate to other functions and correspond;
- To change the attitudes, misconceptions and uncertainty surrounding the plan;
- To gain commitment to and encourage ownership across the entire organisation of the plan; and
- Manage change as an opportunity for all rather than a threat to the status quo.

In the implementation of such a system whereby the whole organization is affected, it is critical for senior management to show commitment from the start and actually to form part of the project management team who is driving the implementation of the strategy / system. (Graham and Englund, Second edition, 2004).

In enabling business agility, Morgan (2004) explains that all organizational functions need to work with each other too provide a network of effective exchange processes. The IS function has a significant role in this part, for it is responsible for the way in which other functions deal with each other i.e. effective internal relationships between organizational functions. “The IS function fundamentally markets a portfolio of services to its internal customers.” This statement from Morgan (2004) comes down to that the IS function need to be managed and measured on a regular basis to ensure the effectiveness of it. One measurement tool that is widely used is the SERVQUAL instrument for measuring service quality. While the use of the SERVQUAL model has been discussed earlier in this research report, it is worthwhile mentioning that “Business agility can be enhanced with the delivery of IS services to internal customers within shorter development cycle times. The speed of response that this can invoke not only raises the competitive bar within an industry, but it can also fundamentally destroy former models of business.” (Morgan, 2004). In conclusion to this article, it could be said that with successful internal marketing, the IS function can build change-readiness into the organization’s capabilities, that could provide that edge for the company in the ever-changing competitive environment.

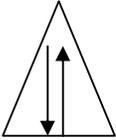
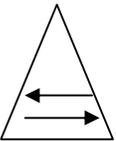
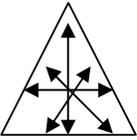
In the article by Prasad and Steffes (May 2002), it is stated that a high level of customer service quality is necessary for success, but employees need to be motivated to provide it. Cooper and Cronin (2000) state that “Internal marketing has been defined as the expense and effort of motivating employees to provide better customer service.” This article examines the effect of incentive schemes (profit sharing in this case) that reward employees for achieving customer service objectives. It is however crucial that an internal marketing campaign is necessary, in addition to the profit- sharing scheme to motivate employees to provide better service quality. The profit sharing scheme is there to convince employees that management desired outcome is linked to their increased effort with some probability. Internal marketing is there to convince employees about management’s certainty that the benefits of the scheme will be realized. In the conclusion of this article, it is explained for example that management must obtain a clear understanding of the

probability of success. “Without this, their objective (management) may fail to be achieved despite optimal employee effort, causing a loss of trust between management and employees.” At MMS, a similar incentive scheme was introduced in 2005, based on increased employee effort that will results in innovations improving the company’s bottom-line. The rules however weren’t communicated clearly to the workforce, and when pay-out time arrived, employees received a total different message on what they expected the outcome to be. This is a typical example of internal marketing within the organization that did not work effectively. The incentive scheme had the right idea; it was only the communication and execution that went wrong. The lesson out of this is that first explain the rules and required outcome to the workforce before actually implement any type of incentive scheme. The trust relationship however took a downturn due to this miscommunication, and it took about two years before it was restored.

Ballantyne (2003) states in his article of “A relationship-mediated theory of internal marketing”, that internal marketing is defined as a relationship development strategy for the purpose of knowledge renewal. “The alternative, non-hierarchical internal market perspective had its origins in total quality management (TQM). The idea was that staff might find out how each contributes to the work of the other, in quality chains, with links through to the external customer. (Oakland, 1989, p.4); (Christopher et al., 1991, pp.77-80). This comes down to a shift in internal market focus to internal suppliers and internal customers. The article further states that that it would require marketers working collaboratively with non-marketers to access and mutually re-interpret the rich experience of staff and their knowledge, and to do so within a suitable structured knowledge-generating environment. Three areas of knowledge exchange are described in Table 4 below:

Table 4

Knowledge exchange patterns

<p><b>Pattern 1. Hierarchical exchange</b></p> 	<p>Expert knowledge is exchanged and legitimized through formal hierarchical channels. The dominant flow of information is from the top of the organization to the bottom. Upward moving knowledge claims also occur, subject to explicit rules or implicit constraints.</p>
<p><b>Pattern 2. Inter-functional exchange</b></p> 	<p>Knowledge is exchanged between internal suppliers and internal customers among value chains end to the end. Knowledge claims are legitimized by reference to external customer needs</p>
<p><b>Pattern 3. Network exchange</b></p> 	<p>Knowledge is generated and circulated by exchanges within spontaneous, internal communities. Common social or economical interest drives these voluntary, employee networks</p>

Source: Ballantyne (2003). Knowledge exchange patterns within organizations

The article states that it is clear that no one knowledge exchange pattern is likely to be successful on its own, given the outlook of global deregulated, technology enhanced, economical rational business environments. “If marketing is seen as a disciplinary synthesis for creating and delivering value to the markets (Ballantyne, 2000b, p. 275), then it cannot avoid collaborative relations within internal markets, among the internal customers and suppliers (Dibb and Simkin, 2000). Otherwise, “silo effects” will limit the generation and circulation of market-orientated knowledge. This is where a role for internal marketing can be delineated and where agility in knowledge renewal becomes a new source of competitive advantage” (Ballantyne, 2003). Argyris and Schon (1978, p20) argued that there is no organizational learning without individual learning, and that individual learning is necessary but not a

sufficient condition for organizational learning. Ballantyne (2003) states that the key point here is that organizations do not just capture and processes this information / learning's from the market and adapts to it, as is commonly supposed. In order to create new knowledge, employees actively engaged in reshaping the assumptions on which existing knowledge is built. Dixon (1999b) states that learning is making sense of the experiences we have in our world. Ballantyne (2003) claims that there are two pivotal kinds of approaches to this sense making:

1. Problem solving – there is an answer to every problem and that the right answer can be found. Problem-solving skills can be obtained through organizational training.
2. Puzzle solving – the social world is dynamically complex and changing, and problems and solutions are socially constructed.

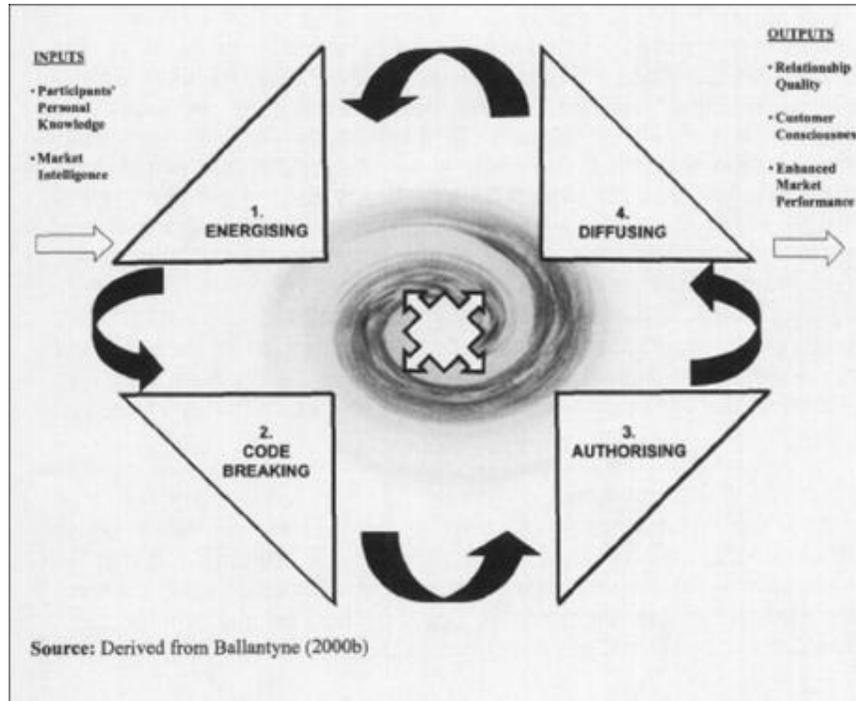
Ballantyne (2000b) developed an internal marketing cycle that entails employees to use problem- & puzzle solving skills within a group environment to adapt / change to meet the ever-changing internal and external marker demands. These four areas are:

1. Energising – Learning how to work together on useful market place goals that are broader than the bounds of any individual job description. This is where creative puzzle-solving tasks within small groups will take place.
2. Code Breaking – Learning how to apply personal resources of “know-how” in working together to solve customer problems, creating new opportunities and change internal procedures. Access to specialist “expert” departments will be critical during this phase.
3. Authorising – Learning to make choices between options on a cost-benefit basis and gaining approvals from the appropriate authority. The proposals and recommendations are prepared for the decision makers in various departments and decisions are to be carefully negotiated.
4. Diffusing – Learning how to circulate and share new knowledge across domains in new ways. During this phase new knowledge will became policies and procedures whereby training schedules are to be prepared by line management departments responsible for inputs from internal marketing groups.

Figure 7 below show the inputs necessary for the internal market cycle to deliver the outputs as indicated.

Figure 7

The internal marketing cycle



Source: Ballantyne (2000b)

Ballantyne (2003) took it further by stating that the next theory strand was to uncover any structural variables that seem to give support to the activities in the internal marketing cycle. Ballantyne (2003) identified three areas:

1. Learning activity;
2. Knowledge renewal; and
3. Spontaneous community behaviour.

It states that learning activity was consciously planned and it led to the emergence of new knowledge (knowledge renewal), facilitated by relationship development and the spontaneous emergence of communities with a common interest in supporting the internal marketing project.

In linking the abovementioned theory with the actual workplace situation within MMS, a gap currently exists to sustain the development and growth of knowledge within mission directed work teams (mini-businesses). Problem solving skills do form part of the final roll-out strategy within MMS, but to date, no training or communication has been rolled-out to mini-businesses. This

gap in the internal marketing process should be eliminated to ensure sustainability and knowledge retention within mini-businesses and between employees.

Ballantyne (2003) explained that individual learning and its diffusion to the levels of the organization learning and knowledge renewal is constraint unless it is mediated by relationship development. Gronroos (1981) confirmed this more than 20 years ago by stating that the emphasis was on open two-way communication and effective coordination of tasks between front-line and support staff. He further proclaimed that the idea was to get more motivated and customer conscious staff at all levels of the organization and to focus the internal work effort to better meet the needs of external customers. The issues with these statements from Ballantyne (2003) and Gronroos (1981) are constraints on employee interaction which are the consequence of task boundaries and hierarchical control and the second was lack of clarity about the value propositions on offer. A possible solution to this is explained by Ballantyne (2003) as “when relationships can act as conduits for the generation and circulation of knowledge, task boundaries become more permeable and responsibilities become effectively shared, even if inter-functional structures remain unchanged. Relationship development might then extend the potential for the growth of organisational knowledge but avoids issuing direct challenges to management’s command and control” (Ballantyne, 2003). In conclusion to these issues, Ballantyne (2003) claimed that “without mutual trust, mutual commitment and mutual obligation, employees may well be unwilling to pass up their knowledge, and the organisation may without knowing lose sight of what ends or goals they are really aiming at in the enforcement of rules which inhibit organisational knowledge renewal” (Ballantyne, 2003). In the beginning of this article it was stated by Ballantyne (2003) the IM can be defined as a relationship development strategy for the purpose of knowledge renewal. In conclusion to this definition and also from what was discussed about the article, Ballantyne (2003) came up with five key propositions in support of this:

- Relationship development begins with exchanges of mutual value between participants.

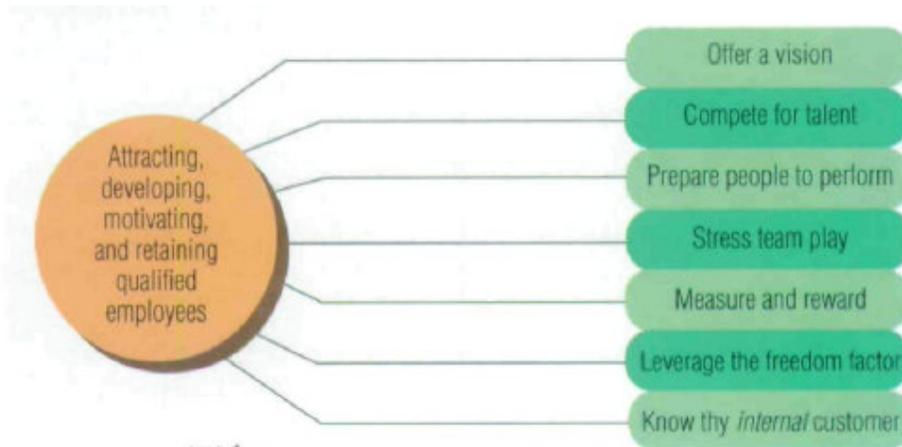
- Internal marketing requires a process of learning activity.
- Relationship development mediates between learning activity and knowledge renewal.
- Knowledge renewal is the purpose of internal marketing, and
- Internal marketing gains legitimacy through external market relevance.

In all of the five points discuss above, a critical role exists for an authentic senior sponsoring partner, to act as a catalyst through providing constancy of purpose and maintaining a climate of legitimacy for the internal activity. This is mainly due to this internal marketing approach that envisages working across departmental borders.

In the article about Southwest Airlines, Czapslewski, Ferguson & Milliman (2001) states that in today's tight labor market, internal marketing is viewed as an even more important way to obtain, develop, motivate, and retain skilled and energized employees who in turn provide high quality service. It is further explained that an internal marketing strategy appears to be a prerequisite for building employee capabilities and motivation, which leads to higher levels of service quality. In turn, a high level of service quality leads to greater customer satisfaction and retention, higher sales revenue, and ultimately greater profitability. One crucial factor that is highlighted in this article, is that "the tactics for implementing internal marketing include offering a vision that provides purpose and meaning to the workplace, competing aggressively for the most talented people, preparing employees with the skills and knowledge they need to perform while at the same time emphasizing team play, motivating individuals through measurement and rewards, providing freedom to excel, and ensuring that organizational management understands the internal customer" (Czapslewski *et al.*, 2001). Figure 8 below explain the keys to internal marketing success as described by Czapslewski *et al.* (2001). As can be seen, the first point in fostering a culture of continuous improvement through internal marketing is to offer employees with a vision. "People want to know how their work fits into the broader picture scheme of business operations and to understand and believe in the goal that they're working toward" (Czapslewski *et al.*, 2001).

Figure 8

Keys to internal marketing success



Source: Czaplewski *et al.* (2001). Southwest Airlines: How internal marketing pilots success.

Point 2, Compete for talent, speak for itself. As stated in the article, Southwest prefers to hire for attitude and then train people for specific skills. Southwest strongly believes inherent attitudes cannot be changed in people. It was once said that a successful employee consists out of 80 percent attitude and 20 percent skills (Author unknown). Another important aspect that Southwest Airlines is focusing on is to foster a culture of team play. “Throughout their careers, employees are cross-trained on multiple jobs to enrich every employee’s work experience and to prepare them to perform flexibly in different positions as needed” (Czaplewski *et al.*, 2001). This in it itself create another competitive advantage for any company. This last statement was especially highlighted at Middelburg Mine Service when the company went through a period of restructuring in 2004/2005. Loss of critical skills with no succession planning and multi-skilled employees caused MMS to go through a rough period on trying to maintain performance. Attracting new employees with the necessary skills, motivation and attitude was a difficult task.

The fifth point is measuring and reward. The article states that “measurement and reward for superior employee performance is a critical part of successful internal marketing. Rewards include not only financial compensation, but also advancement, recognition, and other non-financial rewards” (Czaplewski *et al.*, 2001).

Southwest airline was intending on rewarding the very best performers within the organization. One type of recognition that they offered was stock options. "The stock options and profit sharing not only improve motivation, but also helps foster a keen sense of teamwork and organizational commitment" (Czaplewski *et al.*, 2001). Another important area of commitment from the employer's side was that Southwest airlines announced that it has officially adopted a no-lay-off policy. This type of commitment from an employer's point of view creates a trust relationship between employer and employee, whereby it was shown from previous research that a positive trust relationship has a positive impact on operational effectiveness. In conclusion to the above mention article, it was shown that an integrated internal marketing approach was the engine driving Southwest's unique brand of service quality. The company had demonstrated how internal marketing can positively affect three important levels of organizational outcomes: employees, customers, and profits. "..., successful internal marketing offers a vision to create a sense of spirit and emotion that engages not just the mind, but also the heart of the employee" (Czaplewski *et al.*, 2001).

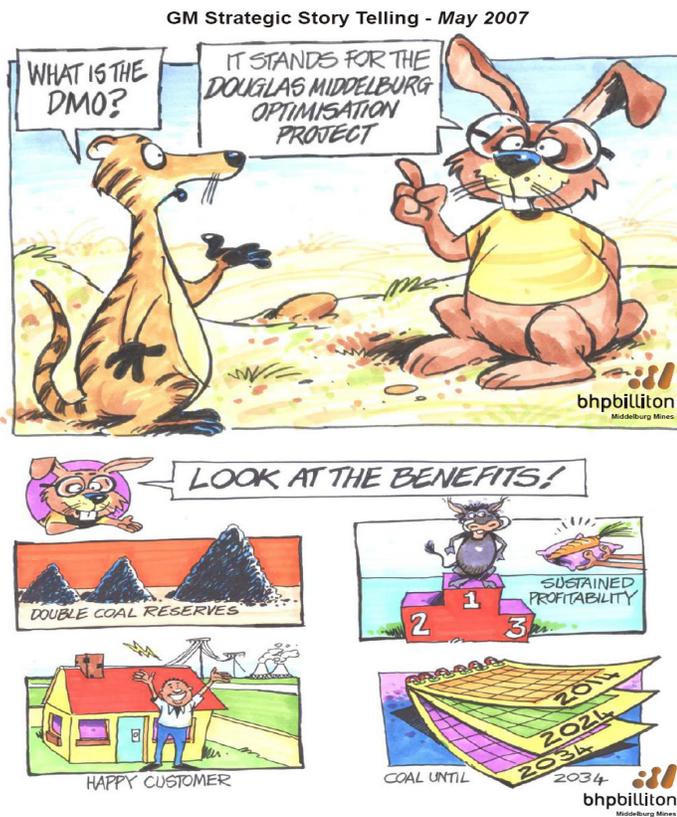
"In today's knowledge-based economy, the value of human capital has become greater than the value of fixed assets" "...In addition, customer perceptions, attitudes, and intentions are affected by what employees experience in their organizations – if they don't feel valued, neither will your customers" (Stershic, 2001).

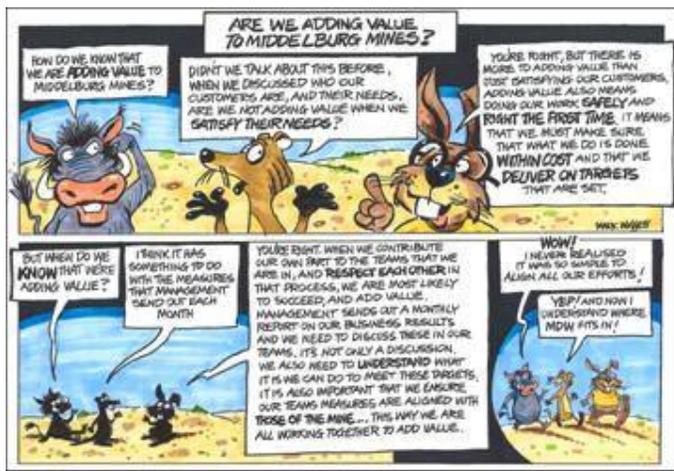
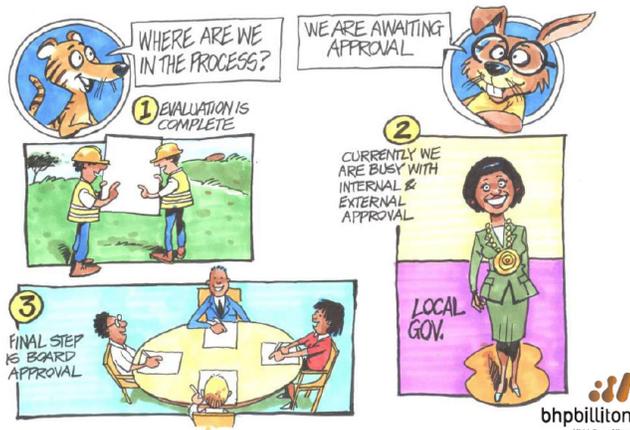
Stershic (2001) further states that IM encompasses a variety of communication, education and motivational activities that simultaneously recognize and reinforce the value of customers and the employees who serve them. As it is said, what is mentioned above is not rocket science, but the challenge is to continually motivate employees to sustain high levels of customer satisfaction. "If the fundamentals of internal marketing are not currently part of the corporate culture, then marketers should take the lead to change the situation and implement this critical marketing tool" (Stershic, 2001). One important element of IM is to ensure internal communications to reinforce the "big picture". This is to let employees know where they fit within the bigger picture of the organization, what is expected of them in fulfilling the

corporate mission, and how they can help contribute to achieve the company's goals. "Employees perform more effectively when reminded of the value they bring to the organization, including the impact they have on customers. (Stershic, 2001). At MMS management has recently decided to start with strategic storytelling by using four cartoon characters to tell employees where they fit in the bigger picture and where the company is heading to. The characters consist of a wise hare, who knows all the answers, a meerkat who is always inquisitive about everything and a warthog who is the one who always complains and asking the "why" for everything.

Figure 9

Strategic Story Telling



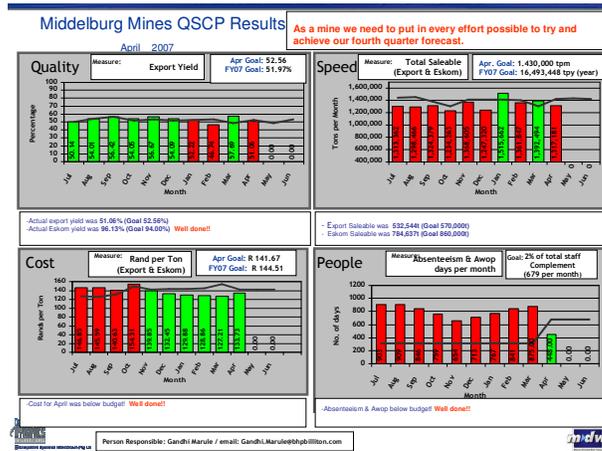


Source: MMS, 2007.

Included in these strategic storytelling pictures, is the business result of the organization, whereby the four main metrics is shares to the workforce. These four metrics entails Speed, Quality, Cost and People. As mentioned earlier, MMS uses mission directed work teams as its internal marketing strategy to measure mini-businesses as well as the company against it. These business results are one of the prerequisites for the teams to know of by heart, for it affects the company's internal and external customers. Below is an extraction of the business results.

Figure 10

Key metrics measured for MDW purposes



Source: MMS, 2007.

In this article of Stershic (2001), it is stated that competitors can copy a company’s products and services, but not the relationship between employees and customers. “A proactive internal marketing approach can help ensure marketing success by strengthening employee-customer relations, satisfaction, and loyalty” (Stershic, 2001).

In conclusion to this article, five main areas have been identified as crucial factors for internal marketing success.

- Strengthen Relationships – Share of customer information to help employees better serve customers; Engage employees in improving customer satisfaction; find ways to make tangible connections to customers, to see them as real people instead of faceless names on account numbers; and trade places. This last point refer to trading places between employees to help build empathy for frontline staff and the reinforcement of teamwork with a sense of common purpose.
- Reinforce Values – Tangible things like motivational posters and customer letters of appreciation. Giving recognition to employees for outstanding service which portrays the values of the company.
- Know the Bottom Line – “Internal marketing includes any communication, educational, and motivational effort that underscores the employees’ value within an organization, strengthens customer and

employee relationships, and reinforces customer-focused values” (Stershic, 2001).

- Recognize the Truth – The issue under this heading is one of leadership. Either management doesn’t see the need for it, or they think they are already applying internal marketing principles. There are basically three assumptions that derive from this statement:
  1. Employees are given lip service
  2. The organization suffers from “cultural schizophrenia” – this indicate that the organization says it is customer-focused, where it’s really operations-driven
  3. Management assumes that everything is OK, so internal marketing is not needed, and
- Make it happen - This point refers to what to do to get the necessary buy-in from managers if internal marketing principles are not embedded within the company. The article states that internal marketing will not work or be sustained if not supported from management. It further states that your goal as an internal marketer should be to get other managers to buy into the habit of proactively communicating with, educating, and motivating employees as a general way of life of doing business.

In the article of identifying the determinants of internal marketing orientation (IMO) by Naude, Desai & Murphy (2003), it was argued that internal marketing is an integral part of overall marketing orientation, involving “the use of marketing techniques within the organization to create and communicate corporate values” (Hogg and Carter, 2000). “The measurement of IMO thus involves assessing the extent to which this internal marketing task has been successfully achieved” (Naude *et al.*, 2003). This article takes it further by stating that although this marketing concept was originally developed for a company’s external marketing, it can now also be applied internally (Gummerson, 1987). From this viewpoint, two research questions arise:

1. How to measure Internal Marketing Orientation (IMO);

2. The identification of which variables that may influence the level of IMO within an organization.

Foreman and Money (1995, p. 761) developed a scale for measuring IMO. They view this scale as something that paralleling “the conventional external marketing program directly”, which is included below in the appendix below. This scale answers question one above.

The Foreman and Money Internal Marketing Orientation Scale

*Note:* All items measured on a seven-point scale

- Our organization offers employees a vision that we can believe in.
- Our organization’s vision is well communicated to all employees.
- This organization prepares employees to perform well.
- Our organization views the development of knowledge and skills in employees as an investment rather than a cost.
- Skill and knowledge development of employees happens as an ongoing process in our organization.
- We teach our employees “why they should do things” and not just “how they should do things”
- This organization goes beyond training and educates employees to work together.
- This organization measures and rewards employee performance that contributes most to our organization’s vision.
- Data gathered from employees is used to improve jobs, and to develop the strategy of the organization.
- In our organization, those employees that provide excellent service are rewarded for their efforts.
- In this organization, employees are properly trained to perform their service roles.
- This organization places considerable emphasis on communication with employees.
- This organization has the flexibility to accommodate the differing needs of employees.
- Our performance measurement and reward systems encourage employees to work harder.

- Our organization communicates to employees the importance of their service roles.

In this article of Naude *et al.* (2003), a broad search of literature review was carried out to identify those variables that might influence IMO. The study in this article adopted the viewpoint of Schneider (1990), who argued that differences in perception of organizational climate are based on “person” variables, “situational” variables, and “person x situational” variables (James *et al.*, 1979). In conclusion to this article, the study had revealed that a number of variables were identified that might be regarded as possible determinants of levels IMO. The overall data analysis suggested that the selected single item variables do not clearly explain the difference in perception among employees as far as IMO is concerned. The strongest identified indicators that were identified were location and in this case it could be linked to job function. Followed by this was the individuals’ age and length of tenure. Contributors to these are; Local and direct management as well as aspects of both socialization and satisfaction levels.

In linking IMO to the actual workplace within MMS, most of the questions as per the appendix above could be answered in favor of the company, but one aspect that could possibly lead to a recommendation is that there are no internal systems to close the “loop”. Due to various observations within the workplace in determining if the possible variables as identified in this article, are the same or similar as those that exists within MMS; it seems to be the same. Job satisfaction and length of service are definitely areas of impact in the success of internal marketing orientation.

Quester and Kelly (1999) states the following important facts: “Profit and growth are stimulated by customer loyalty, which is a direct result of customer satisfaction....The interpersonal component (i.e. the way the customer is treated) is a function of the attitude and personality of employees with whom the customer comes into contact....Internal marketing is a tool that can be used to develop and motivate customer consciousness among employees.

In this article it further states a number of key elements of internal marketing which can be identified from the literature, including communication, training,

education and information (Gummesson, 1991); motivating and developing, educating or training employees (Cahill, 1995; Foreman & Money, 1995; Gronroos, 1985; Rafiq & Ahmed, 1993; Varey, 1995a); and even attracting, hiring and retaining employees.

Foreman and Money (1995) found that the three components of internal marketing are:

- Rewards – rewarding and motivating employees
- Development
- Providing a vision

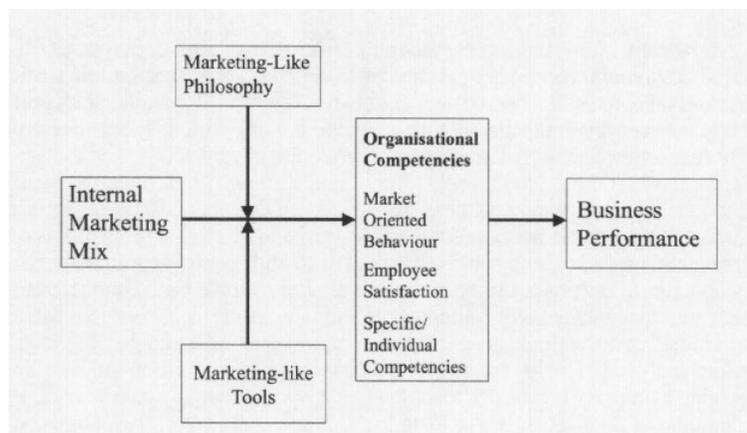
It is stated that the ultimate responsibility for initiating internal marketing rests with senior management (Barnes, 1989), and the internal marketing program requires continuous management support to be effective. (George, 1990; Gronroos, 1985).

In the article of Ahmed, Rafiq & Saad (2003), it proposes and empirically evaluates a new internal marketing (IM) implementation model as a framework for implementing marketing strategies. The model also postulates that application of marketing-like philosophy and marketing-like tools internally moderates the relationship between IM mix and organisational competencies.

See figure 11 below:

Figure 11

Conceptual model of internal marketing



Source: Ahmed *et al.* (2003)

It is further stated that a recent number of studies have examined organisational commitment as an intervening variable between IM programmes and service quality (Carcuana and Calleya, 1998); (Boshoff and Tait, 1996).

George and Gronroos (1989) indicate that existing Human Resource Management (HRM) tools with a marketing perspective should be used for IM. They further states that IM is basically a philosophy for managing the organisation's human resources based on a marketing perspective. Tansuhaj *et al.* (1988, p.32) observed that IM incorporates a multifaceted focus on employee development. A comprehensive internal marketing program is concerned with employee recruitment, training, and motivation and retention efforts.

In the proposed model (Conceptual model of internal marketing mentioned above), IM is a strategy that aims for the creation of high-performance work systems by managing the interdependent elements of the IM mix to create and achieve greater individual and organisational competencies and ultimately influence business performance. There are three indicators of organisational competencies that relate to IM constructs in this conceptual model. They are:

- Customer/market orientation
- Employee satisfaction and
- Specific/individual competencies.

The model firstly indicates that the IM mix variable is positively related to the organisational performance. Secondly, organisational competencies mediate the relationship between the IM mix and business performance. In particular market orientation, employee satisfaction and specific/individual competencies are regarded as instrumental in mediating the relationship between IM mix and organisational performance.

Out of the discussions above, three broad hypotheses arise from the article namely:

- H1: There is a significant and positive relationship between the IM mix and business performance.
- H2: Organisational competencies mediate the relationship of IM mix with business performance.
- H3: Application of marketing-like philosophy and application of marketing-like tools moderates the relationship between the IM mix and organisational competencies.

Some key findings indicate the following:

- The hypothesis was rejecting that employee satisfaction is a mediator of the IM mix and business performance. Herrington and Lomax (1999) in their study of financial advisors of UK found no relationship between job satisfaction and customer perceptions of service quality. It is thus possible that employee satisfaction operates through an intervening variable such as organisational commitment rather than directly on performance.
- The hypothesis predicts that external marketing-like tools and philosophy have a significant influence on the strength of a relationship between the IM mix and organisational competencies.
- One finding highlight the fact that strong and committed top management support as well as integrated effort towards interfunctional co-ordination are critical factors for business performance.
- It has further shown that customer / market orientation and specific/individual competencies are particularly important in influencing business performance.

Finally in this article of Ahmed *et al.* (2003), it is suggested that more research is needed to replicate this research in order to establish the reliability of the measurement instruments used in this study and to address some of the limitations of this study.

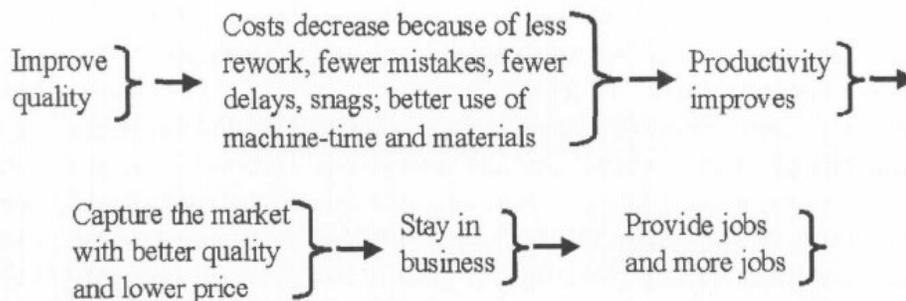
In the article of revising quality awareness through internal marketing by Barnes and Morris (2000), it is stated that “IM has evolved in a bid to reshape

and stimulate corporate effectiveness and raise service quality levels in organisations. It implies the need for management to view the organisation as a market, where there exists an internal supply chain consisting of internal suppliers and customers (Berry, 1984; Flipo, 1986; Foreman & Money, 1995). It is also stated that different size organisations may show variations in the scale/complexity of internal operations within the company and this may have an impact upon the quality perceived by the customer. “Internal quality management is driven by technology, organisational structure, systems and internal goals and values (Gummesson, 1998).

In linking TQM to IM and the associated benefits derived from it, it is stated that “The consumer is more important than raw material. It is usually easier to replace the supplier of raw material with another one than it is to find a new customer...” (Cited in Neave, 1990). Below is an extraction of Deming’s chain reaction to demonstrate the importance of quality management within a company and the benefits derived from it:

Figure 12

Deming’s chain reaction



Source: Barnes *et al.* (2000)

“For Deming, quality is that which entices and appetizes the customer” (Neave, 1990). From this point of view where TQM aims from within the company to satisfy external customer needs, internal customers are also aiming to have their needs satisfied. “IM is therefore defined as satisfying the needs of employees, thus the focus of IM is internal customer satisfaction (Gremler *et al.*, 1994). Collins and Payne (1991) meanwhile suggest that

retention of employees should occur by aiming to satisfy their needs, such as matching skills with jobs that can be identified by market research, If such an approach is implemented correctly, employees are less inclined to quit and customers are more satisfied with the service. “That demand for an internal customer focus is reached through recognition that all work is process and that quality is achieved through people (Kanji & Asher, 1993).

Rafiq and Ahmed (2000) stated in their article on advances in the internal marketing concept: definition, synthesis and extension that “In order for IM to be effectively operationalized as a paradigm of organizational change management and implementation of strategies a clarification at the definitional level is required. What is required is a precise specification of those activities that can be taken to constitute IM and those that do not, since definition and classification are fundamental prerequisites to marketing analysis (Hunt, 1976; Lovelock, 1983). There are three stages identified in this article for the development and evolution of the internal marketing concept:

1. Employee motivation and satisfaction phase – This phase explained that most of the initial work on IM focussed on employee motivation and satisfaction. “It was believed that a firm must have satisfied employees in order to have satisfied customers, because so much of what customers of service companies buy in labour” (Pervaiz *et al.*, 2000). It states that the basic way of achieving employee satisfaction was to treat employees as customers. “An important problem with this approach was that the needs of the external customer could be seen as secondary to those of the firm’s own employees. Moreover, the financial cost of having satisfied employees could be considerable” (Rafiq *et al.*, 2000).
2. Customer orientation phase – In this phase Winter (1985) explains employees should be sales-minded as well as customer-orientated. He furthermore states that the object of IM is therefore to get motivated and customer conscious employees, and to achieve good co-ordination between employees dealing directly with the customer and the company’s support staff.

3. Strategy implementation and change management phase – In this phase, Winter (1985) emphasize that the role of IM is that of: “Aligning, educating and motivating staff towards institutional objectives...the process by which personnel understand and recognise not only the value of the program, but their place in it”. This phase also states that authors now explicitly began to recognise that IM could help a company to achieve its strategy. In particular, it was believed that if strategies are to be implemented more effectively, internal conflicts must be overcome and internal communications improved. “IM today is seen as a way of reducing departmental isolation, reducing internal friction and overcoming resistance to change. It is now applied to any type of organisation, not merely service companies” (Rafiq *et al.*, 2000).

In this final conclusion to the literature review on Internal Marketing and the effect of it on operational effectiveness, Rafiq and Ahmed (2000) identified the main elements of IM as:

- Employee motivation and satisfaction;
- Customer orientation and customer satisfaction;
- Inter-functional co-ordination and integration;
- Marketing-like approach to the above; and
- Implementation of specific corporate and functional strategies.

Based on these, they define IM as “a planned effort using a marketing-like approach to overcome organisational resistance to change and to align, motivate and inter-functionally 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 *et al.*, 2000). This last statement in itself answer the concern that was raised in point one above in the development and evolution of the internal marketing concepts - Employee motivation and satisfaction phase.

### **3.5 Conclusion on Literature Review**

It is clear from the literature study as discussed in chapter 3 that operational effectiveness is very much dependant on having the right IM structures in place within a company. Many companies see marketing as only focussing on the outside customers, whereby effective marketing actually starts from within. A classic example is the article on Continental Airlines by Czaplewski *et al.* (2001), whereby management focus was on internal customers, who in itself ensure superior external customer service which in the end lead to operational effectiveness and company profitability.

The strategic talk topics used within MMS seems to be very effective and aligned with similar principles researched by various researchers (Stershic, 2001; Ahmed and Rafiq, 2003). Together with mission directed work teams (MDW) that was implemented within MMS, the aim is having the right IM structures in place to optimize operational effectiveness. Selling the Brand Inside by Colin Mitchell (January 2002) clearly states that the importance of IM is that it's the best way to help employees make a powerful emotional connection to the products and service you sell. "Applying these principles enables employees to "live" the vision in their day-to-day activities" (Mitchell, January 2002).

# Chapter 4

## 4 Research Methodology

### 4.1 *Research design*

A mixed research methodology will be followed due to the different nature of the measurements that will be performed:

**Quantitative approach:** Benefits of improvement projects reported in BCS and EBIT achieved every month through financial and statistical tools. This approach will try to test the effectiveness of BE methodology with actual benefits (EBIT) delivered. The benefits that are reported within BCS are through projects implemented through Six Sigma, Lean and TQM.

The biggest part of this research report will be based on a questionnaire that requires the respondent to review his/her work in relation to internal marketing and Business Excellence methodology within their work environments. The results are intended to reveal the level of maturity and gaps of the 5 factors used within the Research Questionnaire i.e. Reliability; Assurance; Tangibles; Empathy & Responsiveness (Factors modified and used from the SERVQUAL model). These gaps will highlight the areas of concern as well as the opportunity for management to breach the gap in creating an effective organisation through internal marketing.

**Qualitative approach:** The questionnaire will be supported by one on one interview with management to discuss the results analysed from the research questionnaires. The interviews are intended to verify and highlight the results of the questionnaires and to gain further insight into breaching the gaps. Possible solutions and recommendations will derive from these discussions and will be discussed in detail in Chapter 5.

### 4.2 *Sample size and data collection methodology*

The sample size will be determined by the type of data needed for the proposed analysis. From a financial perspective, the size of the sample data on BCS vs. EBIT needs to include at least 12 consecutive months of data.

This is necessary to get a trend on improvement projects implemented and getting embedded within the company's financials. It is assumed that any improvement initiative will be included in the company's budget/day to day running after 12 months of tracking. The periods covered will be from July 2006 till June 2007. The reason for this is that it falls in the same period as the financial year of MMS.

The sample size on the research questionnaires that will be distributed is intended to cover a cross section of employees on MMS. It is intended that these cross section of employees to be included in the research, to provide a broad overview on where the gaps exist in the company's overall internal marketing effectiveness within departments as well as mine wide.

The methodology on the collection of these data points are determined on learning's from previous research that was done. Several interviews will also be held with senior and line management on their perceptions of internal marketing and what benefits it could pose if managed properly.

Once the data sets have been collected, it would be ordered, analysed and visually presented for further scrutiny.

### ***4.3 Measuring instrument/(s)***

Due to the nature of this research project, a **questionnaire** will be used as a measuring instrument in the quantitative analysis and **interviews** with management will be used as a measuring instrument in the qualitative analysis. The questionnaire to use within this study is attached in Appendices 8.2.

# Chapter 5

## 5 Analysis of the Research Outcome

This study focuses on the answering of a research question. This negates an in depth quantitative study with complex numerical analysis as it uses a more qualitative approach. The following methods and techniques were however used to process the data with.

### ***5.1 Analytical techniques to be used***

The research questions will be compiled in a list of a number of questions, each with a numeric outcome (rated on a scale of 1-3). This data will be entered into a Microsoft Excel spreadsheet where the data will again be unscrambled and presented in a logical fashion. Mini-tab, the software, will be used to analyse and visualise the data whereby certain conclusions will be made based on the outcome of the researched data. Another test will be to compare actual reported benefits on projects vs. actual EBIT reported to determine the relationship and effect it probably had on organisational performance.

### ***5.2 Analytical methodology to be used***

The methodology to be used in this research will be based on Six Sigma principles. A program called mini-tab will be used to analyse and visualise the outcome of the proposed hypothesis. The results from the above will be used to make conclusions and also for the researcher to attempt to formulate an entrant strategy for internal marketing and the effect it could have on organisational effectiveness within the mining environment.

### ***5.3 Outcome and discussion of the Research methodology used***

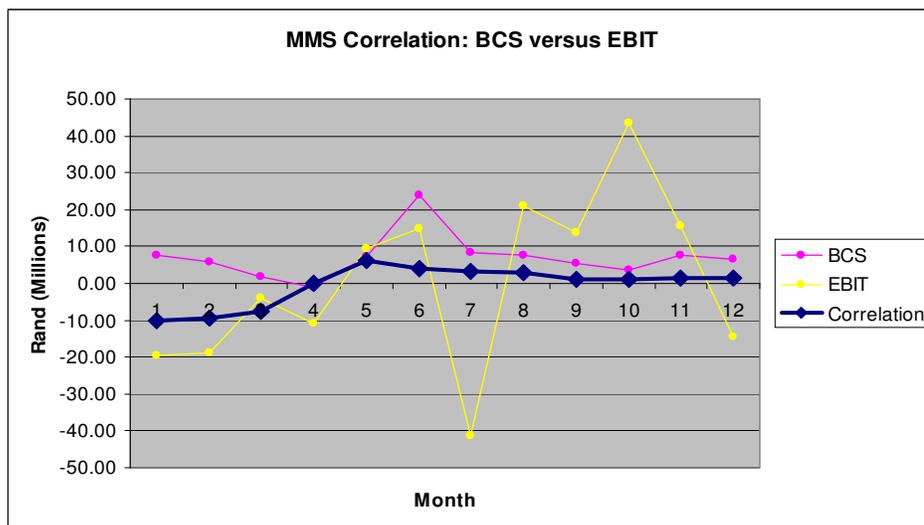
The questionnaire as per Appendices 8.2. was sent out to a cross section of employees, trying to get a broad base of employees covered. The questionnaire was sent out to about 60 employees, on which 35 responded. This gives a 58% hit rate. The followings findings were obtained:

### 5.3.1. BCS benefits vs. EBIT

The actual results from benefits reported within BCS was taken and compared with the actual financial performance of MMS. With BCS benefits it is meant the benefits generated from improvement projects and innovations generated from employees and departments, whereby Business Improvement methodologies were applied i.e. Six Sigma; Lean manufacturing and Total Quality Management (TQM). These benefits are tracked over a period of twelve months to test sustainability and to get it embedded within the departmental budget i.e. costs or volumes. Benefits on revenue initiatives were classified under two areas whereby it can only be a year on year or a mitigating benefit. Year on year benefits are benefits that can be tracked from the original process right through to the end product, which is saleable coal. Mitigating benefits are those benefits that were generated from improved processes within specific departments. The benefits generated improved certain processes within the department, but the benefits could not be directly linked to the end result i.e. saleable production. Revenue projects were only implemented and tracked in bottle neck areas of MMS as identified through a capability analysis. The data has been compared and it seems as if there definitely no correlation between the benefits reported in BCS and EBIT generated. See correlation chart below.

Figure 13

Correlation chart on BCS benefits and EBIT





### 5.3.2. Quantitative analysis on Research Questionnaire

The research questionnaire distributed was based on a modified version of the SERVQUAL model (Kang et al., (2002), and covered the main areas of Reliability; Assurance; Tangibles; Empathy & Responsiveness. The outcome of each of these areas will be discussed in depth and will contain a discussion on the environment, department and the organisation for each of the areas. It is important for an organization to provide adequate service on all dimensions, and to then ascertain which dimensions may require greater attention within a particular organization. "By identifying strengths and weaknesses pertaining to the dimensions of internal service quality, organizations can better allocate internal resources to provide better internal service and ultimately better service to external customers" and "Understanding which factors have the most impact on the perception of overall service quality will enable an organization to focus on those particular factors in order to satisfy employees." (Kang et al., 2002).

The results obtained from the questionnaire were find to be very informative and definitely highlighted the shortcomings in the effectiveness of internal marketing on MMS. The discussions to follow will cover each main area as defined in the research questionnaire. The questionnaire's rating worked on a scale rating from 1 – 3, whereby 1 were classified as having a high/positive impact, 2 as moderate and 3 a low/negative impact. Each area will be rated on a colour coding scheme, indicating red as an area of concern and opportunity for improvement; orange as a moderate concern and green as no concern and where the company actually are doing well.

#### 5.3.2.1. Reliability Low

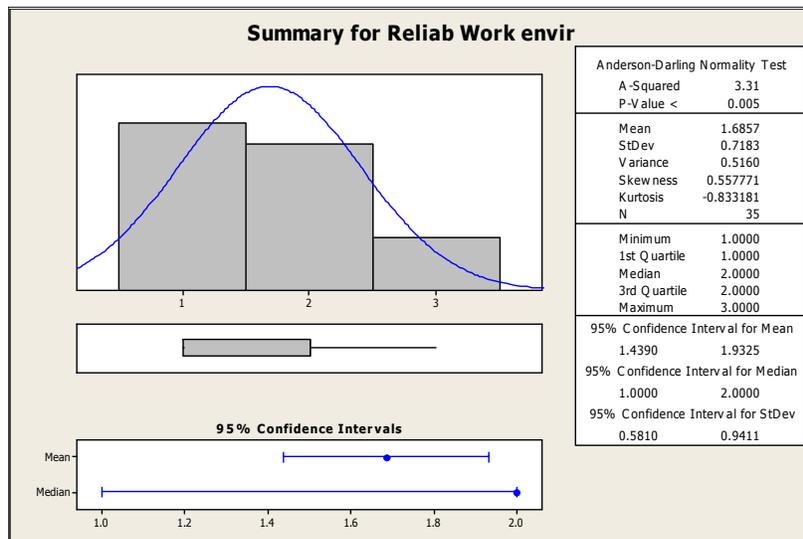
The reliability within departments was found to be not a critical area of concern. Three areas were tested whereby the following findings were obtained:

1. Reliability within the work environment – The main question that was tested was: "To what extend do you feel that you are supported in your work environment?" The overall conclusion was that the overall mean out of a rating of three (3) was 1.6857. This suggests that the majority

of test sample in the population feels that they are reasonably well supported within their work environment. Below is an extraction of the overall rating of the areas that were tested within the population of reliability within the work environment. The rest of the findings supporting figure 15 are included in Appendices 8.3.

Figures 15

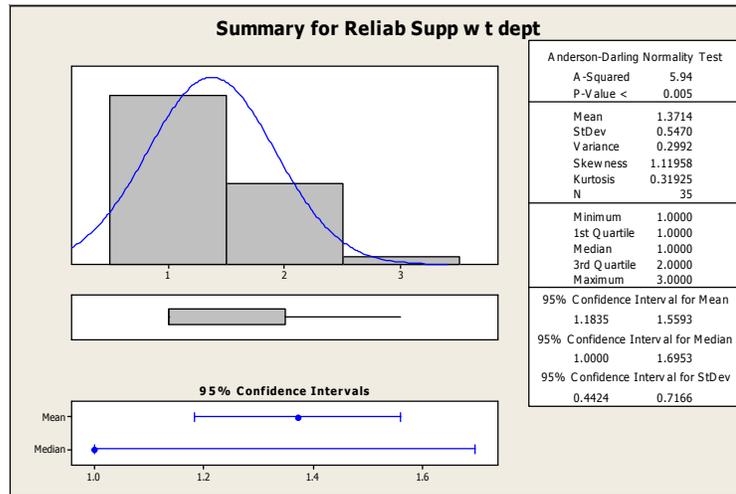
Histograms on Reliability within the work environment



2. Reliability within the department – The main areas that were standing out in this section was delivering on promises and service excellence from co-workers. The population that was tested felt that the company are delivering on promises. The overall mean of the test population within this section was 1.3714 out of a possible three (3). This is an important indication as employees are feeling comfortable and supported within their departments and the people they are working with. Below (figure 16) is an indication of the test sample taken.

Figures 16

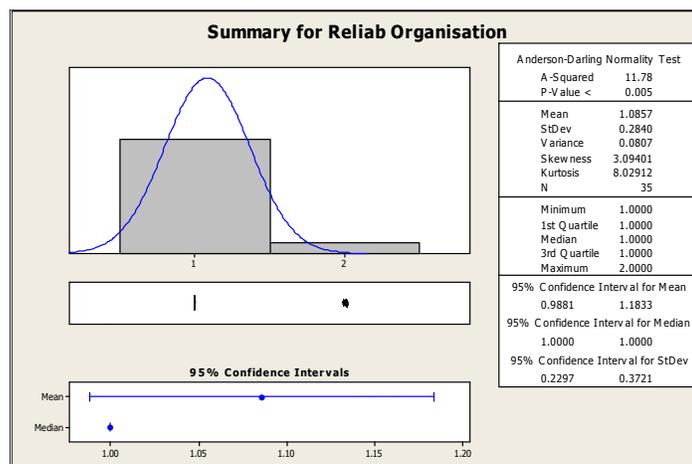
Histograms on Reliability within the department



3. Reliability within the organisation – The initial test in this section was to determine how employees feel about organisational competencies and organisational commitment within the company. The findings were very much in favour of these two important components, whereby the conclusion could be made that employees feel that excellence is possible. The mean reflect a scoring of 1.0857 out of a possible 3, confirming the abovementioned statements. As indicated in the literature review section of this report, organisational commitment and competencies are critical elements in satisfying customer needs, whereby it could have a possible result on the company’s bottom line.

Figures 17

Histograms on Reliability within the organisation



### 5.3.2.2. Assurance

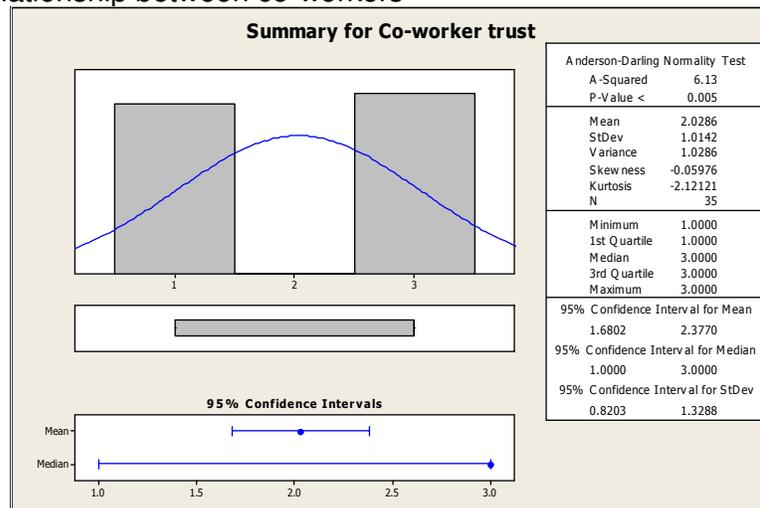
High

Assurance tested the trust relationships within the three main areas: work environment; departments and overall the organisation. This is a crucial element to test within any organisation, for it shows the trust levels within the company. As indicated by various previous researchers, trust within a company is a key factor in driving for excellence and satisfying internal and external customer's needs. The overall mean for testing trust was found to be 1.9143 out of a possible 3. This indicates that there are a definite gap and area for improvement. The three areas as mentioned above will be discussed below to determine the critical areas.

1. Assurance within the work environment – This has been broken down into two separate areas whereby the trust relationship between employees and management was tested. The trust between co-workers shows signs of concern, where the mean scored a possible 2.0286 out of 3. Although the mean is fairly in the middle range, it also means that 50% of the population tested feel that there are no or a low score for trust between co-workers. A possible factor of having this impact is the loss of critical skills and the appointment of a lot of new employees in their places. Below is an extraction of trust between co-workers.

Figure 18

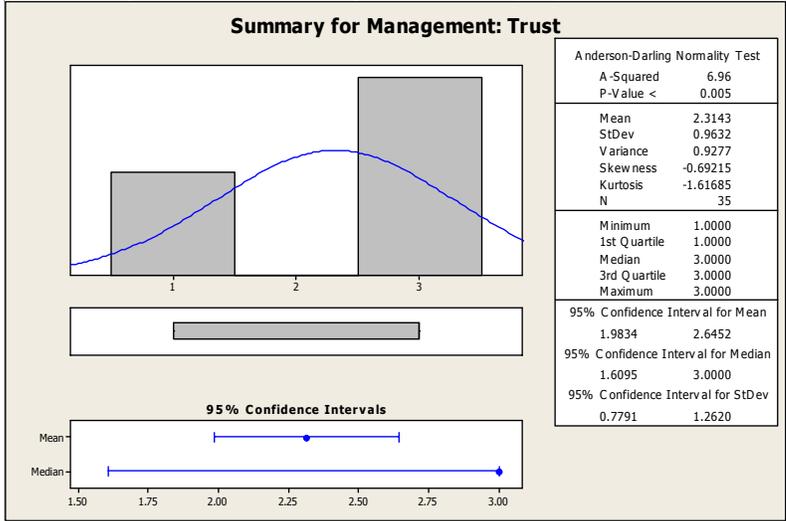
Trust relationship between co-workers



Trust in management shows the real concern within MMS. Previous research done by an independent company namely YSA (PTY) Ltd, (2006), also show this area to be of concern. With fairly new managers appointed within MMS, it is actually an ideal time to address this issue. In the article of Selling the Brand Inside by Colin Mitchell, January 2002, it is stated that to sell your brand within your company, you need to choose your moment, and one opportune moment is with the arrival of new leadership within your organisation. Employees expect to hear from new leaders. It could be that previous managers in MMS did not deliver on promises made to employees, causing this mistrust. Another possible area causing this mistrust is managers from head office dictating to the mine how business should be run. At this moment in time there is little evidence proving this and need to have further research done on this topic. Below is an extraction of the trust relationship with managers. The mean shows a value of 2.3143 out of a possible 3, indicating that a fair value of employees have no or very low trust in management.

Figure 19

Trust relationship between managers and employees

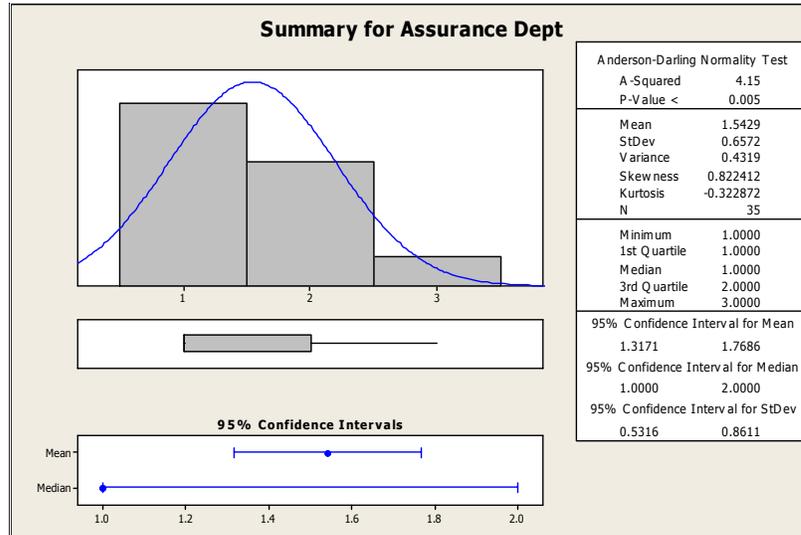


2. Assurance within departments – This are prove to be less of a problem than assurance in the work environment. The mean in this area was 1.5429 out of a possible 3. It shows that workers are working fairly well

with each other and where the trust relationship is fairly constant. Figure 18 shows this relationship as discussed.

Figure 20

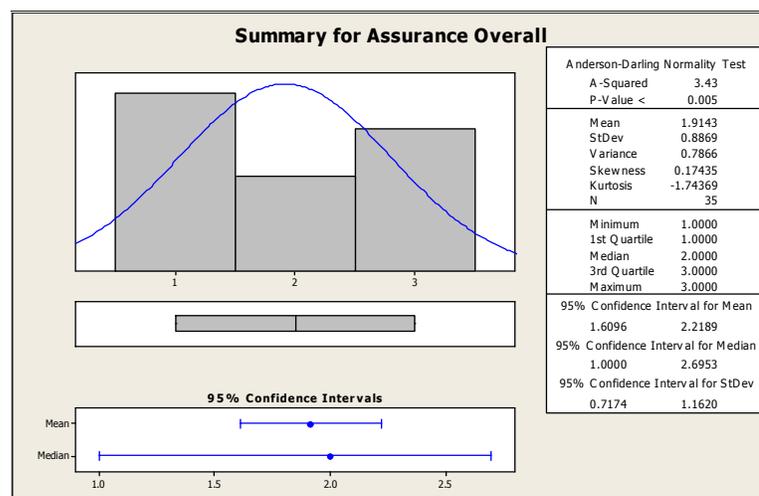
Assurance within departments



3. Assurance overall the organisation – Assurance overall shows clearly the problem as discussed in point 1 & 2 above under assurance. The mean of 1.9143 out of 3 was slightly overshadowed by the good result of assurance in departments. The concern still shows that there are about 50% of the population tested that felt that assurance within the organisation is not what it suppose to be. Figure 21 shows these findings very clearly.

Figure 21

Assurance in the organisation



### 5.3.2.3. Tangibles

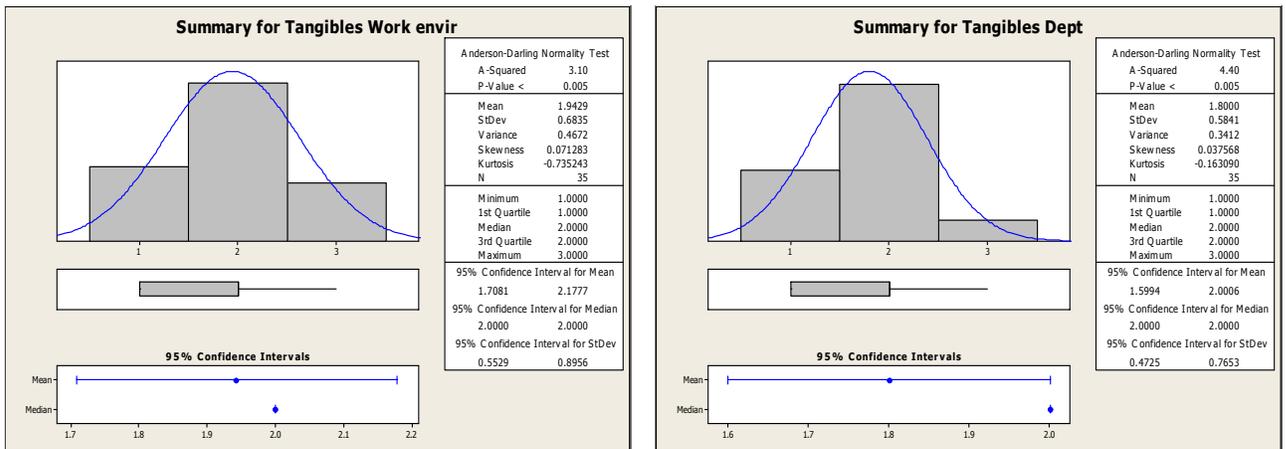
**Medium**

Tangibles will be referring to two areas: Tangibles provided by the company to do the work and the way employees are looking after the company's tangibles. In a mining environment it is crucial to have the right equipment and machinery that is looked after to work safely and efficiently. Tangibles will also be broken down into three areas namely: Tangibles in the work environment; Tangibles in the department and tangibles overall within the organisation.

1. Tangibles in the work environment – The majority of employees tested in the population felt that the environment provided by the company are comfortable and attractive to so their jobs. However it seems as if the visual appearance of materials used in the work environment are not appealing to employees. This negative affect of materials not appealing to employees could also be pulled through to tangibles in the departments. In both circumstances employees felt that they had up to date equipment to work with. Below is an extraction of the test results on both tangibles in the work environment and within departments.

Figures 22

Tangibles in the work environment and within departments

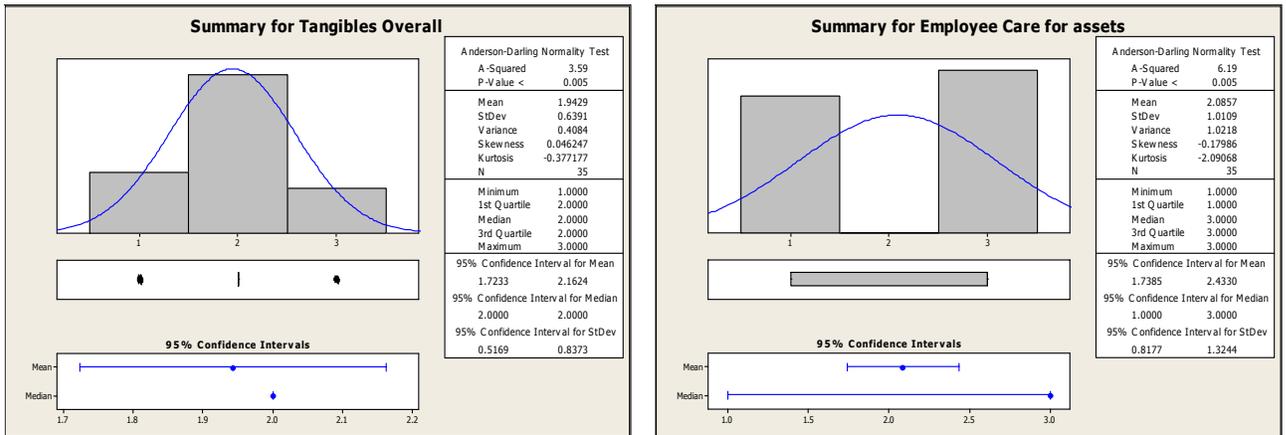


2. Tangibles in the organisation – The overall feeling towards tangibles in the organisation was very similar as discussed in tangibles in departments and in the work environment. The concern area however is that most employees in the population felt that employees do not care for the company's assets provided to them to do their work. The

mean of this test result was 2.0857 out of 3. This factor could possibly be attributed to ownership, attitude, commitment etc. towards company's properties. Further research is however needed to test this statement, as it currently falls outside the scope of this document. Below is an extraction of tangibles within the organisation and employees caring for assets.

Figures 23

Tangibles within the organisation



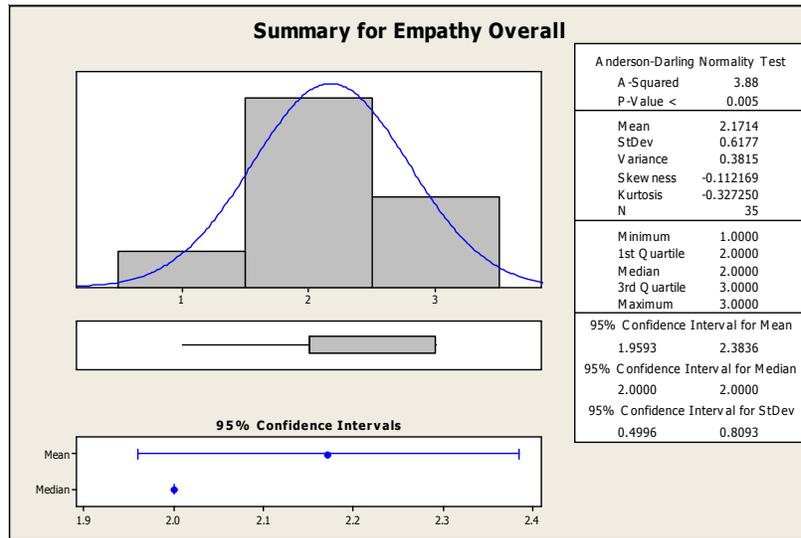
5.3.2.4. Empathy

Medium

Empathy refers to the softer side of employees working in the physical environment. The Questionnaire tried to determine how healthy internal relationships are, and by the feedback received, it actually raised some concerns. The overall mean was 2.1714 out of 3. This area also provides opportunity for improvement within MMS. As discussed earlier within this document under Literature review, many researchers advocate that happy employees create a culture for happy customers. Figure 24 clearly indicate the concern discussed above. Empathy will also be discussed in two additional areas: Work environment and within departments

Figure 24

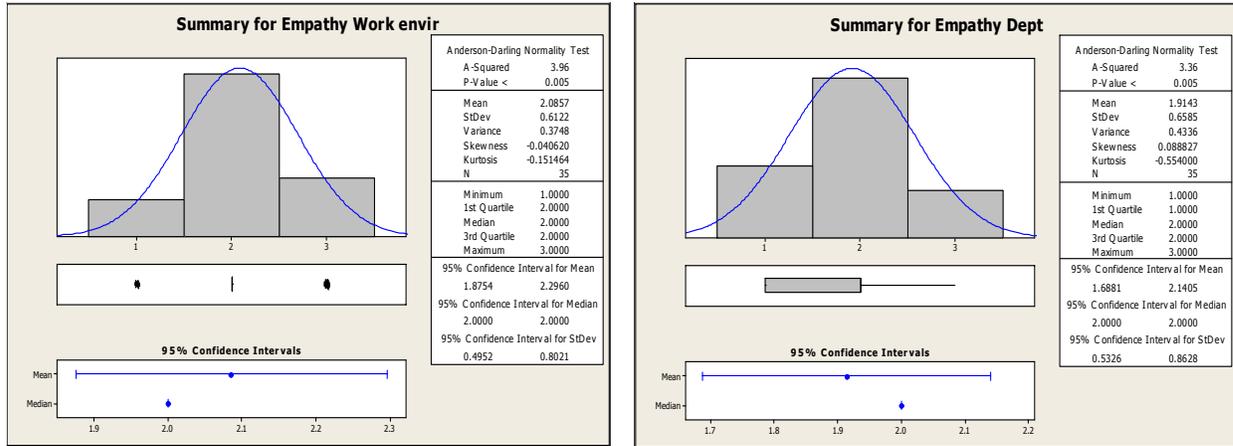
Empathy within the organisation



1. Empathy within the work environment – The mean within the work environment shows a value of 2.0857 out of 3, indicating that about 50% of the population tested are fairly happy with receiving empathy from co-workers. The trend however shows that less than 50% feels that they are not valued within their work environment. This was the major contributor of impacting empathy within the organisation as shown in Figure 20 above.
2. Empathy within departments – It seems as if MDW teams are having a positive impact on empathy within departments. One of the key measures within the MDW teams is team morale. Teams are measuring attendance and contribution towards innovations to get a better picture on empathy/morale within their teams. Although there are still some feeling that they are not valued within their departments, a possible reason for this is that not all of the population tested was fully involved in MDW within their departments. The mean on this section was 1.9143 out of 3. Figures 25 shows empathy within the work environment as well as in departments.

## Figures 25

### Empathy in the work environment and within departments



#### 5.3.2.5. Responsiveness

Low

Responsiveness tried to test the communication channels within departments, work environments and to get a feeling on overall communication right through the organisation. The majority of population tested felt that they are reasonably well informed with what is going on in the organisation and that communication channels are working. A possible impact towards this could be the strategic talk topics that are being used within MDW teams. Although the strategic talk topics are in the beginning stage of being implemented, a positive impact could be seen. Areas where MDW hasn't been rolled out or who are in the beginning phases of being introduced to MDW, would not have rated this section very high. The mean on responsiveness overall the organisation was 1.7429 out of 3. Another area that was tested in this section was the effect of measuring customer supplier relationships. This is important, for it influences the value chain in the organisation and what is having a definite influence in the effectiveness of productivity. Although the overall mean tend to lean towards the high/positive impact area, it could not be said for certain what the effect of customer supplier relationships were on it. Responsiveness will also be discussed in the three main areas namely the work environment; departments and the organisation.

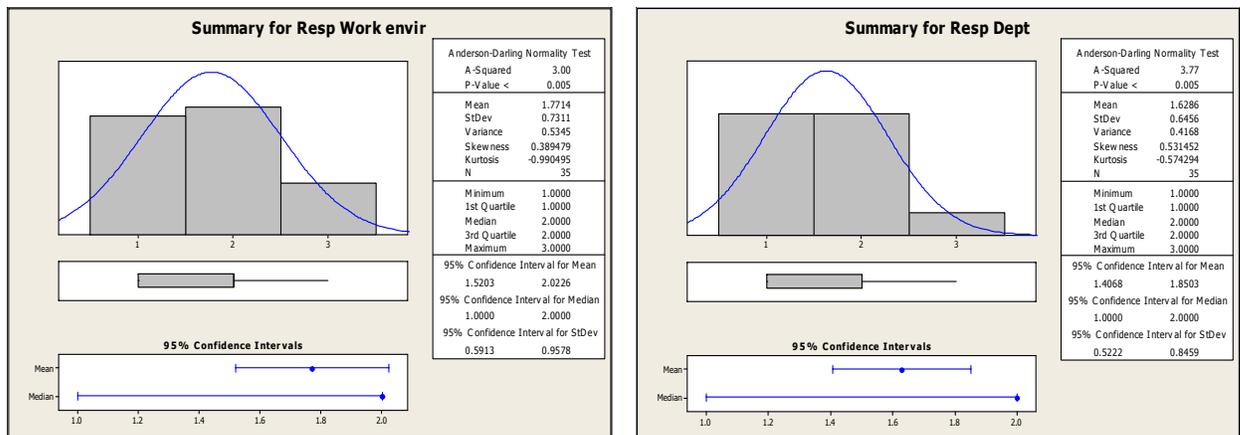
1. Responsiveness within the work environment – The mean in this section was 1.7714 out of 3, indicating that most of the population

tested are fairly happy with communication channels in their work environment.

2. Responsiveness within departments – The mean in this section of responsiveness was 1.6286 out of 3. This is a possible indication that departments are working towards one goal with proper communication channels implemented within. Below is an extraction of responsiveness in the work environment as well as within departments.

Figures 26

Responsiveness within the work environment and departments

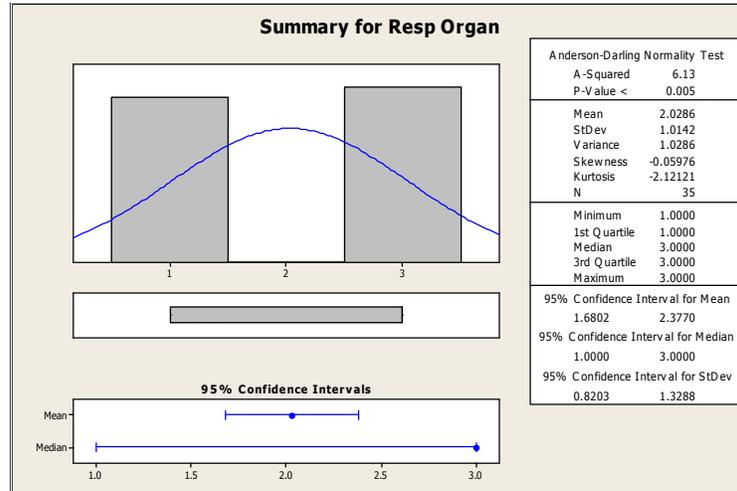


3. Responsiveness in the organisation – This section actually highlighted some concerns with regards to overall communication in the organisation. The abovementioned two sections of work environment and departments overshadowed the overall mean, hiding the real effect and viewpoint of the population tested on communication channels in the organisation. The mean of this section was 2.0286 out of 3. Although the scoring is not alarming, it indicates that just more than 50% of the population tested felt that communication channels are not what it supposed to be. As mentioned in the introduction of responsiveness in 5.3.2.5 above, a possible reason for this is that MDW hasn't been rolled out to all sections on MMS, and whereby employees feel that they are getting different types of messages from management. This is a possible area for improvement for management to get the message clear to all areas and to make sure two way

communication was in place to optimise affectivity within MMS. Figure 27 below is an extraction of responsiveness in the organisation.

Figure 27

Responsiveness in the organisation



### 5.3.2.6. Summary on quantitative analysis

With the 5 areas of the modified SERVQUAL model discussed in chapter 5, the following summary is made whereby the recommendations will follow to address the possible gaps identified.

Table 5

Summary and prioritisation of findings on Quantitative Analysis

	Mean	Problem area identified	Priority Rating
Reliability	1.3429	No real concern	5
Assurance	1.9143	Trust in Management	1
Tangibles	1.9429	Employees looking after company property	4
Empathy	2.1714	Employees feeling not valued in organisation	2
Responsiveness	1.7429	Vice versa communication channels	3

### **5.3.3. Qualitative analysis derived from Quantitative analysis and findings**

After the analysis of the modified SERVQUAL model that was applied in the research questionnaire distributed to a certain population within MMS, a meeting was scheduled with MMS HR manager, Mr. Ettienne Bouwer and Financial Manager, Mr. Eddie Geary to discuss the outcome of the findings.

It was confirmed that trust in management was still a problem, for it was also a finding with previous research done on MMS about a year ago. The company that was involved with the research was YSA (Pty) LTD. It was seen as if Assurance is an area that can only be won over time, and whereby management should lead by example. Integrity and leadership with accountability and responsibility from management side will be key drivers in changing employee's viewpoint towards building trust relationships. Delivering on promises and support in the current changing environment will be key in rebuilding trust.

Empathy and Responsiveness was also seen as concern areas, whereby it was noted as an action item to be addressed. The feeling was that empathy was a function of consistently working with the same employees, whereby trust and long-term relationships are being built over time. With the recent flux of critical skills leaving MMS, it could be a possible reason for empathy showing signs of being a concern area. It would take time to build those relationships up again and with the current roll-out of MDW within the organisation, team commitments would pick up. Although responsiveness has a lower mean than tangibles, it was agreed that it is currently a more critical issue than tangibles. Responsiveness boils down to communication in departments, work environment and the organisation, and how effective and efficient responses are carried out from those channels. The mean could possibly be attributed to the current negotiations with an outside mining company in the industry who's got a certain stake in MMS. Due to the nature of the transaction/negotiations, it is still very sensitive and can't be communicated throughout the company. Therefore speculations are doing the rounds which influence effectiveness in departments. What is however

important is the fact that employees should know where the company is heading and how the roadmap is being set out on how to get there.

In the area where employees feel that their co-workers are not looking after the company's assets, it was discussed that it purely comes to pride and attitude of employees where it comes to looking after the company's assets. Tangibles are timorously provided in various areas of MMS to enable employees to do their job well. Replacement policies exists where Major Mobile Equipment are regularly exchanged. MMS has got an approved capital budget of R1.014 billion to upgrade, maintain and sustain performances.

The overall impression of using a modified version of the SERVQUAL model proved to highlight the current shortcomings in MMS, where management acknowledge and noted the shortcomings as mentioned above.

#### **5.3.4. Conclusion and recommendations**

Applying a modified version of the SERVQUAL model proofs to be successful in highlighting the shortcomings in MMS internal market. It is clear from analyzing the questionnaires and discussions with management that there are definite gaps to address in the company. What was encouraging to see was that similar findings were achieved form previous research done on MMS. The concerning effect was that the same issues still exists. It seems however if the implementation of MDW teams within the work environment and the usage of strategic talk topics are having a positive effect in the effectiveness of internal marketing on operations. What was also encouraging to see was the measurement of supplier-customer relationships within mini-businesses within departments. The applying of regular coaching reviews closes the loop where continuous quality of teams is being monitored. Results are communicated throughout the organization, whereby it created a healthy competitive environment. One critical element that is worth discussing is the generation of innovations and the implementation of it within mini-businesses. Teams and individuals are being recognized for their input and their innovations are also presented in multi-level meetings on a monthly basis. An innovation that has financial benefits attached to it is being tracked in BCS. The Benefit

Capturing System needs however to be revised to get clear direction on tracking benefits right through from where it improve cost or revenue performance in the operation, to the final impact on the bottom line – EBIT. What is thus important in addressing the generation, implementation and tracking of innovations as well as addressing general communication gaps in the organization, is clear guidelines to address the gaps between management and employee perceptions. The continual use of methodologies such as Six Sigma, Lean, Theory of Constraints and TQM are still advised, for it proofed in the past that it added value to MMS in eliminating unproductive system errors and improving quality services to customers. A recommendation towards the drive to increase cost and throughput performance through innovations is to re-implement the bonus recognition policy, whereby employees will share in a profit sharing scheme if it could be proven that innovations had a positive effect on the bottom line of the company.

Another recommendation area is internal communication within the company. When sensitive negotiations are taking place which could cause confusion and speculation between employees, an ideal way to deal with this is to send out Q and A (Question and Answer) briefings to address these uncertainties. Currently nothing is being sent out, and employees are getting frustrated and confused with the variety of messages that is doing the round. Continuation of the strategic talk topics are crucial in delivering the message to the lower level workforce as to where the company is heading. This will give ownership and direction to their everyday activities.

A possible solution and recommendation is to re-emphasize the company's internal market with employees and to explain and demonstrate the importance and benefits of having it. "Selling the brand inside is the best way to help employees make a powerful emotional connection to the products the company is selling". (Mitchell, January 2002).

As identified by Reynoso and Moores, (1996), the six steps identified by them will be applied in a MMS internal marketing campaign:

1. The creation of internal awareness.
2. The identification of internal customers and suppliers.
3. The identification of the expectations of the internal customers.
4. The communication of these expectations to internal suppliers in order to discuss their own capabilities and / or obstacles to meeting these requirements.
5. As a result of the previous point, internal suppliers should work to make the necessary changes so as to be able to deliver the level of service required.
6. And finally, obtain a measure for internal service quality. Feedback should be given to internal suppliers if services are to be improved. (Reynoso and Moores, 1996).

Point 2, 3, 4 & 5 are currently being measured in MDW teams, but it could have an improved impact if employees see the whole picture together and the aim that it tried to achieve. Some employees see MDW as just another innovation of management to keep them busy.

Finally, it is up to every employee to get the right mindset and attitude in creating a working environment that is suitable and acceptable for everyone to work in. There's a saying that you can bring a horse to the water hole, but you can't make it drink - Author unknown.

# Chapter 6

## 6 Planning the Research Project

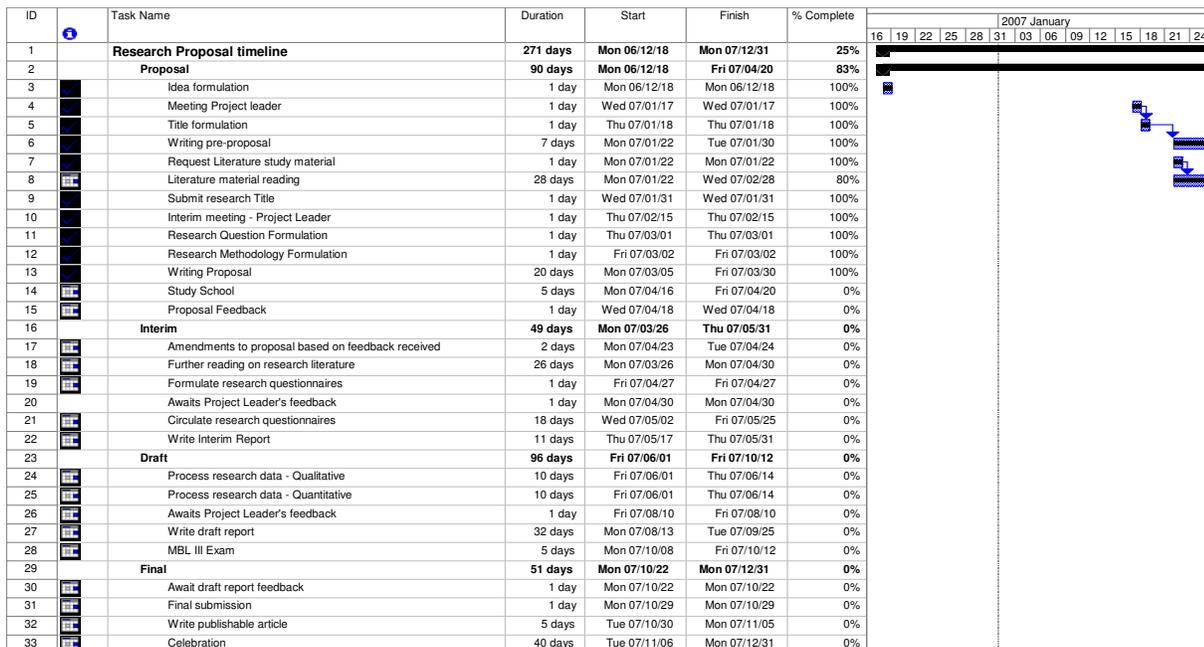
Paragraph 6 deals with the planning and preparation for the research report. This project will eventually stretch over a period of approximately a year, and as such would require disciplined planning and execution. For this reason the intended flow of the project was analysed to ensure that enough time and resources are available for its successful completion.

Due to the academic nature of this study, no financial figures were compiled for the completion of the project, and monetary considerations were not seen as a restraint to the project.

### 6.1 Bar-chart (indicating key milestones & critical path)

A detailed Bar-chart was compiled to plan the research project. Figure 2 gives an example of the project layout, but the complete project flow was placed in the Appendix.

Figure 2. Example: MBL Research Project Layout – Gantt chart.



The project planning was done using Microsoft Projects 2000, and the regulatory deadlines prescribed by the SBL documentation for the MBL Research Report, were used to plan the project with. The schedule was updated to reflect the progress to the date of this proposal. On most important deadlines, a week extra was given within which to complete the task. This was done to ensure that unforeseen problems with factors outside the scope of the project don't interfere with reaching deadlines.

It is clear from the information in the schedule, that the submission and return of the research questionnaires will form a pivotal point in the study. The timeouts return of the questionnaires will ensure enough time to complete the interim report. It should thus be noted that the management of the questionnaires be seen as a vital part of the study. The collaborators should be made aware of the time constraints, and sufficient checks should be put into place to guard against over runs. A backup collaborator should be investigated, should one of the earmarked individuals run into time difficulties.

## ***6.2 Key resources required meeting deadlines.***

The main constraint for the project is the time available to the researcher. The time required for the collaborators to respond to the questionnaires need also be considered, as this would influence the timely start of the interim report. The schedule of the study leader need also be considered, as his input would be required at a number of stages during compilation of the report. Another possible constraint will be the availability of line supervisor's time commitment to fill in the research questionnaires and to return it to the researcher.

A number of peripheral resources need also be taken into account. The researcher would have to have access to a dependable computer for the duration of the study. With this he would require a quality Internet connection, as well as a workable back-up system.

Towards the end of the study, the researcher needs to ensure that the administrative requirements for the report printing are in place, and that enough time is allowed for this phase of the project.

### ***6.3 Action plan to overcome key constraints***

Paragraph 1.7 mentioned the possibility of a lack of buy-in from management that could have an effect on the final outcome of this research project. Prior to the beginning of this research report, the general manager of Middelburg Mine Services was approached by the researcher to get permission and support for future research in this field. Proper authorisation channels were followed and thus buy-in does not pose any real threat to the final outcome of this report.

A further concern would be the time available to the researcher to complete the study on the allotted time. To address this concern, a disciplined attitude will have to be applied by the researcher during the entire process to ensure that the Project Plan, described in paragraph 6.1 is adhered to.

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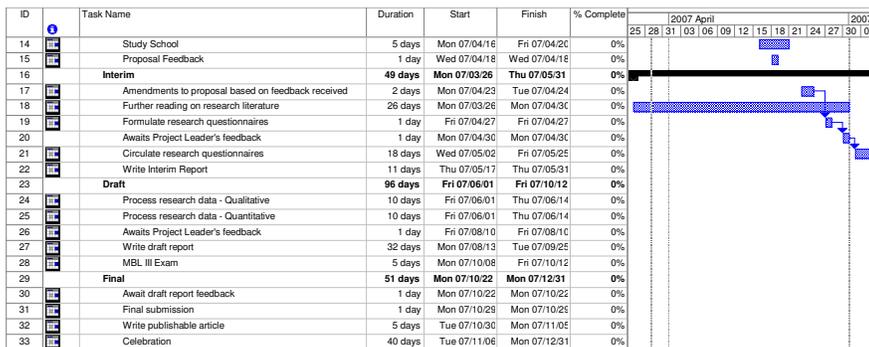
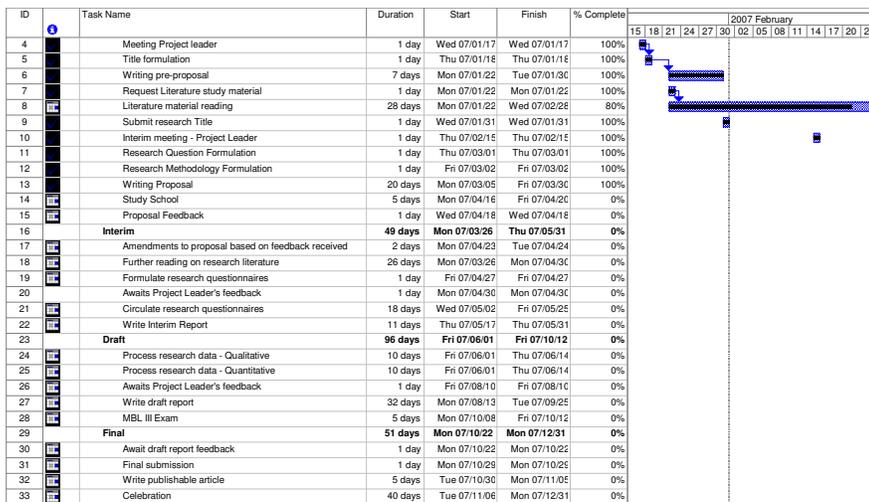
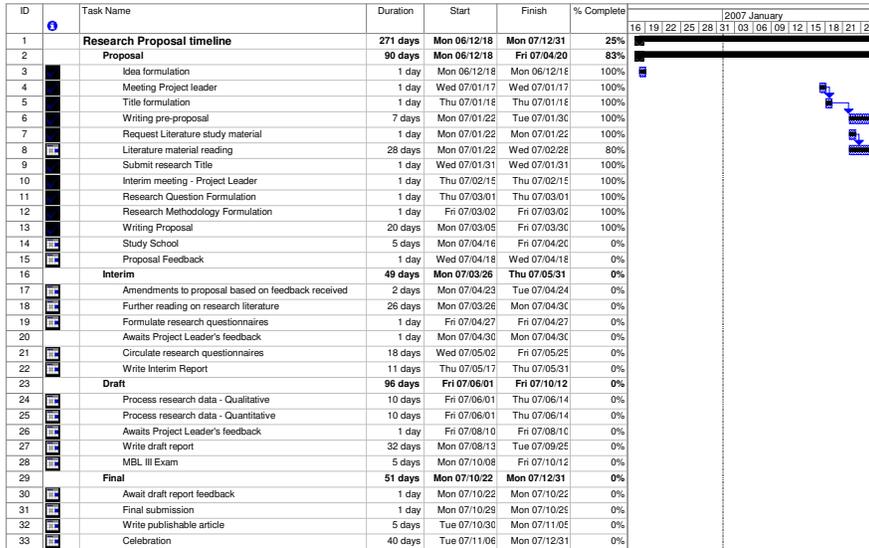
### **7.3 Interviews**

Mr. Eddie Geary, Financial Manager, Middelburg Mine Services. September 2007.

Mr. Ettiienne Bouwer, Human Resource Manager, Middelburg Mine Services. September 2007.

# 8. Appendices

## 8.1 Microsoft Projects Gantt chart



# Research Questionnaire

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***UNISA School for Business Leadership  
Project on the effect of Internal marketing on  
operational effectiveness***

***Questionnaire on Internal Marketing within  
Middelburg Mine Services***

This questionnaire is to be verbally administered to various levels of the Company.

Name of the Company:

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Name of person interviewed:

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Position in Company:

---

Name of Interviewer:

---

Date of Interview:

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A modified version of the SERVQUAL model will be used as identified by Kang et al., (2002). The modified model will focus on the areas: Reliability; Assurance; Tangibles; Empathy & Responsiveness.

## Reliability

1. To what extent do you feel that the following support you in your work environment?

<i>Internal service quality battery</i>	High Impact	Medium Impact	Low Impact
• Co-workers provide service that is promised			
• Co-workers are dependable for handling my problems			
• Co-workers perform services right the first time, to avoid having to make corrections later			
• Co-workers provide correct and necessary information			
• Co-workers are knowledgeable			

2. On what basis do you feel that you are supported within your department?

<i>Internal service quality battery</i>	Very Important	Somewhat Important	Not Important
• Co-workers provide service that is promised			
• Co-workers are dependable for handling my problems			
• Co-workers perform services right the first time, to avoid having to make corrections later			
• Co-workers provide correct and necessary information			
• Co-workers are knowledgeable			

3. To what extent do you think organisational **competencies** plays a role in reliability of co-workers and efficient execution of daily tasks?

- a.  Very Important.  
 b.  Somewhat Important.  
 c.  Not Important.

4. Do you think organisational **commitment** is important in the efficient execution of daily tasks within departments?

- a.  Yes  
 b.  No

## Assurance

1. To what extent do you feel that the following support you in your work environment?

<b>Internal service quality battery</b>	High Impact	Medium Impact	Low Impact
• I can trust my co-workers			
• I feel safe in dealing with co-workers			
• Co-workers are polite and kind			

2. On what basis do you feel that you are supported within your department?

<b>Internal service quality battery</b>	Very Important	Somewhat Important	Not Important
• I can trust my co-workers			
• I feel safe in dealing with co-workers			
• Co-workers are polite and kind			

3. Do you feel there is a trust relationship between management and employees?

a.  Yes

b.  No

4. Do you feel there is a trust relationship between employees within the organisation?

a.  Yes

b.  No

## Tangibles

1. To what extent do you feel that the following support you in your work environment?

<b><i>Internal service quality battery</i></b>	High Impact	Medium Impact	Low Impact
• We have up-to-date equipment			
• Working environment is comfortable and attractive			
• Co-workers have a neat, professional appearance			
• The materials used in the work place are visual appealing			

2. On what basis do you feel that you are supported within your department?

<b><i>Internal service quality battery</i></b>	Very Important	Somewhat Important	Not Important
• We have up-to-date equipment			
• Working environment is comfortable and attractive			
• Co-workers have a neat, professional appearance			
• The materials used in the work place are visual appealing			

3. Do you feel that employees are looking after the company's tangible assets?

- a.  Yes  
b.  No

## Empathy

1. To what extent do you feel that the following support you in your work environment?

<b><i>Internal service quality battery</i></b>	High Impact	Medium Impact	Low Impact
• Co-workers are sincerely concerned about problems.			
• We have convenient working hours.			
• Co-workers give me individual attention.			
• Co-workers seem to have each other's best interest in mind.			
• Co-workers are sensitive to my work-related needs			

2. On what basis do you feel that you are supported within your department?

<b><i>Internal service quality battery</i></b>	Very Important	Somewhat Important	Not Important
• Co-workers are sincerely concerned about problems.			
• We have convenient working hours.			
• Co-workers give me individual attention.			
• Co-workers seem to have each other's best interest in mind.			
• Co-workers are sensitive to my work-related needs			

3. Do you feel valued within your work environment?

- c.  Yes  
 d.  No

## Responsiveness

1. To what extent do you feel that the following support you in your work environment?

<b><i>Internal service quality battery</i></b>	High Impact	Medium Impact	Low Impact
• My communication with co-workers is appropriate, accurate, and clear.			
• Co-workers respond quickly and efficiently to my requests.			
• Co-workers are willing to help me.			
• Co-workers are willing to accommodate special requests and needs.			
• MDW teams add value within departments			
• Customer supplier relationships measured within MDW teams.			

2. On what basis do you feel that you are supported within your department?

<b><i>Internal service quality battery</i></b>	Very Important	Somewhat Important	Not Important
• My communication with co-workers is appropriate, accurate, and clear.			
• Co-workers respond quickly and efficiently to my requests.			
• Co-workers are willing to help me.			
• Co-workers are willing to accommodate special requests and needs.			
• MDW teams add value within departments			
• Customer supplier relationships measured within MDW teams.			

3. Do you feel that the communication channels are working effectively within the organisation, between departments?
- a.  Yes
- b.  No

4. Do you know and understand where the organisation is heading?
  - a.  Yes
  - b.  No
  
5. To what extent do you think you add value to communicate the strategic roadmap of the organisation to other employees?
  - a.  High Impact
  - b.  Medium Impact
  - c.  Low Impact

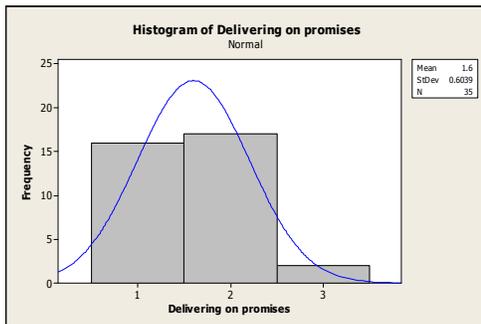
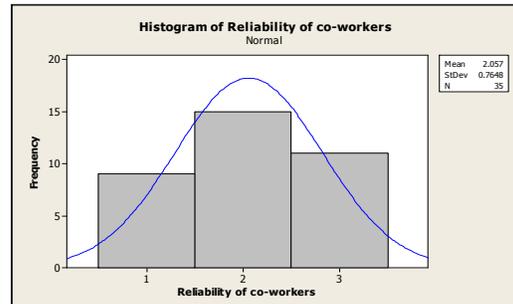
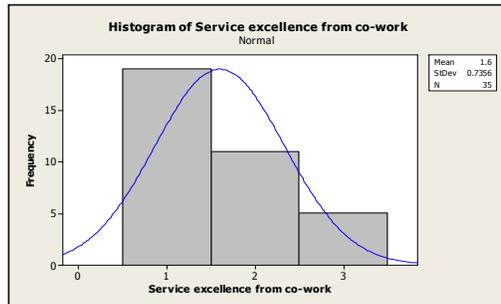
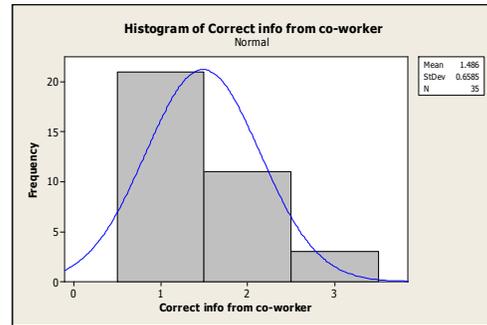
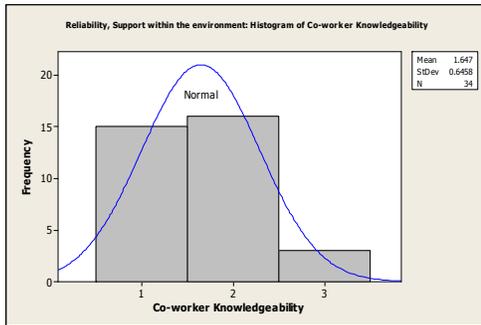
## 8.3 Quantitative Analysis from applying the SERVQUAL model

### 8.3.1. Reliability

#### Reliability within the work environment

##### Reliability

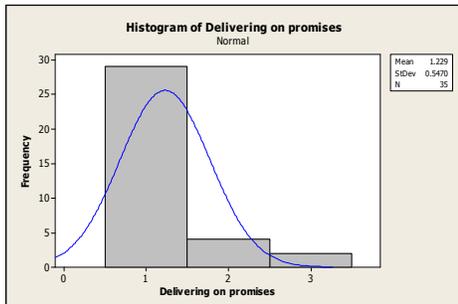
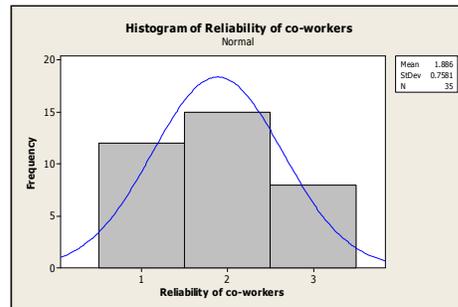
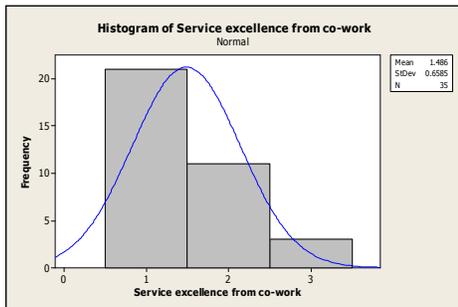
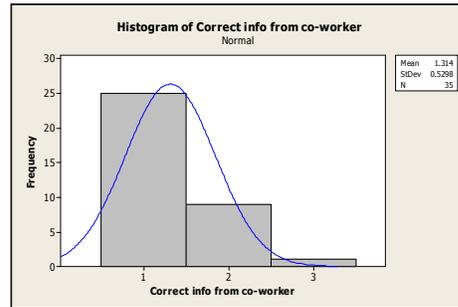
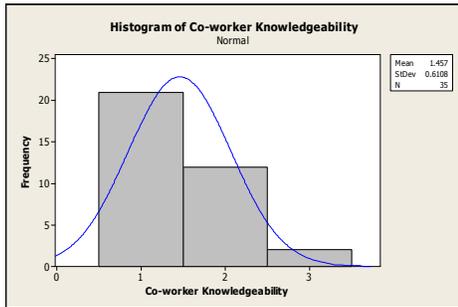
Support within the environment



**Reliability:** To What extend do you feel that you are supported in your work environment?

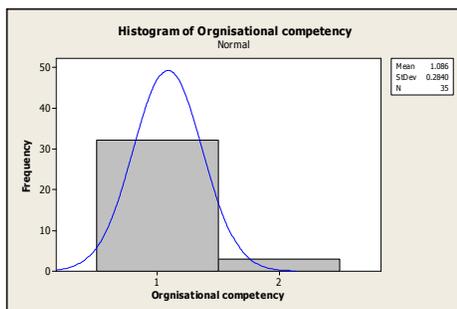
## Reliability within departments

Reliability  
Within the Department



**Reliability:** On What basis do you feel that you are supported within your department?

## Reliability within the organisation

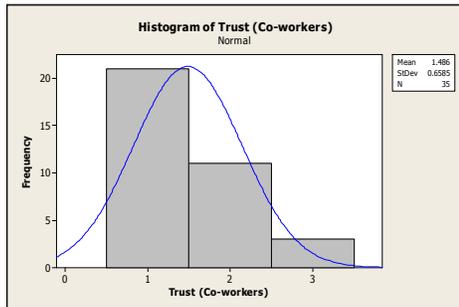
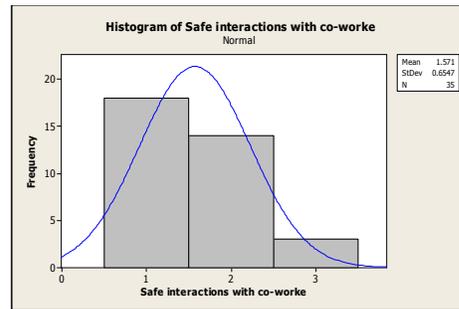
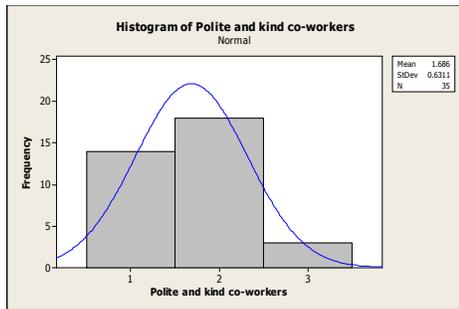


**Reliability:** To what extent do you think organisational competencies plays a role in reliability of co-workers and efficient execution of daily tasks?

**Reliability:** Do you think organisational commitment is important in the efficient execution of daily tasks within departments?

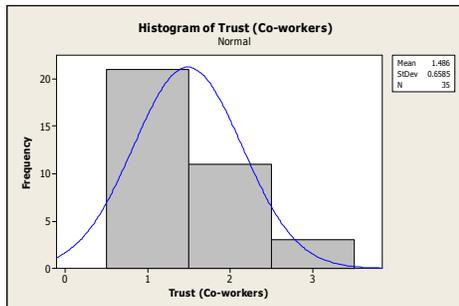
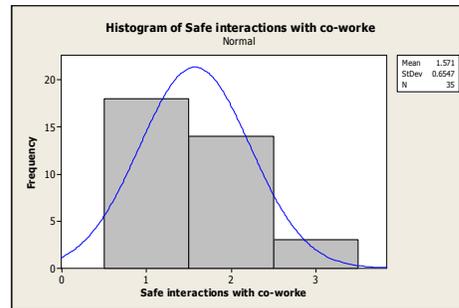
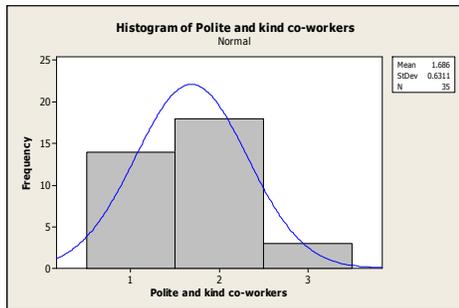
## 8.3.2. Assurance

### Assurance within the work environment



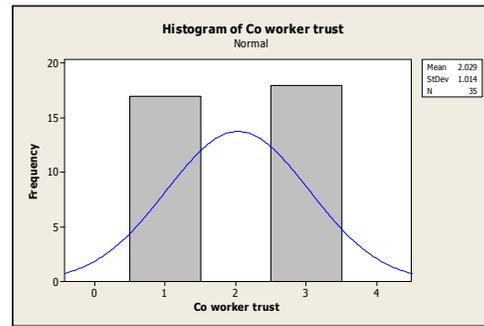
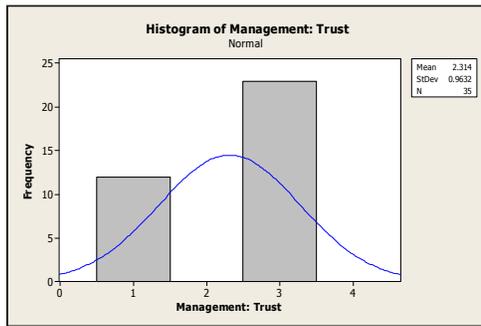
**Assurance:** To what extent do you feel that the following support you in your work environment?

### Assurance within departments



**Assurance:** On what basis do you feel that you are supported within your department?

## Assurance within the organisation

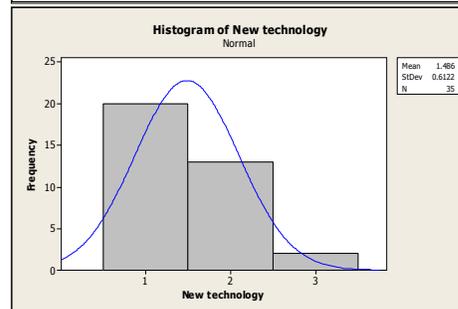
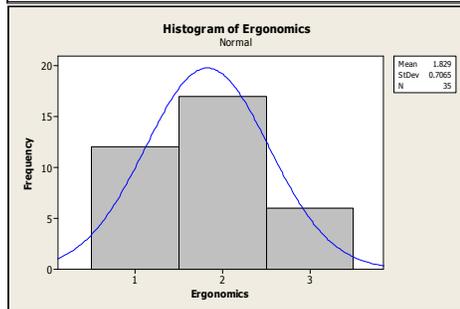
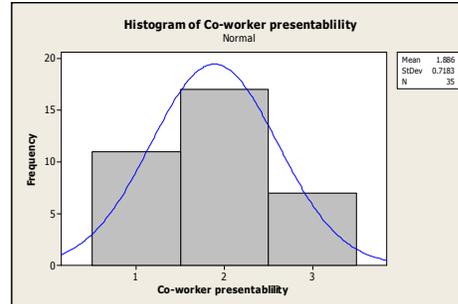
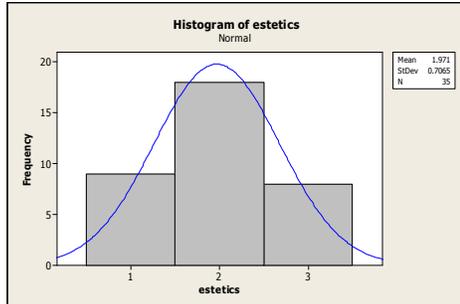


**Assurance:** Do you feel there is a trust relationship between management and employees?

**Assurance:** Do you feel there is a trust between employees within the organisation?

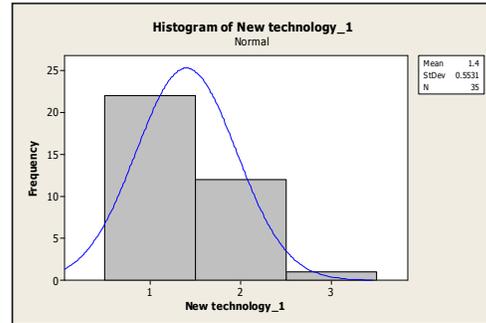
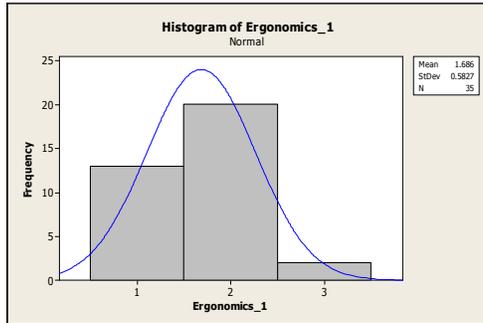
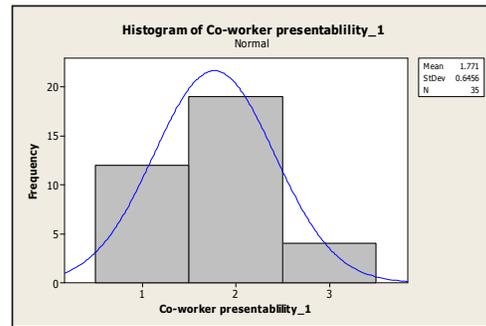
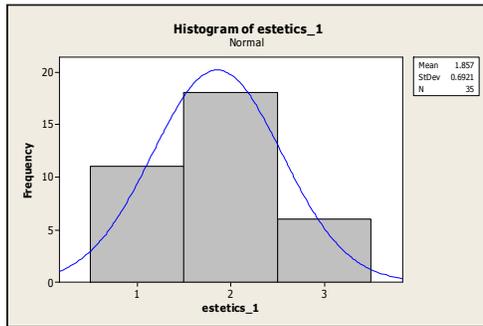
## 8.3.3. Tangibles

### Tangibles within the work environment



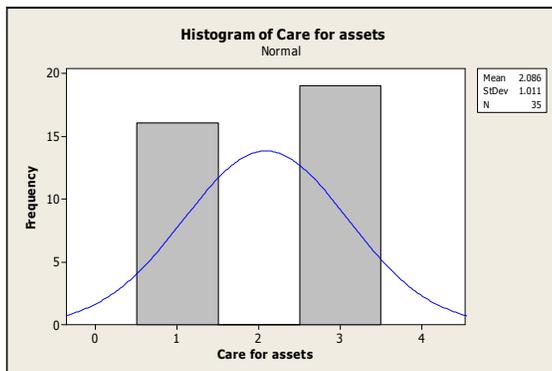
**Tangibles:** To what extent do you feel that you are supported in the work environment?

## Tangibles in departments



**Tangibles:** To what extent do you feel that you are supported in your department?

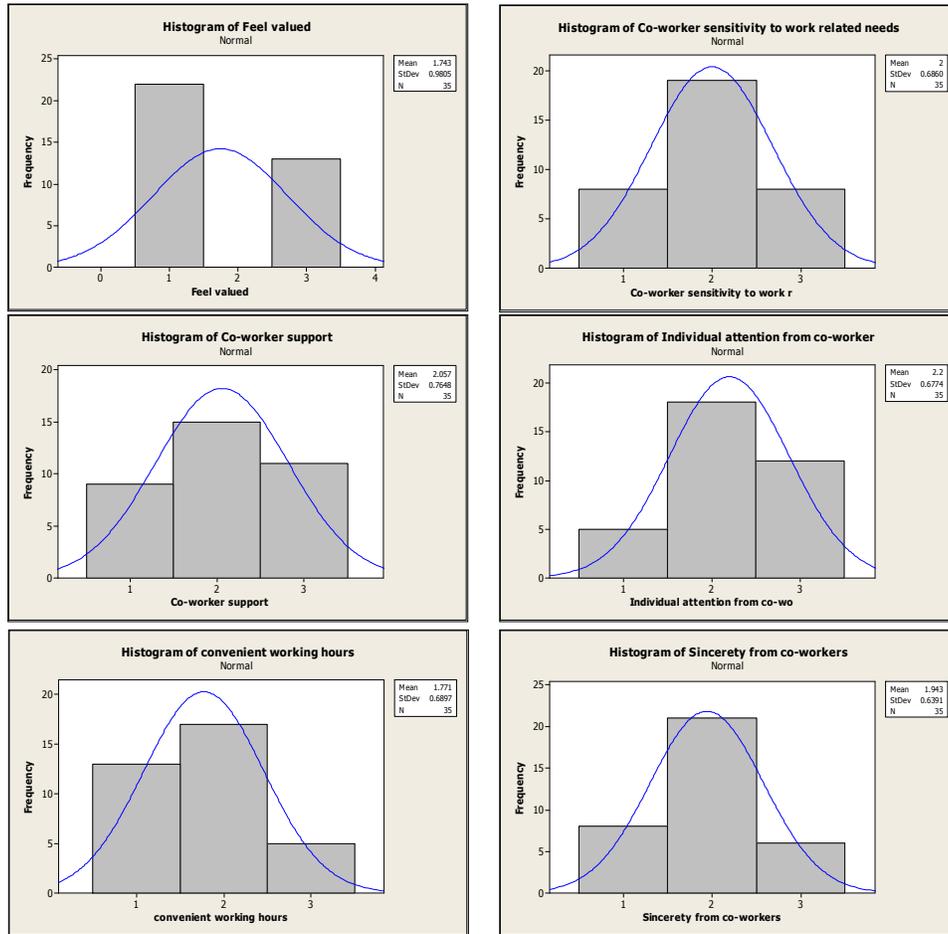
## Tangibles within the organisation



**Tangibles:** Do You feel that employees are looking after the company's tangible assets?

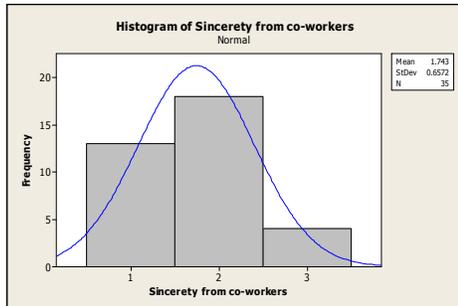
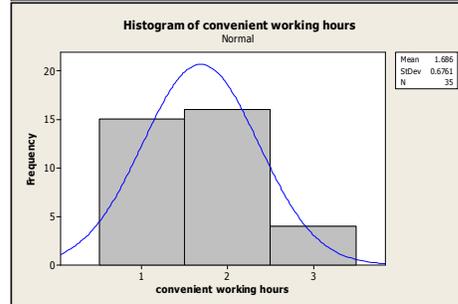
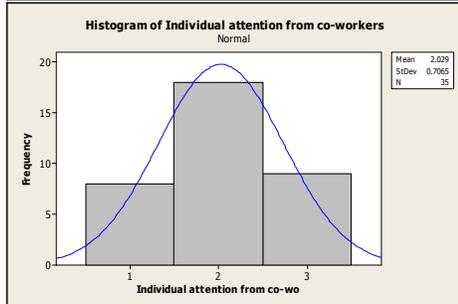
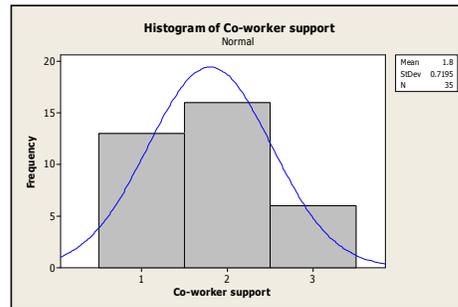
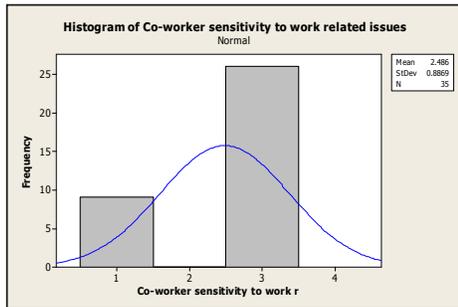
### 8.3.4. Empathy

#### Empathy within the work environment



**Empathy:** To what extent are you supported in your work environment?

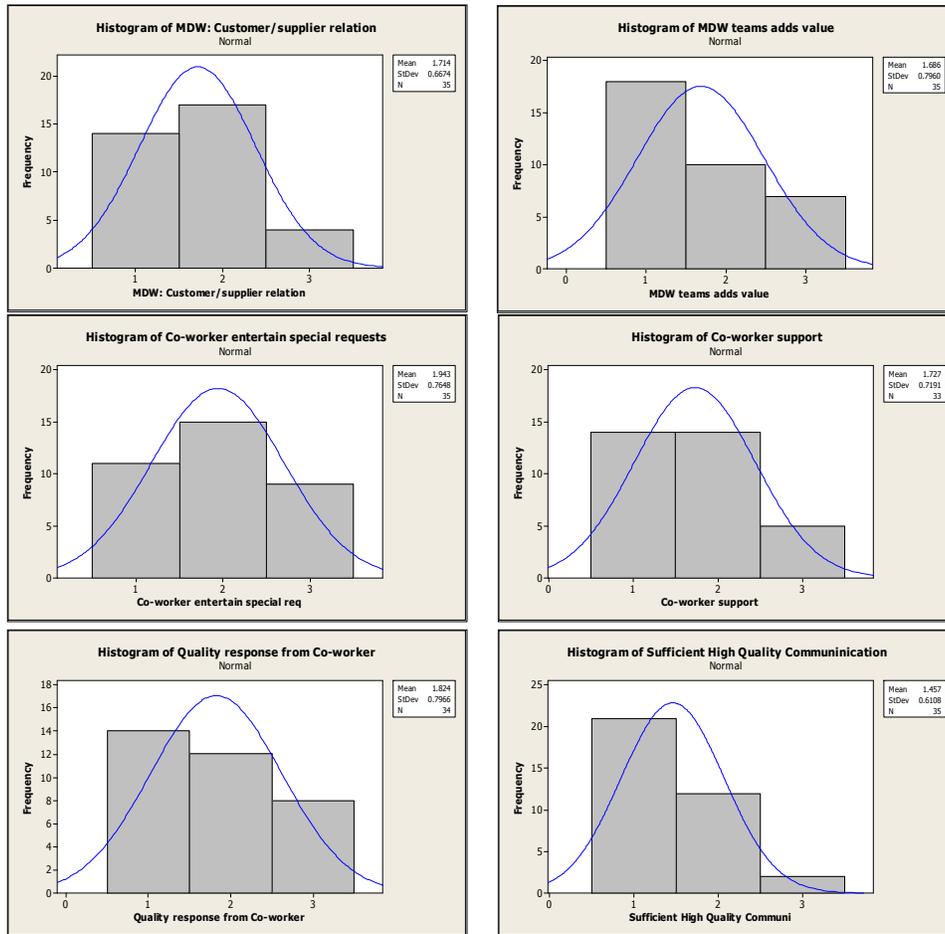
## Empathy in departments



**Empathy:** To what extend are you supported in your department?

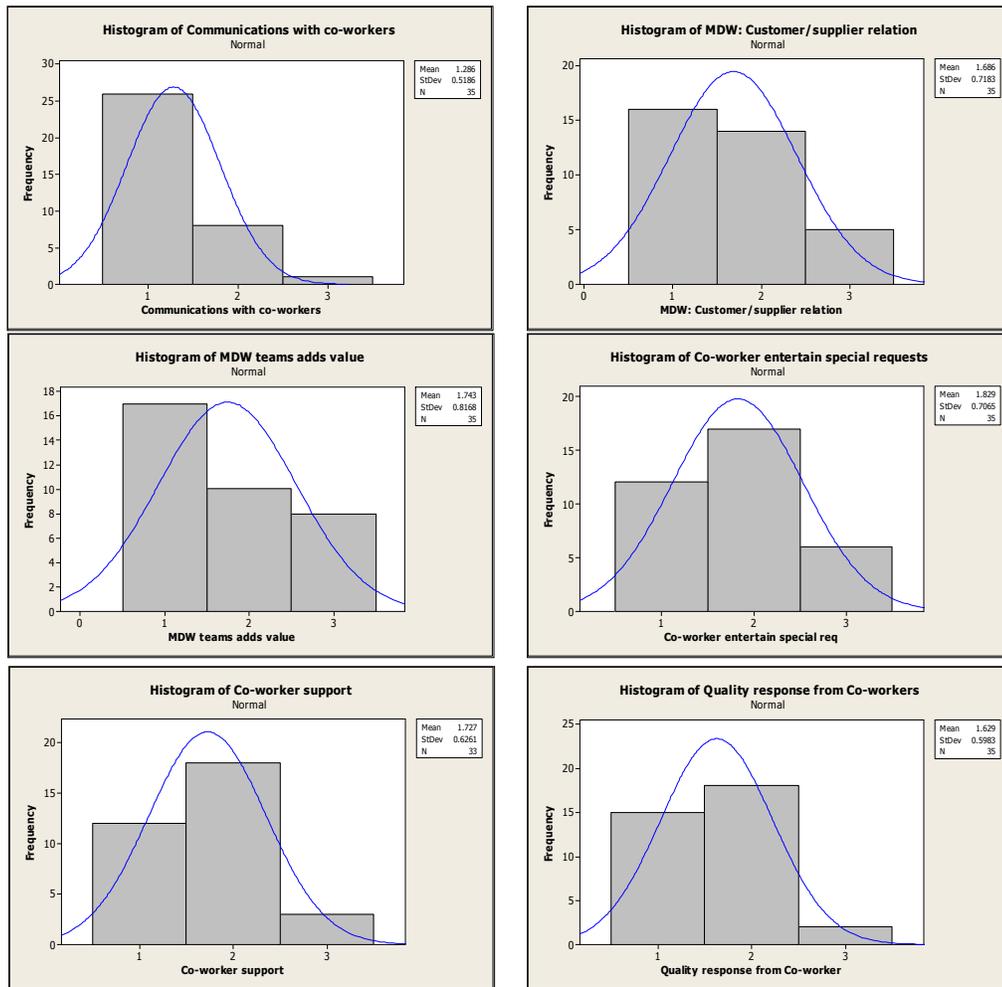
### 8.3.5. Responsiveness

#### Responsiveness within the work environment



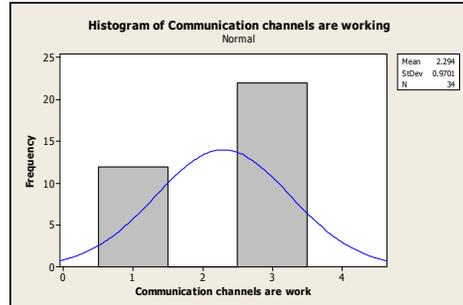
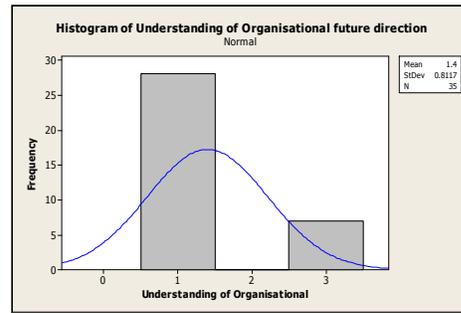
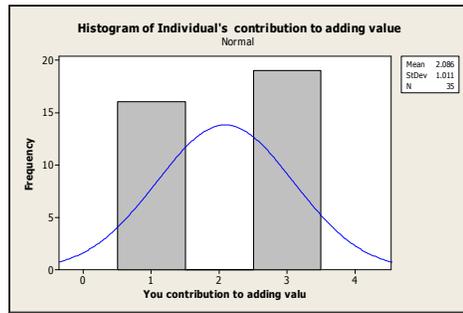
**Responsiveness:** To what extent are you supported in your work environment?

## Responsiveness in departments



**Responsiveness:** To what extent are you supported in your department?

## Responsiveness within the organisation



**Responsiveness:** 1. To what extent do you think you are adding value through the communication of the strategic roadmap? 2. Do you know and understand where the organisation is heading too? 3. Do you feel that the communication channels are working effectively within the organisation, between departments?

## Publishable Article

### **The Effect of Internal Marketing on Operational Effectiveness.**

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November 2007

#### **Keywords**

Internal Marketing, Internal Communication, Service Quality, Operational Effectiveness

#### **Abstract**

Internal marketing in the mining environment is an important approach in developing internal communication channels and empowering employees to optimise their operational effectiveness. A critical component of internal marketing is the provision of internal service quality. Mission Directed Work Teams (MDW) as well as strategic talk topics within the workforce was used to empower employees to optimise and improve their internal service quality within the organisation. Internal customer satisfaction derived is a function of the quality of the internal marketing efforts of that organisation. Internal service quality is measured using a modified version of the SERVQUAL model. All five dimensions – reliability, assurance, tangibles, empathy, and responsiveness were tested in the SERVQUAL model, whereby the gaps was considered for effective management, as each of it relates to internal marketing. The study will endeavour to marry the internal marketing theories with real life practical experiences in the field, through the use of the different models and theories.

## **Introduction**

Internal marketing is an important approach in developing a high performance orientated organisation. Especially in the mining environment where departments are used to function in silos, it is of so much more importance to break these barriers and to empower employees to optimise departmental effectiveness. It is known that mining companies have lower skilled levels of workers in the operational side of the business, thereby making it more important to develop them in working to a collective goal. Having effective internal marketing strategies and the measurement of results obtained, are thus crucial for operational effectiveness. Ahmed, Rafiq & Saad (2002) argued that "...internal marketing (IM) is a strategy that aims for the creation of high-performance work systems by managing the interdependent elements of the IM mix to create and achieve greater individual and collective competencies and ultimately influence business performance."

Since April 2004, Middelburg Mines (MMS) has deployed a Business Excellence (BE) philosophy to develop sustainable performance increases. Various approaches have been used including different BE programs and use of external consultants. For example Six Sigma has and is being adopted and has been emphasized to varying degrees over the years to drive business excellence. Various external consultants have been used in the past such as McKinsey and Company, Competitive Dynamics International and Partners in Performance International. Various tools and new approaches to improved business performance have been introduced to optimise operational effectiveness. Regardless of the proprietary nature of specific tools and approaches, Business Excellence must develop and deliver a common set of intangible assets in order to have sustained value within MMS or any organization. These intangible assets created within departments will ultimately create centres of excellence whereby operational effectiveness will be optimized. Straughan and Cooper (2002) argued that as organisations increasingly look at intellectual capital as a source of competitive advantage, effective internal marketing becomes more important. Intellectual capital is only a sustainable competitive advantage if firms develop the loyalty among employees that result in a long-term commitment to the employing

organisation. If employers achieve success in their internal marketing efforts, the resulting internal customer satisfactions will translate to improve employee job performance, increase employee loyalty and, ultimately external customer satisfaction and a competitive advantage.

By having an effective internal marketing strategy in an organisation, organisational effectiveness could be achieved so much easier and faster.

### **Objective of the article**

The research question will be further developed with a set of focussed research objectives, listed below:

5. To identify best practices from accredited research on the concept of internal marketing.
6. To identify the gaps in service delivery of MMS internal market by applying a modified version of the SERVQUAL model.
7. To evaluate the successes and failures of projects implemented (innovations) and the actual link with the company's financial performances.
8. To address fundamental research areas for the development and deployment of internal marketing in an organisation.

### **Research Question**

The following research question is proposed through which the key issues on what effect internal marketing is having, and possibly could have on organizational effectiveness, if managed in accordance with best practices?

This question should focus the study on the key issue at hand and help guard against the process taking an irrelevant tangent. By determining the actual research question, it started with the original topic of this research study: "The effect of internal marketing on operational effectiveness". The 5 Y's principle, which is readily used within Six Sigma methodology, was applied to this question in determining the real research question of this research document. The 5 Y's principle is normally being used in conjunction with the fishbone diagram, which is also widely used in getting to the root cause of problem

solving in Six Sigma methodology. In this research document, the fishbone diagram was not necessary and the following results were obtained:

Q1 – Why do we want to determine the effect of internal marketing on operational effectiveness? A1 – To see if internal marketing principles and strategies plays an important role in today’s effective managing of companies.

Q2 – Why do we want to see if internal marketing principles and strategies play an important role in today’s effective managing of companies? A2 – To see if internal marketing strategies is worthwhile pursuing and implementing to improve organisational effectiveness.

Q3 – Why do we want to see if internal marketing principles and strategies are worthwhile pursuing and implementing to improve organisational effectiveness? A3 – To determine through various research studies already done what the best practices are in the world and if it had any effect on those companies’ performances.

Q4 – Why do we want see through various research studies already done what the best practices are in the world and if it had any effect on those companies’ performances? A4 – To determine the effect of internal marketing on operational effectiveness?

By following the 5Y principle to determine the research question of this study, the final answer was obtained and it came back to the original heading of this research report – To determine the effect of internal marketing on the operational effectiveness?

### **Internal market identification, selection and measurement**

Straughan and Cooper (2002) states that the SERVQUAL model of managing services basically focus on a series of key relationships which must systematically be addressed to maximise service quality and external customer satisfaction. In the article of Kang, James & Alexandris (2002), the measurement of internal service quality and the application of the SERVQUAL battery to internal service quality is discussed by George (1990) and Gronroos (1985) and it is stated that it is generally accepted that the ultimate goal of internal marketing is to satisfy employees in order to increase customers’

perceptions of service quality and satisfaction. Kang et al. (2002) claimed that having customer-conscious employees is a necessity but not a sufficient condition of effective service delivery. It is however necessary to have effective co-ordination between customer-contact employees and background support employees. It is thus important to identify core functions and support functions within your organization and by this create a visual process map. This process map will clearly show which departmental employees will have direct customer contact and which won't. This process map will also indicate to what extent communication channels should exist / developed, to improve internal customer-supplier relationships. Figure 1 is an example of a high-level process flow map of an organization whereby core and support processes are identified in a mining environment.

Varey (1995) and Quester and Kelly (1999) states in this article of (Kang et al., 2002) that "the main objective of internal marketing is to identify and satisfy employees' needs as individual service providers, and to promote customer consciousness among employees in order to improve customer satisfaction via employee-customer orientation.

It is further stated in this article of Kang et al. (2002) by Strauss (1995) that "Internal services are defined as services provided by distinct organizational units or the people working in these departments, to other units or employees within the organization". These internal encounters include relationships and communication between customer-contact staff and the back-room staff. Another important aspect in this article of Kang et al. (2002) indicates that "The provision of good internal services to employees is crucial to the overall success of the organization" (George, 1997); (Gremler et al., 1994); (Heskett, 1987); (Schlesinger and Heskett, 1991); (Schneider and Bowen, 1985).

Mission Directed Work teams (MDW), also known as, mini-businesses, were implemented within departments at MMS in 2006/2007 by a company named Competitive Dynamics International © (CDI). One of the aims of having these teams is also to give feedback to management with regards to internal services delivered as well as the effectiveness of communication channels on a top down as well as bottom-up approach. Feldman (1992); Nagel and Cilliers (1990) claims that the quality of internal service operations has been identified as one of the essential elements of an overall service quality

strategy, yielding to long-term cost savings and increasing financial gains. Although the SERVQUAL model is used to measure the service quality towards external customers, it can be modified to measure internal service quality within an organization. Chaston (1994) used this modified version of the SERVQUAL model. The results indicated that that gaps in service quality existed because departments placed efficiency above internal customer needs and made little effort to understand internal customer requirements. It is critical for the organization to identify the factors that impact an employee's perception of overall service quality. "Understanding which factors have the most impact on the perception of overall service quality will enable an organization to focus on those particular factors in order to satisfy employees" (Kang et al., 2002). A study was conducted to assess the transferability of the SERVQUAL instrument for measuring internal service quality. The SERVQUAL items used in this study were modified in order to assess an internal service setting.

In the article of Lings and Brooks (1998), the SERVQUAL model is also discussed in length in the implementation and measuring the effectiveness of internal marketing. Many of the statements mentioned supported the research done by Kang et al. (2002). "Various reviews of the literature have resulted in alternative classifications of internal marketing. Bekkers and Van Haastrecht (1993) suggest three approaches to internal marketing in this article: hierarchical exchange process, internal suppliers, exchange process organization/employee" and "It is this relationship between internal customers and their internal suppliers that is the focus the internal marketing effort" (Lings and Brooks, 1998). Reynoso and Moores (1996) have identified six steps in a company's internal marketing campaign:

7. The creation of internal awareness.
8. The identification of internal customers and suppliers.
9. The identification of the expectations of the internal customers.
10. The communication of these expectations to internal suppliers in order to discuss their own capabilities and / or obstacles to meeting these requirements.

11. As a result of the previous point, internal suppliers should work to make the necessary changes so as to be able to deliver the level of service required.
12. And finally, obtain a measure for internal service quality. Feedback should be given to internal suppliers if services are to be improved. (Reynoso and Moores, 1996).

The article states further that communication has been identified by several authors as an important motivational device. "By identifying internal customers and suppliers as part of the internal marketing campaign, interactions between internal suppliers and customers can be identified and the communications associated with these interactions can be examined to identify possibilities for improvement" (Lings *et al.*, 1998). Piercy and Morgan (1991) suggest that internal marketing programmes should be directed at chosen internal segments to complement the external marketing program and that these segments are the functions played by groups of people within the organization. "This relates closely to the concept of internal customers and suppliers, and is based on the premise that the internal environment of the organization can be divided into distinct internal market segments with different wants and needs" (Piercy and Morgan, 1990 and 1991); (Piercy 1995); (Harrell and Fors, 1992); (Trumbly and Arnold, 1989); (Burgetz, 1991); (Comm, 1989). With reference to the mission directed work teams as mentioned in the literature review of Kang *et al.* (2002), the intensions of the mini-businesses are just that as mentioned above. The mini-businesses are made up within departments and it happens every so often that a shift prior and/or after a specific mini-businesses shift forms one of the team's internal customers and/or internal suppliers. This specifically happens in production departments, where a shift that works from 22h00 to 06h00 needs to prepare a certain work area on the mine for the next shift to start with and to maintain current production levels. A good example will be that shift 1 needs to clean the coal face in area x so that the Dragline can move to the next strip, if it happens that the coal face was not cleaned properly, then shift 2 needs to clean the coal face that shift 1 was responsible for. This type of re-work causes loss in productivity and unhappiness between team members. In measuring MMS against the six-point criteria from Reynoso and Moores

(1996), then MMS complies with all six points. A mini-business will not advance in maturity (scheduled coaching reviews), if internal customers are not identified and measured on a regular basis. At this stage it is done on at least a weekly basis. Measurement takes place in the form of service level agreements between internal customers and internal suppliers, whereby signed-off copies are required from foreman.

### **Empowerment and measurement of employees as part of an IM strategy**

In the article of Ahmed and Rafiq (2003) IM, employee satisfaction and performance are discussed where it is implicitly assumed that by fulfilling employee needs, employee motivation and retention will be enhanced and as a consequence the higher the degree of employee satisfaction. It is then furthermore stated that the higher the satisfaction, the higher the possibility of generating external satisfaction and loyalty from external customer.

The trick is thus to satisfy a company's internal customers, whereby external customers will reap the benefits.

The article further stated that IM should rather function within a company as a cross-functional process approach. The reason for this is that cross-functional activities and the people who perform them all have a major influence upon the final outcome. The article aimed that "IM is based on the understanding that no single management function will be effective if it operates in isolation. Multiple operations and people with different skill-sets have to actively involve in creating and delivering products and services."

As mentioned earlier, MMS has recently embarked on implementing mission directed work teams within departments. Mini-businesses will function on a shift basis where there will be a cross departmental / functional involvement to improve overall communication, internal customer – supplier relationships as well as to track key metrics based on Speed, Quality, Cost and People on a daily/weekly and monthly basis. All metrics tracked within departments fit into the overall strategy of the company. These functional mini-businesses have been implemented from the shop floor right up to management. The detail of metrics just differ the higher up the mini-business, but the principle stays the same. Another aim of these mini-businesses is to create a culture of self

driven teams, whereby team members within mini-businesses will have the authority to improve their own work areas to the benefit of the organization. Innovations implemented are one of the key metrics being tracked within teams. The top innovations within departments are presented in multi-level meetings whereby benchmarking within functional areas could be established as well as recognition to be given to employees/teams with good ideas. Another key metric that is being tracked is customer-supplier charts. This entails that teams are to communicate on a shift basis to their internal customers and suppliers on any service related issues. Scoring is based on red (problems) and green (everything in order) criteria. Action plans are to be set in place to eliminate all red areas. To ensure sustainability of these mini-businesses, coaching reviews take place on a frequent basis. Management are to visit mini-businesses and rate them on running their own business as well as the maturity of the team.

### **Communication as part of an IM strategy**

“In today’s knowledge-based economy, the value of human capital has become greater than the value of fixed assets”...In addition, customer perceptions, attitudes, and intentions are affected by what employees experience in their organizations – if they don’t feel valued, neither will your customers” (Stershic, 2001).

Stershic (2001) further states that IM encompasses a variety of communication, education and motivational activities that simultaneously recognize and reinforce the value of customers and the employees who serve them. As it is said, what is mentioned above is not rocket science, but the challenge is to continually motivate employees to sustain high levels of customer satisfaction. “If the fundamentals of internal marketing are not currently part of the corporate culture, then marketers should take the lead to change the situation and implement this critical marketing tool” (Stershic, 2001). One important element of IM is to ensure internal communications to reinforce the “big picture”. This is to let employees know where they fit within the bigger picture of the organization, what is expected of them in fulfilling the corporate mission, and how they can help contribute to achieve the

company's goals. "Employees perform more effectively when reminded of the value they bring to the organization, including the impact they have on customers. (Stershic, 2001). At MMS management has recently decided to start with strategic storytelling by using four cartoon characters to tell employees where they fit in the bigger picture and where the company is heading to. The characters consist of a wise hare, who knows all the answers, a meerkat who is always inquisitive about everything and a warthog who is the one who always complains and asking the "why" for everything (See Figures 2).

Included in these strategic storytelling pictures, is the business result of the organization, whereby the four main metrics is shares to the workforce. These four metrics entails Speed, Quality, Cost and People. As mentioned earlier, MMS uses mission directed work teams as its internal marketing strategy to measure mini-businesses as well as the company against it. These business results are one of the prerequisites for the teams to know of by heart, for it affects the company's internal and external customers (Figure 3).

In this article of Stershic (2001), it is stated that competitors can copy a company's products and services, but not the relationship between employees and customers. "A proactive internal marketing approach can help ensure marketing success by strengthening employee-customer relations, satisfaction, and loyalty" (Stershic, 2001).

In conclusion to this article of Stershic (2001), five main areas have been identified as crucial factors for internal marketing success.

- Strengthen Relationships – Share of customer information to help employees better serve customers; Engage employees in improving customer satisfaction; find ways to make tangible connections to customers, to see them as real people instead of faceless names on account numbers; and trade places. This last point refer to trading places between employees to help build empathy for frontline staff and the reinforcement of teamwork with a sense of common purpose.
- Reinforce Values – Tangible things like motivational posters and customer letters of appreciation. Giving recognition to employees for outstanding service which portrays the values of the company.

- Know the Bottom Line – “Internal marketing includes any communication, educational, and motivational effort that underscores the employees’ value within an organization, strengthens customer and employee relationships, and reinforces customer-focused values” (Stershic, 2001).
- Recognize the Truth – The issue under this heading is one of leadership. Either management doesn’t see the need for it, or they think they are already applying internal marketing principles. There are basically three assumptions that derive from this statement:
  4. Employees are given lip service
  5. The organization suffers from “cultural schizophrenia” – this indicate that the organization says it is customer-focused, where it’s really operations-driven
  6. Management assumes that everything is OK, so internal marketing is not needed, and
- Make it happen - This point refers to what to do to get the necessary buy-in from managers if internal marketing principles are not embedded within the company. The article states that internal marketing will not work or be sustained if not supported from management. It further states that your goal as an internal marketer should be to get other managers to buy into the habit of proactively communicating with, educating, and motivating employees as a general way of life of doing business.

These five points as mentioned above, forms all part of the internal marketing strategy implemented either through MDW or Strategic talk topics at MMS.

### **Conclusion to literature discussions**

It is clear from the discussions above that operational effectiveness is very much dependant on having the right IM structures in place within a company. Many companies see marketing as only focussing on the outside customers, whereby effective marketing actually starts from within. A classic example is the article on Continental Airlines by Czaplewski *et al.* (2001), whereby management focus was on internal customers, who in itself ensure superior

external customer service which in the end lead to operational effectiveness and company profitability.

The strategic talk topics used within MMS seems to be very effective and aligned with similar principles researched by various researchers (Stershic, 2001; Ahmed and Rafiq, 2003). Together with mission directed work teams (MDW) that was implemented within MMS, the aim is having the right IM structures in place to optimize operational effectiveness. Selling the Brand Inside by Colin Mitchell (January 2002) clearly states that the importance of IM is that it's the best way to help employees make a powerful emotional connection to the products and service you sell. "Applying these principles enables employees to "live" the vision in their day-to-day activities" (Mitchell, January 2002).

## **Research Strategy**

### **Quantitative approach:**

The biggest part of this research report was based on a questionnaire that requires the respondent to review his/her work in relation to internal marketing and Business Excellence methodology within their work environments. The results were intended to reveal the level of maturity and gaps of the 5 factors used within the Research Questionnaire i.e. Reliability; Assurance; Tangibles; Empathy & Responsiveness (Factors modified and used from the SERVQUAL model). These gaps highlight the areas of concern as well as the opportunity for management to breach the gap in creating an effective organisation through internal marketing.

**Qualitative approach:** The questionnaire will be supported by one on one interview with management to discuss the results analysed from the research questionnaires. The interviews were intended to verify and highlight the results of the questionnaires and to gain further insight into breaching the gaps.

## Research Results

**Quantitative results:** The modified version of the SERVQUAL model was sent out to a cross section of employees, trying to get a broad base of employees covered. The questionnaire was sent out to about 60 employees, on which 35 responded. This gives a 58% hit rate. The following findings were obtained:

The results obtained from the questionnaire were found to be very informative and definitely highlighted the shortcomings in the effectiveness of internal marketing on MMS. The discussions to follow will cover each main area as defined in the research questionnaire. The questionnaire's rating worked on a scale rating from 1 – 3, whereby 1 were classified as having a high/positive impact, 2 as moderate and 3 a low/negative impact.

The results obtained were summarised as per Table 1, whereby the areas of concern were numbered in a numerical order, ranging from 1 being the most important areas to address by management and 5 being the least attention needed.

**Qualitative results:** After the analysis of the modified SERVQUAL model that was applied in the research questionnaire distributed to a certain population within MMS, a meeting was scheduled with MMS HR manager, Mr. Etienne Bouwer and Financial Manager, Mr. Eddie Geary to discuss the outcome of the findings.

It was confirmed that trust in management was still a problem, for it was also a finding with previous research done on MMS in 2006. The company that was involved with the research was YSA (Pty) LTD. It was seen as if Assurance is an area that can only be won over time, and whereby management should lead by example. Integrity and leadership with accountability and responsibility from management side will be key drivers in changing employee's viewpoint towards building trust relationships. Delivering on promises and support in the current changing environment will be key in rebuilding trust.

Empathy and Responsiveness was also seen as concern areas, whereby it was noted as an action item to be addressed. The feeling was that empathy

was a function of consistently working with the same employees, whereby trust and long-term relationships are being built over time. With the recent flux of critical skills leaving MMS, it could be a possible reason for empathy showing signs of being a concern area. It would take time to build those relationships up again and with the current roll-out of MDW within the organisation, team commitments would pick up. Although responsiveness has a lower mean than tangibles, it was agreed that it is currently a more critical issue than tangibles. Responsiveness boils down to communication in departments, work environment and the organisation, and how effective and efficient responses are carried out from those channels. The mean could possibly be attributed to the current negotiations with an outside mining company in the industry who's got a certain stake in MMS. Due to the nature of the transaction/negotiations, it is still very sensitive and can't be communicated throughout the company. Therefore speculations are doing the round which influence effectiveness in departments. What is however important is the fact that employees should know where the company is heading and how the roadmap is being set out on how to get there.

In the area where employees feel that their co-workers are not looking after the company's assets, it was discussed that it purely comes to pride and attitude of employees where it comes to looking after the company's assets. Tangibles are timorously provided in various areas of MMS to enable employees to do their job well. Replacement policies exists where Major Mobile Equipment are regularly exchanged. MMS has got an approved capital budget of R1.014 billion to upgrade, maintain and sustain performances.

The overall impression of using a modified version of the SERVQUAL model proved to highlight the current shortcomings in MMS, where management acknowledge and noted the shortcomings as mentioned above.

## **Conclusions and recommendations**

Applying a modified version of the SERVQUAL model proofs to be successful in highlighting the shortcomings in MMS internal market. It is clear from analyzing the questionnaires and discussions with management that there are

definite gaps to address in the company. What was encouraging to see was that similar findings were achieved from previous research done on MMS. The concerning effect was that the same issues still exist. It seems however if the implementation of MDW teams within the work environment and the usage of strategic talk topics are having a positive effect in the effectiveness of internal marketing on operations. What was also encouraging to see was the measurement of supplier-customer relationships within mini-businesses within departments. The applying of regular coaching reviews closes the loop where continuous quality of teams is being monitored. Results are communicated throughout the organization, whereby it created a healthy competitive environment. One critical element that is worth discussing is the generation of innovations and the implementation of it within mini-businesses. Teams and individuals are being recognized for their input and their innovations are also presented in multi-level meetings on a monthly basis. An innovation that has financial benefits attached to it is being tracked in the Benefits Capturing System (BCS). The BS needs however to be revised to get clear direction on tracking benefits right through from where it improve cost or revenue performance in the operation, to the final impact on the bottom line – EBIT. What is thus important in addressing the generation, implementation and tracking of innovations as well as addressing general communication gaps in the organization, is clear guidelines to address the gaps between management and employee perceptions. The continual use of methodologies such as Six Sigma, Lean, Theory of Constraints and TQM are still advised, for it proved in the past that it added value to MMS in eliminating unproductive system errors and improving quality services to customers. A recommendation towards the drive to increase cost and throughput performance through innovations is to re-implement the bonus recognition policy, whereby employees will share in a profit sharing scheme if it could be proven that innovations had a positive effect on the bottom line of the company.

Another recommendation area is internal communication within the company. When sensitive negotiations are taking place which could cause confusion

and speculation between employees, an ideal way to deal with this is to send out Q and A (Question and Answer) briefings to address these uncertainties. Currently nothing is being sent out, and employees are getting frustrated and confused with the variety of messages that is doing the round. Continuation of the strategic talk topics are crucial in delivering the message to the lower level workforce as to where the company is heading. This will give ownership and direction to their everyday activities.

A possible solution and recommendation is to re-emphasize the company's internal market with employees and to explain and demonstrate the importance and benefits of having it. "Selling the brand inside is the best way to help employees make a powerful emotional connection to the products the company is selling". (Mitchell, January 2002).

As identified by Reynoso and Moores, (1996), the six steps identified by them will be applied in a MMS internal marketing campaign:

7. The creation of internal awareness.
8. The identification of internal customers and suppliers.
9. The identification of the expectations of the internal customers.
10. The communication of these expectations to internal suppliers in order to discuss their own capabilities and / or obstacles to meeting these requirements.
11. As a result of the previous point, internal suppliers should work to make the necessary changes so as to be able to deliver the level of service required.
12. And finally, obtain a measure for internal service quality. Feedback should be given to internal suppliers if services are to be improved. (Reynoso and Moores, 1996).

Point 2, 3, 4 & 5 are currently being measured in MDW teams, but it could have an improved impact if employees see the whole picture together and the aim that it tried to achieve. Some employees see MDW as just another innovation of management to keep them busy.

Finally, it is up to every employee to get the right mindset and attitude in creating a working environment that is suitable and acceptable for everyone to work in. There's a saying that you can bring a horse to the water hole, but you can't make it drink - Author unknown

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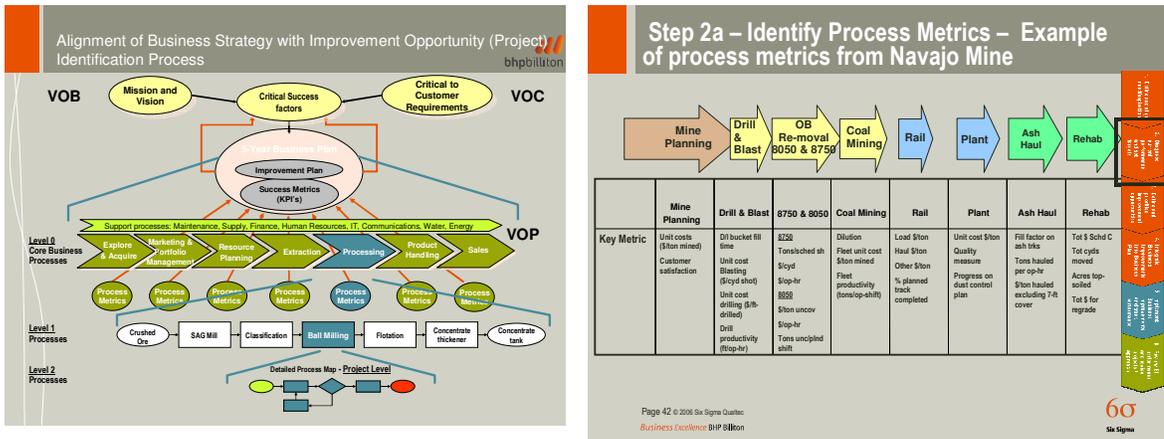
*The Black Belt Memory Jogger™*, Desktop guide, © 2002 by GOAL/QPC and Six Sigma Academy.

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Mr. Eddie Geary, Financial Manager, Middelburg Mine Services. September 2007.

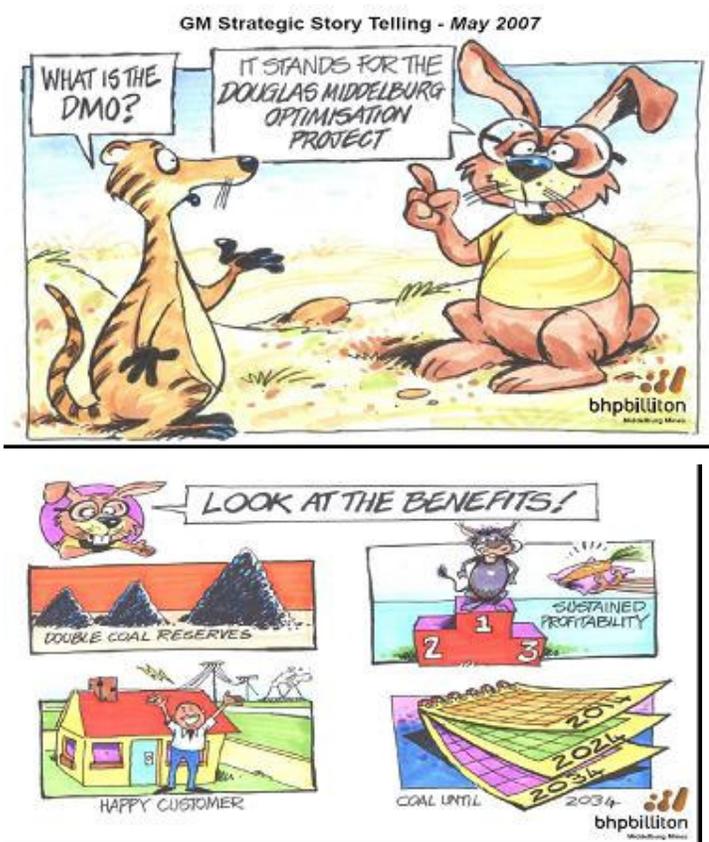
Mr. Ettienne Bouwer, Human Resource Manager, Middelburg Mine Services. September 2007.

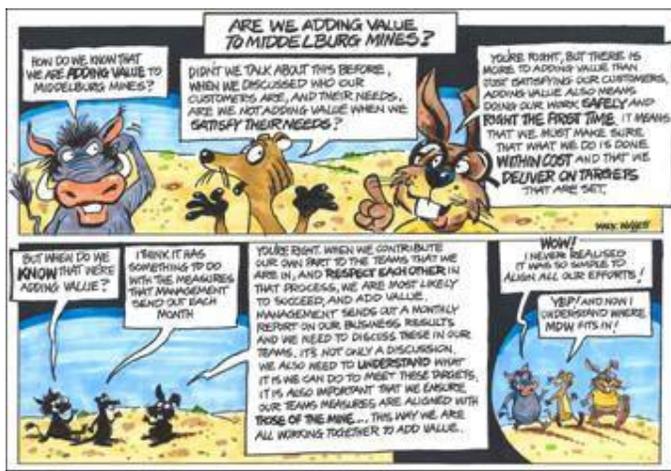
Figure 1  
Core and support process identifications



Source: Billiton Energy Coal South Africa (BECSA) Corporate, 2006/2007

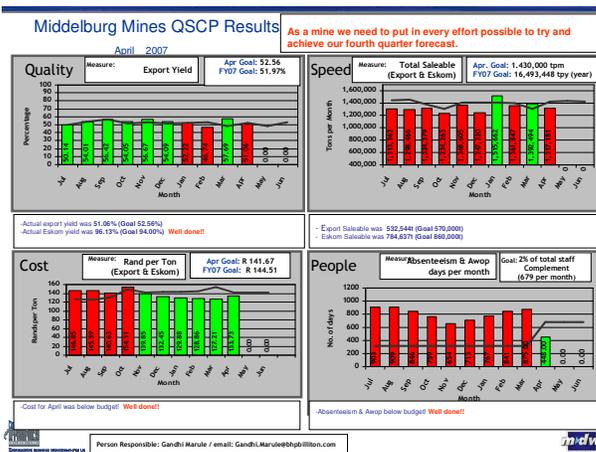
Figures 2  
Strategic Story Telling





Source: MMS, 2007

Figure 3  
Key metrics measured for MDW purposes



Source: MMS, 2007.

Table 1

Summary and prioritisation of findings on Quantitative Analysis

	Mean	Problem area identified	Priority Rating
Reliability	1.3429	No real concern	5
Assurance	1.9143	Trust in Management	1
Tangibles	1.9429	Employees looking after company property	4
Empathy	2.1714	Employees feeling not valued in organisation	2
Responsiveness	1.7429	Vice versa communication channels	3