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THE LEADERSHIP OF INTERNAL SERVICE QUALITY

- A case study of Elite Hotel Jönköping -

Bachelor thesis in business administration

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Niclas, Darja and Mona

ABSTRACT

The service industry is growing rapidly not only in Sweden but all over the world and the society is more dependent on services than ever. Our lives are now depending on services, banks, car-renting firms, cleaning services and hotels play major role in our everyday lives. We find it especially interesting how hotels grow and develop their external and internal services. We chose to make hotels the base of our thesis because statistics show that hotels grow increasingly fast and people travel more than ever.

The purpose of the thesis is to describe the internal service quality in a hotel and to examine the role of leadership and internal marketing in promoting internal service quality. We did our research at Elite Hotel in Jönköping. The research method applied to the thesis is a mixed method, which means that both qualitative and quantitative data was collected in order to answer to the purpose of the research. This way the method became a quantitative data collection in a form of employee survey strengthened an interview with the hotel manager. The survey and interview results showed differences and similarities of employees and leadership's perspectives on internal marketing.

After analyzing the results from both the surveys and the interview with the manager of the hotel, we found strong evidences that some of the aspects of internal marketing exist in the hotel unconsciously. The results from the employee surveys confirmed almost all the answers from the hotel manager Carl-Henrik Nilsson.

Nevertheless there are still several areas to be improved and therefore, implementing internal marketing strategies intentionally will solve and improve service quality related issues. Additionally, it will strengthen internal service quality and teamwork within the company. These issues are presented in the thesis from both internal marketing and leadership point of view, where we pointed out the areas of failures and suggestions on how to solve these failures.

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1. INTRODUCTION

1.1 Background

There are several different industries like production industry, agriculture industry and service industry. In the service industry no goods are produced, the companies in such an industry can be accountant firms, insurance companies, banks or hotels. The service industry is now a big part of the whole economy and the service sector is growing all over the world (Li, 2010). A reason for this might be that many countries outsource their manufacturing to low wage countries to decrease their costs. Services are intangible which means that they cannot be moved like a product, it has to be both delivered and received at the same time (Grönroos, 2008). The service can neither be stored nor transported, though “producers”- service employees - can travel and therefore “export” the service in a way (Normann, 2002). Services are total opposites of products, because products are homogeneous and standardized, tangible, the consumption of the product is separated from the production of it and it has also certain life durability (Grönroos, 2008).

Sweden has more and more shifted from being a manufacturing society into a service society. 59 597 companies were started in 2009; of those were 46 500 service companies (Ekonomifakta, 2011; Ekonomifakta 2010). Globalization has intensified competition and many companies choose to outsource manufacturing to low wage countries to decrease their costs, but it is naturally much harder to move a service since the employee has to be present to perform the service in certain areas (Söderman, 2002).

In 2010, 60% of all companies in Sweden were service companies and only 15,2% are manufacturing companies, these can be seen in picture 1. In 2007 the Swedish government implemented RUT reduction, a tax reduction for service for the households, this has so far created 11 000 new jobs (News mill, 2010), With more and more service companies the competition increases and it essential to have the right employee with the right knowledge at the right place, to get a competitive advantage against other service companies. The focus has shifted from the physical product of a company to the employee in the company. In service companies the perceived quality of the service is measured upon the interaction between the employee and the customer (Grönroos, 2008). Therefore the front-line employee plays a critical role in building the relationship with the external customer (Liao & Chuang, 2007) and the front line employees is depending on the support they get from their co-workers. The internal service quality is not depending on one individual in the organization, it is a responsibility shared by all members of the organization (American hospital association, 1990).

Realizing the importance of the employees has put focus on the internal marketing as a tool to tear down. Internal marketing offers instruments to help the employees achieve the

companies' objectives; it tears down the barriers between different functions and departments Ahmed & Rafiq, 2003). It forces the leaders into a more active role since the success of implementing internal marketing relies on leadership support (Grönroos, 2008). The basic idea is to treat the employees as internal customers, just as there are external customers (Grönroos, 2008) and the main objective is to create a more customer focused organization.

1.1.1 The hotel industry

When people think about service, a hotel often comes into mind as a typical service organization and hotels are depending on having service minded employees. There are over 250 000 listed hotels all over the world (HRS, 2011). The hotel industry in Sweden has increased with 125 hotels, in 2006, 1926 hotels existed in Sweden, and in 2010 the number was 2051 (SHRF, 2011). In Jönköping the number of hotels was 30 in 2006, today there are 29 hotels. The occupancy rate of the hotels in Jönköping was 51% in 2010 (SHRF, 2011). The number of hotels and the occupancy rate can give an indication that the competition is rather tough. This requires each hotel to gain the best possible competitive advantage in order to differentiate themselves from the other hotels as much as possible. The external service quality has to reach the highest possible level.

1.2 Problem discussion

The foundation of great external service quality is internal service quality (ISQ). This means that the organizations have to consider their internal environment and take care of their employees before delivering the service to the external customers (Heskett et al., 1994). Most hotels look almost the same and have the same features and to gain a competitive advantage; they have to have the best service possible to their customers; this puts focus on the employees of the hotel. Service organizations such as hotels are largely depending on the employee's performance; the employee of the hotel becomes an important issue when giving service to the customers.

Hotels might face several problems in order to create ISQ, first the present service quality has to be known; without that knowledge the organization will not know what issues within the organization to put focus on. Different expectations of the employees are also problems; one employee might think that he receives good service while another feels that he receives poor service. Grönroos (2008), means that internal market research is important to identify the needs of the employees in the company.

All employees are involved in the internal service quality and the leader has to find ways to involve the employees, he has to be able to motivate his employees to be service minded towards each other. They also have to put an effort to retain and recruit good employees, the jobs within the hotel has to be made attractive in order to retain and recruit new employees.

Leaders have to inspire and offer active and continuous support, and they have to adjust to the people they lead. That kind of leadership is crucial to create an internal service quality; it demands a whole hearted approach from the leaders. A leader has to be able to communicate with the employees, which is an important aspect; communication has to be a dialogue of two-way communication (Grönroos, 2008).

In order to implement internal service quality the leader need tools to work with, internal marketing is a helpful tool to help the leaders. Joseph (1996) claims that internal marketing is a system to motivate, mobilize and manage employees at all levels in the organization. It is organized ways to treat the employees (Grönroos, 2008) and a belief that a firm's employees can be motivated to aim towards customers-consciousness.

Internal marketing and leadership is an extensive subject and after studying several different authors, we have chosen to work with four tools within the internal marketing that we have defined as essential to build the internal service quality: Training, communication, and human resource management issues (HRM) and empowerment.

1.3 Purpose

The purpose of the thesis is to describe the internal service quality of a hotel and to examine the role of the leadership and internal marketing in promoting internal service quality.

To fulfill the purpose the following research questions has to be answered:

- *What are the characteristics of the leadership of the internal service quality in the hotel today?*
- *How does the role of internal marketing and leadership affect the internal service quality?*

1.4 Delimitations

Internal marketing and leadership are two extensive areas and it would be difficult to cover all aspects of these areas. Therefore we have limited ourselves to focus on four subjects within internal marketing these are: Training, communication, empowerment and HRM issues. We identified these four to have essential affect in creating internal service quality.

The SERVQUAL model has five determinates; reliability, responsiveness, empathy, tangibility. We have chosen to concentrate on the four concerning relationships between the

employees and the relations between leaders and employees; therefore tangibility has been excluded from this thesis since it covers the physical aspect of internal service quality.

1.5 Definitions

Service	A service is value added to the product, but it can also be the product. Services are heterogeneous and cannot be copied, intangible, and inseparable from the product and perishable and based on consumers' presumption and expectations.
Internal service quality	Internal service quality is the feeling the employees have towards their job, their colleagues and companies. It is characterized by the attitudes people have towards each other within the organization and how people serve each other.
Internal marketing	A management philosophy that aims to treat employees as internal customers, the employees are an internal market that has to be taken care of before the external market. The objective is to market the organization for the employees and to improve the relations within the organization.
Servqual	A model to measure service quality to external customer, it can be modified for use within the organization. It measures 22 criteria's and by that determines the service quality. It has modified to five basic areas: reliability, assurance, responsiveness and empathy and tangibility's
Front line employees	Employee with direct contact with customers.
Part time marketer	Employee or external customer who talks positive about the company without being paid for the marketing.

2. THEORETICAL FRAMEWORK

This part will give the reader an understanding of the theories used in the thesis. It starts with a general definition of the service, leadership and internal marketing to go further and connecting them all together. Lastly we will show the importance of SERVQUAL and its aspects to create the connections between leadership and internal marketing as a tool of leadership. The service profit chain will also be described in this chapter. This is done in order to show the reader how the service profit chain connects internal marketing with external marketing and profit. The authors believe that the first part of the service profit chain – internal marketing – must be developed and the internal customers – employees – must be satisfied in order for the company to satisfy external customers and make more profit.

1.6 Service theory

1.6.1 Definition of service

A service is the value added to the product. It is intangible – cannot be touched in the same way as a product. It is heterogeneous – every service encounter is unique. Service is inseparable from the consumption, which means that it is produced and consumed at the same time and the consumer is also a co-producer of the service. It is additionally perishable and therefore very fragile and based on impressions and assumptions from the customers' side (Parasuraman, Zeithaml and Berry, 1985). Products are total opposites of services, because products are homogeneous and standardized and tangible. The consumption of the product is separated from the production of it and it has also certain life durability. This also means that service employees often have to face a lot of different situations and problems that must be resolved directly or at least very quickly, in order to keep the customers satisfied. Such situations lead to frequent pressure and stress on the employees, which in turn leads to dissatisfaction and worsened service for the customers (Grönroos, 2008).

1.6.2 Service encounters and the moment of truth

Every service relationship starts with a first service encounter. The first service encounter defines the moment of truth – the first impression of the service company and its employees. These moments of truth are very important to the companies that aim towards long term relationships with their customers. In many cases these small and discrete encounters represent the service from a customer's point of view (Bitner, 1990).

“Service encounter is a period of time during which a consumer directly interacts with the service.” – Shostak, 1985.

Therefore the front-line employees have a huge impact on the moment of truth and consequently on the company's image and reputation (Lau, 2000). These moments of truth define the new relationship between a company and a new customer and could also change

already established relationship with the existing customers. In these cases competent and helpful employees are crucial for the service company (Lau, 2000).

1.6.3 Service satisfaction and service quality

Service quality is a very subjective issue. Consumers measure service quality and satisfaction by comparing it to previous expectations about how a service should be performed and experiences from other service encounters (Bitner, 1990). These expectations are compared to individual perception of the service received by the customer and if expectations are met or exceeded the customer walks away satisfied, if not dissatisfaction will occur (Bitner, 1990). Parasuraman et al. (1988) define perceived service quality accordingly; “the consumer’s judgment about a firm’s overall excellence or superiority”. Therefore one could say that perceived service quality is similar to the customer’s overall attitude towards the firm (Bitner, 1990).

1.6.4 The service profit chain

The service profit chain establishes relationships between profitability, customer loyalty and employee satisfaction, loyalty and productivity (Heskett et al., 1994). There are many links between customer loyalty and employee satisfaction. Usually the service profit chain is described as follows; loyalty is a result of customer satisfaction, which in turn is a result of the value of the services. Loyal and satisfied employees who stay satisfied by high-quality support and policies create value. The service profit chain recognizes the importance of each individual employee and customer, thus hiring employees with the right attitude becomes very important to the firm (Heskett et al., 1994).



Image 1: The service profit chain

In the past decades it became clearer that the service industry has to reach high customer loyalty in order to make profit. Reichheld and Sasser (1990) argue that 5% increase in customer loyalty can produce an increased profit of 25% to 85%. The longer a customer stays

with a company, the more money he/she will invest in it. The profit also includes the free advertisement that the customer will provide to the firm, word of mouth as it commonly known (Reichheld & Sasser, 1990). This means that a loyal customer will tell everyone he/she knows about the company and recommend it which, in turn generates new customers.

To be able to generate loyal and satisfied customers, the company should provide value to the customer, which is a relation between the result and the total cost for the customer. Employee productivity drives the value provided to the customer. The more productive the employees are, the more satisfied and happy the customers will. To be able to provide a good and productive service, the employees need to be satisfied with the firm itself and the support that is provided by the firm. When employees are satisfied they are also loyal to the company, which means decreased personnel turnover and consequently less costs for recruiting, hiring and training new employees (Heskett et al., 1994). Heskett et al. (1994) states that low employee turnover is closely linked to high customer satisfaction. To summarize the service profit chain, Heskett et al. (1994) states that leadership is the core to a successful chain. The leaders of the company should care about their employees, while listening and recognizing them. The employees' well-being has a direct impact on customers and their satisfaction (Heskett et al., 1994)

The whole service profit chain is based on satisfying customers because at the end satisfied customers will come back and generate a great deal of profit and free marketing in form of word-of-mouth and personal recommendations to friends and family (Heskett et al., 1994).

1.6.5 The internal service quality

Internal service quality contributes to the employee satisfaction. It is measured by how the employees' feelings are directed towards their jobs, colleagues and company. It is also about the attitude the employees have towards each other and how people within the organization serve each other (Heskett et al., 1994).

In the service industry the employee is the most important player. In order to get great external service, there has to be a good internal service quality. Internal marketing aims to treat the employee as a customer in order to get the best possible service quality. Employees that are supposed to give excellent service must be attracted, developed, motivated and retained by good treatment and giving a feeling of importance (Varey, 1994).

Grönroos (2008) claims that a successful internal marketing strategy includes four objectives: Attracting, developing, motivating, and keeping qualified employees in the company (Grönroos, 1990). It is also important to treat the employees well and make them feel valued. They also have to be trained and motivated to recognize the external customer and be able to think from the customers' point of view (Varey, 1995).

1.6.6 Measuring internal service quality

As SERVQUAL is generally used to measure the service quality delivered to external customers, it is as well appropriate to use it to measure the internal service quality between the internal customers and the internal purchasers (Lings & Brooks, 1998). SERVQUAL has 10 different determinants, which can be reduced to five major issues in service quality: Tangibility, Reliability, Responsiveness, Assurance and Empathy (Grönroos, 2008; Parasuraman, Zeithaml & Berry, 1985). Tangibility has been considered too personal to be evaluated, and it is not considered to be very important for the internal service quality, since many internal customers are employed in production plants and are not familiar with the headquarters' physical appearance (Large & Köning, 2008). This leaves these four elements that each have a number of sub items to consider when evaluating the quality, as can be seen in table 1:

Reliability	<ul style="list-style-type: none"> • Perform the service right from the first time • Perform the promised service dependably and accurately • Provide internal service within the promised timeframe • Provide correct information • Showing interest in solving a problem
Responsiveness	<ul style="list-style-type: none"> • Give prompt service • Be willing to help • Flexibility
Assurance	<ul style="list-style-type: none"> • Competence (knowledge, efficiency, resources) • Courtesy of employees • Confidence (trust) • Security (economical, integrity, physical)
Empathy	<ul style="list-style-type: none"> • Paying attention to the specific needs of others • Understand the needs of others • Communication (Feedback, manager-employee) • Be approachable

Table 1: Grönroos, 2008; Reynoso & Moores, 1995; Large & Köning, 2009; Parasuraman, Zeithaml & Berry, 1985; Singh, 2010

1.7 The leadership for internal service quality

1.7.1 Definition of leadership

There are several definitions of what leadership is, what leaders do and how they do things in companies to lead the employees successfully. Leadership is a word with several and wide interpretations; therefore we have chosen to present some of the definitions of leadership given by some of the most influential researchers within the field.

A leader paints a picture of the vision so that the team clearly sees what the completed puzzle will look like and where each of their pieces will fit – Gordon Culp & Anne Smith (1992)

Grönfeldt and Strother (2006) argue that leadership in service organizations is an important aspect if they expect to successfully plan and maintain the continuous changes in today's service-driven economy. This indicates the importance of a flexible leader that can adapt to changes and helps his/her personnel adapt to these continuous changes as well.

Armstrong (2008) describes the leaders as the ones who make things happen in an organization with the help of the human resources by taking a number of actions. The role of the leader is to ensure that the members of the team do their best to achieve a desired result. The leaders should set the direction to reach the company's goals and ensure that employees follow him/her. Armstrong (2008) states that leadership is a process that focuses on the human resources in the organization. Leadership is even the process of developing and communicating a vision, motivating people and gaining their loyalty and trust. The existence of a leader who is not able to communicate what has to be done will make it harder for the leader to lead the personnel in the right direction. This can also result in ambiguity among the employees.

Engaging and motivating the employees is crucial to reach the desired level of effectiveness, and even a tool to help the leader use the capacities of the employees. By engaging the employees the leader will be able to get things done with the help and actions of his/her personnel. This is explained by Armstrong (2008) who mentions that the main actions that leaders have to carry out are: managing effectively overall, leading and motivating the employees, team building and delegating, interviewing, managing the employees' performances, developing and rewarding the employees, managing change and handling people problems (Armstrong, 2008).

Kotter (1998) and Bennis (2003) focus on the fact that leaders need to have clear visions and goals, and the ability to direct their employees towards these visions to achieve the goals of the organization. Another important aspect that helps in achieving these goals is aligning the employees to make sure that the employees understand these visions and work towards them. Aligning the employees stresses the fact that all employees work as a unified unit that strives for the same goals and to maintain the set quality of services provided by the company.

Armstrong (2008) explains that there is a competence framework that the leaders need to be aware of and fulfill which we find as a tool or guidance for leaders to follow. Those frameworks are (Armstrong, 2008):

- *Achievement orientation* - The desire to get things done well and the ability to set and meet challenging goals, create own measures of excellence and constantly seek ways of improving performance.
- *Business awareness* - The capacity continually to identify and explore business opportunities, to understand the business priorities of the organization and to constantly seek methods to ensure that the organization becomes more business-like.
- *Communication* - The ability to communicate clearly and persuasively, orally or in writing.
- *Customer focus* - The exercise of unceasing care in looking after the interests of external and internal customers to ensure that their wants, needs and expectations are met or exceeded.
- *Developing others* - The desire and capacity to foster the development of members of his/her team, providing feedback, support, encouragement and coaching.
- *Flexibility* - The ability to adapt to and work effectively in different situations and to carry out a variety of tasks.
- *Leadership* - The capacity to inspire individuals to do their best to achieve a desired result and to maintain effective relationships with individuals and the team as a whole.
- *Planning* - The ability to decide on courses of action, ensuring that the resources required implementing the action will be available and scheduling the program of work required achieving a defined end-result.
- *Problem solving* - The capacity to analyze situations, diagnose problems, identify the key issues, establish and evaluate alternative courses of action and produce a logical, practical and acceptable solution.
- *Teamwork* - The ability to work cooperatively and flexibly with other members of the team with a full understanding of the role to be played as a team member.

1.7.2 The process of leadership

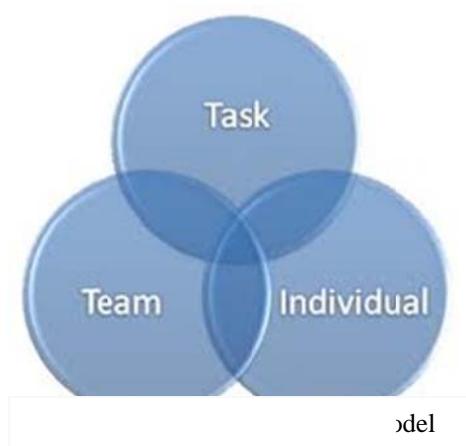
Kotter (1998) has defined the most important aspects that leaders need to understand and act upon to be active leaders. Those aspects involve the understanding of the process and practices of leadership to help the leaders better know what actions they need to take. The leaders also need to acknowledge the practice of leadership and how to be efficient and effective where there are qualities that leaders need to be aware of and appreciate. Those qualities vary depending on the type of organization and the processes it includes.

Kotter (1998) also states that leadership involves three things. Firstly, focusing on adapting to change by developing a vision for the future along with strategies to create changes needed to achieve that vision. Secondly, aligning people by communicating the direction to the employees and creating teams and groups to help the employees understand the vision and goals they are supposed to reach. And thirdly, leaders should use motivation to energize people, not by the intention to push them in the right direction as control mechanisms do, but by stimulating the human needs for achievement, a sense of belonging, recognition, self-esteem, a feeling of control over one's life and the ability to live up to one's ideals (Kotter, 1998).

Processes in organizations are often built upon the tasks, the employees, and the teams who work together to accomplish the organization's goals. Adair (1973) has built a leadership model (Image 2) expressing that there are three areas of needs which leaders are there to satisfy:

- Task needs – to get the job done
- Individual needs – to harmonize the needs of the individual with the needs of the task and the group
- Group maintenance needs - to build and maintain team spirit.

Adair (1973) explains in his leadership model that the three elements satisfy each other, thus when satisfying one element the other two will also be satisfied. Task needs will not be satisfied if the individual needs and group needs are not satisfied as well. Looking after individual needs will also contribute to satisfying group needs and task needs (Adair, 1973). Becoming mainly people oriented, where the leader focuses on meeting individual or group needs, will create the risk of the tendency of ignoring the task needs. The best leaders are those who keep individual need, group needs and task needs satisfied and in balance (Adair, 1973).



Adair's (1973) theories are what we find are the basic blueprint for successful leadership, where the leader does not only concentrate on one aspect. The three linked circles show how the employees, teams and tasks function together. If one of the circles is left out and not satisfied that will affect the balance of the model and ambiguity and lower quality will emerge. This is described by Adair (1996) where he states that if any event or significant change will happen in one of the elements, the other two be affected as well. The links in-between the three circles are strong, and keeping these elements balanced and satisfied is vital to achieving the vision of the organization. The Leadership Model, Adair (1996).

1.7.3 Leaders' and organizations' tasks

Leaders believe that having employees who understand the vision and direction of the business and "live" the corporate culture is important for successful internal marketing (FPPMM, 2005). Leaders who have more information about their services and the ability to handle that as a leader will gain a competitive edge (Edvinsson, 1992).

The information and knowledge that leaders have about their service will help them define their roles clearly. Armstrong (2008) has defined three essential roles:

- *Define the task* – The leaders' help their employees understand what they are expected to do.
- *Achieve the task* – The leaders create groups and make sure that these groups achieve the goals
- *Maintain effective relationships* – The leaders need to maintain effective relationships between themselves and the employees and groups and between the employees in the organization. Maintaining these relationships will help the leaders and the employees achieve their tasks in the short and the long run.

Leaders should be aware of the fact that employees who understand the business direction will be more focused and motivated to obtain results (FPPMM, 2005).

1.7.4 The purpose of leadership

Leadership which we define as the practice with the help of the internal marketing, which is a tool for leadership used to create service-oriented organization and take actions according to the organization's standards and goals. Companies with leadership orientation have the ability to adapt to changes faster (Schuler, R., & Jackson, S., 2008).

Flexible leadership and leaders are important due to the fact that leadership involves the action of decision making and creating relationships with the employees to assure that they do their tasks (Kotter, 1999). Leaders in organizations need to help the employees cope with complex situations and changes, and train them to be more flexible since services are heterogeneous.

In internal marketing employees are the most important part of the organization, therefore leadership is needed to motivate, empower, align and create a flow of communication

between all departments and the human resources department. As internal marketing seeks to create service minded employees and to increase the service quality, leaders are the ones who will implement the strategies on the internal marketing and make sure that they are used properly. Combining leadership and internal marketing will help the organization satisfy, empower, motivate and retain the employees in the company. Employee retention is important for a company considering that keeping employees in the company will contribute to several outcomes. The employees will gain more experience and develop their skills in performing their tasks, and hiring new employees will cost more than keeping and training old employees. Ongoing retention strategies help the company retain their best employees and allow them to stay and grow with the company (FPPMM, 2005).

1.7.5 Internal Service Quality and leadership

The quality of internal services is the foundation of a company's overall performance and success. A company provides better services to external customers when high internal service quality exists within the organization (Large & König, 2009). It is obvious that functional decisions of managers and leaders have influence on quality (Rausch, 1999). Rausch (1999) describe effective leaders as the ones who create an environment that is both satisfying for staff members, and achievement oriented at the same time.

An organization should consider the customers' expectations and perceptions of the services and how they are delivered to allow the company to understand the customer satisfaction (Piercy, 1995). Factors that are believed to create the perception that external customers have of the quality of service they receive are (Piercy, 1995):

- *Reliability of the service* – Whether customer satisfaction measurements are believed to be fair to employees.
- *Responsiveness of the supplier in handling customer feedback* - Whether management listens to, and deals with, the reasons for customer feedback.
- *Assurance about the service* – Whether people trust the management's integrity.
- *Empathy with the supplier* - Whether customer satisfaction measurements are used positively or coercively.

Service performance is the result of service quality as perceived by the internal customer, not by the purchaser. Therefore, it is essential to measure the quality perceptions of internal customers. Furthermore, the fit between the service expectations and the service perceptions can be helpful for the leaders to deeper understand and realize the employees' satisfaction. This fit can be interpreted as an indicator of internal customers' satisfaction (Large & König, 2009). Authors as Zeithaml et al. (2009) mention that the leaders can conduct periodic internal marketing research in the organization to learn more about the employee satisfaction and needs, and whether they are met or not.

Leaders need to understand the importance of the service-profit chain to the organization internally and externally. It is important to maintain the service quality towards the employees and the customers. Heskett et al., (1994) state that the leaders who are aware and understand the importance of the service-profit chain try to implement, develop and maintain a service centered culture internally and externally.

1.7.6 Leadership in internal marketing

Internal marketing is a philosophy of leadership that comprises internal activities and processes with the intention to develop service orientation and service minded employees. Grönroos (2008) therefore describes internal marketing as a leadership philosophy and a set of tools to help the leaders lead their employees and keep them satisfied. As Grönroos (2008) classifies internal marketing as leadership philosophy, he stresses the fact that the employees are the most important part in the internal market in the organization. Ueno (2010) lists top management commitment, involvement and leadership as some of the several components of internal marketing. Grönroos (2007) argues that leadership and internal marketing should be connected within an organization in order for the two aspects to function properly and reach to the desired results of employee satisfaction and loyalty.

Grönroos (2007) also mentions that the leaders in an organization contribute tremendously in the implementation of internal marketing processes. Internal marketing contains the aspects that the leaders need to stimulate to reach successful internal marketing, improve service quality and avoid differences between the specified quality and the quality delivered. A drawback is that some leaders fail to see the importance of internal marketing and therefore fail in implementing and using its processes.

Forum for People Performance Management and Measurement (FPPMM) (2005) explains that leaders who believe in internal marketing are leaders who will lead the company towards organizational innovation. If top management does not understand the strategic role of internal marketing, the money that the company invested in internal marketing implementation, efforts and processes will not pay off (Grönroos, 2007).

The foundation of the service profit chain is the internal service quality which is created by the employees in an organization. As Berry & Parasuraman (1992) mention, the combination of internal service quality and successful internal marketing are essential to provide superior service. The internal marketing is the tool and therefore leadership is the set of actions that will align the internal customers to the visions of the internal marketing and set the direction for them to work accordingly. The leaders set the directions for the jobs and with the help of the internal marketing and clear communication with the employees service quality can be increased.

One of the aims of leadership and internal marketing is to keep consistency in the quality delivered and avoid situations where the provider does not deliver services by the standards set within the organization. The main factors that may cause negative quality deliverance are:

- The employees lack the understanding of their roles
- The employees are not willing or able to perform their roles
- No rewards for good performance
- Interfering with other customers
- Incompatible market segments

These factors arise, according to Grönroos (2008), because of bad leadership, bad internal marketing or the lack of acceptance of the quality specifications by the employees. To avoid quality inconsistency, leaders need to clearly help the employees understand the visions, missions and goals of the organization, align the employees to work towards one direction and keep open and clear communication between the employees themselves. Motivating the employees is also necessary to increase the employee satisfaction and thereafter increase the levels and quality of the employee's performance.

Ueno (2010) states that in order for service providers to be able and willing to meet service quality specifications/standards and to perform or deliver quality service continuously, strategies that can help the leaders to increase the quality of the services need to be provided.

Leaders who understand the service-profit chain develop and maintain a corporate culture that builds focus on the service provided to employees and customers. This shows willingness and ability to listen (Heskett et al., 1994). Internal marketing means that leaders should encourage and support the employees to be service minded. New service minded behaviors' should be rewarded (George, 1990).

The tools of internal marketing could help the leaders with the adoption of company-wide quality improvement. Leaders within internal marketing must understand the importance of proper training and information, to help the employee identify their own roles and fulfill them (Varey, 1996). Management must create an atmosphere of understanding intimacy, trust and commitment. The employees must trust the leadership, trust in the processes and trust in the rules of the game maintained by the organization. Without this, internal marketing cannot work, the employees will be cynic and disillusioned (Ahmed & Rafiq, 2003).

The leaders should encourage their employees to realize their ideas and help them. Affirmation of the employees is an important part of the leadership; the leadership is something that affects the work environment and the internal climate (Grönroos, 2008). Effective leaders create an environment that is satisfying for the employees and stimulate the achievement oriented direction simultaneously (Rausch, 1999). A leader in internal marketing should try to involve the employees in the decision making and planning in order to create an

increased involvement of the employees and increase motivation by the internal marketing process (Grönroos, 2008).

Since internal marketing is a long-term program, it is continuously demanded in the internal marketing process. Leaders must practice leadership, not only administrate and supervise (Grönroos, 2008). The quality of leadership from middle management will have significant influence on the service quality from the employees. Management must communicate their service quality expectations through clear goal settings (Boshoff & Tait, 1996).

1.8 Internal marketing – a leadership philosophy

1.8.1 Definition of internal marketing

As mentioned earlier internal marketing can be seen as a leadership philosophy (Grönroos, 2008). Internal marketing has been discussed by many authors since the 1970's when it first was mentioned, and several definitions have been made in order to explain what internal marketing is. Grönroos (1981) has defined it as selling the company to the employees. He also implies that the employees are the first market of a company and that the internal marketing is an active, coordinated and goal oriented process to gain better external marketing. The employees should be regarded as internal customers that have to be treated with the same customer focused service as the external customers (Grönroos, 2008). Internal marketing concerns all functions within the organization, but its main issue is the management of human resources (Collins & Payne, 1991).

The service profit chain shows the importance of internal service quality. It forms the foundation of the chain to increase the profitability (Heskett et al., 1994). Internal service quality and successful internal marketing is the main key to deliver a superior service (Berry & Parasuraman, 1992). Berry et al.,(1986) defines internal marketing as satisfying the needs and wants of the employees, the employees are the customers and their jobs are internal products.

Joseph (1996) is on the same path as Grönroos (2008), internal marketing is about creating a customer focused organization where the employee is the most important part. Internal service quality is necessary for creating a good external quality; the employees have to be considered as internal customers. To create effective internal marketing, the management has to consider the employees needs for advancements and understanding of the company's mission and goals (Joseph, 1996).

All customer contact employees have to be well attuned to the mission, goals, strategies and systems of the company (Gummesson, 1987). Ueno (2010) points out that the internal marketing is a strategy to eliminate the difference between the specified service quality and the delivered quality. This can be the result of bad leadership in the company, bad internal

marketing or lack of acceptance for the quality specification so the employees do not want to fulfill them (Grönroos, 2008).

The easiest way to make practical progress with internal marketing is to use the same strategies used for the external marketing (Gilmore & Carsson, 1995). This means that organizations should use the classical marketing mix. However a service is intangible meaning that it is impossible to physically touch a service and the “product” is produced at the same time that it is received. The employee as we have mentioned is a very important part of the delivery of the service, hence Heskett et al.(1994) shed light on the internal service quality as an important factor to be able to deliver external high service quality. Therefore, three more P’s must be added to the classical 4 P marketing mix - process, physical evidence and people. The additional 3 P’s also consider the employees’ role in internal marketing. The 7P’s all together are called the extended marketing mix (Ahmed & Rafiq, 2002).

Marketing mix(Products):

Price Promotion Place Product

Extended marketing mix(Service):

Price Promotion Place Product Process People Physical evidence

The definition of the 4 P’s is somewhat different in a service industry compared to a production industry, mainly because services are intangible. Ahmed & Rafiq (2002) has defined the 7 P marketing mix for the internal market for services accordingly:

- *Product* – the employee’s job is the internal product. This means that the company needs to look from the employee’s perspective. The organization needs to look into the employees training need, level of responsibility, involvement in decision making and career development opportunity.
- *Price* – the physical cost of adapting new methods of working within the company. It is also the cost of projects to implement the new policies. They are rather hard to measure since employees overestimate the costs.
- *Promotion* – Promotion within a company is the same as internal communication. The organization has to communicate in order to motivate the employees and involve them in the organization. It is about selling the company to the employees, just as the company sells itself to the external customers. The methods used are among others face-to-face communication, advertising, and benefits.
- *Place* – places and channels of distribution to get the product to the customers. Within internal marketing this can mean meetings or conferences where policies are announced or consultants delivering training programs.

- *Process* – how the customer receives a product. In internal marketing one example is training to implement customer consciousness. Structural changes, as new report methods may also be necessary.
- *People* – participants that are involved in the delivery of the products and the receiving of the products; people that may influence the customer's perception. In internal marketing the employees are treated like customers, where the organization should segment the employees into groups with the same characteristics. They should also do market research among the employees in order to better understand them.
- *Physical evidence* – The environment where the product is being delivered, and where the interaction takes place between the contact personnel and the customer. Tangibility's in the internal marketing can be memos, guidelines, training manuals and also the environment the employees work in.

Seeing the employees as customers, a marketing mix has to be developed the same way it would be developed for external customers (Varey, 1995). This means that the organization has to segment the employees, develop and implement the mix. People are looking for employment that is satisfying and interesting, just as the external customer looks for a satisfying service (Collins & Payne, 1991). Internal marketing should be viewed as a leadership philosophy for support and motivation (Varey, 1995).

Seeing the employee as an internal customer might also have some negative effects, if the organization focuses too much on the concept of internal customers and suppliers, they might lose the focus on the external customer (Ahmed & Khaled, 2002).

1.8.2 The purpose of internal marketing

It is important to realize that quality within an organization is not the responsibility of an individual. Internal quality is a responsibility shared by all members of the organization (American Hospital Association, 1990). Therefore a good way to tear down the barriers is to use internal marketing. Internal marketing removes barriers between functions and departments; it is about integrating related functions within the company. The organization should harmonize and move in the same direction.

Leaders must ensure that every employee is a part of the service quality delivery (Ahmed & Rafiq, 2003). A good internal marketing can also give a company improved competitive effectiveness (Varey, 1995). We established earlier that the main focus in service companies is different from production companies. A service is intangible thus the main asset in a service company is the service provider; the employee is the resource that determines the quality and the economic success of the service company (Grönroos, 2008). Hence, it is important to treat

the employee's right in order for them to give both internal and external service quality. If the leaders want the employees to achieve high quality performance, they must be ready to do a great work with their employees (George, 1990).

The purpose of internal marketing is to develop well-trained and dedicated staff that creates a good reputation for the company. A company wants to retain its employees since new employees can undermine the company's performance due to the lack of training and thereby provide lower service quality (Grönroos, 2008). The behavior of service employees affects the customer's affection of the service (Bitner, 1999). A well trained employee can enhance the service experience and contribute significantly to the organizations reputation (Joseph, 1996). Internal marketing aims to identify and satisfy the needs of the personnel as individuals and as service providers (Varey, 1995). Grönroos (2008) has identified 4 purposes, which are:

- To assure that the employees are motivated to perform in a customer focused orientation.
- To attract and retain employees.
- To assure that internal services are customer focused.
- To supply individuals that provides internal or external service with leadership support and technical support.

Internal marketing should create the right environment where employees are encouraged to create, co-ordinate and improve the organization. It should create an environment where reflexive employee behavior always aims to enhance the service quality (Ahmed & Rafiq, 2003)

1.8.3 Internal marketing tools

In order to achieve the objectives of internal marketing and thereby improve the internal service quality the organization has to use certain internal marketing activities. There is no definite list of activities that could be included in internal marketing. Almost all activities and functions that affect the internal relations and the employees' service and customer consciousness can be included in the internal marketing program (Grönroos, 2008).

Different authors put emphasis on different subject within the internal marketing, but many of them discuss the same issues. We have chosen to focus on four important issues that are very important to internal marketing and to the internal service quality.

- Training
- Communication
- HRM issues
- Empowerment

These four are among the most common that are discussed by authors e.g. Berry & Parasuraman (1992); Grönroos (2008), Joseph (1996); Ahmed & Rafiq (2002):

Training

When new employees are hired they should be involved in a training program (Tansuhaj, Randall & McCullough, 1988) to be able to understand the company's service strategy and marketing process, to be able to amplify positive attitudes to the service strategy and to be part time marketers, and finally to strengthen the employees communication skills and service skills (Joseph, 1996). Training along with internal communication support is the most important step when implementing the internal marketing (Grönroos, 2007).

If the quality fails, it is usually due to poor training or badly designed system (Joseph, 1996). The employees must understand their co-workers (Grönroos, 2008). A well trained and dedicated staff can contribute tremendously to the organization's reputation for responsive service (Joseph, 1996). The employees have to be trained to recognize other internal customers' needs in order to be able to serve them with quality. When the employees understand they are more willing to help. The organization needs to reward and support the achievements of employees (George, 1990).

Communication

Internal marketing is like a marriage, it cannot work without communication. Internal marketing sees the employee as a customer, and within the service 7 P marketing mix, internal communication is the P that stands for promotion (Ahmed & Rafiq, 2002). Communication is the activity that links people together and creates relationships and it is one of the most important issues within an organization. It develops, organizes and spreads knowledge (Duncan & Moriarty, 1998). It is also important to understand that communication is more than just verbal; a company can communicate by its measurement system, its rewards system and through its structure. The articulation of objectives is a very powerful communication (Ahmed & Rafiq, 2002). Effective communication is likely to enhance the service quality performance (Boshoff & Tait, 1996).

.....as much dialogue as possible - (Grönroos, 2008)

In a service company internal communication with the employees might be even more important than communication with external customers (Tansuhaj et al., 1988). Internal communication allows the employees to get involved and thereby do their jobs effectively and efficiently (Ahmed & Rafiq, 2002). As mentioned earlier leaders must communicate with the employees and involve them in the decision-making. The leaders must also, with the help of internal marketing, communicate to understand their employees' needs, similarly to how the

company needs to understand the external customers' needs in the external marketing. Through communication, leaders can understand what expectations the internal customers have of them.

Regular feedback is important since it is needed for an open climate where employee feedback can be a powerful motivating and communication tool (George, 1990). Employees need to get performance appraisal, personal appreciation, areas for improvement and actions for performance improvement (Field, 2007a). However the feedback can have a negative effect on the service quality, if the feedback is too critical and lacking appreciation for the unique challenges. The delivery of the feedback has to be carefully considered (Boshoff & Tait, 1996). The most effective way to communicate is face-to-face for clarity and understanding. All other methods are secondary, which should be a reminder for both leaders and co-workers (Field, 2007b).

Both internal and external mass communication is also important methods of communication. This can include brochures, internal PM's, employee magazines, and external mass communication such as advertising and commercials. They all affect the employees since employees often are interested and receptive to the company's marketing campaigns. These campaigns should always be communicated to the employees before they reach the external customers (Grönroos, 2008).

Leaders are the ones who communicate the organizations' visions to the employees, to align employees to work towards the same direction. Therefore, communication becomes a crucial aspect in the process of leading the employees to help them clearly understand what they are expected to do. The customers' expectations are built upon the brand promises that the company promises its customers. In order for the company to deliver its promises to the customers, it must first communicate the promises to the employees to assure that they are understand their tasks and thereafter motivate them to deliver the services to the customers (FPPMM, 2005).

Communication answers these needs by keeping all employees updated to the changes and to what is happening in the organization (Field, 2007a). Field (2007a), explains that if employees are continuously informed about the key issues that are happening in the organization, and that they can participate in issues affecting the organization they will feel valued and will be more productive and effective. Ziethaml et al., (2009), explains that communication directed to the employees in the organization will make the employees feel more valued and therefore increase their loyalty.

According to Field (2007a), communications must be planned and formalized which shows the importance of an effective leader to generate those elements in the communication throughout the organizations. The leaders should keep communication open and honest with the employees, the communication should always be clear to avoid misunderstandings and

confusion. Therefore, two-way communication is a key factor in minimizing ambiguity, so that employees feel free to ask the leaders about issues in the process and get the needed responds.

HRM issues(Human resource management)

Human Resource Management (HRM) is an important part of both leadership and internal marketing since it deals with recruitment and employee satisfaction. HRM, in combination with internal marketing, is an essential tool for successful leadership to attain employee satisfaction, motivation and engagement (Grönroos, 2008). Internal marketing concerns all functions within the organization, but its main issue is the management of human resources (Collins & Payne, 1991). HRM stands for Human Resource Management which concentrates on how to treat people within the organization (George, 1990).

The importance of service providers, as stated by Zeithaml and Bitner (1996), is that, in order for a service firm to be successful, service providers are vital, because they are the service and the organization in the eyes of the customer. Therefore, the importance of successful leadership with the help of human resource management and internal marketing is constantly increasing.

“Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity” – General George S. Patton (Grönfeldt & Strother, 2006)

Motivation - Motivation plays a critical role in achieving project success. Project success occurs when the project is led by motivated leaders who are able to motivate their employees (Culp & Smith, 1992). A leader can promote and create a project environment and provide leadership that will increase employee encouragement and motivation (Culp & Smith, 1992). According to McShane & von Glinow (2008), motivation is seen as a factor that contributes to engage the employees in an organization. Motivation is a factor that stimulates energy and incentives of the employees to be devoted to the task (Axelsson et al., 2009)

When the employees feel that they are included in the processes within the organization and that they can influence those, they will be more motivated to do their best. As Bolman and Deal (2003) declare, when the leader trusts his/her employees and trusts their abilities to find solutions for problems themselves it will increase the employees' levels of motivation and generate better solutions. Axelsson et al. (2009), mean that motivation is a factor that affects the way and the quality of the services that are provided by the employees and generate profits to the company. Additionally in service organizations there is a strong relationship between motivation and service quality.

Recruitment - Successful internal marketing begins with recruitment (Grönroos, 2008). Employers need to attract, select and retain people that are interpersonally sensitive and responsive - people willing to go beyond the job description (George, 1990). Good employees must be sought after and recruited (Joseph, 1996) and organizations must carefully select personnel, especially the external customer contact personnel, just as the external contact personnel. Internal marketing is very depended on supporting HRM policies to be successful and internal marketing can help to implement shared systems of belief in an organization, for implementing a more service minded culture (Ahmed & Rafiq, 2002). It is important to have an active HRM function. It is not just an administrative functions and the HRM manager has to understand that to achieve the goals (Grönroos, 2008).

If the leaders want the internal marketing to work, they have to be supportive and make sure that employees with the right skills, competences and attitudes are recruited. A company can offer rewards, flexible work arrangements or other attractive compensations to attract skilled employees (Joseph, 1996). HRM has three client groups or markets to deal with: employees within the organization, leadership within the organization including the CEO and external groups like prospective employees. The importance of HRM has gradually gained more credibility since leaders started to understand how it can contribute to business success (Collins & Payne, 1991).

Teamwork - The nature of many service jobs suggest that customer satisfaction will be enhanced when employees work as teams where they can help and support each other (Ziethaml, Bitner & Gremler, 2009). Ziethaml et al., (2009) explain that the service environment can be challenging, demanding, and frustrating at times for the employees. Therefore, working in teams will help decrease the stress and frustration. When the leaders divide the employees into teams and encourage teamwork the employees will feel supported by their leaders and team members. Employees who feel supported and feel that they have a team backing them will be better able to maintain their confidence and enthusiasm and provide higher quality service (Gittell, 2002).

Leaders who promote teamwork in organizations can help the employees provide better service quality although it is important that the leader clarifies the goals of the teamwork and guide them to the right direction. Providing employees with proper training is vital to the success of any effective internal marketing program and helps the company increase quality of the services and deliver services according to the promised standards (FPPMM, 2005). Axelsson et al., (2009) mentions that employee oriented companies often see that employee training as an investment rather than costs.

Employee Engagement and Rewards - Clear management development programs to empower the staff in an organization are interrelated with service leadership (Edvinsson, 1992). To encourage employee commitment, leaders tend to give the employees the freedom to make decision and empower them in many key decisions (FPPMM, 2005).

‘‘It is about engaging both the hearts and minds of people so that they can take the opportunities available to them for increased responsibility’’ (Armstrong, 2008)

Employee engagement is the result of a collaborative work environment where employees know they can have an effect on company results and have evidence of that as well. Engagement is achieved by open communication, positive reinforcement of proactive work and by interpersonal support to help the employees feel included and valued in the company (FPPMM, 2005). In accordance to Armstrong (2008), empowerment and empowered employees will increase the employee engagement where they feel that they can take control and take responsibility and initiative. Empowerment releases the creative and innovative capacities of people which will result in greater job satisfaction, motivation and commitment to the company and its goals (Armstrong, 2008).

Achieving employee engagement requires supportive management that empowers employees to be active in reaching the company’s goals and take initiatives to solve business problems (FPPMM, 2005). Leadership support means connecting the visions and goals, motivate and empower the employees to get increased service quality and employee engagement. When the leaders succeed in doing these steps correctly then they will be able to rely on the employees and let them take their own responsibilities and trust that they will do their best. The higher the trust is the less the leaders need to worry about the performance and the less supervision needed.

Rewards recognize those who have demonstrated their level of engagement in the company and contributed positively in the company (FPPMM, 2005). Armstrong (2008) states that leaders implement reward systems to decrease the necessity of supervising the employees, and it is a way to show the employees that they and their efforts are recognized and valued. As Field (2005) summarizes, several guidelines that the reward systems should be built upon. Rewards should be a way to motivate employees to reach the objectives and goals of the organization as long as those goals are realistic, given as recognition and to increase

Empowerment

It is impossible to deliver failure free service. Empowerment can be defined as a way to be able to correct service failures (Li, 2010). Empowerment is giving the employees freedom to act within certain boundaries to satisfy the internal customer. Employees should have the authority to make prompt decisions when dealing with both external and internal customers (Grönroos, 2008).

The main reason to empower employees is to increase the job-satisfaction which in turn leads to more satisfied customers. In the service industry there is no product that the company can rely on, it is all about the employee’s behavior and attitude (Chebat & Kollias, 2000). A successful empowerment can also help with the service recovery, if a service fails the front-

line employee has to be able to solve the situation quickly or the company might lose a customer (Ahmed & Rafiq, 2002).

Berry & Parasuraman (1992) states that empowerment should be considered as a state of mind. An employee with an empowered state of mind experiences feeling of:

- Control over how the job should be done.
- Awareness of the context in which the work is performed.
- Accountability for personal work output.
- Shared responsibility for unit and organizational performance
- Equity in the rewards based on individual and collective performance.

The structure of the task is one of the determinants of how much discretion an employee should have, meaning that the more contact with the customer, the more discretion the employee should have. Complex situations occur when the task demands high customer customization. This type of situation demands the ability of the employee to adapt to the situation smoothly and quickly. Still some limits should be followed to avoid chaos and one way to do this is to have a list with different alternatives employees can choose from when performing their tasks (Ahmed& Rafiq, 2002).

In order to empower the employees, the company has to create possibilities for the employee to act. This can be done by giving them support in taking their own decisions in the service process. Without the support from leaders it will be very hard for the employees to act. Grönroos (2008) has listed three important issues that have to be fulfilled:

Management support - Knowledge - Technical support

These three aspects mean that the leaders have to be ready to support the employees if demanded, but avoid overrunning the employees in the decision making. The employee also has to be equipped with the knowledge in order to make the right decisions. The customer contact employee has to be supported by support systems, databases and support staff and other tools in order to control the situation (Grönroos, 2008)

Empowerment can also raise the satisfaction level of the employee which in return gives better customer contact. It can increase the self-efficiency of the employee and the employee can react to the customers' needs faster (Conger & Kanungo, 1988).

1.8.4 Connecting internal marketing with internal service quality

The table below shows our perception of the connections between internal marketing tools and the internal service quality. Often each of the internal marketing tools is involved in all internal service quality aspects.

INTERNAL SERVICE QUALITY	INTERNAL MARKETING
<p>Reliability</p> <ul style="list-style-type: none"> - Perform the service right from the first time - Perform the promised service dependably and accurately - Provide internal service at the promised time - Provide correct information - Showing interest in solving a problem 	<ul style="list-style-type: none"> • Training • HRM • Communication
<p>Responsiveness</p> <ul style="list-style-type: none"> - Give prompt service - Willing to help - Flexibility 	<ul style="list-style-type: none"> • Empowerment • HRM • Communication
<p>Assurance</p> <ul style="list-style-type: none"> - Competence (Knowledge, efficiency, resources) - Courtesy of employees - Confidence (Trust) - Security (Economical, integrity, physical) 	<ul style="list-style-type: none"> • Training • Communication
<p>Empathy</p> <ul style="list-style-type: none"> - Paying attention to others specific needs - Understand other's needs - Communication(Feedback, manager-employee) - Be approachable 	<ul style="list-style-type: none"> • Communication • HRM

Table 3

3. METHOD

This thesis is a research within leadership in service industry, focused on internal marketing. A description of the research methods will be presented in this section. Relevant theories will be given in order for the reader to understand the used methods.

1.9 Research approach

This bachelor thesis is a case study within the field of service management and marketing with focus on leadership and internal marketing in service organizations. It was also narrowed down to internal marketing and leadership because of the extensiveness of those two fields. This research is reasoned deductively and uses mixed methods, both qualitative interview and quantitative survey. The deductive approach has been chosen for this thesis because the

purpose was to test theory of internal marketing and management in practice and see if it fits in reality.

According to Lekvall & Wahlbin (2001), a case study is a study focused on one particular problem or item that is about to be studied. The case study also goes deeper under the surface within the chosen field. A case study can be very limited, however Patton (2002) claims that even though it is hard to make general conclusions from a case study, one can learn a lot from it. Both Lekvall & Wahlbin (2001) and Patton (2002) emphasize that a case study is a study that is deeper and therefore a qualitative study of a phenomenon that requires further understanding.

There are several different approaches that can be used for research; one of them is deductive method (Arbnor & Bjerke, 1994). Deductive research method is used when a theory is developed and then applied and tested in practice. As a result the initial theory that was developed can be changed after it has been tested (Arbnor & Bjerke, 1994).

1.9.1 Case study approach

Johannesson and Tufte (2003) consider a case study as a strategy to collect as much data as possible for a specific case, for example a specific organization. It includes both quantitative and qualitative methods for information collection, which means interview, observations and surveys. Yin (2003) claims that case studies are often associated with process evaluations. The case study is used to understand a phenomenon within a set context instead of trying to explore a certain phenomenon.

According to Hall (2008) a case study aims at:

- Understanding of practical and complex situations
- Switching between theoretical and practical knowledge
- Admitting that there are several truths
- Presenting a truthful interpretation of the study

In this thesis a combination between qualitative and quantitative study was chosen since the case study focused on Elite Hotel. Qualitative research method was chosen for Carl-Henrik Nilsson, the hotel manager at Elite Hotel, who was interviewed for this thesis. This approach gives a deeper understanding of his leadership philosophy. We also chose to do a quantitative research by doing a survey within the staff in order to be able to compare Nilsson's answers with those of the employees to see if they have the same perception of the leadership and management at the hotel.

These two methods combined build up another research approach - the mixed methods research. Mixed methods research is defined as “the class of research where the research mixes or combines quantitative and qualitative research techniques” (Burke, Johnsson & Onwuegbuzie, 2004, p. 17). It is believed that mixed research method is not a limited method that allows the researcher to choose from a wide range of choices instead of limiting and restricting possible research methods (Burke Johnsson & Onwuegbuzie, 2004). Qualitative and quantitative methods are not divergent; they rather study different aspects of the same case (Amaratunga, Bladry, Sarshar & Newton, 2002). Therefore the mixed method allows the researcher to use strengths from both and by this strengthen the research (Johnsson & Onwuegbuzie, 2004). However there are not only pros about mixed method research. Johnsson & Onwuegbuzie (2004) state as well that this kind of research is more time consuming and researcher has to learn about multiple research approaches.

We chose Elite Hotel in Jönköping, Sweden because we felt that the hotel manager was approachable and they were a part of our network from earlier studies with them. It is also an old and classical hotel that has developed into a modern and well-known establishment with good reputation in Jönköping. Elite Hotel is also an established hotel chain that is known all over Sweden, which for us meant a stable and reliable organization. The hotel in Jönköping has as well approximately 60 employees and we felt that this range of employees allows us to both do the interview with the manager and survey with the staff. This range of employees made it possible to both interview the manager and conduct employee surveys. The hotel additionally had to be big enough to provide enough material for an investigation of this kind.

According to Arbner & Bjerke (1994) one can never test which approach is the best for the research method, neither empirical, nor logical. One can only reflect over which method is the most suitable in relation to the actual purpose and one's own life experiences.

1.10 Theoretical research method

In this study we used both qualitative and quantitative research methods. The qualitative data gives answers that are deeper but not numerically measurable. The qualitative study aims to give a deeper understanding through an interview, since it is possible to adjust the questions during the interview session and the interview person can formulate his/her answers more freely. The quantitative method, where surveys often are used, aims to give a more generalized picture. The problem with quantitative is that the answers are set and cannot be changed so important information might be overlooked. This makes it very important to choose and evaluate the questions very carefully (Johannessen & Tufte, 2003; Lekvall & Walbin, 2001).

In the delimitations, we mention that tangibles will be excluded from our research due to the fact that tangibles are directed towards physical factors. As we have chosen to focus on the relations between all the employees in organizations as well as their relations to their leaders and managers. Tangibles include factors such as technology and the IT system in the hotel

which we do not consider as an essential factor that affects the relations between the employees. Another factor is the physical appearance of the employees which we assume is not an issue in the hotel due to the quality and prestige of the hotel.

A critic that needs to be considered is the usage of the Grönroos as a reference in many parts of the theories. The reason for using Grönroos as a reference extensively is that Grönroos is one of the biggest names in topics concerning service management and marketing. We recognized that using Grönroos as in the research could give a biased point of view but as we searched further we noticed that Grönroos uses similar references as we did which could decrease the risk of biased results and findings.

1.11 Data collection and analyze

Our primary research was based on research in scientific journals and magazines. It was found out that a lot of research was made on the subject of service management however it had to combine leadership and internal marketing within service organizations. In order to do so we felt we needed a lot of information on both subjects to be able to find connections between the two fields.

For information collection we used several course books that we are familiar with and that we used in courses during our school years. We also used articles from scientific journals and industry magazines. We felt that those sources are reliable because researches in those magazines are done by leading professors and researches in the fields of marketing, service management and leadership.

1.11.1 Interview

For our primary research we decided to sit down and interview with Carl-Henrik Nilsson, the hotel manager of Elite Hotel in Jönköping. We felt that a hotel is a typical service organization with a lot of service provided (accommodation, restaurant and conferences) and a strong customer network. An interview is also a good tool that allows us to ask as many questions as we want and get full answers for further research and comparison with employees' survey.

As a result, an interview gives more developed answers, experiences, opinions, etc. (Burell & Kylén, 2003). It is easier to get the facts first hands and to describe relationships, thought and feelings. Interviews are used to get a deeper understanding of the company, but are simultaneously hard to keep focused within the initially intended frame. Burke Johnson & Onwuegbuzie (2004) state a few but very important weaknesses of the qualitative research method and interview. Time consuming analysis and lower credibility as well as personal bias are those weaknesses that concerned us the most. However leading the conversation and

directing it in the desired direction outmatched these weaknesses. The most time consuming part of our research is the interview itself, but it was well invested time and all the information we needed and wanted was acquired.

1.11.2 Interview questions

The full list of interview questions is found in appendix 3.

We chose following questions in order to find the best leader features for the service companies. We want to compare different theories about leadership styles with the real world and then put them together and make common guidelines for service company leaders.

Open-ended questions were chosen, and the interview person was allowed to answer as extensively as possible, since exhaustive answers were needed to fulfill the purpose.

Our interview turned out to be semi-structured which means that we asked some questions that we had and then let Carl-Henrik Nilsson to fill in. Afterwards we were able to ask follow-up questions and have an open dialog. This kind of interview can be adapted to a person and a specific situation, as well as all areas of the interview will be covered (Burell & Kylén, 2003). Open-ended and follow-up questions allow one as well to capture other valuable information that otherwise can be missed during structured interview.

1.11.3 Survey

We decided to make a survey for the employees of the Elite Hotel in order to be able to compare the employees' satisfaction with the management perception of employees' satisfaction. We did the survey because it is an easy and a good way to get a lot of answers in a little time because we did not want to disturb the employees from their work at the company. According to Burell & Kylén (2003), a survey should be easily read and should not take more than 30 minutes to fill in. Burell & Kylén also recommend writing a short description of the survey in the beginning of it in order to interest those who will answer it. It should be stated who will answer what the purpose of the survey is and how long it should take to fill in.

The survey was distributed directly to personnel at Elite Hotel as we were asked to come and present ourselves to the staff and describe our thesis and the purpose of it. This way we can also gain more trust from the staff and therefore get more honest answers to our survey. After a short presentation of ourselves and the thesis we left the survey to the personnel manager Marie Eriksson who distributed it to the rest of the staff. The survey was originally written in Swedish in order to make it easier and clearer for the employees. The full survey can be found in appendices 1 & 2, both in Swedish and translated to English. The total number of distributed surveys was 51 and 27 responses were handed in, which makes it 53% of the total

distributed number of surveys. 27 responses can be seen as a disadvantage from a statistical point of view; however this survey was not used for any statistical purpose. The main purpose was to see trends within the organization; not to produce statistically correct data and thus 53% is a good percentage to work with.

When analyzing the data we decided to combine “Completely agree” with “Partially agree” and “Partially disagree” with “Completely disagree”. This way we can see trends in the answers instead of concentrating on exact numbers. We interpret “Completely agree” and “Partially agree” as positive responses and “Partially disagree” and “Completely disagree” as negative responses to the statements.

For the survey we used ordinal scale with five steps: from “Strongly disagree” to “Strongly agree”. We used this scale because this scale is familiar to almost everyone and it is easily compiled afterwards. As well, we did not have a need to actually numerically measure the answers. However in this case it is hard to measure distances between the steps of the scale. For example, “Strongly agree” and “Agree” are different steps of the proposed scale however it is hard to define where the answer “Agree” becomes “Strongly agree”. This scale also allows measuring median, which is statistically correct for further analyzing (Lekvall & Wahlbin, 2001). We chose not to put “do not know” because this kind of answer complicate the answering process and correspondents can get lazy and put “do not know” just for the sake of it.

There are of course complications with ordinal scale as well. Different people interpret the scale in different ways and the steps between 1 and 5 can mean different things to those who answer the survey. The other difficult interpretation of the ordinal scale is that the mean is very hard to calculate (Lekvall & Wahlbin, 2001). Therefore we chose to calculate the number of the answers from both the leaders and employees, divided by the number of the total numbers of handed out surveys. The calculations were done in Microsoft Excel.

The data compiled from the survey will be used to compare the interview with Carl-Henrik Nilsson with the response we get from the survey in order to see if what he says is true. This analysis will give us an overview of the hotel’s current situation as well as employee satisfaction and internal marketing.

1.11.4 Reliability and validity

It can be easy to gather a lot of reliable data however it can be impossible to analyze, and vice versa one can gather a lot of information that is easy to analyze but that is not at all reliable (Burell & Kylén, 2003).

When we worked with our interview questions and even survey questions, we tried to always have in mind the purpose of the thesis and even theoretical researches we have done. Therefore all of the questions are formulated so they answer to the SERVQUAL and other

familiar theories. We felt that this way the researches we have done and the questionnaires we have formed should be easily validated.

To be more certain about the survey and make sure that we hadn't missed anything we chose to test the survey on five different persons we know to see if the questions were comprehensible and easy to read. The objective was to see if we missed anything and if anything had to be edited.

4. EMPIRICAL STUDY

In this chapter the data collected from the survey is presented, also the interview we did with Elite Hotel's manager is presented.

1.12 Description

We have got 27 answers to our survey from Elite Hotel, which is 53 percent of the personnel working at the company. We also interviewed Carl-Henrik Nilsson, the manager of Elite Hotel in Jönköping, to be able to compare his answers to the answers we got from the surveys.

From the 27 respondent 10 were in the leading position, which means that we have got answers from the whole management team of the Elite Hotel. This gives 37% were leaders in of the respondents, the remaining 63% of the 27 respondents are employees without any leading role in the company.

The whole survey as well as complete results will be presented as appendices. We chose to look closer at the trends within the company because as it is not possible to measure median or medium when using ordinal scale as a research method.

1.13 Job satisfaction

Question 1 in the survey measured the overall job satisfaction among the employees. These questions indicate whether the employees and leaders are satisfied with their jobs and how satisfied they are. Most of the employees completely agreed or agreed partially (89%) to that they are satisfied with their jobs.(Table 4)

Statement	Completely agree	Partly agree	Partly disagree	Completely disagree
1	<i>I am completely satisfied with my current work situation</i>			
# Answers	15	9	2	1
% Answers	56%	33%	7%	4%

Table 4

1.14 Reliability

Statements 2 through 8 measure the employee satisfaction with given information and knowledge of what is required in their job. These statements were asked to find out if the employees are willing to perform their duties at the right time and provide the right information to their co-workers. The statements should also measure employees' interest in the problem solving. Employees' willingness to perform well, results in opportunities to advance the career. As it can be seen in table 5, there is a clear trend in employees completely or partially agreeing to the statements regarding reliability within the hotel, however one can see that as many as 41% do not feel that there is an opportunity to advance within the company.

Statement	Completely agree	Partly agree	Partly disagree	Completely disagree
2	<i>I initiate solving problems related to my job</i>			
# Answers	22	4	1	0
% Answers	81%	15%	4%	0%
3	<i>I quickly get help from my colleagues if I need it.</i>			
# Answers	19	8	0	0
% Answers	70%	30%	0%	0%
4	<i>I am willing to do more than I am required.</i>			
# Answers	6	16	4	1
% Answers	22%	59%	15%	4%
5	<i>I feel motivated to do my best at work</i>			
# Answers	23	3	1	0
% Answers	85%	11%	4%	0%
6	<i>I am engaged in my job</i>			
# Answers	25	2	0	0
% Answers	93%	7%	0%	0%
7	<i>I am stubborn to overcome obstacles when I am doing my job.</i>			
# Answers	22	5	0	0
% Answers	81%	19%	0%	0%
8	<i>I feel that there is opportunity to advance my carrier within the company.</i>			
# Answers	7	9	6	5
% Answers	26%	33%	22%	19%

Table 5

To the question about the communication in the hotel and how they work to improve it in all the units within the hotel, Nilsson stated that according to their policy, every employee has the right to ask questions about their jobs. However he mentioned that it is every individual's responsibility to get more information about his/her tasks. Some people want to do more than it is required from them and they will want to be informed more, others are comfortable

where they are and do not need/want more information than necessary (Nilsson, personal communication, 2011).

Nilsson added that the company strives towards open communication; however it is recognized that not everyone might dare to come and to talk to a manager openly. He mentioned that there are many different cultures among personnel and that some cultures have more hierarchal organizations where a boss is a boss and everyone is afraid of him. Nilsson tries to create a flat environment at the hotel and make sure that the employees understand it. Therefore, he tries to overcome different boundaries but without forcing anyone to anything. Nilsson said that “We are all here together, we work together, we eat together, and we have our breaks together” (Nilsson, personal communication, 2011).

A question about training the staff and teamwork was constructed and Nilsson answered that training is mostly done when it is needed. It is often about new systems and introduction to new happening at the hotel and the whole industry.

Additionally, guidelines about teamwork are in the policy. He stresses that important to be able to rotate the personnel to the departments that need help the most (Nilsson, personal communication, 2011).

The question “How do you motivate your employees to do their best?” was asked and Nilsson described that flexibility and teamwork become vital issues in the hotel. He said that sometimes he needs to adapt different tasks according to employees’ preferences and goals. He explained that not everyone likes to work in different environments, some like the routine and to follow it. Nilsson described that with flexible personnel’s help, there is an opportunity to hire more people and to offer them safe position in the company. This can be one way to motivate. Other way is reward system (Nilsson, personal communication, 2011).

To the questions “How do you make sure that personnel understand hotels goals and visions? How do you motivate them to work towards the same goal?”, Nilsson answered that the goals and vision of the hotel are constructed in the policies of the hotel. Their vision is that no one stands alone and no one is responsible for everything, they work as a team and they should take responsibility as a team. This also means that no department is more important than other, they all work towards the same goal – profit – and therefore they all play on the same field. Moreover the hotel is constantly changing and the company’s way of working and doing things should be changing as well accordingly (Nilsson, personal communication, 2011).

The following question was about the actions the organization takes to make sure that personnel have the right knowledge. Nilsson’s answer was that every department manager has the responsibility to make sure that personnel has basic knowledge about their work description, it is also managers’ job to inform others about new thing happening. However the most of responsibility lies on the employees themselves. If one wants to know more, one should be able to find the right information. There are also have staff meeting at least once a

month. They have also two meetings every day for department managers who report on the current situation (Nilsson, personal communication, 2011).

When we asked “How do you solve problems?”, Nilsson mentions that every staff member has own goals. Nilsson said: “We make sure that they are aware of those goals and they know why and how these goals should be achieved”. He said that they have an open culture, so all the problems should be solved in the house. Every problem should also be solved with personal service, quality and effectiveness, which are the key words and visions of the organization.

1.15 Responsiveness

Responsiveness was a big part of our survey because responsiveness is commonly used in SERVQUAL and leadership to measure employees’ willingness to help and the speed of the services provided. Statements 9 to 14 are asked in order to find out more about responsiveness at Elite Hotel. These statements indicate whether employees respond to each others’ needs and whether the company responds to the employees’ needs. The statements were about how much influence employees feel they have in the decisions making and how much feedback they get from the leaders and management team as well as from their colleagues.

This part of the survey was the most interesting part because we mostly got “Partially disagree” or “Disagree” answers. More than 50% (59% of total number of respondents) partially disagreed or disagreed completely with the statement “I have influence on the decisions made regarding the hotel as a whole”. 96% believe that they help their colleagues if they need help, however only 82% help their co-workers even when not asked to. Full results can be seen in table 6:

Statement	Completely agree	Partly agree	Partly disagree	Completely disagree
9	<i>I feel involved in decision making and planning</i>			
# Answers	7	14	4	2
% Answers	26%	52%	15%	7%
10	<i>I have influence on decision made regarding hotel as the whole.</i>			
# Answers	6	5	9	7
% Answers	22%	19%	33%	26%
11	<i>I quickly help my colleagues when I see that they need help.</i>			
# Answers	16	10	0	1
% Answers	59%	37%	0%	4%
12	<i>I help my colleagues even when they do not ask for help.</i>			
# Answers	8	14	2	3
% Answers	30%	52%	7%	11%
13	<i>When there is a work-related problem I am limited to use only strict</i>			

	<i>guidelines.</i>			
# Answers	7	9	8	3
% Answers	26%	33%	30%	11%
14	<i>I have the freedom to decide how I will perform my job.</i>			
# Answers	16	9	1	1
% Answers	59%	33%	4%	4%

Table 6

The questions concerning the responsiveness in the hotel concentrated on the feedback of the employees and the teamwork. Nilsson meant that they expect their employees to be humble and open to discussion, “We expect them to talk about work-related problems here with us and not go on the street”. Nilsson strives to have an open dialogue and to discuss everything. He stated that he does not want to have unsolved issues and let the personnel take them outside, even if it means that one has to admit that something is wrong. Nilsson talked as well about the importance of treating each other like they want to be treated; he calls it the right state of mind.

To the question concerning teamwork, Nilsson answered that teamwork is important and that every department makes sure that there is enough staff to help out and to handle the amount of work (Nilsson, personal communication, 2011).

1.16 Assurance

To measure the employees’ assurance of the company we used statements 15 to 21. These statements showed what level of confidence and trust employees have towards their leaders and management as well as trust for each other and loyalty towards the company.

The statements were about the company’s goals and vision as well as education within the company. We also complemented these statements with a few about how sure of themselves employees and leaders of the company feel.

As many as 30% of the respondents, disagreed or partially disagreed with the statement “I have got or get regular education within the company”. 100% of all participants answered “Totally agree” or “Partially agree” to the statements “I am loyal to the company” and “I am stubborn to overcome obstacles when I am doing my job”. At the same time 82% of all respondents are familiar or at least partially familiar with the company’s goals and visions.

During the interview with Carl-Henrik Nilsson he has also stated that there is an official document (appendix 4) in the company with some basic guidelines on how employees should treat each other, for example one should want to help, be professional and trustworthy as well as able to work in team.

Statement	Completely agree	Partly agree	Partly disagree	Completely disagree
15	<i>I am loyal to the company.</i>			
# Answers	24	3	0	0
% Answers	89%	11%	0%	0%
16	<i>I am familiar with company's goals and visions</i>			
# Answers	15	7	3	2
% Answers	56%	26%	11%	7%
17	<i>I have got or get regular education within the company.</i>			
# Answers	5	14	5	3
% Answers	19%	52%	19%	11%
18	<i>I know what is expected from me.</i>			
# Answers	20	6	1	0
% Answers	74%	22%	4%	0%
19	<i>I trust my management to make right decisions.</i>			
# Answers	15	10	1	1
% Answers	56%	37%	4%	4%
20	<i>I have enough practical knowledge to provide a good service to hotel guest on my own</i>			
# Answers	21	4	2	0
% Answers	78%	15%	7%	0%
21	<i>I am regularly informed about the work done at the hotel/my department.</i>			
# Answers	17	8	1	1
% Answers	63%	30%	4%	4%

Table 7

In order to examine the assurance created by the management in the hotel several question were asked concerning these issues.

Nilsson stated that that they try to offer more to those who are interested and who are engaged in the working process. Those who want, have an opportunity to advance. That is also why employees' rotate between different departments and different tasks.

Thereafter, we asked Nilsson if they have a reward system in the hotel and how it works. Nilsson answered that there are different reward systems for different departments. He mentioned that every person has some kind of key figures to follow. This can be measured by comparing the number of booked room or cleaned rooms in Elite Hotel to other hotels in Jönköping. The rewards vary depending on department. Cleaning staff for example, gets a bonus for a common pot, which they can use to have activities together.

In assurance, trust between the staff members is essential, therefore a question about trust and how he assures that the personnel trust each other was asked. Nilsson said that he wants all the employees in the hotel to trust each other because trust is very important. He mentioned

that there are some policies and guidelines of how the staff should act while at work and in everyday life. One part of that policy is trust and commitment. Because they spend most of their waking hours at work, they need to try and make sure that everyone is enjoying being at work. Nilsson said: “We are trying to live after four fundamental guidelines: willingness, trust, professionalism, teamwork. If one is willing to help – it creates trust, if the one is professional – it creates better teamwork, and if the one is working like a team with the rest – it creates trust. If one of these aspects is missing – willingness, professionalism or teamwork – the trust will disappear.” He meant that the lack of trust between the employees will lead to worse teamwork and that it is a circle, which needs to be maintained all the time (Nilsson, personal communication, 2011).

1.17 Empathy

Some of the survey statements were directed in the way that helped us measure the level of empathy within the company. Internal empathy is compassion, attention and interest between employees. How well do they help each other? Additionally, are they willing to help and put more effort into their jobs? Statements 22 to 25 were those kinds of statements. The statements explored were “I am compassionate to my colleagues’ needs” and is there communication between employees themselves and between employees and the leadership of the company.

The result showed that 96% feel are compassionate to their colleagues’ needs.

Statement	Completely agree	Partly agree	Partly disagree	Completely disagree
22	<i>I am compassionate to my colleagues’ needs</i>			
# Answers	13	13	1	0
% Answers	48%	48%	4%	0%
23	<i>I feel that there is communication between my colleagues and me</i>			
# Answers	11	14	0	2
% Answers	41%	52%	0%	7%
24	<i>I feel that there is communication between my management and me</i>			
# Answers	16	8	2	1
% Answers	59%	30%	7%	4%
25	<i>I get feedback from my management/leader regarding my work.</i>			
# Answers	12	10	4	1
% Answers	44%	37%	15%	4%

Table 8

To examine empathy we stated questions about performance reviews of the personnel. Nilsson stated that they do performance reviews at least once a year; some departments (for

example cleaning staff) do it twice a year. Sometimes there are too many people to make reviews with so the managers do not have time to do the reviews twice. He said that during these conversations, there is one more opportunity for them to make sure that the employees understand the vision and goals of the hotel, as well as for personnel to discuss any problem or questions they have. There is also a salary negotiation opportunity (Nilsson, personal communication, 2011).

We asked Nilsson about the process of recruiting new employees where he answered that there are two ways of doing it. First they look inside our company. They look for people who want to advance and to grow in the organization. If they do not find such person they look outside the hotel. Sometimes they look outside just because they feel that they need some new blood in the organization, a person who will bring new and fresh ideas (Nilsson, personal communication, 2011).

1.18 Leadership and internal marketing

During the meeting with the hotel manager Carl-Henrik Nilsson questions about his leadership were asked in order to compare his answers with the answers from the surveys.

We asked questions that would help us understand his ways of leading Elite Hotel, his leadership philosophy and the tools he uses to empower and motivate the personnel. He mentioned that open two-way communication is crucial in the hotel between all the employees to decrease the risk of making mistakes. As a confirmation in statements 23 and 24 in the survey, 93% and 89% respectively of the employees felt that there is open communication with the other employees and with the leaders of the hotel.

He also mentioned the importance of obtaining service recovery as fast as possible and to satisfy their customers. An attendant question was asked to see to what extent he allows his employees to act in order to achieve service recovery, and how he engages them in the planning and decision making.

Carl-Henrik Nilsson claimed that the employees have a great degree of freedom; they are allowed to act freely in order to solve problems within the hotel and keep the visitors satisfied. They also have morning meetings every day to review the performance of the previous day. In statement 13, twelve of the employees with non-leader position felt that they are limited to specific guidelines to help them solve problems. This means that the freedom that the hotel manager described in the interview can be questioned because 70% of the employees feel limited by the guidelines. Nilsson stated that he tries to always give the employees the freedom to how provide the services themselves as long as they maintain the customer-promised quality. However he also pointed out that even though he thinks that his door is always open to everyone, it can be difficult for some people to come and complain or ask for advice because of cultural differences or other reasons that hinder open communication and problem solving.

To examine the employee engagement in the planning and decision making in the hotel statements 9 and 10 were constructed to help determine the degree of employee engagement. To statement nine, 77% felt that they can contribute to the planning and decision making and 65% in statement 10 felt that they cannot influence the decision making process.

We asked Carl-Henrik Nilsson if training programs are offered in the hotel, and he answered that new employees are offered a few training days where they observe their colleagues, and department managers have the responsibility to make sure that the new employees are properly introduced to their tasks and the hotel's service vision. Statement 20 was stated to examine if this process was sufficient to give the employees the necessary practical knowledge to provide high quality services. 94% of the employees thought that they have the needed practical knowledge to provide high quality performance.

Feedback is an important aspect in service organizations where the employees are aware of the quality of performance and service quality provided. Feedback also helps the employees develop and improve their performances. In statement 25, 88% of the employees indicate that they feedback from the leaders concerning their performance. In statement 8, 59% of the employees with non-leader position felt that they have the possibility to advance in the hotel. Carl-Henrik Nilsson also pointed out that he is always looking for the employees who are committed to their work and willing to advance and take on more responsibility.

5. CASE ANALYSIS

In this section we will discuss and analyze our empirical result in relation to frame of references. The purpose of this section is to show the results of the research and connect theories with practical results.

Heskett et al. (1994) defines that one of the objectives of internal service quality is to create employee satisfaction. At Elite Hotel in Jönköping, 89% of the respondents answered that they were satisfied with their current work situation. The result of the statement "I am completely satisfied with my current work situation" gives a basic insight about the internal service quality. However underneath the internal service quality there is more to it than just asking if the employees are satisfied with their current work situation, there are also important leadership considerations to bear in mind. The statement was meant to be a direction for the whole survey and all the following statements are built according to the SERVQUAL model presented earlier in the thesis.

1.19 Reliability

Reliability is an issue strongly depending on the co-workers, they have to give the right service at the right time and provide the right information. It is also essential that the co-workers are interested in solving problems they face in their jobs (Kang et al., 2002).

When new employees are hired they should be involved in a training program (Tansuhaj, Randall & McCullough, 1988). Carl-Henrik Nilsson said that Elite Hotel does not have an official training program for new personnel. An introduction is the department managers' responsibility as stated in the hotel guidelines (appendix 4). The new employees go through an introduction with their department managers who makes sure that the new staff understands the hotel's vision and goals. He explained that after the introduction the employees get the chance to observe experienced personnel. He also pointed out that the most of the responsibility lies on the employees themselves to gain more knowledge and develop their skills (Personal communication, 2011).

Training is necessary to provide the employees with the required knowledge to perform their jobs and to maintain the specifications and standards of the services. If the quality fails, it is usually because of poor training or badly designed system (Joseph, 1996). Judging from the theories and the answers from the interview with Carl-Henrik Nilsson it is appropriate to suggest that the hotel aim to train the employees, however at the same time the survey says that 71 % get regular training in their job.

Training also contributes to better problem-solving. According to statement 2 in the survey 96 % answered that they completely or partially agree that they are willing to actively solve problems related to their jobs. In order to show reliability between co-workers they need to know that the co-workers are interested in solving problems (Large & Köning, 2008). This could be that the kitchen helps to provide a meal for a guest or that the cleaning department is willing to help the front desk when a room is needed quickly for a guest. From an internal marketing perspective it is important that the employees are provided with the right training for their jobs in order to be able perform the right task at the right time. Well trained employees will not only provide the right services from the first time they will also quickly help their co-workers if needed (George, 1990)

Training and education result in faster and better communication within the company. The employees must understand their co-workers and the leaders have to motivate their employees and encourage them to keep an open communication with each other (Grönroos, 2008). The employees must understand the importance of maintaining the service quality internally to provide the customer-expected service quality externally. Helping others quickly requires clear and open communication, willingness to help and well trained employees that can provide help in different situations.

The results from statements 3 and 4 show that the employees feel that they receive fast help, which can both show that the employees are responsive and that they receive the right service at the expected time. 100% answered that they felt that they received fast help when they

needed it and 96% said stated that they provided fast help when some one needs it, therefore showing that there is as a small gap between the fulfilling and perception of the promises. However the gap is so small so it can be interpreted as the promise is fulfilled.

This is one of the parts Kang et al. (2002) claims to be essential for reliability among the personnel. Reliability requires an understanding between the employees, seeing why it is important to help other and solving problems. Achieving employee commitment requires supportive management that empowers employees to be active in reaching the company's goals and take initiatives to solve business problems (FPPMM, 2005). The employees have to be trained to recognize other internal customers' needs in order to serve them with quality (George, 1990).

In order to maintain reliability in the organization, leaders need to align the employees to work towards the same goal. Aligning the employees will motivate them to work together and to solve problems that might occur. Therefore, communication becomes a crucial issue for the organization's success. Leaders are the ones to communicate the organization's vision and goals. Employees who understand those goals can easier work together to achieve those goals and vision. As Kotter (1998) and Bennis (2003) mention, the leaders need to have a clear vision and goals to make the employees understand and follow these goals. Field (2007a) explained that communication is important to keep the employees up to date with the internal changes to provide the expected service quality. Informing employees about the expected service quality and assuring that they understand what is expected from them will help the employees to perform their jobs according to the set standards. Well informed employees will feel motivated, valued and will take initiatives to improve their performances and the organization as a whole. The leader's role is essential to motivate the employees to provide the services according to the specifications and standards from the first time. Training and team work are important when providing services because the customers see the employees as the company. Zeinthaml et al. (2009) explains that the nature of many service jobs suggests that customer satisfaction will be enhanced when employees work as a team helping and supporting each other.

In the interview Carl-Henrik Nilsson mentioned that communication and trust are crucial in the hotel. He also said that goals should be realistic in order to fulfill them. He means that if the receptionist asks for help, the co-worker should be honest if he/she really can help and when. If the co-worker is not honest and does not help as promised and at the right time, the trust between these two will not last. If communication and trust are not fulfilled then the service quality will fail. Functioning teamwork, communication and trust will improve the professionalism in the hotel when providing internal services as well as external. Carl-Henrik means that a lack in one of those will lead to unprofessional behavior internally, between the employees, and externally, towards the customers.

On the question "How do you motivate your staff?", Carl-Henrik answered that flexibility is important to motivate the employees to perform their jobs as they want as long as they

perform according to the hotel's standards. He also meant that along with flexibility, teamwork is an important aspect in the hotel due to the variation of needs and guests and thereby a variation of the tasks. It is, additionally, important to be able to rotate the personnel to the departments that need help the most. Motivation is a factor that stimulates energy and incentives of the employees to be devoted to the task (Axelsson et al., 2009).

If internal service process fails, the employee has to be able to correct the mistake in order to respond fast and keep the reliability with the colleagues. Empowerment gives the employees freedom to act within certain boundaries to satisfy the internal customer (Grönroos, 2008). In statement 13 and 14 we saw that the employees felt they have freedom to act, 92 % felt that they have the freedom to decide how they performed their job, at the same time when a work related problem arise, 59 % felt that they were limited to strict guidelines. Carl-Henrik stated that he always tries to give the employees the freedom of how to provide the services as long as they keep the promised quality. In this case the answers give a two sided story where the employees answered that they have a high degree of freedom to perform their work, simultaneously they answered that they feel limited to strict guidelines when it comes to problem solving.

According to Berry and Parasuraman (1992), empowerment should include aspects where the leaders need to have control of how the job should be done, awareness of the context of the job, accountability of the personnel, shared responsibility and rewards based on the performance. The structure of the problem also determines how much discretion an employee should have. The more complex a problem is the more structure and strict guidelines it needs for solving. Implementing policies and guidelines do not necessary have to be negative or restricting, as Ahmed and Rafiq (2002) said that guidelines are important for an organization to gain control over complex situations and to avoid chaos. In this sense we agree with Ahemd and Rafiq (2002). Service organizations are most likely to face ambiguous situations where chaos can easily emerge and therefore having guidelines will help them to easier cope with changes and take control of complex situations. However, limiting the employees to highly restricted guidelines will affect the employees negatively therefore as Grönroos (2008) mentions, guidelines and limits have to be set very carefully in order to leave an appropriate degree of freedom to the employees.

1.20 Responsiveness

Responsiveness has a lot of similar attributes to reliability; the communication has to be good for the employees to know when their co-workers are in need of help. They need knowledge to have different alternatives and be flexible when helping their colleagues. Furthermore, they need motivation to be willing to help, empowerment to have the freedom to act, be flexible and avoid keeping their colleagues waiting.

Statements 9 to 14 in the survey were asked to find out more about employees' responsiveness to each other and leaders' responsiveness to employees' needs and wants. Moreover, responsiveness shows how willing employees are to help each other, their flexibility and ability to give prompt service are essential (Large & König, 2009). In addition, this means that leaders need to give feedback to the employees and to each other as well as employees need to give feedback to each other and to their leaders. 96% of all respondents completely agree or partially agree with statement: I quickly help my colleagues when I see that they need help. 81% completely or partially agree to the following statement: I help my colleagues even when they do not ask for help. This shows that employees at Elite Hotel are service oriented and they are willing to support their fellow workers as well as they are ready to response to each other's needs. As mentioned earlier in Adair's (1973) model of leadership, individual needs, team needs and task needs must be satisfied by the leader in order to keep these three elements functioning and in balance. Satisfying one or two of these elements will results in ambiguity in the third element.

Nilsson (personal communication, 2011) has stated that in order to stimulate good teamwork every employee must consider each others' needs to be able to work together and help each other. Employees who feel support and have the leader and the team backing them up will maintain their confidence and enthusiasm and provide higher service quality (Gitell, 2002). Nilsson (personal communication, 2011) said that it is important to be able to rotate personnel to the department where the most staff is needed to be able to manage the workload - a waiter might have to work in all three of their restaurants in one night, so the staff has to be flexible. He also stated that they talk a lot about flexibility and teamwork at the hotel.

Responsiveness requires effectiveness and involvement in the tasks (Ahmed & Rafiq, 2002), which in service companies might be more important than communication with external customers (Tansuhaj et al., 1988). Leaders must communicate with the employees and let them be a part of the decision making process and involve the employees (Grönroos, 2008). In statement 10, "I have influence on the decision regarding the hotel as a whole", 41% of the personnel completely or partially agreed that they were a part of the decision making process, however 59% partially or completely disagreed with the statement which contradicts with Nilsson's commentary.

Nilsson during the interview said that they are working with communication and everyone has the right to ask questions about their work and give feedback. "We strive towards an open communication, but we have to consider that we have employees who have different cultural backgrounds and everyone might not dare to come and talk to a manager openly." - Carl-Henrik Nilsson, personal communication (2011). This indicates that different cultures might be the reason for response to the statement 10, where 59% of the personnel do not feel that they are involved in decision making process. When we look at the divided numbers of the respondents, we can clearly see that 65% of employees with non-leader positions do not agree to the statement. While 50% of the leaders agreed with the statement and confirmed that they have the possibility to influence the planning and decision making in the hotel.

Additionally, we see motivation as an important part of responsiveness and according to the survey the employees seem to be highly motivated. There are four statements that indicated motivation level (statements 4 to 7), and they show a high degree of motivation among the employees. In two out of four statements 100% agreed that they are motivated and engaged in their work. According to Nilsson (personal communication, 2011), the company tries to motivate the employees by giving them the opportunity to grow within the organization. By doing so the company involves its personnel. This commentary strengthens the statement that empowerment and engagement provided by the leaders helps the employees feel valued and important. Armstrong (2008) explains that motivation and empowerment will increase employees' engagement when they feel that they can take control, responsibility and initiatives.

Kotter (1999), emphasize the importance of flexible leaders and leadership especially in service companies because of the continuous changing nature of services. Leaders should be flexible and create flexible relationships within the organization to increase the ability of teamwork between the employees. Leaders who promote teamwork in organizations can help the employees provide better service quality although it is important that the leader clarifies the goals of the teamwork and guide them in the right direction.

1.21 Assurance

In a service environment it is important that the personnel have the right knowledge to serve the internal customers. Internal customers in turn, have to be sure that other departments have the right knowledge to answer questions. They have to feel confidence in their co-workers, if an employee can feel trust in other employees, they feel secure. The fourth element of assurance is the courtesy and it reflects how the internal customer is treated. Just like external customers, the internal ones expect to be treated well (Large & Köning, 2009).

We asked Carl-Henrik Nilsson (personal communication, 2011) if the staff trust each other and he said that he wants and expects them to. He also said that they have some policies and guidelines on how the staff should act towards each other to maintain a good atmosphere at the hotel. "At the hotel we want the employees to be willing to help, it creates trust. If they are professional it creates better teamwork and if the one is working like a team with the rest it creates trust." - Carl-Henrik Nilsson, personal communication (2011). As mentioned earlier trust is an important aspect of the assurance element. Looking from this perspective it is important that people with the right skills, competences and attitudes are recruited (Joseph, 1996). Individuals' courtesy towards one another within the organization is significant for creating assurance. However, not all employees are suitable for service jobs; therefore a company must find the right employees and try making them stay (Joseph, 1996). Nilsson said they are trying to offer more to those who are engaged, those who want will have an opportunity to advance (personal communication, 2011). In the survey 59% completely or

partly agreed to that there is an opportunity to advance within the company. The opportunity of advancing is one of the rewards offered, thinks Carl-Henrik Nilsson (personal communication, 2011).

As stated in FPPMM (2005), rewards are a way of recognizing the employees who have demonstrated high levels of engagement in their tasks and contributed positively to the company. Rewards should be a way to motivate employees to reach the objectives and goals of the organization (Field, 2007b). Elite Hotel's manager agrees that rewards are a way of motivating and supporting the employees. Economic rewards create a financial security, which in turn makes the whole organization safer for the employees. As mentioned before, an opportunity to advance is one of the rewards offered by the organization. Carl-Henrik Nilsson, also pointed out that there is even an opportunity for a full-time job for those who at the moment have a part-time job, this adds security. Of course, to actually be able to advance, one would have to prove the engagement and willingness to work hard.

Engagement is achieved by open communication, positive reinforcement of proactive work and by interpersonal support (FPPMM, 2005). Armstrong (2008) states that leaders are the ones to communicate a vision, motivate people, gain their trust and help them trust each other. Bolman and Deal (2003) argue that it is important for the leader to trust his/her employees. This will help the employees feel valued and increase the level of motivation. When trust is established the leaders would be more willing to give the employees the freedom to perform their services and the supervision will not be necessary. Nilsson said that the employees have freedom to decide over their job as long as they do it right and both the other employees and external customers are satisfied. Employees are allowed to make mistakes but they have to learn from it (personal communication, 2011). This is the right direction to go for a hotel manager since freedom to make decisions in key situations encourages employee commitment (FPPMM, 2005).

Additionally, education is one of the assurance aspects. In statement 17 we wanted to find out if the employees feel that they have enough education and if they get regular education, 19% completely agreed and 52% partly agreed, so 71% were positive about their skill level. However 30% had a negative view on the education and felt that there is a lack of education at the hotel. One possible reason might be a lack of communication. According to Duncan & Moriarty (1998) communication is the activity that links people together and creates relationships and it is one of the most important issues within an organization. It develops, organizes and spreads knowledge.

1.22 Empathy

One of the key aspects in internal marketing is keeping employees and managers moving in the same direction (Grönroos, 2008). The term "empathy" stand for being aware of others feelings and taking actions according to those. Communication, understanding of each others

needs and being approachable are important parts that form the empathy element of the ISQ. Employees should be able to consider each other's feelings and emotions in order to work with each other. 96% of all respondents completely or partially agreed to statement 22 "I am compassionate to my colleagues' needs". This shows high degree of involvement in common well-being of the company as whole and individual employees. Being compassionate to co-workers will improve internal relationships in the hotel and increase the employees' ability to work together and trust each other.

Nilsson said that he expects the employees to be humble towards each other and to have an open dialogue. He also tries to have his door open to everyone and to pay attention to his employees in order to live like he learns. They also talk about treating each other like every individual wants to be treated. Thereby he sets an example for his employees - to be compassionate, pay attention and respond to one another. Grönroos (2008) claims, that leadership is something that affects working environment and internal climate. Affirmation of the employees is important. Heskett et al. (1994) mean, that leaders who understand the service profit chain build a corporate culture where willingness and an ability to listen are shown.

Additionally, in this part communication plays an important role in understanding every individual. Nilsson during interview told that they have performance reviews once or twice a year, where the employees have an opportunity to ask questions, tell about their experiences and give feedback to their managers. According to our survey employees feels that the communication is working well within the hotel, 93% completely or partially agree that there is a good communication between them and their colleagues and 89% completely or partially agree that the communication between them and the managers is good. However 19% of the employees partly or completely disagreed that they don't get enough feedback from the managers and 37% partly agreed. These numbers show that it is possible to increase the service quality by giving more feedback to one another.

Grönroos (2008) mentions that in order for internal marketing to be successful, recruiting the right people are of great importance. Joseph (1996) stresses that hiring right individuals is important and explains that good and compassionate employees must be sought after and recruited. Nilsson (personal communication, 2011), mentioned that there are two ways of hiring personnel in the hotel. The first way is hiring from within the hotel. Managers look for employees that want to advance and grow within the organization. They do so because they know the achievements and the contributions of already employed personnel, they know how they work and trust them. The second way is looking outside the hotel where they usually look for people with new ideas that can contribute to the improvement and success of the hotel.

Nilsson (personal communication, 2011) meant that they sometimes want to bring someone new to the organization in order re-freshen the organization. Therefore, the recruitment process becomes important to make sure that they hire the right people in order to maintain

the internal service quality between the employees and externally towards the customers. The internal relationships between the employees are vital for the company and its performance because they affect the employee's performance which in turn influences service quality. In order for the combination of leadership and internal marketing to be effective, leaders need to be supportive and make sure that they hire people with the right competences, skills and attitudes.

6. CONCLUSIONS

The purpose of the thesis is to describe the internal service quality in a hotel and to examine the role of leadership and internal marketing in promoting internal service quality. With the help of an employee survey and interview with the manager Carl-Henrik Nilsson the research was focused on the internal service quality. To clarify the internal service quality we used four elements of the SERVQUAL model: reliability, responsiveness, assurance and empathy.

The success of hotels which are highly service oriented depends on the combination of flexible and effective leadership and well-functioning internal marketing. The leadership must use internal marketing as a tool to enhance service quality within and outside the organization. This means that employees must know their tasks inside and out, they ought to consider each other's needs and strive for the same goals.

In order to motivate and engage employees, leaders must be able to openly communicate with them. Using tools as employee surveys, evaluations and performance reviews, a leader should be able to find out what is missing in the company and how it can be improved.

To further develop the service quality and foremost internal service quality, there ought to be an opportunity for the employees to develop their skills and to advance within the company. As Carl-Henrik Nilsson stated - those who want to achieve higher goals should be able to do that.

During our research we found out that in most cases Nilsson relays on internal marketing unconsciously, while if he would consider implementing internal marketing strategies, the service quality would increase internally and externally. As internal marketing focuses on seeing employees as customers the leaders should invest in promoting the company to the employees. This way they not only get interested and motivated staff but also a number of part-time marketers who will act as spokesmen and spread a positive word of mouth to

current and potential new customers. This is also one of the main policies of the Elite Hotel - to spread a positive word of mouth and to always remember that even though one is not currently at the hotel, one is still on duty.

To summarize, a leader in a service company should be able to motivate, engage and ensure the employees in order to keep them satisfied. What Carl-Henrik Nilsson has to improve is the communication between the employees and him as well as strengthen employees relations and increase their influence on the company. Many of the employees did not feel that they have influence on the decisions made at the hotel and it probably results in worse service quality. Satisfied employees will lead to loyal employees who provide high quality service and thereafter satisfied customers.

1.23 Further research

This study was conducted in order to measure employee satisfaction in the hotel and connect the dots between leadership and internal marketing. Although the authors are aware of that this study cannot be applied to the whole hotel industry, they believe that this study can be developed and applied to most of the service industry.

We believe that the further research can be developed by focusing on separate parts of SERVQUAL and internal marketing. To expand the internal marketing, one can go deeper under the surface of employee empowerment, internal communication and education of the personnel. These aspects are important and every part of those is extensive and therefore can be researched further.

As Carl-Henrik Nilsson stated during the interview, there is also a number of different cultures in the service industry. Swedish society is international and a big part of the service industry consists of immigrants from other countries (Carl-Henrik Nilsson, personal communication, 2011). Therefore we consider it a good opportunity for further research to investigate cultural differences and how those affect internal marketing and leadership within service industry.

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