

# An importance-performance approach to evaluating internal marketing in a recreation centre

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The study examined the potential of importance-performance analysis for evaluating employee satisfaction. The technique was originally designed to measure external customer satisfaction. However, the similarity of several concepts underlying customer-organization and employee-organization relationships, suggested that the method would be appropriate for use in the context of internal marketing. The concept of internal marketing has emerged as an interface between organizational behaviour and traditional marketing, and job-related attributes developed in the context of organizational behaviour by Frederick Herzberg, appeared to be appropriate for this assessment of an organization's internal marketing. Data were collected from all 56 full-time employees at a commercial recreation centre using a 16-attribute instrument. Results did not confirm Herzberg's theory, since the highest valued attributes included both motivation and hygiene items. Management recommendations for further application and interpretation of importance-performance analysis are developed.

## INTRODUCTION

A distinctive feature of effective service management is the new relationship which has emerged between employees and organizations. Peter Drucker (1992) has pointed out that:

All organizations now say routinely, "People [employees] are our greatest asset." Yet few practice what they preach, let alone truly believe it. Most still believe, though perhaps not consciously, what nineteenth-century employers believed: people need us more than we need them. But, in fact, organizations have to market membership [within the organization] as much as they market products and services – and perhaps more. They have to attract people, hold people, recognize and reward people, motivate people, and serve and satisfy people (p. 100).

In response to the shift in management philosophy from concern with financial capital to human capital (Naisbitt and Aburdene, 1985), service providers have begun to recognize the importance of 'membership marketing' which is more commonly referred to in the literature as internal marketing or marketing to employees. The internal marketing concept has emerged as an interface between traditional marketing concepts and organizational theory, and it encompasses all activities done by an organization to hire, retain, train, and motivate employees to be customer-minded. Nowadays, the internal marketing concept is considered to be a key facet of effective service management (Gronroos, 1994) and a category of investigation that requires special treatment in any assessment of an organization's marketing effectiveness, such as a marketing audit (Berry *et al.*, 1991). Together with service

uality, which is a broader construct, internal marketing has been identified as a priority issue for future research in the area of services marketing (Brown *et al.*, 1994).

The term internal marketing was coined by Berry (1980), who defined it as 'applying the philosophy and practices of marketing to people that serve the external customer that (i) the best possible people can be employed and retained, and (ii) they will do the best possible work' (p. 24). This definition requires human resources managers to think about internal marketing as: 'viewing employees as internal customers, viewing products as internal products, and then endeavoring to offer internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization' (Berry, 1981, p. 35). The premise that internal customer satisfaction will improve an organization's effectiveness is the basic idea underlying internal marketing (Sasser and Arbeit, 1976). Given this perspective, it follows that regular measurement of internal customer satisfaction in recreation agencies is likely to be a useful step for developing an internal marketing strategy. Periodic assessment of employee satisfaction levels can supply organizations with feedback regarding factors which cause satisfaction/dissatisfaction. On the basis of this information, organizations can improve performance of internal products, and as a result, establish the 'service profit chain' which connects internal customer satisfaction and overall organizational success (Heskett *et al.*, 1994; Schlesinger and Heskett, 1991a).

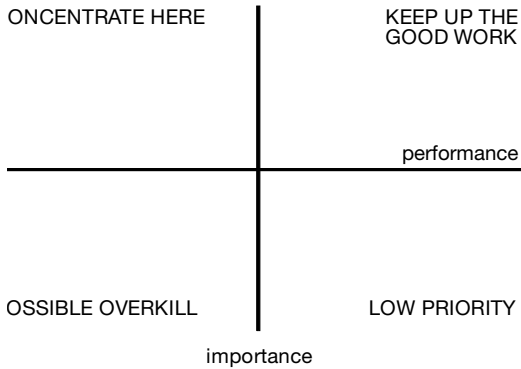
The perspective of applying the philosophy and practices of marketing to people who serve external customers implies that additional marketing research tools can be applied to measure internal customer satisfaction, just as they are being used to measure external customer satisfaction (Berry, 1980, p. 24; George, 1990, p. 68; Cronroos, 1990, p. 234; Lovelock, 1991,

p. 233). However, relatively little research has been reported in the literature that explores this suggestion. Studies concerning internal marketing have, in broad terms, concentrated on such areas as: segmenting the internal market by introducing such concepts as flexitime (Cottrell and Walker, 1979; Nollen, 1980; Yankelovich, 1979), using advertising to influence employees' behaviour (Acito and Ford, 1980), facilitating internal marketing strategy by total quality management (TQM) programmes (Witcher, 1990), enfranchisement and empowerment of internal markets (Bowen and Lawler, 1992; Schlesinger and Heskett, 1991b), and the integration of internal and external marketing functions (Tansuhaj *et al.*, 1988). The testing of marketing research tools designed to measure satisfaction levels of people who serve external customers appears to have been largely neglected.

Given this gap in the study of internal marketing and the recognition that marketing tools can be applied to people who serve external recreation customers, this study explored the potential of a two-dimensional research tool importance-performance analysis to measure internal customer satisfaction. The technique was originally designed to measure external customer satisfaction and the study examines its applicability in the context of internal marketing.

## LITERATURE REVIEW

Importance-performance analysis (IPA) has received considerable attention in the recreation literature (Crompton and Duray, 1985; Crompton and Lamb, 1986; Guadagnolo, 1985; Kennedy, 1986; O'Sullivan, 1991). Attractive features of the technique are that it is easily understood, can be speedily administered and is relatively inexpensive to implement. Application of this method requires customers to rank the importance of product attributes and to rank the organization's performance on each of



**g 1.** Interpretation of the importance-performance grid

ese attributes. Importance and performance mean averages for each attribute are calculated and plotted against each other on two-dimensional grid where importance is presented by one axis and performance is presented by the other (Figure 1).

The importance-performance grid graphically presents research results in four quadrants which have been entitled: (1) concentrate here; (2) keep up the good work; (3) low priority; (4) possible overkill. The quadrant ‘possible overkill’ may demonstrate an overallocation of organizational resources to a product’s attributes that are unimportant for customers, while the quadrant ‘concentrate here’ suggests there may be an underallocation of resources on a product’s attributes that are important to customers but underperformed by the organization. The other two quadrants identify good performance on a product’s important attributes (‘keep up the good work’) and product attributes which can be de-emphasized because they do not influence customer satisfaction (‘low priority’). In summary, IPA offers clear implications for management actions. A manager can reallocate resources and efforts from low priority attributes to high priority attributes in order to improve the level of customer satisfaction.

The technique was originally designed by Martilla and James (1977) to measure external customer satisfaction, and IPA as a marketing research tool has traditionally been used in this context (see for example Bartlett and Einert, 1992; Hollenhorst *et al.*, 1992; Geva and Goldman, 1991; Mengak *et al.*, 1986). However, there have been documented applications of the technique in recreation contexts beyond its original use. For example, evaluating organizational communication effectiveness (Richardson, 1987), as a staff evaluation (Havitz *et al.*, 1991) and as a motivational assessment technique in organizations (Williams and Neal, 1993).

Williams and Neal (1993) developed their motivation assessment and performance scale (MAPS) by combining IPA with Herzberg’s (1966) motivation/hygiene theory. Herzberg’s theory states that intrinsic attributes related to job-content (motivators) are *more* important for employees because of their ability to produce satisfaction. Environmental or extrinsic factors (hygienes), according to Herzberg, are *less* important for workers because they cause only absence of dissatisfaction (Herzberg, *et al.*, 1959; Herzberg, 1966, 1968, 1976). Other studies have reported evidence supporting Herzberg’s propositions (Edginton *et al.*, 1989; Neal, 1984; Neal *et al.*, 1982). Williams and Neal (1993) concluded that MAPS was a reliable and valid tool for assessing the importance of motivational factors in the work place. However, their study did not directly address the relative role of motivators and hygienes; and they appeared to indicate that managers and employees valued hygiene factors more highly than motivators, whereas Herzberg (1959) stated: ‘Asking people what is important to them in their jobs will bring responses that we classified as “motivators”.’ (p. 116). If this interpretation is correct, then the Williams and Neal (1993) sample of respondents did not confirm Herzberg’s hypothesis.

There are several arguments emerging from Herzberg's hypothesis, which suggest that adapting IPA to assess internal members of a recreation organization who serve internal customers in order to measure their job satisfaction is likely to be appropriate. The literature reveals that the concepts underlying customer-organization and employee-organization relationships originate from similar backgrounds. In marketing, the relationship between customer and organization is conceptualized in terms of exchange. In broad terms, exchange theory suggests that people and organizations are value maximizers and cost minimizers. They estimate the ratio of benefits/rewards to costs and behave in such a way as to derive maximum value in their exchanges with people and organizations (Alderson, 1965; Bogazzi, 1974, 1975; Houston and Gassenheider, 1987). In the organizational behaviour field, employee-organization relationships are conceptualized in terms of a psychological contract (Argyris, 1960; Ivancevich and Matteson, 1990; Rousseau and Parks, 1992; Schein, 1988). It is believed that people and organizations become involved in exchange relationships in order to meet some of their needs. Both organizations and workers have an unwritten set of mutual value expectations which constitute part of the psychological contract. The psychological contract is considered to be an unwritten agreement between the employee and the organization regarding values each expects to receive from the other. In general terms, the organization is expected to provide such benefits as wages, opportunity for growth, good working conditions and the like. In turn, workers are expected to accept some roles, follow certain behavioural guidelines, sacrifice time and independence and the like, on behalf of the organization. Although marketing conceptualizes agreements between customers and organizations as market transactions and organizational theory considers the arrangement between

employees and organization to be a psychological contract, on closer inspection it appears that both concepts emanate from the same exchange theory background (Blau, 1964; Ekeh, 1974; Homans, 1974).

Besides organizational behaviour, exchange has been analyzed in many other disciplines including anthropology, sociology, economics, and psychology, but only in the marketing discipline is exchange the fundamental concept underlying the discipline. Moreover, by broadening the scope of marketing beyond traditional economic transactions (Kotler and Levy, 1969), marketing included within its subject matter all exchanges that involve the transfer of values between parties (Hunt, 1976). With the formation of the generic concept of marketing (Kotler, 1972), the discipline found new applications for the exchange framework including social marketing (Kotler and Zaltman, 1971; Kotler and Roberto, 1989; Fine, 1990), marketing of ideas (Fine, 1981; 1990), and marketing to employees (Berry, 1981; Gronroos, 1985). Essentially, internal marketing is the outcome of a partnership between organizational theory and marketing (Bowen and Schneider, 1988; George, 1990; Mindak and Folger, 1990). Even though internal marketing is still a relatively new area of exploration in the organizational sphere, it seems likely that both disciplines can benefit from this partnership.

Psychological contract and marketing transaction are not the only concepts that integrate marketing and organizational behaviour. The constructs of customer satisfaction and employee satisfaction also share a similar conceptual background, and this offers further conceptual support for the application of IPA in an internal marketing context. The most widely accepted conceptualization of satisfaction in the marketing literature is the expectancy-disconfirmation paradigm. According to this paradigm, consumers make predictions and form value expectations regarding service

performance on the basis of past experience, claims made in advertisements, statements made by friends, etc. These expectations are compared with the perceived performance of the product. Consumers experience satisfaction if their expectations are confirmed or exceeded and dissatisfaction if performance is below expectations (Churchill and Suprenant, 1982; Oliver, 1981; Oliver and DeSarbo, 1988; Swan, 1983).

Crompton *et al.*, (1991, p. 16) note that the expectancy-disconfirmation paradigm stems from social psychology (Weaver and Brickman, 1974), and organizational behaviour theory (Ilgen, 1971). In the organizational behaviour field, where employee satisfaction is a critical issue, it has been argued that the ability of workers to obtain satisfaction from their work depends on:

- (1) the extent to which mutual expectations of both employees and organizations participating in exchange are matched, and
- (2) the specific nature of what is exchanged between workers and their organization (Schein, 1988, p. 99).

Further, Schein maintains that violations of mutual expectations lead to 'disappointments of managers' and 'employee turnover, strikes and labor unrest' (p. 23). Consistent with Schein's considerations, Lovelock (1991) maintains that if employees' perceptions regarding costs of work performance exceed the benefits, then employees will demand better terms, quit, or simply not accept prescribed standards of work (p. 233). Although there is some difference in conceptual articulation between 'disappointed employee' and 'dissatisfied customer', it is apparent that the concepts of employee and customer satisfaction have been influenced by exchange theory. Cropanzano (1974) considers the issue in terms of action, rather than distinguishing

between the employee and the customer: 'The greater the profit [excess of reward over cost] a person receives as a result of his action, the more likely he is to perform the action' (p. 31). Indeed, there is some empirical evidence suggesting that dissatisfaction among customers often comes from the same problems which cause dissatisfaction among employees (Bitner *et al.*, 1994; Schneider and Bowen, 1985).

Another major argument for adapting IPA to measure internal satisfaction revolves around the attributes of products and jobs which cause satisfaction. Numerous marketing studies have demonstrated that customers judge performance of a product based on only a limited set of attributes (Myers and Alpert, 1968). While some important attributes contribute to customer satisfaction, other less important attributes do not influence satisfaction to a great extent but may become critical if performance on them falls short of customer expectations (Swan & Coombs, 1976). Like the research work done on satisfaction in the contract/transaction and employee/customer contexts, research on the contribution of product attributes to customer satisfaction has been substantially influenced by the study of job attributes causing satisfaction. Herzberg *et al.*'s (1959) 'critical incident' study of work satisfaction reported that two different kinds of factors contribute to satisfaction and dissatisfaction. Attributes intrinsic to work (satisfiers or motivators) lead to satisfaction, while extrinsic ones (dissatisfiers or hygiene factors) lead only to the absence of dissatisfaction. Herzberg *et al.*, suggest that it is possible to enhance job satisfaction by manipulating the 'satisfiers' and 'dissatisfiers'.

Swan and Coombs (1976), following Herzberg, used a modified 'critical incident' technique in order to determine factors that cause customer satisfaction/dissatisfaction with tangible products. Their findings were similar to those of Herzberg. They reported

at in order to gain satisfaction from the expressive (psychological, nonmaterial) outcomes of product performance, the instrumental (physical) outcomes must be satisfied first. The same idea was echoed in Cronroos' (1982) study of service quality. Cronroos maintains that if the technical quality (what the customer receives in the service) dimension is at a satisfactory level, the functional quality (how the customer perceives the service) dimension becomes the critical dimension which consumers use to judge relative quality. However, Swan and Coombs (1976) suggested a crucial variation on Herzberg's findings. Herzberg believed that job satisfaction resulted only from performance of the intrinsic attributes (satisfiers), while extrinsic ones (dissatisfiers) guaranteed only absence of dissatisfaction. Swan and Coombs argued that although expressive attributes (associated with satisfiers) mainly cause satisfaction, there are some services which may be judged primarily on the basis of their instrumental attributes (associated with dissatisfiers). In the case of air travel, for example, there is some evidence that attributes which could be defined as instrumental (e.g. time saved) may be more highly valued by customers in comparison with such expressive attributes as air travel as the quality of hostesses or levels of comfort (Myers and Alpert, 1968). Drawing on these conceptual contributions, Martilla and James (1977) noted that research on consumer satisfaction has traditionally examined only one side of the issue – either the importance of attributes for consumers, or the agency's performance on attributes – rather than both dimensions. Assuming that customers can attach a weight to perceived importance to both expressive and instrumental attributes, they suggested that a research technique incorporating the two dimensions of importance and performance would more effectively measure consumer satisfaction. First, the

technique examines importance of the expressive compared to the instrumental attributes of a product. Second, it indicates the agency's relative level of performance on the attributes. These measures can be used to give strategic direction to recreation managers regarding manipulation of attributes in order to increase levels of employee satisfaction. Thus, it appears that IPA can be used to:

- (1) Indicate those attributes of the internal product which are valued by internal customers and lead to satisfaction but which are underperformed by the organization;
- (2) identify those attributes of the internal product on which the organization concentrates attention, but which are not considered to be important by employees as internal customers and do not influence their level of satisfaction.

These propositions are consistent with Berry's definition of the internal market research mission as being to 'isolate components of different jobs that need to be improved' and to 'provide a means for identifying policy violations or other organizational breakdowns' (1981, p. 34).

IPA was intended to identify aspects of the marketing mix to which an agency should devote more attention. Its application to external customers is a low-cost, easily-understood, and relatively simple process, because there is a consensus regarding what constitutes the key components of the marketing mix. McCarthy's (1960) 4P definition of the marketing mix (product, price, place, and promotion) has been widely adopted in marketing. Hence, attributes evaluated by Martilla and James (1977) in their original paper were chosen to operationalize McCarthy's components. However, there is no similar agreement regarding what constitutes the key components of the internal

arketing mix. Authors writing about internal marketing use such terms as 'a variety' and 'a multiplicity of' means and activities, rather than offering a classification of components of the internal marketing mix. Paradoxically, even though internal marketing today is a key facet of service management, its operationalization remains undefined. Several attempts to develop a classification of internal marketing activities have been reported in the literature. Moorman (1991) believes that product, motivation, internal communication, organizational structure, and management could be considered as the internal marketing mix. Chonko (1987) conceptualizes the internal marketing mix as consisting of four elements: customer service philosophy, employee training, service-oriented personnel policies, and organizational communications. Although both authors included the element of communication within their classifications, the importance-performance analysis of this single element in the context of a recreation organization (Richardson, 1987) required several dozens of items to operationalize it. Assuming that the other elements (if there was agreement regarding them) would require a similar number of items to operationalize them, the adoption of IPA in the context of internal marketing could be challenging. The length of the questionnaire would undermine the original notion of IPA being a low-cost, fast, and easily understood means of presenting survey results.

Given the concerns of lengthy operationalization and the lack of consensus as to which elements should be evaluated, an alternative approach is to use the set of extrinsic and intrinsic attributes which Herzberg identified as contributing to job satisfaction. There are several reasons for selecting this approach. First, Herzberg's job-related attributes are directly related to measuring job satisfaction and are compatible with the definition of internal product as

'a job and a work environment which motivates the employees to respond favorably to management's demands for customer orientation and good interactive marketing performance as 'part-time marketers' and which, moreover, attracts and retains good employees' (Gronroos, 1990, p. 230). Second, although the basic assumptions underlying Herzberg's theory have been criticized, there is general agreement that it identifies factors which cause satisfaction and dissatisfaction (Landy, 1985). There have been several attempts to relate these attributes to basic job dimensions (Hackman and Oldham, 1975, 1979) which are generalizable and can be applied to the analysis of any job according to Schein (1988, p. 89). Third, a practical managerial philosophy underlies Herzberg's concept of job satisfaction, namely that managerial manipulation of job-related attributes can increase job satisfaction. Fourth, Herzberg's theory has been widely accepted and used in the recreation literature to measure recreation professionals' job motivation and satisfaction (Edgington *et al.*, 1989; Hoff *et al.*, 1988; Neal *et al.*, 1982; Neal, 1984; Williams and Neal, 1993). Finally, Herzberg's set of job-related attributes are compatible with Martilla and James' (1977) recommendations regarding a 'manageable size' of attributes to be ranked.

## METHODOLOGY

The first stage in importance-performance analysis is to determine which attributes are to be evaluated. Martilla and James (1977) recommended that the list of attributes should include all important factors, but at the same time be of manageable size in order to avoid a low response rate. Such a list of attributes can be generated through a literature review, qualitative research techniques, and managerial judgement. In contrast to a previous study in recreation where about one hundred items were evaluated

avitz *et al.*, 1991), this study used a short list of job-related attributes.

Twenty job-related individual statements adapted from Edginton *et al.*, (1989) were included in the first version of the IPA questionnaire. The 20 items used in Edginton *et al.*'s (1989) cross-cultural study were originally developed by Neal *et al.*, (1982) and derived directly from Herzberg's theory. The same set of randomly ordered job-related attributes were repeated in two different sections of the questionnaire. In section one, respondents were asked to evaluate job-related attributes on a five-point Likert scale in terms of their importance. In section two, the same attributes were evaluated on a five-point Likert scale in terms of how satisfied respondents were with the agency's performance.

After a pilot study, the list of attributes was reduced to 16. This reduction was consistent with Martilla and James' recommendation regarding manageable size of the list of attributes and with Herzberg's (1959) original theory in which he suggested six-en attributes (p. 60). Three attributes used by Edginton *et al.*, (1989): 'doing work you feel is important and worthwhile,' 'chance to do quality work,' and 'chance to do interesting work', were combined into one attribute which Herzberg classified as a motivator 'work itself'. Similarly, four attributes 'getting along with supervisor,' 'getting along with co-workers,' 'good benefit package,' and 'good wages' were combined into two attributes. The final instrument was similar to the 17 item instrument used by Williams and Neal (1993) which was reported to be reliable and valid.

Data were collected during the summer of 1994 at a commercial recreation centre in the North Netherlands as part of an overall research programme being undertaken by the centre's management. The centre provides a wide range of services including rental of apartments, sport facilities with swimming pool and sauna, concert hall,

bars, restaurants, and the like, to local citizens and international (mainly from Germany) tourists. The centre is operated by permanent staff and part-time employees. The number of part-time employees varies from 10 to 100 depending on the season. Questionnaires were distributed to all members (n=65) of the full-time permanent staff in late autumn 1994 by an external evaluator. Occupational and personal data were not recorded in order to retain respondents' anonymity. Employees were requested to complete the questionnaires and return them to collection boxes in order to provide confidentiality. Usable returns were obtained from 56 respondents (86.1%).

## RESULTS

Survey data were analyzed by calculating the means of the perceived importance and performance of each attribute. The 32 attribute ratings are presented in Table 1. Both values of the 16 attributes shown in Table 1 were plotted on the I-P matrix (Fig. 2). The numbers refer to the list of attributes in Table 1. In accordance with the recommendations of the original authors of IPA, the axes for the importance-performance matrix were increased by one unit over the mean on the scale and set at 4.0. (Martilla and James, 1977). Because of the absence of low ratings the same manoeuvre was used in Martilla and James' original study and was repeated in a study of state park cabin visitors (Hollenhorst *et al.*, 1992). After plotting both values of the 16 attributes on the IPA grid, discrepancies in the perceived importance and in the perceived agency performance on each job-related attribute were reviewed. Twelve of the 16 attributes fell into the 'concentrate here' quadrant (see Fig. 2). The attributes with the highest discrepancy between perceived importance and agency performance were: 'enjoying good working conditions,' 'doing worthwhile, interesting and quality work,' and



**Table 1** Importance and performance rating for job-related attributes

Attribute number	Attribute description	Mean importance rating <sup>a</sup>	Mean performance rating <sup>b</sup>	Means difference
1	Being appointed leader of your group	3.60	3.78	.18
2	Doing worthwhile, interesting and quality work	4.54	3.69	-.85
3	Having increased freedom on the job	3.75	3.75	.00
4	Achieving personal goals related to work	4.06	3.57	-.49
5	Getting along with supervisor and co-workers	4.60	4.18	-.42
6	Having opportunity for promotion and advancement	4.03	3.30	-.73
7	Learning new skills or knowledge	4.45	3.45	-1.00
8	Enjoying good working conditions	4.57	3.69	-.88
9	Receiving good wages and benefits	4.09	3.12	-.97
10	Being appreciated and recognized by supervisors	4.42	3.54	-.88
11	Help your agency attain its goals	4.48	3.51	-.97
12	Getting rises and awards	3.12	3.05	-.07
13	Being an integral part of the work team	4.12	3.87	-.25
14	Having job security and steady work	4.27	3.48	-.79
15	Being informed about your job performance	4.39	3.06	-1.33
16	Having role in the decision making process	4.09	3.03	-1.06

<sup>a</sup>Rating obtained from a five-point scale of ‘extremely unimportant,’ ‘not important,’ ‘neither unimportant nor important,’ ‘important,’ ‘extremely important.’

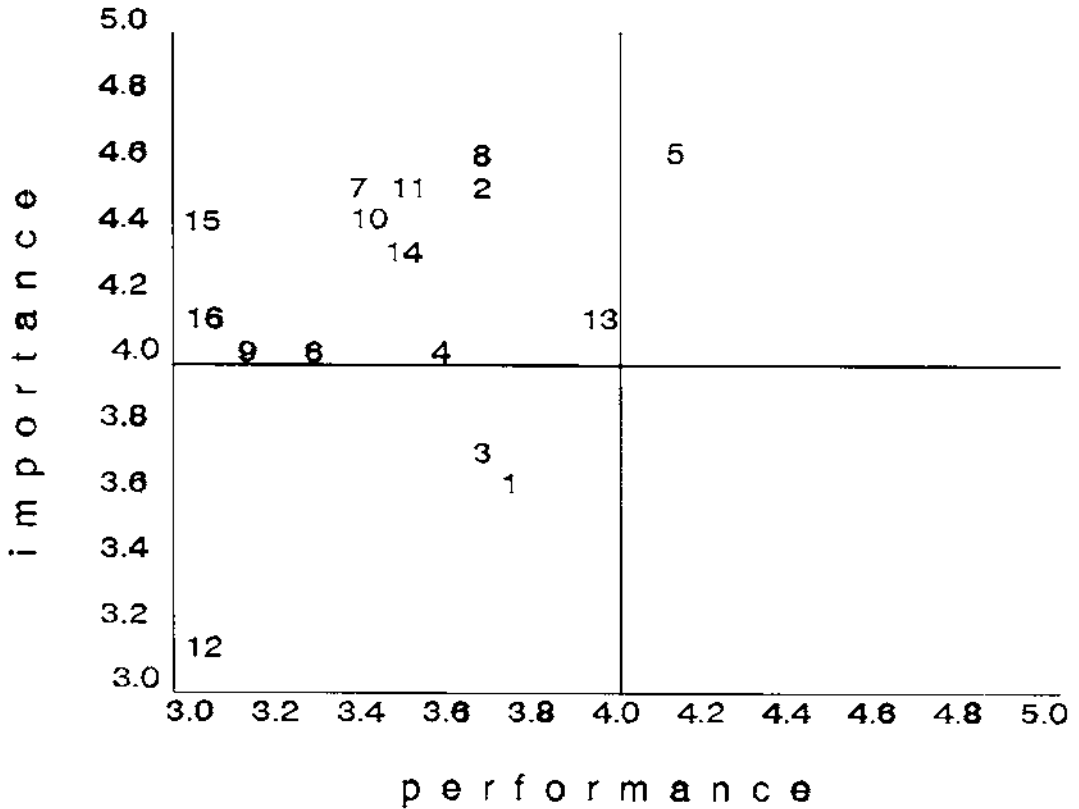
<sup>b</sup>Rating obtained from a five-point scale of ‘extremely dissatisfied,’ ‘not satisfied,’ ‘neither satisfied nor dissatisfied,’ ‘satisfied,’ ‘extremely satisfied.’

elp your agency attain its goals’. The tributes of ‘being appointed leader of the group,’ ‘getting raises and awards,’ and ‘having increased freedom on the job’ were in the ‘low priority’ quadrant. The attribute ‘getting along with supervisor and co-workers’ was in the ‘keep up the good work’ quadrant.

### DISCUSSION

The results suggested that recreation employees valued both extrinsic and intrinsic aspects of their job. The highest five job-related attributes in rating importance included both ‘motivators’ and ‘hygiene’ factors, which appears to be reasonably consistent with the findings reported by Williams and Neal (1993). Herzberg and the supporters of his theory would likely argue

that the discrepancy in scores on the hygiene attributes should be the primary focus of managerial attention in order to decrease dissatisfaction, and only then should attention be paid to the motivators which will increase satisfaction. However, in the organizational behaviour field in recent years, there has emerged a body of conceptual literature that criticizes Herzberg’s theory. Consistent with the arguments of Swan and Coombs (1976) discussed earlier, others have noted that people ascribe different values to aspects of jobs at different times (Hulin and Blood, 1968; Lawler, 1973; Locke, 1976; Torrington and Hall, 1987), and as a consequence derive satisfaction from both intrinsic and extrinsic job attributes (Gray and Starke, 1977; Griffin and Bateman, 1986; Korman, 1971; Luthans, 1985; Taber, 1991). It appears that the main weakness of Herzberg’s theory is that it describes in



ote: No group mean score were less than 3.0

g 2. Importance-performance grid of internal customer satisfaction

vance what attributes of a job are important for an employee. Drucker (1980) has pointed out in the context of external customers: 'The choice as to which benefits are the right ones for this or that individual is best made by the individual alone.' (124). In the context of internal marketing, an employee as an internal customer individually decides what attributes of the job are important for him/her at a given point of time.

The study examined the utility of implementing IPA in the context of internal marketing, and it appears that the technique is able to prioritize attributes for managerial attention. Furthermore, IPA has indicated

factors ('getting along with supervisors and co-workers') for which managers should keep up the good work, and factors ('being appointed leader of your group,' 'having increased freedom on the job,' and 'getting raises and awards') which are not important for employees and do not require management attention. In addition, the analysis suggested that none of the attributes were receiving excessive resources and effort.

However, there are limitations associated with applying the technique to internal customers. The method was originally developed using a large sample of respondents. For instance, the samples used by Martilla and James (1977) and by Williams and Neal

993) consisted of 284 and 336 respectively. It was recommended that the mean of responses was the most useful approach for evaluating perceptions of respondents. Applying this measure to people inside a recreation organization, however, may be questionable. On one hand, the mean may be appropriate in a recreation agency which is developing a team approach and trying to create a democratic organizational culture. On the other hand, the mean approach may underestimate the role of personality factors, especially in small recreation organizations. Bill Walsh, a U.S. football coaching legend, has noted:

Take a group of ten players. The top two will be supermotivated. Superstars will usually take care of themselves. Anybody can coach them. The next four, with the right motivation and direction, will learn to perform up to their potential. The next two will be marginal. With constant attention, they will accomplish something of value to the team. The last two will waste your time. They won't be with you for long. Our goal is to focus our organizational detail and coaching on the middle six. They are ones who most need and benefit from your direction, monitoring, and counsel. (Rapaport, 1993, p. 116).

Individuals may differently value perception and importance for job-related attributes. Attempts to aggregate these and use a mean to represent them may result in a compromise which provides the 'average perception and importance' for an 'average employee', but this may hide differences. A possible solution for small organizations may be to develop an individual grid for every employee. This 'individual diagnosis' approach would give an excellent basis for possibly addressing goals by developing specific remedial actions. For example, it may be possible to distinguish separate strategies directed at intrinsic and extrinsic benefit seekers. Amabile (1993) gives an

example of an 'intrinsic benefit seeker'. She interviewed one of the best employees in a large, successful company. The employee refused a substantial salary increase because he stated: 'Right now, my job is my playground; I pretty much come in here and do things the way I want. But the more they pay you, the more they think they own you.' (p. 43). The finding that money is less important than such factors as responsibility, authority, personalized development plan, and sales skills training was also reported in a study of account managers in a large North American bank (Rieder, 1990). The individual IPA approach may be particularly beneficial if it is used in combination with other marketing tools such as market segmentation. This approach would allow for clearer identification of internal market segments, including employees who work for money, employees who prefer a consistent schedule, and employees who want to advance and make a career in industry (Alexander, 1990).

A further limitation of IPA in an internal marketing context is that the action grid establishes relatively arbitrary axes for the data analysis. IPA was designed by Martilla and James (1977) in response to two basic issues: (1) concentration of previous research on the measurement of either importance or performance dimensions – rather than both; and (2) the difficulties experienced by management in understanding research findings reported in complex statistical terms. Martilla and James suggested an original solution to the first problem. The simultaneous analysis of importance and performance dimensions has influenced, for example, the measurement of service quality, which was defined as a difference between customer's perceptions and expectations (Mackay and Crompton, 1990; Parasuraman *et al.*, 1985).

However, the authors' suggestion of the action grid as a solution to the problem of

managers' statistical illiteracy appears to have a limitation. The introducers of IPA argued that positioning axes on the grid is a matter of judgement, because a virtue of the A technique is identification of relative rather than absolute levels of importance and performance. As a result, most past studies which have used the IPA technique positioned the axes at an arbitrary point (Artlett and Einert, 1992; Guadagnolo, 1985; Artilla and James, 1977), at the overall mean for each of the importance and performance attributes (Hollenhorst *et al.*, 1992), or at the middle of the scale (Havitz *et al.*, 1991; Mengak *et al.*, 1986; Richardson, 1987; Williams and Neal, 1993). Setting the axes at different points can lead to different interpretations. For example, if axes in this study were drawn at the 3.0 mean value, as they were in the Williams and Neal (1993) study, the results would demonstrate that job satisfaction in the recreation centre had been achieved and the task was to 'keep up the good work'. The appropriate setting of the axes may vary in organizations in accordance with the responsive-unresponsive level of the organization to objective criticism and genuine management desire to satisfy the needs of employees. This approach was apparent in the evaluation of state park cabin visitors' satisfaction undertaken by Hollenhorst *et al.*, (1992). In the initial analysis most attributes fell in the high importance/high performance quadrant. After discussion, management adopted a more critical approach which led them to establish the axes not at the mean points on the scales, but rather at the overall mean for each of the importance and performance attributes.

However, the action grid may mislead. For example, according to the importance-performance analysis, attribute 3 (Table 1) has 'negative confirmation' since the difference between the two scores is zero, while attribute 1 has 'positive confirmation' (+.18). Hence, the

data suggest that employees' satisfaction with those two attributes has been achieved and management's task is to 'keep up the good work'. However, the action grid positioned those attributes in the 'low priority' quadrant. Similarly, attribute 5 has 'negative confirmation' (-.42) and should be located in the 'concentrate here' quadrant according to the importance-performance concept, whereas on the action grid it was positioned in the 'keep up the good work' quadrant (Fig. 2). It appears that the main virtue of IPA is identifying the relative discrepancy between an organization's employees' importance and performance regarding job-related attributes, in order to focus managerial attention on to emerging problems. However, using the action grid's graphical results may mislead management. Thus, a listing of discrepancies between performance and importance from highest to lowest is likely to be more useful to managers for formulating strategic actions.

A final limitation of using IPA in the context of internal marketing relates to the concept of an internal marketing mix. Future research into the internal marketing mix and this type of non-traditional use of IPA is likely to confirm whether or not Herzberg's set of attributes are appropriate. The usefulness of IPA is not confined to internal satisfaction, it can also be used as an instrument for the scanning of work expectations of prospective workers. Using only the importance ratings of IPA in interviewing and hiring prospective employees, may assist a recreation manager in satisfying employees' work satisfaction expectations. Besides indicating discrepancies between perceived performance and perceived importance, IPA can yield information about changes in current employee satisfaction compared to their work expectations.

In conclusion, it is recommended to managers in small recreation organizations that IPA be used on an individual basis and that it

is accompanied by qualitative methods such as interviews. The interviews can yield insight into the problem that supplement the quantitative methods. IPA can identify an emerging problem, but it does not give explanations as to why the problem occurred. In large organizations, it is recommended that IPA be used in combination with internal market segmentation. The internal market may be segmented, for example, on intrinsic and extrinsic benefit seekers. This approach will allow development of appropriate intrinsic and extrinsic incentive plans to motivate employees to be customer-oriented. However, in the case of internal marketing, relatively little research has been reported which explains how to undertake internal market segmentation. For managers who are concerned with obtaining more accurate results in order to formulate better internal strategies, it is recommended that median or mean scores be used in combination with correlation analysis. Crompton and Duray (1985) maintain that as which use statistical methods result in more accurate attribute positioning, than do self-stated measures such as the mean or median.

Accurate attribute positioning requires that a single common rule be consistently adhered to by researchers when setting scales. This approach would allow managers to formulate better internal marketing strategies since they would have some norms to use as a standard. Finally, it is recommended that IPA be used on a regular basis at specified intervals. An old philosophical adage suggests that it is impossible to get inside the same water twice. The motives and expectations of employees are similar to this water. They differ from one employee to another employee, from one organization to another organization, from one country to another country. In order to identify the level of motives it is necessary to scan them frequently.

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