Internal Service – Barriers, Flows and Assessment

Professor Robert Johnston

Warwick Business School
University of Warwick
Coventry CV4 7AL
United Kingdom
tel 44 (0) 2476 524218
fax 44 (0) 2476 572583
email bob.johnston@wbs.ac.uk
web http://www.wbs.ac.uk

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STRUCTURED ABSTRACT

Purpose

This exploratory paper investigates internal service from a service management perspective. The objectives were to identify the main internal barriers that are preventing improvements to external service within business-to-business organisations, to explore the bi-directionality of internal services provided between internal functions, to assess the quality of internal services provided between functions and develop a means of testing staff and managers for their level of internal versus external focus.

Methodology/Approach

A qualitative study was conducted involving structured interviews in two European countries with 20 staff and managers from a large international express package delivery firm.

Findings

Five findings emerged. First, six main internal barriers to improving external quality were identified. Second, the study found that the barriers in B2B organisations were the same as those in B2C organisations. Third, it suggested that internal service, unlike external B2C service, is bi-directional. Fourth, it demonstrated a perception gap in internal service provision suggesting some degree of arrogance or delusion. Fifth, it demonstrated that the managers and staff viewed their service from an organisational, inside-out, perspective, despite articulating a desire to provide excellent service to their business customers.

Research limitations/implications

The key limitations were that only one organisation was studied and 20 interviews conducted. The paper provides support for the TQM approach and suggests that a dual approach combining a service, customer, perspective with an operations, efficiency, perspective might be useful in generating deeper insights to better understand and bring about improvements to the quality of services delivered.

Practical implications

From a practitioner perspective, the findings suggest that managers and supervisors need to develop a better understanding of the performance of internal services.

Originality/value of paper

The paper contributes to the knowledge of internal service, particularly in business-to-business services.

Keywords

Service, improvement, service quality, barriers, internal service, TQM

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INTRODUCTION

The critical importance of internal service and its impact on the quality of manufactured products was a core principle of the Total Quality Management (TQM) philosophy developed in the 1980s (see for example Deming 1986, Feigenbaum 1986). There now also appears to be a common acceptance that the quality of internal service is a key influencer of, and contributor to, the quality of external service (see for example Gremler et al. 1994, Lovelock 1996, Parente et al. 2002, Zeithaml et al. 2006).

The idea behind internal service is that everyone in the organisation is a customer (Grönroos 1981) and that everyone in the organisation has a customer that they serve (Lovelock 1996). This extends the notion away from viewing internal service as just the services provided by the various internal functions, such as HR and IT. Gremler et al. (1994), for example, described the internal customer as "anyone in an organisation who is supplied with products or services by others in the organisation" (p34). Slack et al. (2007) extended the definition of internal customers to include any processes, as well as individuals, within an operation who are the customers for other internal processes or individuals' outputs, for example, marketing's order taking process will feed into the finance function's invoicing process. Consequently there can be few, if any, individuals, processes and functions within organisations that could not be classified as being the providers and/or recipients of internal service.

Getting internal service right is important. Muhlemann et al. (1992) stated that "For an organisation to be truly effective, every single part of it, each department, each activity, and each person at each level, must work properly together, because every person and every activity affects and is in turn affected by others". The key benefits in making improvements to the quality of internal service include; higher levels of external customer satisfaction (see for example Gremler et al. 1994, Zeithaml et al. 2006), improved staff attitudes, staff retention and compliance as well as an improved competitive position (Lings and Greenley 2005), and improved financial performance (Heskett 1987, Heskett et al. 2003). Indeed, in a paper that introduced the 'quality wheel', an early version of the service profit chain, Heskett stated: "High-performance service companies have gained their status in large measure by turning the strategic service vision inward: by targeting important groups of employees as well as customers" (1987, p120-121).

Given the importance and pervasiveness of internal service within organisations and the important benefits to be realised from getting it right, the purpose of this exploratory paper is to identify the barriers that make it difficult for organisations to bring about improvements to internal and therefore external service, and explore the nature of internal services and how they can be assessed. The following sections provide a review of the internal service literature and the barriers to improvement. The method is then explained and the findings discussed. The paper concludes with the implications for academics and practitioners and the limitations of this study.

INTERNAL SERVICE RESEARCH

Much of the research into internal service is found in the operations management (OM) literature. Operations management research tends to focus on either internal operational issues or inter-organisational operational issues. Concern for the end customer is sometimes explicit, such as in lean consumption (see for example Bowen and Youngdahl 1998, George 2007, Womack and Jones 2005) or more often implicit, such as the fit

between internal capabilities and customer/market requirements (see for example, Hill and Brown 2007). In terms of inter-organisational operations issues, there are many papers concerned with the various issues associated with supply chain management – such as supplier relations (see for example Howard and Squire 2007), supplier selection (see for example Sarkis et al. 2007), and also other inter-organisational coordinating activities such as developing innovation networks (see for example Smart et al. 2007) and creating lean supply chains (see for example Lamming 1993).

In terms of internal operational issues, although not usually referred to as 'internal service', the operations and related literatures cover many issues relating to the effectiveness of material and information flows between internal functions. These issues include, for example, the reduction in operational waste (lean production) (see for example Smart et al. 2003), improving internal coordination and fit with strategy by getting internal measures right (see for example Franco and Bourne 2003), cross-functional approaches to product or service innovation (see for example Oke et al. 2007), the need to develop internal capabilities and the importance of coordination between operations and marketing (Heskett 1987). Several concepts and tools that were developed for external customers have also been applied to the internal customer, such as service guarantees (Hart 1995), internal network design (Evans and Berman 2001), lean internal service (Smart et al. 2003) and supply chain management (Lings 2000). Table 1 provides a summary of some of the main topics found on internal service in the operations and related literatures.

Table 1   Summary of the Wider Literature on Internal Services

Topic	Authors	Journals/Books
The importance of internal service	Deming 1986 Feigenbaum 1986 Parente et al. 2002 Muhlemann et al. 1992 Heskett 1987 Heskett et al. 2003	Out of the Crisis Total Quality Control Int. J. of Operations & Production Mgt Production & Operations Mgt Harvard Business Review The Value Profit Chain
Developing internal capabilities	Heskett 1986	Managing in the Service Economy
Internal conflict and coordination	Parente et al. 2002	Int. J. of Operations & Production Mgt
Internal orientated strategic vision	Heskett 1987	Harvard Business Review
Internal service and organisational behaviour	George 1990	Journal of Business Research
Internal business processes	Quesada & Gazo 2007	Business Process Mgt Journal
The empowerment of employees	Bowen & Lawler 1995	Sloan Management Review
Internal service guarantees	Hart 1995	Harvard Business Review
Internal supply chains	Slack et al. 2007	Operations Management
The design of internal networks	Evans & Berman 2001	Industrial Marketing Management
The need for consistency within internal processes	Galloway & White 1989	Int. J. of Operations & Production Mgt
Lean service– the categorisation of	Maleyeff 2006 Smart et al. 2003	Management Decision Journal of Knowledge Management

wasteful activities in internal services		
Performance Management	Franco and Bourne 2003	Management Decision
Service innovation	Oke et al. 2007	Int. J. of Operations & Production Mgt

Although internal service is concerned with the internal *customer* and internal *service* delivery, there appears to be limited research on this area in the literature that specialises in customers and service; the *services* marketing and management literature. An analysis was undertaken to categorise the types of service studied in all the papers published from 1998 to 2006 inclusive in the three major service journals; the *Journal of Service Research,* the *International Journal of Service Industry Management* and the *Service Industries Journal* (see Appendix 1). Out of the 848 articles contained in those volumes less than eight per cent were concerned with research into internal customers. The majority, 53 per cent, concerned consumer research (business-to-consumer services – B2C).

The existing services marketing and management literature on internal services covers a broad spectrum of areas including the importance of internal service (described earlier) and the nature of internal service. The notion of internal service appears to be based on the notion of equity theory (proposed by Adams 1963) that employees evaluate their jobs by comparing what they put into it, such as time and effort, and compliance to the organisation's policies, against what they get out of the job, such as pay, benefits, status, recognition and a sense of accomplishment (Huseman and Hatfield 1990, Eddleston et al. 2002). However, like external customers in monopolistic environments, the internal customer is not able, at least in the short term, to take his/her business elsewhere.

The services marketing and management literature therefore suggests that the definition of customers should be expanded to include employees. Kotler and Armstrong (1991) for example, proposed a services marketing triangle depicting the relationships between an organisation, its employees and its customers. The three sides of the triangle represent external marketing, interactive marketing and internal marketing. Berry (1981) defined internal marketing as "viewing employees as internal customers, viewing jobs as internal products and then endeavouring to offer internal products that satisfy the need and wants of these internal customers while addressing the objectives of the organisation" (p272). (For a summary of internal marketing definitions see Kang et al. 2002). Internal marketing is based on a philosophy of viewing organisations' jobs as internal products and employees as the internal customers of them (Sasser and Arbeit 1976).

Other topics include the measurement of internal service quality (see for example Reynoso and Moores 1995) and internal service encounters (see for example Lewis and Entwistle 1990). Several authors have applied and adapted Parasuraman et al.'s (1985) dimensions of service quality to internal services and also the expectations-perceptions gap model and adaptations of the SERVQUAL instrument (Parasuraman et al. 1988), (see for example Gremler et al. 1994, Kang et al. 2002, Reynoso and Moores 1995, Vandermerwe and Gilbert 1991).

Table 2 provides a summary of some of the main topics that appear in the services marketing and management literature on internal services.

Table 2   Summary of the Services Marketing and Management Literature on Internal Services

Topic	Authors	Journals/Books
The nature of	Grönroos 1981	Marketing of Services

internal service	Lovelock 1996 Gremler et al. 1994	Services Marketing Int. J. of Service Industry Mgt.
The importance of internal service	Gremler et al. 1994 Lovelock 1996 Zeithaml et al. 2006 Lings and Greenley 2005	Int. J. of Service Industry Mgt Services Marketing Services Marketing Journal of Service Research
The nature and definitions of internal marketing	Grönroos 2003 Kang et al. 2002 Kotler & Armstrong 1991 Piercy 1995 Varey & Lewis 1999 Varey & Lewis 2000	Service Management & Marketing Managing Service Quality Principles of Marketing Journal of Marketing Practice Internal Marketing Internal marketing
Measuring internal service quality	Kang et al. 2002 Gremler et al. 1994 Reynoso & Moores 1995	Managing Service Quality Int. J. of Service Industry Mgt Int. J. of Service Industry Mgt
Internal service gaps	Vandermerwe & Gilbert 1991	Int. J. of Service Industry Mgt
The impact of the servicescape on employees	Bitner 1992	Journal of Marketing
Classifying internal services	Stauss 1995	Int. J. of Service Industry Mgt
Internal service recovery	Bowen & Johnston 1999 Simons & Kraus 2005	Int. J. of Service Industry Mgt Journal of Service Research
Internal customer service in e-services	Croom & Johnston 2003	Int. J. of Service Industry Mgt
Internal service encounters	Gremler et al. 1994 Lewis & Entwistle 1990	Int. J. of Service Industry Mgt Int. J. of Service Industry Mgt
Internal marketing	Berry 1981 Kotler & Armstrong 1991 Lings 2000	Journal of Retail Banking Principles of Marketing Journal of Services Marketing

Although the main overlap between the two literatures is in terms of the importance of internal service, it is interesting to note the different perspectives that are taken by the writers in the services marketing and management literature versus those in the operations literature. The service management literature *tends* to take a customer (and the employee as customer) perspective, looking at management problems through the "lens of the customer" (Gustafsson and Johnson 2003, p84, see also Johnston 2005, Johnson and Gustafsson 2000). Services marketing and management is concerned with outcomes such as customer satisfaction, customer loyalty, service recovery (i.e. what happens to the customer). Whereas the wider, predominantly operations, literature takes an understandably more organisational perspective, looking through the "lens of the organisation" (Gustafsson and Johnson 2003, p84). This literature is more focused on internal efficiency and productivity gains through the design of internal networks or better performance management systems, for example.

It could be argued that there is a gap, and indeed an opportunity, to apply an operations, internal-focused approach *together* with a service, customer-focused approach in order to develop a deeper understanding of the nature of internal service and develop tools and approaches that provide both a customer (internal and external) and an efficiency perspective at the same time. Indeed, without such broader and coordinated research into the design, delivery and assessment of internal service, narrowly focused research into either customer issues or operational issues may have limited impact. Real and lasting

improvements into the quality of external service may be achieved by bringing these two streams of work, operations and service marketing and management, together to focus on a more coordinated approach to improvement. Indeed this approach was espoused in the TQM philosophy.

This exploratory paper sets out to encourage the development of a greater internal customer perspective using both an operations (efficiency focused) and a service management (customer focused) approach. There are many possible topics for study, such as the application of more service management tools to internal services, such as service quality measurement tools, or designing internal process flows as internal supply chains with internal suppliers and customers, or applying the principles of service design to the development of internal services. This paper focuses on identifying the barriers that make it difficult for organisations to bring about improvements to internal and therefore external service, and explores the nature of internal services and how they can be assessed.

BARRIERS TO INTERNAL SERVICE IMPROVEMENT

One approach that has been adopted in the literature to understand how to improve the quality (effectiveness) of internal services is to identify, and then remove, the barriers or inhibitors to improvement (see for example Gustafsson et al. 2006, Huq 2005). Gustafsson et al., for example, stated "Customer satisfaction has little meaning or effect unless it is embraced by and embedded within an organisation. Without an understanding of process inhibitors or 'choke points' that limit an organisation's ability to focus on customers, quality improvements are inherently limited" (Gustafsson et al. 2006, p356). Further, in terms of a research approach, Gustafsson et al. (2006, p356) suggested that companies should "not simply ask what customers would like to see improved, but rather where an organisation should improve its processes, systems and tools".

The issues preventing good external service, the barriers, fall into two categories, internal and external (see for example McFadden et al. 2006). External issues would include limited infrastructure or government policy, for example, or changes in the external environment such as new competitors, or price wars. Internal issues might be a lack of management commitment or resources, for example. This paper is concerned only with the internal barriers.

Gustafsson et al. (2006) identified four internal barriers or "choke points" that inhibit quality improvements; a lack of customer-focus, poor priority setting, people issues and poorly implemented processes (see also Johnson 1998). Most authors writing in this area have focused on the barriers to implementation of a TQM approach to quality improvements. Huq (2005) identified the factors that limit quality improvements in a TQM approach applied in a service setting. In his study of 20 service organisations he concluded that the failures in the implementation of quality improvements were not to do with the theory or models: "The failures in the studied companies can be attributed to failures in implementation, not to TQM theory and method" (p465). He added: "The results of the study appear to support, consistent with the results reported in the literature, the hypothesis that most obstacles to TQM can be linked to ineffective change management. Shifting to a TQM paradigm, requires a new administration perspective in which the company is viewed as an open system where participative management is emphasised, strategic leadership is advocated, and explicit focus on external and internal customers is mandated" (p466). The main barriers he identified were poor implementation and control as a result of poor decision making, lack of communication and lack of empowerment of employees and the lack of use of cross-functional teams to encourage continuous learning.

McFadden et al. (2006) in a study of 525 hospitals in the US emphasised the importance of dealing with barriers to improvement. "Our research also shows that hospital managers

should work to reduce internal barriers in their organisations, as doing so leads to a reduction in the gap between importance and implementation of error-reduction strategies. A lack of resources appears to be the primary barrier to implementation of effective strategies, followed by a lack of knowledge and understanding about errors" (p134). They also identified cultural issues, such as a blame-placing culture and a lack of safety culture as additional barriers to improvement.

Whalen and Rahim (1994) cited the following barriers in the implementation of TQM improvement activities; poor planning, lack of management commitment, resistance by the workforce, lack of proper training, poor teamwork, complacency (caused by the feeling of lack of authority, purpose and feedback), use of off-the-shelf programmes, failure to change organisational philosophy, and a lack of resources.

In a review of the literature Zabada et al. (1998) identified the obstacles facing health-care organisations in TQM implementation; including inward looking, hierarchical structures resistant to empowerment, lack of senior management commitment, command and control leadership styles, inability to see beyond a department, not paying enough attention to the patient and the fact that most physicians believed they were already doing a good job.

In an exploration of internal service systems using lean principles, Maleyeff (2006) found internal service systems have numerous common structural characteristics, including the importance of information, process flows across functions, many hand-offs of information, hidden costs and benefits, and no explicit motivation for urgency. He classified the wasteful activities into seven groups: delays, reviews, mistakes, duplication, movement, processing inefficiencies, and resource inefficiencies. He also found that the most common problems included a lack of standard procedures, long service times, communication breakdowns and poor personnel management.

The lack of support from senior management, lack of knowledge and lack of resources such as staffing or money were also identified by Becher and Chassin (2001), Chiang (2001) and Uribe et al. (2002).

The 38 barriers mentioned in the literature cited above appear to resonate with the four choke points provided by Gustafsson et al. (2006). The lack of customer-focus was also raised by Zabada et al. (1998). People issues were raised by several authors and included problems such as lack of training or knowledge, poor recruitment or teamwork. Poorly implemented processes were also identified but several other process issues were also raised such as inappropriate processes and the lack of standard procedures. Poor priority setting was only mentioned by Gustafsson, but other authors raised a range of what could be classed as wider management issues such as poor planning, failure to change, lack of internal coordination and poor communication. Several broader issues were identified which do not fit into the four choke points; including what could be captured as cultural issues, such as the existence of a blame culture, complacency and resistance to empowerment. Another set of issues was simply about a lack of resources, staff, time or money.

It is therefore suggested that the four choke points identified by Gustafsson et al. (2006) could be adapted into six main barriers to internal quality improvement; inappropriate culture, lack of customer focus, lack of resources, management issues, people issues and poor processes. Table 3 below summarises these six barriers. It would appear that there are many internal impediments to providing good external service.

Table 3   Summary of the Barriers to Improving Internal Service

Barrier	Definition	Key sources
Inappropriate	Blame culture, not a learning	Huq 2005

culture	culture, lack of safety culture, resistance to empowerment, complacency, organisational philosophy, command and control leadership styles	McFadden et al. 2006 Zabada et al. 1998 Whalen and Rahim 1994
Lack of customer focus	Lack of customer focus, inward looking, not paying attention to the customer	Gustafsson et al. 2006 Zabada et al. 1998
Lack of resources	Lack of staff, money or time.	Becher and Chassin 2001 Chiang 2001 McFadden et al. 2006 Uribe et al. 2002 Whalen and Rahim 1994
Management issues	Poor planning, decision making, control, lack of support or commitment, failure to change, poor priority setting, lack of internal coordination and communication, departmental silos, communication breakdowns	Becher and Chassin 2001 Chiang 2001 Gustafsson et al. 2006 Huq 2005 Maleyeff 2006 Uribe et al. 2002 Whalen and Rahim 1994 Zabada et al. 1998
People issues	Lack of training or knowledge, resistance, poor recruitment or teamwork, limited empowerment	Becher and Chassin 2001 Chiang 2001 Gustafsson et al. 2006 Huq 2005 McFadden et al. 2006 Uribe et al. 2002 Whalen and Rahim 1994
Poor processes	Poorly designed, implemented or operating processes, inappropriate processes/programmes, lack of standard procedures	Gustafsson et al. 2006 Huq 2005 Maleyeff 2006 Whalen and Rahim 1994

Most of the research cited above has been carried out in the business-to-consumer and public sectors, in particular the health sector. This research is concerned with the lesser developed business-to-business sector.   Indeed as the study summarised in Appendix 1 found, less than eight per cent of papers in the service marketing and management field are concerned with internal services. Furthermore, the percentage of papers studying internal services appears to have declined from 9.7 per cent in 1998 to 5.9 per cent in 2006 (see Appendix 1).

This paper has three main objectives. The first objective is to identify the main internal barriers that are preventing improvements to external service within business-to-business organisations. The research question is: are the internal barriers for business-to-business organisations are the same as those for business-to-consumer organisations, captured in terms of the six barriers above.

The second objective is to explore the bi-directionality of internal services provided between functions (as a precursor to the third objective about assessment). Unlike external service provision where the delivery of services is predominantly from the organisation to the customer and the assessment of the quality of the service is by the customer of the organisation, internal services may involve flows of services to/from the various functions

within an organisation so the delivery and the assessment of service is bi-directional. The research question here is do staff recognise this bi-directionality.

The third objective is to assess the quality of internal services provided between functions. The research question here is how do staff assess internal service provision. Furthermore the literature suggested that one of the barriers is a lack of customer focus. While internal service is a key influencer of, and contributor to, the quality of external service without a clear focus on the external customer an internal focus could undermine attempts to improve external service. So the third objective is concerned with developing a means of testing staff and managers for their level of internal versus external focus.

METHOD

For this exploratory and qualitative study any number and types of B2B organisations could have been selected. The key criteria for selection, given the objectives above included:

- A business-to-business service provider – the focus for the study is to extend the predominantly business-to-consumer focus of the extant literature to include more B2B material.

- An organisation intent on improving external service – if the organisation was already an excellent service provider the barriers may well have been overcome and therefore less visible. Furthermore, an organisation which desired to improve its service would be more open to the research and interested in its results.

- An organisation with multiple functions – to achieve objectives 2 and 3, the organisation would need to have several functions.

- The provision of high level support for the research – CEO level support would be required to facilitate access.

- Access to managers and staff – the nature of the research is that it would require deep and unrestricted access to a wide cross-section of staff inside an organisation.

The organisation selected was one of the large international express package delivery firms providing a service to other organisations all over the world. This company does not provide service to individual customers (except in exceptional circumstances). It describes itself as a "business-to-business express delivery company" and works through corporate accounts. A sister division provides B2C package and postal services. The company was keen to improve its service to its clients and recognised service as a key differentiator in its market. Like most organisations it was functionally organised with three main functions overseen by company directors. The chief executive was highly supportive of the research and provided unrestricted access to its global operations and staff.

The difficulty was that this was a very large company operating in over 150 countries with tens of thousands of employees. In discussion with the CEO two countries were selected for the study on the basis that they were in Europe (convenient for access) and their senior managers were known to be particularly keen to improve the level of service provided to their clients. In discussions with the two managing directors of the country operations, ten people in each country were selected for interview. The interviewees included the managing directors in each country, the heads of the three main functional areas (marketing/sales/customer service, operations, and finance), a supervisor and a member of staff in each area. The supervisors and staff were selected on the basis of their ability in spoken English and availability at the time of the interviews. The detailed and structured

interviews were focused on the issues preventing improvement of external service (see Appendix 2 for the full set of questions).

INTERNAL SERVICE - BARRIERS

All the interviewees made it clear that they understood the vital importance of delivering excellent customer service. The reasons given included that it provides the company with a competitive edge, creates satisfied customers, generates loyal customers, helps grow the business, helps the organisation improve its internal processes and systems, makes it easier to work with/manage the customer, and makes it easier to get them to pay. (The responses tended to depend upon the interviewee's functional area.) They also explained that they had a clear understanding of the notion of internal service and they were quite aware that it was an important contributor to great external service.

When asked for the barriers that were preventing improvements to external service within the organisation, 72 internal issues were identified by 19 of the 20 interviewees (one person was of the opinion that there were no barriers to improvement). Table 4 summarises the 72 responses under the six barrier types identified from the literature. While a small number could have been allocated to more than one category, the context of the statement was used to decide between them.

Table 4   Summary of the Interviewees' Internal Service Barriers

Barrier	Responses
Inappropriate culture	Arrogance of management We think we have best systems etc, unless we ask the market We think we are great but the customer doesn't
Lack of customer focus	Company is very internally focused We give performance data in the wrong format to the customer Not understanding the customer and how they work People forget what they are doing it for When we don't explain well our services to our customers Not meeting their needs We often forget to do the little things, the smile, the contact with the customer Getting a customer attitude with our drivers Focus on the process not the customer We are not focused on what is important Getting the service/delivery mentality across Not giving right information to customers Allow ourselves to have other priorities Not hearing the needs of the customer
Lack of resources	The stress, the pressure, everything has to happen within 24 hours Not enough time or people Lots of things to do at the same time Not enough people Lack of time to deal with the calls
Management issues	Not understand how our own company works Too much focus on EBIT and ROS Our KPIs We analyse averages rather than ranges in terms of operations compliance We need to have real priorities and clear targets We need to encourage the staff to deliver quality

	Management discipline Being serious about improving Lack of control Lack of consistency Lack of leadership Lack of understanding between functions Every functional manager working to their own priorities not towards the whole enterprise Communication is the difficulty Coordinating and communicating between internal departments Lack of information from other departments Explaining things The relationships with the other functions Getting information from operations Bad communication internally Silo mentality – my bit's great
People issues	People not raising mistakes Rely on individuals when doing exceptions outside the process Change mentality of sales people from price to quality People don't follow the rules, the procedures Training people People getting things wrong Lack of discipline People leaving Levels of motivation Lack of knowledge Poor recruitment of staff Lack of empowerment
Poor processes	Quality of our processes Processes don't always work as they should Need to improve processes We react and respond to single errors well but without solving the core issue Inconsistent service provision We are not good at dealing with problems Some problems keep reoccurring There is no clear channel for customers Adherence to standards Claims that have been going on for years! Finding ways to solve problems Prioritisation Process failures Lack of consistency Operations performance Failures Operational difficulties

The inappropriate cultural issues mainly concerned the complacency in the organisation. It is also interesting to note that the three people who cited complacency were three of the most senior people interviewed, as one of them explained: "We think we are great but the customer doesn't". The limited responses in this area might be due to the nature of culture as a higher order construct that underpins and is central to delivering a consistent service (see for example De Chernatony et al. 2003 and Browning 1998).

The lack of customer focus was the third most highly cited barrier. These issues were about people, both managers and staff, having an internal rather than external customer, perspective. One of the senior managers stated "the Company is very internally focused", others agreed that "we only see things from our point of view", and "we don't understand the customer or how they work".

Just five interviewees cited a lack of resources; usually either time or people.

Management issues was the most frequently cited barrier. This included issues such as managers not understanding how the company works, inappropriate targets, priorities or measures, a lack of discipline, control and leadership, and in particular, poor coordination and communication between functions; for example "there is a lack of understanding between functions", "a lack of information from other departments especially when trying to solve problems for the customers", "we have a silo mentality, we focus on just our bit".

Staff issues was the fourth most frequently cited barrier. The issues identified were mainly about people doing the wrong things, not necessarily making mistakes, but not following procedures properly "most issues are caused by lack of discipline" and not signalling when mistakes had been made. These problems were put down to poor training or recruitment issues.

Poor processes was the second most frequently cited barrier. This included issues such as "the quality of our processes", "performance failures"," operations getting things wrong", and specific areas such as "there is no clear channel for customers to complain", and their processes for dealing with problems; "we react and respond to single errors well but without solving the core issue".

INTERNAL SERVICE – FLOWS

When asked to describe the service they provided to the other functional areas, most interviewees had little problem. Likewise they were able to articulate the internal services they received from other functional areas. Figure 1 provides a summary of some of the internal services that flowed between the three main functions, marketing/sales/customer service, operations and finance. (Marketing, sales and customer service are treated here as a single function. They fell under the remit of one director in each country; customer service was, like marketing and sales, a pre-delivery activity, primarily concerned with order taking. Problems and issues were re-directed to the operations team.). Internal service was not seen to be a uni-directional activity but all three functions delivered and received services to/from the other functions.

Figure 1   Internal service flows
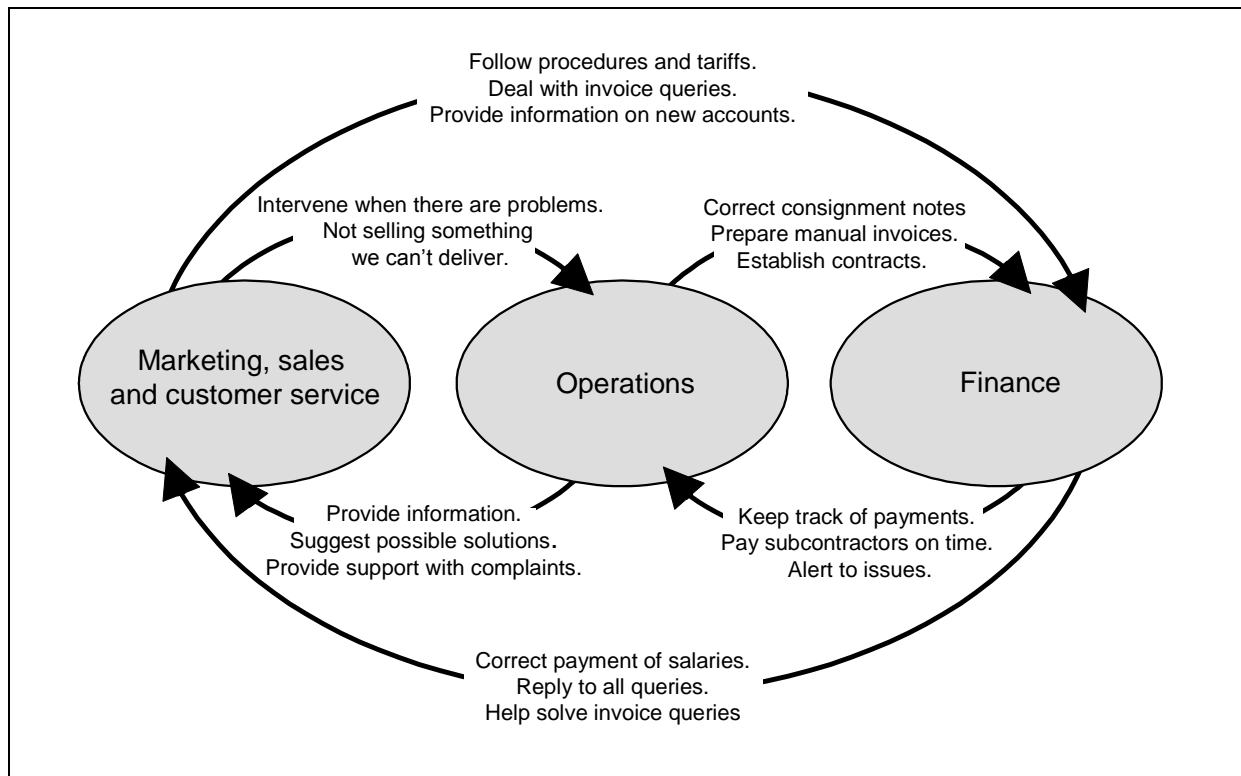
INTERNAL SERVICE – ASSESSMENT

Internal service was assessed in two ways, quantitatively and qualitatively.

Quantitative assessment

Interviewees were asked to rate the services they provided and received (which they had identified earlier) on a scale of 1-10, where 0 was exceptionally poor and 10 was exceptionally good. For illustration, Figure 2 shows the responses of one of the interviewees, a finance manager.

Figure 2   One finance manager's rating of the internal services provided and received
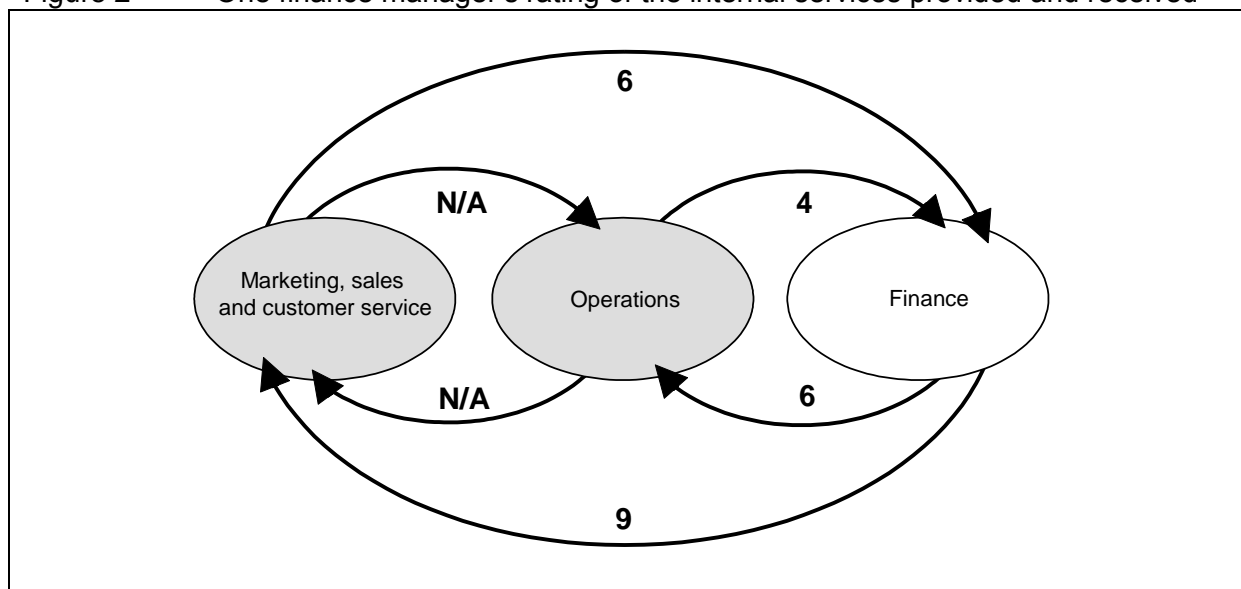
This manager rated the provision of internal services by his departments to the other functions as higher (better) than the services that they delivered to him and his function. Indeed every single interviewee rated the services they delivered as good as or usually better than the service delivered to them, whichever functional area was being interviewed. That is, everyone felt that all the other functions were not as good as their own function at delivering internal service. The average gap size was 1.25 points.

Quantitative analysis

The interviewees were also asked to define what they meant by good external service to assess their level of external versus internal orientation. Content analysis was performed on their replies (content analysis is a common methodological approach when studying the content of communication, see for example Arnott and Pervan 2008, Holsti 1969). Lasswell (1951) suggested that the core questions should be who says what, to whom, why, to what extent and with what effect. Sixty six descriptions of good service were provided. The statements were analysed for perspective, outside-in or inside-out (Shaw and Ivens 2002 and Shaw 2005), i.e. internal, organisational perspective or customer perspective. Three tests, based on three of the core content analysis questions (italicised), were used:

1. *Who says what?* - Was the subject of the statement the organisation or the customer? For example. "**We** need to do what we said we would" versus "**The customer** has to feel confident in us".
2. *Why?* - Was the object of the statement the product/activity or the benefit for the customer? For example "We need to **deliver the package** at the time requested" versus "**Total peace of mind**".
3. *With what effect?* - Did the definition concern the process of delivery or the experience for the customer? For example "**Solving the problem** as quickly as we can" versus "The customer has to **feel confident** in us".

The results are shown in Figure 3. The darker areas in Figure 3 show that the majority of interviewees took an inside-out view of their definition of the service they provided, i.e. it was about what they did in terms of product delivery and the processes used. Few interviewees described their service from a customer's point of view (outside-in) i.e. what it would do for them (the customers) the benefits they would receive and the experience they would undergo. Indeed only two people defined the service totally from an outside-in perspective; one stated, for example, "customers enjoy our honesty promising a possible solution not an impossible one".

This lack of customer-focus might be a key factor underpinning some of the other internal barriers; inappropriate culture, management issues, people issues and poor processes.

Figure 3   Inside-out versus outside-in thinking
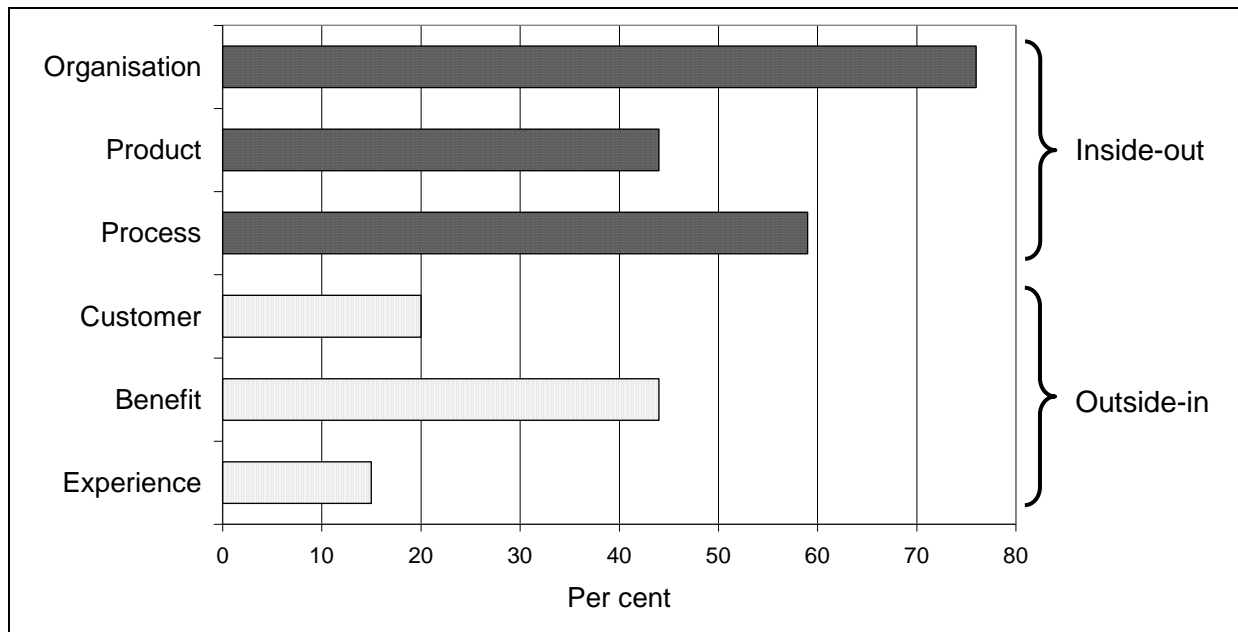
FINDINGS

While there is an acceptance in the literature, both services marketing and management and operations management, of the importance of internal service the evidence presented here suggests that, for the organisation under investigation, there were many internal service issues that were undermining the organisation's ability in its attempts to improve the level of service provided to its external customers. This adds support to the TQM literature which suggested that organisations should focus on internal customers and internal supply chains, and the more recent service management literature which suggests that internal service is a key influencer of, and contributor to, the quality of external service.

The first objective of this research was to identify the main barriers that are preventing improvements to external service within business-to-business organisations. Although only a single organisation was studied and a small number of staff interviewed, there is evidence to suggest that the internal barriers for business-to-business organisations are the same as business-to-consumer organisations.

The second objective was to explore the bi-directionality of internal services provided between functions. The research question was do staff recognise the bi-directionality of internal services. All interviewees had little difficulty in identifying and describing the service that they delivered to other parts of the business and the services that were delivered to them. It was not a simple case of their providing requests for service in return for the delivery of service (as might happen in B2C), but they both delivered and received discrete and identifiable services from the main functions of the business.

The first part of the third objective concerned the employees and managers assessment of the internal services delivered and provided. Interestingly this organisation did not assess the quality of internal services. When asked to do so, the analysis revealed that there was a bias toward the quality of one's own service. Furthermore, everyone rated their own internal service as good as, and usually better than, the service they received, which suggests some degree of self-delusion. The drive for internal service improvement and better coordinated internal services may come from the demands of internal customers but the degree of arrogance and belief that a department or function's own service was superior to that delivered by the others, together with the evident lack of detailed discussion or measurement

of internal service received and provided, would suggest that this might be difficult to achieve in this organisation. The lower scores given to most other internal service providers indicate a willingness to blame others rather than accept that issues are more endemic and associated with their own function and the relationship between the functions, i.e. coordination is a two-way activity.

In terms of the internally-focused mind-set, the content analysis revealed that both managers and staff viewed their service from an inside-out perspective, adding weight to the lack of customer focus being an important barrier for this organisation. While there was clearly a need to focus on, and improve, internal issues the motivation for so doing might more appropriately come from a concern for the external customer. While describing and defining the nature of their service in their own terms managers were in danger of perpetuating their own views, and from a customer's point of view, misconceptions about the nature of the service desired. Without a more outside-in, customer perspective the need to drive changes in practices, processes and behaviour might be less compelling.

CONCLUSION

While there are many limitations to this study, in particular in that only a single organisation was studied and that only 20 people were interviewed, the research has made a number of contributions to the literature.

First, it has been suggested, based on a review of the literature, that there are six main internal barriers to improving external quality; inappropriate culture, lack of customer focus, lack of resources, management issues, people issues and poor processes. Second, much of the research to date on service issues, and in particular identifying the internal barriers to service improvement, has been carried out in the business-to-consumer and public sectors. The study has found that the barriers in this B2B organisation were the same as in B2C organisations. Third, it has been suggested that internal service, unlike external B2C service, is bi-directional and staff recognised this bi-directionality and were able to identify the flows of internal services. Fourth, it has demonstrated a perception gap in internal service provision in the perceived services delivered internally were better (by around 1/10 point average) than the services received. This suggests that there exists some degree of arrogance or delusion about internal service delivered versus provided, potentially making improvements even more difficult to bring about. Fifth, it has demonstrated that, in the main, managers and staff in this organisation viewed their service from an organisational, inside-out, perspective, despite articulating a desire to provide excellent service to their business customers. This mind-set might well undermine the organisation's ability to overcome some of the other barriers.

This exploratory paper set out to encourage the development of a greater internal customer perspective using both an operations (efficiency focused) and a service management (customer focused) approach. It has demonstrated, in a small way, that by bringing together these different perspectives management researchers may be able to generate some deeper insights as to how to better understand and indeed bring about improvement to the quality of services delivered.

From a practitioner perspective, the findings suggest that, despite the interviewees espousing a clear understanding of internal service and its importance, most managers and supervisors in this organisation had little understanding of the quality of the performance of internal services and undertook little assessment or development of internal service quality with internal customers/providers. Furthermore, the quality of internal processes was one of the biggest barriers to internal quality improvement but also to external quality; yet most non-operational interviewees had little understanding of the limitations of the operation's capability, regarding it simply as a poorly working machine. However they worked long

hours to circumvent the known operational problems and deal with the failures that resulted. But underpinning both of these areas was a need to change the mind-set of managers to a customer (both internal and external) perspective. Although it is difficult to generalise given the single organisation studied and the small number of interviewees, one might speculate that many B2B organisations might like to consider how they might assess internal service and expose any self-delusion that is prevalent in the delivery and provision of internal services, using the simple 1-10 scaling of internal services delivered and provided. Organisations may also wish to look at their employee's degree of external focus, described here in terms of 'outside-in thinking'. Content analysis of the descriptions of external service might be one way of demonstrating their level of external or internal focus.

From an academic point of view, there is support for the operations management (TQM) literature that organisations should focus on internal supply chains and internal customers to improve service. It might be productive to see a shift in emphasis away from focusing on the market impacts of good service and to develop more work on the operational determinants of, and barriers to, the improvement of internal service. In particular the barriers suggested by this research need to be evaluated in many other business-to-business contexts. Further, there is a need, in all sectors, to work out how the barriers can be either removed or circumvented. Further testing in different service settings is necessary to establish if the findings are generalisable to wider organisational contexts. Future research could place particular emphasis on examining internal service assessment in a joint, bi-directional way, explore the nature and impact of internal focus in both B2B and B2C organisations, and examine inside-out versus outside-in thinking in a variety of organisations.

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APPENDIX 1   SECTOR ANALYSIS OF 3 SERVICE MANAGEMENT JOURNALS

The tables below categorise the types of service studied in the 848 papers published from 1998 to 2006 inclusive in the three major service journals; the *Journal of Service Research,* the *International Journal of Service Industry Management* and the *Service Industries Journal.*

Numbers of papers published by sector

	Business-to-consumer	Public sector and not-for-profit	Business-to-business	Internal services
1998	41	16	8	7
1999	49	19	12	11
2000	53	17	7	8
2001	55	27	5	7
2002	50	26	12	5
2003	50	31	12	4
2004	49	34	14	9
2005	53	39	10	7
2006	46	33	16	6
Total	446	242	96	64

Percentage of papers published by sector

	Business-to-consumer	Public sector and not-for-profit	Business-to-business	Internal services
1998	56.9	22.2	11.1	9.7
1999	53.8	20.9	13.2	12.1
2000	62.4	20.0	8.2	9.4
2001	58.5	28.7	5.3	7.4
2002	53.8	28.0	12.9	5.4
2003	51.5	32.0	12.4	4.1
2004	46.2	32.1	13.2	8.5
2005	48.6	35.8	9.2	6.4
2006	45.5	32.7	15.8	5.9
Average	53.0	28.0	11.3	7.7

APPENDIX 2 INTERVIEW QUESTIONS

1. Why is it important for you, and your organisation/function, to provide good customer service?
2. What does good customer service mean to your customers?
3. What do you mean by good customer service?
4. What are the things that make it difficult for you and your staff to deliver good service to customers?
5. What would make it better?
6. Does the organisation recognise the importance of internal service?
7. Who inside the organisation provides you and your department/unit/business with 'service'?
8. How do other functions affect you and the service you deliver?
9. What are your needs and expectations from other functions (be specific)?
10. How well do they deliver it?
11. What do they need from you?
12. How well do you deliver it?
13. How do you reinforce the importance of great internal service?
14. What is preventing internal service improving?
15. If you had the chance to make three wishes to improve service, what would they be?