DEVELOPING BUSINESS PARTNERSHIP ON THE BASIS OF INTERNAL MARKETING

ABSTRACT. Internal marketing is approached to as the key and critical factor influencing success of the external marketing, because thanks to the employees and internal environment, the companies can better satisfy expectations of the users as well as current and prospective partners. In this case we can think about implementation and development of business partnership by using coherence between marketing and relationship marketing and efficient implementation of motivation, screening and promotion or employees and planning within the organization. Partnership primarily requires not only flexible, strong and continuous relationship, which is a key factor for beneficial cooperation, but also constant linkage of the both partners’ know-how, competence, successful motivation and search for new partners to obtain competitive advantage against other companies. Therefore, the present article reveals innovative approach to business partnership development by employing elements of the relations and internal marketing. Besides, the article proposes a presumptive multi-criteria model.

JEL Classification: M1, M12, M31

Keywords: internal marketing, personnel management, business partnership, relationship marketing

Introduction

Changes in the market and internal possibilities require the companies to constantly expand their activities. Now companies realize that the partnership is a key to competitive advantage. Growth and profit oriented companies must make every effort to find new partners both in local and foreign markets. Rapidly changing technological environment and growing competition level determine the need for partnership agreements. New and partnership-based methods involving the values such as cooperation, care, creativity, excitement and association became a constituent element of the company’s operation. This requires more than direct investment into the existing infrastructures and management systems.

Partnership requires continuous surveillance of the partners’ know-how, competence, successful motivation and search for new partners to obtain competitive advantage against the other companies.


The internal marketing analysis revealed in the scientific literature allows us to make a conclusion that the basis for external marketing success lays in the internal marketing, because due to the employees and internal environment, the companies can better satisfy expectations of the users as well as current and prospective partners.

**Subject matter of the article** is business partnership.

**The aim of the article** is the development of multi-criteria business partnership development model based on the internal marketing after analyzing theoretical aspects of business partnership and internal marketing and after carrying out identification of their coherence.

**Research tasks of the article are as follows:**
- To analyze conceptual basis for the partnership and internal marketing.
- To reveal the role of the internal marketing and what is its influence on the partnership relationships.
- To develop the model of business partnership development based on the internal marketing.

**Presumptions for research:**
- \( P_1 \) – Links between business relations and internal marketing manifest via the relationship marketing.
- \( P_2 \) – Business partnership and internal marketing success is determined by communication relations.

**Research methods applied in the paper are:**
- *Analysis of scientific literature*. The method is used in carrying out theoretical research of the qualities and links of internal marketing and partnership
- *Content analysis.*

**Theoretical significance of the article lie in the following statements:**
- to reveal links between the internal marketing and partnership relations;
- the theoretical model of business partnership development based on the internal marketing has been developed.

**The structure of the article:**
- *Part 1* analyzes theoretical aspects of the business partnership. A hypothetical model of the process for development of business partnership model has been presented.
- *Part 2* analyzes qualities of the internal marketing at the theoretical level. Besides, the key links between the partnership and internal marketing shall be revealed. These links shall be included into the common theoretical model, which reflects these links.
- *Part 3* introduces multi-criteria model of the links between the business partnership and internal marketing.
1. Theoretical aspects of business partnership

Business partnership is new yet extremely popular among the business companies. New economic entities constantly emerge and their operation is based on cooperation and targeted to successful development and expansion of business in the future.

Different authors define partnership in a different way. Although there is no any widely recognized partnership definition, most of the scientists describe it as a program designed to administer labour relations based on joint handling of the problems between individual “partners” who develop commonly beneficial results. Therefore, to give a distinct and comprehensive definition of partnership, it is necessary to analyze definitions of partnership proposed by different authors. Most of the authors define partnership as a certain process targeted to implementation of common goals and mutual benefit. G. Gęśicka, Barlow and Jashapara, V. Bagdonas, J. Tipler, LEPA treat the partnership as management of the relationship, cooperation among a number of entities. V. Bagdonas was the only author to underline that the partnership is based on a certain partnership agreement (contract).

Legal Information Institute, LEPA underlines that partnership is based on distribution of joint benefit, profit and loss among the partners. As most of business companies are profit oriented, all the authors describe partnership as relationships based on striving for the same goal. R. Harnesk defined partnership as a holistic approach based on systematic thinking targeted to modern business management.

Having analyzed and summarized definitions of partnership proposed by different authors, it is possible to make a conclusion that partnership is a kind of cooperation with one or several natural and legal entities based on partnership agreement (contract), which enables the parties to share profit or loss with other partners and oriented towards achievement of common goals by making efforts to evaluate possible risks.

Business partnership and its creation is difficult and time and knowledge consuming process, because partnership may acquire different forms depending on:

- Origin and number of partners;
- Whether it has been established by natural or legal entities;
- Raised goals and tasks;
- Social-economical “culture” of the region (legal-administrative system, regulation, role of local authorities, institutional experience, development of public spirit etc.)

Vertical and horizontal partnership may be distinguished pursuant to the partner’s localization. Vertical partnership is a kind of partnership among international, national and local (regional) organizations. Horizontal partnership includes relationships between various yet of the same level organizations. (V. Nakrošis, on-line access <http://www.nrda.lt/Partnership.pdf>)

Subject to the reason for creation of partnership, the partners can be of different types. These types are represented in Figure 1.

Figure 1 demonstrates general partnership types on the basis of the liability and participation in the company’s activities and the company’s coordination. Similar typology prevails in the partnership typology distinguished by other authors.

After revealing partnership types and possible types it is necessary to find out the existing partnership creation and development stages. All the authors describe creation of partnership as a process oriented towards business development.

Following Professor L. Gelders (2002), the starting point of theoretical establishment of partnership is the company’s internal analysis i.e. the company’s need for partnership. Thereafter, screening of partners takes place followed by partnership agreement with the selected partner.
Consequently, partnership arises since the moment of the rise of its need predetermined by the necessity to improve the company’s productivity or enter into the new markets. Later the requirements for prospective partners are laid down and screening of the partners is carried out. The partnership agreement is made only after selecting the most suitable partners.

The process of partnership establishment can be divided into five stages: introductory stage, identification of potential partners, screening and selection, establishment of relationship and evaluation of relationship (LEPA, p.5).

While analyzing the stages of partnership establishment proposed by various authors, it was decided that the process of partnership development can be divided into five full-scale stages represented in Figure 2.

Generalized hypothetical model involves five stages, whereof goals and explicit analysis and application in creating partnership relations can be a key guarantee for business success. Cooperation success varies greatly and depends on numerous circumstances as well as from properly selected partners. Proper selection of partners greatly depends on the available information on possible forms of partnership, creation, and order of priority and the concept of the partnership itself.

2. Theoretical aspects of internal marketing

Since 1976, the internal marketing was proposed as a solution to explain incoherent introduction of the service. There is no any single concept, which defines the internal marketing. Explanation of the notion of internal marketing was developed by various authors within a period of time.

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Source: created by authors after L. Gelders 2002, p.15.

**Figure 1. Partnership types pursuant to the participation in business activities**

These partners actively participate on every business operations. They contribute their capital and are empowered to receive beck benefits from business, profit, they also share losses faced by the business.

These partners do not actively participate in every day partnership relations and in the existing activities they are known as “sleeping partners” also.” They only contribute their own capital and earn profit or loss.

These partners only allow he company to use their, as a partner’s, name. They don not receive any interest from the company’s activities. They do not make investments and cannot receive benefits and do not participate in the company’s business. Nevertheless, they are really liable against the third parties.

In special cases a junior partner may be treated as a partner under special conditions. The junior partner can receive only benefit from the business. In case of losses, the junior partner’s liability is restricted to its contribution.
Figure 2. The hypothetical model of business partnership development

The concept of internal marketing was discussed in the literary sources for over ten years by such authors as Grönroos (1985); Gummesson (1987); Piercy ir Morgan (1990 and 1991); Piercy (1995). Despite of great attention, confusion regarding the scope and origin of the subject-matter still exists. Survey of the literary sources analyzing internal marketing showed that there are three basic fields of inconsistencies in the above literary sources.

1. Very few empirical researches were implemented to determine influence of internal marketing on quality of the services.

2. Current conceptualizations of the internal marketing, which are concentrated on internal clients and suppliers, did not distinguish between different types of internal clients, which can exist within the company as well as their different expectations regarding the internal services.

3. Application of internal marketing principles for external relationships must be targeted to something. Client and supplier groups discussed in the literature on internal marketing are limited to the groups existing within the company (Lings, 2000, p.1-2).

The internal marketing can be defined and analyzed by using three different perspectives i.e. human resources perspective, which defines the internal marketing as an action targeted to improvement of human resources and performance. The marketing perspective which describes internal marketing as involvement of marketing into the operations of internal market (company) to establish relations with the employees and satisfy the needs of internal employees. And finally, the perspective of strategies, which interlinks the concept of internal marketing with marketing philosophy and satisfying the employees' needs as a whole. The above perspective links internal marketing to encouragement of the employees’ self-sufficiency and their treatment as internal clients of the company.
the service providing company, both internal and external, are represented in Figure 3 (Tsai, Yafang; Wu, Shih-Wang, 2006, p.2-3).

To summarize the features of internal marketing proposed by various authors we can state that internal marketing is a continuous process within the company, which requires persistent support from the supreme management bodies and involves recruitment, hiring, improvement, motivation of the employees, as internal clients, and enables the employees to participate in decisions making process in order to satisfy the needs of the external clients and improve productivity of the company.

The key goal of internal market is related to satisfying the employees' needs within the company to better satisfy the needs of the external consumers.

To effectively implement internal marketing and achieve the key goal initiated by internal marketing, the companies must internally combine various elements of internal marketing and apply their compatibility for different needs of the employees.

Application of internal marketing must be well-organized in the company. It means that it is not enough to motivate the employees or ensure their training. To make internal marketing effective in the company, it is necessary to combine all the elements of internal marketing and discover the most optimum combination, which might satisfy the needs of internal clients (employees) to the most optimum extent.


**Figure 3. Elements of internal marketing**
Following the elements of internal marketing proposed by the four authors V. Kindurys (1998), A. Damuliiené (1996), Rafiq and Ahmed (2000 and 2003), ten key elements have been distinguished (Figure 3):

- concentration of the gifted employees;
- proposition of the example (apotheosis);
- preparation of the staff for execution of their direct tasks;
- development of team spirit;
- “lever effect” of freedom of actions;
- systems of assessment and remuneration (bonuses);
- knowledge of the clients;
- recruitment and maintenance of qualified employees;
- communication within the company;
- inter-functional coordination and integration.

Following Ch. Gronroos (2001), implementation of internal marketing is a complicated and time consuming process, which requires considerable efforts for development of the plans and strategies of the employees' policies. To implement a high quality client attendance culture and system within the company, it is of key importance to plan numerous steps determining selection of the elements of internal marketing. Since the very beginning it is necessary to nurture relationships with the staff and make available for the employees the key goals, mission and tasks of the company.

3. Development of business partnership based on the internal marketing: development of multi-criteria model

The basic process within which the partnership is established and handled and implementation of its results is assured is a long-lasting and joint solution of the companies in addition to faithful and timely exchange of fair and accurate information on a wide spectrum of the important solutions related to professional life of the employees. Partnership can be helpful in finding mutually beneficial (win-win) situations with partners, internal and external clients and other organizations. It means that partnership relationship is linked to the internal market and internal culture of the company. Employees of the company and management of their relationships can be a factor determining successful partnership relations or a factor preventing from implementing efficient activities between the partners.

Following Sarah Oxenbridge, William Brown (2002), most of the researches agree to link partnership to the incentive of organizational changes. In most of the companies the need for implementation of changes is a significant a priori factor promoting partnership agreements. In most of the partnerships, the programs of changes cover employees’ involvement (EI) or high commitment human resources management activities. As a result, numerous analysts state that partnership is a hidden mechanism of human resources management or employees’ involvement management.

Consequently, pursuant to the above analysis of the literary sources we can state that both human resources and their management as well as employees’ involvement are aspects of internal marketing. In this way, correct and incorrect management of the company’s employees may greatly influence the company’s relations with its partners. The employees’ contribution to adoption of organizational solutions must be willingly facilitated, competent, and enterprising and having great influence on final results and may be described as “common solution of problems”.

Therefore, the organization based on partnership relationship can be operated in the way, where the attitude towards human resources management involves the company's
principles, policy and activities targeted to each of the elements of internal marketing in order to successfully implement the company's goals and join the available forces of the employees, who are highly competent, permanent, motivated and feel safe about their place within the company.

There are two extremely important aspects which interconnect partnership with the company’s employees:

- the employees’ opinion is uniformly and willingly realized in all levels so as the employees can take pleasure in being important in the decision making process of the company.
- These common processes of problem handling result in regular and important benefits for both - the management bodies and employees.

Therefore we can state that even after establishing partnership relations the company remains mindful of its employees and ensures their importance and participation in the company's activities, strives for improvement of the company’s results.

Taking into consideration the opinions on contacts between the business partnership and internal infrastructures of the company proposed by various authors, we can distinguish internal marketing factors having influence on business partnership. These factors include:

- competence and experience of the employees;
- exchange of experience and know-how between the partners in certain markets or certain business fields;
- informing the company’s employees about the external activities of the company i.e. partnership relations, cooperation-based goals;
- employees’ involvement in management of the relations with the partners, problem handling and decision making processes;
- ability of the employees to work as team members;
- ability to ensure employees’ safety;
- motivation measures after implementing certain partners-related activities.

Internal, relationship and external marketing programs do not provide any common performance, but all the actions influencing helpfulness of the employees, consumers’ satisfaction and successful communication among the participants involved in the organizations’ activities and influencing the organization’s results are the functions of different marketing types.

Rapidly changing conditions in the service sector require new approach to the organization’s performance. Relationship marketing, as a new philosophy of service organization, reveals not only the importance of long-term performance of the partners predetermining their loyalty and importance, but also emphasizes importance of relationship among all the participants involved in the organizations’ performance and influencing its results. In this way, the concept of internal marketing is involved into the process of improvement of the company’s efficiency. This concept simultaneously with relationship marketing ensures development and management of relevant relationship with external market participants (consumers, partners of the company).

Both of these marketing types have one single goal – to satisfy the consumer's needs, but different actions are employed to achieve this single goal. Relationship marketing concept has been directed to various cooperation forms, which lay firm and long-term relations with consumers, whereas internal marketing determines efficiency of the employees’ performance encouraged by various motivation, competence improvement, freedom of actions, employees’ involvement and other measures, which create proper working environment, in which excellent condition of the employees predetermines excellent customer attendance level, which, in turn, results in growth of service value.
Therefore, in-depth search and analysis of partnership and internal marketing relations gave birth to the conclusion that successful partnership development is greatly influenced by internal marketing, its levels and elements as well as certain internal marketing-related factors encouraging efficiency of partnership activities. Organization management, manpower and flexibility of measures are the most important issues in the partnership relationship. These issues encourage the employees for major contributions into the company's decision making process. Therefore, with reference to all possible internal marketing and partnership relationships and after running-through the possible partnership development models (based on internal marketing), the hypothetic model of business partnership development based on the internal marketing was created. This model is represented in Figure 4.

The hypothetical model of business partnership development on the basis of internal marketing, as shown in Figure 4, suggests the existence of the direct link between internal marketing and relationship marketing. Relations with the employees within the company are one of the constituent parts of the relationship marketing. This relationship is established and nurtured via the internal marketing and consistent and effective application of its elements.

Therefore, internal marketing elements have direct influence on one of the constituent parts of relationships marketing, as only properly selected internal marketing program allows moving of the employees towards the company and implementation of support and honesty-based atmosphere within the company.

External relations and business partnership is the other part of relationship marketing. Business partnership in the model is revealed through partnership development stages influenced by internal marketing levels, to be more specific, introduction of the company’s performance outside the company to the employees.

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The model shows three internal marketing levels: Company’s service culture, maintained service culture and the company’s performance related with the employees whereof essence lies in introduction of new services, marketing campaigns and operations fields to the employees. All the above levels are interrelated and have critical influence on implementation of each further level. Implementation of these levels and efficient execution depends on communication within and outside the company, while cooperating with the partners. Insufficient level of information given to the employees is treated as a great defect, which has negative effect on incentives and proposals of the employees, which can help the company in more efficient cooperation with the partners and more efficient handling of problems and misunderstandings.
Figure 4. The hypothetic multi-criteria model of business partnership development on the basis of internal marketing
Nevertheless, successfully distributed information within the company helps to implement close cooperation with current and prospective partners, because internal communication predetermines external communication.

Employees of the companies should realize importance of the partners for productivity of the company, because in this way they shall be more interested in implementation of certain strategies and processes in close cooperation with the partners. It allows effective coordination of the company’s efforts towards the goals of the company and the partners: To effectively use employees’ involvement into the company’s management and efficiency of their performance.

Internal marketing levels within the model have been expressed through seven factors of internal marketing, which are critical to establishment, development and management of the company's partnership. All the internal marketing factors influence development of the partnership and different stages of establishment and development of the partnership.

Therefore, while generalizing the hypothetic multi-criteria model of “Development of business partnership on the basis of internal marketing” enables us to make a conclusion that the link between partnership and internal marketing is really strong. First of all, it is important to realize that effective partnership and the company’s goals can be achieved only with the employees’ involvement.

Conclusions

The basic process within which the partnership is established and handled and implementation of its results is assured is a long-lasting and joint solution of the companies in addition to faithful and timely exchange of fair and accurate information on a wide spectrum of the important solutions related to professional life of the employees. Business partnership is one of the constituent parts of relationship marketing. As relationship marketing is closely related to the internal marketing and targeted to satisfying the needs of the final users, the internal marketing is linked to the partnership and simultaneously determines establishment and nurture of successful contacts with the users. In the concept of relationship marketing, relationship is the key measure enabling the organizations to attract and maintain the clients, partners and agents. Formation of relationship chain among different market participants enables the companies to keep to the promises, related to sales of services and goods in better and more reliable way.

Therefore, while generalizing the hypothetic model of development of business partnership on the basis of internal marketing, we can make a conclusion that the link between partnership and internal marketing is really strong. First of all, effective partnership and the company’s goals must be implemented by involving the company’s employees, who must be treated as internal clients of the company and relationships within the company. Therefore, perfectly developed and efficient internal relations of the company enable development and strengthening of the company’s relations with the external partners. If the needs of the partner company’s employees are satisfied, the employees show greater involvement and contribution to the efficient partnership, management and organizing. The fact is that benevolence, attitude, competence, personal motives of the employees of both the partners is a critical factor of effective development of the partnership.
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