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Developing the Internal Service Quality in Organisation Y

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Laurea University of Applied Sciences **Abstract**
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Bachelor's Degree Programme in Business Management

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Developing the Internal Service Quality in Organisation Y

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The purpose of this thesis was to analyze the quality of internal service at Organization Y by researching internal customer relationships. The objectives were to identify areas for development and strengths, as well as to make employees aware of the importance of the internal customers. The research problem concerned the extent to which internal service quality should be improved, and if so, the ways in which this could be achieved. Solutions were researched by determining the expectations and experiences of internal customers, and later comparing these with the responses of the internal service providers to these themes. The theoretical background consisted of a review of the concepts related to services marketing, service quality, internal customer relationship, and service culture. The book Service management and marketing by Christian Grönroos was used as the main source for this thesis.

The research strategy was that of a case study, which aimed to give detailed information from an individual case. Interviews were used as the main research methods in the form of open interviews with several themes. Four different target groups were interviewed and these were divided into expert and normal interviews. Additionally, the product groups, as internal customers and purchasing as internal service providers were interviewed to acquire the views of both sides. Observation and discussions were also used as methods.

The internal customers had many wishes that concerned the role of contact persons, service-orientation, and technical knowledge. They considered the rate of staff turnover to be high and responsiveness poor in purchasing. In contrast, the purchasing department claimed that especially sales had not appreciated the value of the newly presented program purchasing organization, which should have led to an improvement to the relationship between sales and purchasing. The responses of the interviewees mainly concerned cooperation and communication. From the interview results it was apparent that the respondents were dissatisfied with the internal service quality at Organisation Y. More team work and face-to-face communication would be desirable between the sales and purchasing functions. When employees form personal relationships with other employees, this can have a beneficial effect on daily work.

No action plan was developed based on this thesis. One reason for this is that Organisation Y is not aware of its own efforts in making improvements regarding the program purchasing organization. Strong opinions were revealed during the research, which is a signal that the internal customer relationship should be more valued in Organisation Y. Recommendations for development in the organisation presented in this thesis include that of a pilot project where the program purchasing organization is once more presented, job rotation, and team meetings between sales and purchasing. Finally, management and the organization should take responsibility in supporting a more integrated cooperation between the departments.

Keywords services marketing, service quality, internal customer relationship, internal customer, service culture, case study

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Tiivistelmä

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Sisäisen palvelun laadun kehittäminen Organisaatio Y:ssä

Vuosi 2012 Sivumäärä 100

Opinnäytteen tarkoituksena oli analysoida sisäistä palvelun laatua Organisaatio Y:ssä tutkimalla sisäisiä asiakassuhteita. Tavoitteina oli tunnistaa kehityskohteita ja vahvuuksia sekä saada työntekijät tietoiseksi sisäisten asiakkaiden tärkeydestä. Tutkimusongelma käsitteli sitä, että pitäisikö sisäistä palvelun laatua kehittää ja jos, millä tavoin tämä voitaisiin saavuttaa. Ratkaisuja tutkittiin selvittämällä sisäisten asiakkaiden odotuksia ja kokemuksia, ja jälkeenpäin vertaamalla näitä sisäisiltä palveluntarjoajilta saatuihin vastauksiin näistä aiheista. Teoreettinen tausta koostui yleiskatsauksesta palveluiden markkinointiin, palvelun laatuun, sisäiseen asiakassuhteeseen ja palvelukulttuuriin. Christian Grönroosin teosta nimeltään ”Palveluiden johtaminen ja markkinointi” käytettiin tässä työssä päälähteenä.

Tutkimusstrategiana oli tapaustutkimus, joka tähtäsi antamaan yksityiskohtaista informaatiota yksittäisestä tapauksesta. Haastatteluja käytettiin pääasiallisena tutkimusmenetelmänä ollen muodoltaan avoimia haastatteluja erilaisilla teemoilla. Neljää eri kohderyhmää haastateltiin ja nämä jaettiin asiantuntija ja tavallisiin haastatteluihin. Lisäksi, tuoteryhmiä eli sisäisiä asiakkaita ja ostoa eli sisäisiä palveluntarjoajia haastateltiin saadakseen molempien puolten näkökulma. Havainnointia ja keskustelua käytettiin myös metodeina.

Sisäisillä asiakkailla oli paljon toiveita, jotka käsittelivät kontaktihenkilöiden roolia, palveluorientaatiota sekä teknistä asiantuntijuutta. He pitivät osto-osaston henkilövaihtuvuutta korkeana sekä heidän reagointikykyä heikkona. Sen sijaan osto-osasto reklamoi siitä, että ennen kaikkea myynti ei ollut arvostanut uudestaan esitetyn projekti osto-organisaation arvoa, minkä olisi pitänyt tuoda parannusta myynnin ja oston väliseen suhteeseen. Haastatteluvastaukset käsittelivät pääasiasiassa yhteistyötä ja kommunikointia. Haastatteluvastausten perusteella saatiin selville, että vastaajat olivat tyytymättömiä sisäiseen palvelun laatuun Organisaatio Y:ssä. Tiimityöskentely ja kommunikointi kasvokkain olisivat toivottuja oston ja myynnin välillä. Silloin kun työntekijällä on henkilökohtainen suhde toisiin työntekijöihin, sillä voi olla hyödyllinen seuraus päivittäiselle työlle.

Toimenpiteitä ei opinnäytetyön perusteella kehitetty. Yksi syy tähän on se, että Organisaatio Y ei ole tietoinen sen omista kehittämisyrityksistä, viitaten projekti osto-organisaatioon. Vahvoja mielipiteitä nousi esiin tutkimuksen aikana, mikä on signaali siitä, että sisäistä asiakassuhdetta tulisi arvostaa enemmän Organisaatio Y:ssä. Tässä opinnäytteessä suosituksina organisaation kehittämiseen ehdotetaan pilottiprojektia, jossa projekti osto-organisaatio esitettäisiin vielä kerran, työnkiertoa ja tiimitapaamisia myynnin ja oston välillä. Viimeiseksi, johdon ja organisaation tulisi ottaa vastuu yhtenäisen yhteistyön tukemisesta eri osastojen välillä.

Avainsanat palvelujen markkinointi, palvelun laatu, sisäinen asiakassuhde, sisäinen asiakas, palvelukulttuuri, tapaustutkimus

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“Marketing is so basic that it cannot be considered a separate function….It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view. Concern and responsibility for marketing must, therefore, permeate all areas of the enterprise.”

Peter Drucker
(Lovelock & Wirtz 2007, 446)

1 Introduction

Drucker expresses concisely the importance of marketing within organizations. After adopting service management, one of the tasks for the company is to make all employees care about their customers and be aware of the customers’ importance. This is most difficult to achieve with internal service providers, because their customers do not supply direct profit. However, the quality of the relationship with internal service providers can be even more significant than the external customer relationship. Drucker continues by discussing the importance of examining business from the final result. Here he refers to the customers’ perspective. Quick and correct service delivered on time could describe their needs according to the author of this thesis. Each employee within an organization shall take his or her own share of responsibility and concern the needs of the customer, whether the customer is an internal or external one. This way the level of satisfaction of the employees is increased, the external customers will be satisfied and finally the profit is high. It is essential to notice that this acquires much work and is not quickly adopted. Nevertheless, it reflects what can be behind an internal customer relationship that is not at a satisfactory level.

Managing services has become more and more important in the increasing competition for the most valuable resource – the customers. As Grönroos (2009, 15) describes a company that wants to survive in the competition has to develop a service offering and adopt service logic in management in daily business. By service offering Grönroos refers to physical products, services and additional activities (Grönroos 2007, vii). Lahtinen and Isoviita (1994, 108–109) also add the additional services such as maintenance as the third part of the service offering. Referring to the views of Grönroos (2009, 15), companies are a part of the service competition, where they compete with their best service offerings. This forces the companies to adopt a service perspective in business, which would mean having customers in the front line.

When a company develops a service offering that answers customers’ needs and provides them value and support, it can reach better service quality. Customers value the way how they are served. It makes a huge difference to the service quality whether the person implementing the maintenance of the customers’ car is friendly or impulsive. The total perceived quality consists of the technical and functional dimensions as well as from the image of the company. The customer assesses the technical quality, which refers to the final product, as well as the functional quality, which refers to the way how the service is delivered. Undoubtedly credibility, assurance, politeness and communication effect to the perceived service quality and already set its own expectations for the possible renewal buying. In addition, the customers' expectations, which include for example sales promotion and marketing communication also affect to the total perceived quality. To conclude, total perceived quality consists of the difference between the expected and experienced service quality. (Grönroos 2009, 101-103, 106; Zeithaml & Parasuraman 2004, 2-3.)

Relationships between companies and customers are naturally a part of the "service logic". Therefore, it is fundamental for a company choosing service-oriented management to adopt relational thinking in customer management. (Grönroos 2009, 16.) The modified definition by Grönroos (2009, 62) describes that a relationship is born, when the customer feels that both sides think like-minded. In other words, this means mutual commitment and, that both the customer and the service provider benefit from the relationship.

Adopting a service perspective into the organization changes several issues there. The company in subject calls itself a service organization. Referring to the framework of this thesis, it means that even though the company in subject sells technical solutions to its customers also the internal customers should be noticed. If service is poorly delivered, there is a possibility the customer becomes frustrated and cooperation suffers. In an internal customer relationship this is especially something to take notice. It is not worth it to lose an external customer. However, when an internal customer is dissatisfied, striving for profit can be already broken in an early stage of the value chain. The value chain begins from raw material, which becomes a product and at last is delivered to the end user. Organizations form these value chains and all departments have their own roles in the chains. (Paavilainen.) In the worst case, if an internal customer relationship is not valued, it causes a chain. The chain consists of several issues connected to each other, starting from employee satisfaction to the company's growth and profit.

A thought behind this thesis is that in every situation the customer should be number one – whether it is internal or external. This thesis strives to get to the bottom of issues that might be on the way when an internal service provider serves its internal customer. Additionally, to provide development suggestions based on the issues. It does not mean if a department has no or very less direct contact with external customers that the employees working at the department would not need to satisfy the internal customers who are daily in contact with the external customers. Zornitsky (1996, 1) defines internal service quality as "*employee satisfaction with the service received from internal service provider*." This definition states that it matters how internal service is provided, because it has an effect on the employee satisfaction, which can affect to profit of the company in the long run.

An example about cooperation in the internal customer relationship describes the challenges of it. An internal customer relationship occurs in an organization within the departments'. The cooperation may be working, but when operations exceed the limits of the department the situation might be vice versa. This means that between different departments the cooperation is more challenging. It is remarkable that the case concerns still one organization. It would be easy to assume cooperation being perfect when there are some end customers to satisfy. However, in reality there is much more than the end customer. Besides the external customer, there are internal customers who are employed in different departments. Everybody in the company should value the end customer as prime of importance. Nevertheless, not all employees do this, because they serve "only" internal customers and never interact with the end customer. Therefore by recognizing internal customers' and working on the internal customer relationship, it can lead to better collaboration and satisfaction in offices.

An internal customer is a customer of the internal service supplier who receives service internally. The sales department is an example of an internal customer. They receive goods or information from the purchasing department and further supply the end customer with these resources. Internal service quality is the employee satisfaction of the internal service received.

1.1 The background of the study

The importance of services and managing them should not be underestimated. Companies are forced to be a part of the service competition and therefore need a completely new perspective to view business. Firstly, customer-orientation needs to become latest now a part of all management decisions. Secondly, the employees should understand the value of services marketing. Companies too often focus on their external customers from where the direct profit comes from. Furthermore, the perspective should be deflected also to the internal customers. All customers are valuable.

Originally, the reason for the theme of this thesis was a discussion the author had with her previous employer. The previous employer described a possible research theme by saying that everyone in the company should understand the importance of marketing in particular. He continued by referring to the importance of a high service level and a fluent interaction between employees within the same organization. Furthermore, after some research of literature and a glance to the previous courses in the University of Applied Sciences, made it clear that a theme within services marketing interested the author. In addition, work experience has given examples from real working life about the challenges in internal communication. Nonetheless, the interaction between people is important to manage well, especially from the "sellers" side.

The company in subject is from now on referred by X, because of privacy reasons. X is the internal customer in this study. The company belongs to the same organization where the opening idea for this thesis came from. The organization is from now on referred by Y. Y is a traditional industrial company though nowadays seeing itself as a service company The department where the author was employed during the process was the sales department product group structures, referred by PG S. Appendices 1 include a list of short concepts, which supports when reading the thesis.

The fact that the Y is traditionally an industrial company accords an interesting perspective for this thesis. In this case, adopting the service logic is usually more challenging. One reason for this is that traditional company's first need to change their competitive advantage from product to service. The price pressure gets higher if a traditional company does not realize to offer customers support along with the core product such as a paper machine. When a company adopts the service logic, it does not mean only offering additional services like maintenance services as the beginning of the introduction defined. Additionally, services such as invoicing and handling complaints may cause a positive image for the customer. This is, if these services also known as hidden services are offered customer-orientated and not as compulsory tasks. It is essential that the company realizes that creating value together with the customer is something where to strive for. The question is, indeed, much about networking with partners like other suppliers. The idea in this is to create a better service offering which meets customer needs. (Grönroos 2009, 497-499.)

The benefit Y will receive from this research is that first time someone is researching at Y the internal service quality between mainly the two departments, sales and purchasing. Purchasing is from now on referred by P. Sales and purchasing are the two main research parties. The internal customer relationship has had problems longer. This aroused in the research interviews. Through this study, X had the chance to express opinions about the relationship to P, whereas P could respond. Based on the results, organization Y is getting an overview of the internal service quality and hopefully takes the recommendations into account after this research. The image gotten from intranet is that the employees are reminded about how important they are, though this is done written in some official documents which are shared internally.

1.2 The company in subject

To clarify the participants P is the internal service provider and X is the internal customer. Both of them belong under the organization Y. Sales department from PG S, are the main internal customers, however, also some other internal customers will be a part of this study. X is organized as a matrix, with the division of product groups (PG) and central functions horizontally and regions vertically (Organizational structure X 2011). In X there are different PG's that are divided by the solutions X delivers to the end customer. Figure 1 and the dashed lines show the parties, which are involved in this study. The end customer or in other words, in automotive industry the original equipment manufacturer (OEM) is left out, because the external customers are restricted out of this study. The OEM's, such as Audi or BMW are the ones selling the final cars to consumers. Despite this restriction the service value chain illustrates that the satisfaction of an external customer has a link to the internal service quality. However, this could already be another topic for a thesis. The service value chain can be found from 2.5.

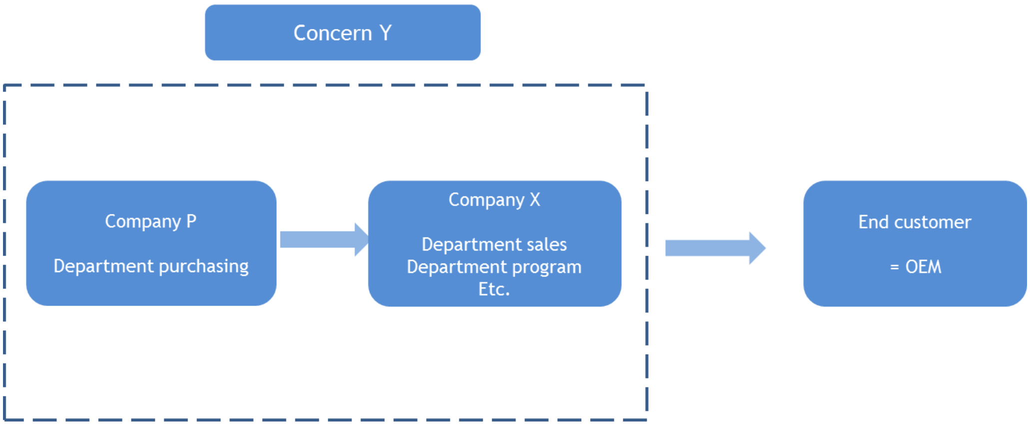


Figure 1: The organization of the participants in this study

The company cannot be analyzed thoroughly, because of privacy reasons. X belongs to the organization Y, which is the organization or in other words, the concern in subject. Y is a big organization that is divided into several branches. In this study one of them is explored, the automotive branch, company X. X is an automotive company that was founded in the end of the 1800's in western Germany. Furthermore, X is a family-owned legally independent company, which produces high technology solutions such as modules, structure parts, exhaust and engine systems, and chassis. When examining the entire Y, X employs most of the personnel in its operations. Company's development, sales offices and plants are spread out into all continents except Australia. (Fortschrittlich aus Tradition - Präsentation der Y 2011.) The headquarters is located in western Germany where most of its employees are physically employed.

Besides X, also purchasing department (P) is another essential, but a smaller part in this study. The research questions handle X, but the interviews, results and analyzing combine both the opinions of X and P. P has experienced a reorganization, that is not however their first one. This reorganization happened last year and brought naturally some changes with it. Formerly, P was a part of X, but today not anymore. Employees have been leaving and coming, the organization chart had changes, and commodity groups have been reviewed and newly presented. Commodity means the material such as aluminum, steel or metal. This thesis focuses on sales, which belongs to X, as an internal customer. It also reviews to the notions of other internal customers in the PG's. The reason why also the internal service providers (P) are interviewed is that this way the results can be equally discussed and no one has a favorable position.

There are observations about what Y and the companies belonging under it, divisions, have done towards becoming rather a service company. At first, X designs products together with the end customer and has a firm bond with the end customers in the entire process after getting the offer until the start of production. Even in the series production, where the products run for a bit over five years, it is still possible that customers have requests for modifying some modules in the car. (Employee 3 2012.) Secondly, the reorganization of purchasing creates savings to the entire organization, because of purchasing actions are now centralized. From all divisions as in X and others, which are not in this thesis mentioned, the purchasing actions are transferred into one company (P). Before, each division purchased raw materials and other material by themselves. As a consequence of the reorganization savings occur, P is the only party purchasing materials. Savings occur because there are fewer interfaces, which cause reduction of transaction costs. In addition, the demands are bundled and synergy causes effects. (Purchasing_Keyfacts_Procurement philosophy 2012; Employee 7 2012.)

1.3 The purpose and objectives of the thesis

The purpose of this thesis is to analyze the quality of internal service at the organization Y by researching internal customer relationship. The perspective is the internal customers. In this thesis the internal customers are mainly the employees of the department where the author was employed at the time of this research, which are sales PG S. Besides PG S, also PG C and program employees will be interviewed. Another concept of the program department is project management and it is the interface for purchasing. Furthermore, the objective is to identify areas for development and strengths, as well as to make employees aware of the importance of the internal customers. After a company is aware of its development points within service quality, it can strengthen these, whereas the strengths should be valued. Solutions will be researched by determining the expectations and experiences of internal customers, and later comparing these with the responses of the internal service providers to these themes. Open interviews with several themes are the main research method.

This thesis handles themes within service management and marketing. Internal service quality is particularly the essence of this subject and hopefully X, P and the entire organization Y benefits of the suggestions made in the end.

In this thesis, applying service logic purposes that also the employees should understand the meaning and the importance of the internal customer relationship. The internal customers should be realized and wishes and needs should be taken into account. The internal service providers shall be guided in how to serve the internal customers. Even though the internal service provider for example P would not have any or has poor contact with the end customer, it does not mean that they would not need to think about the best way how to serve the internal customer. Actually, it is the task of the management to control the situation and develop some concrete actions towards a better internal customer relationship. When there are financially hard times in the organization, the attention should especially be concentrated on the organization, into the relationship between different departments. Possibly there are some frictions that should and can be opened.

The objective of this thesis is to implement a successful case study in close cooperation with X and P. Another objective is to provide Y with valuable information to develop their way to even more an integrated service company. The author's own learning aim is to understand the theory of services marketing and its link to internal service quality. In addition, probably the most important aim is to understand what X expects and wishes from the relationship towards P and how P reacts to the answers received from X.

1.4 The research problem and approach

The research problem in this study is the extent to which internal service quality should be improved, and if so, the ways in which this could be achieved. The answer for the research problem is studied through interviews. The possibility to ask the internal customers directly face-to-face about their feelings towards the internal service quality is valuable. This chance is used to research the expectations and the perceptions of the internal service quality. In conclusion, customers are the ones to listen and satisfy.

The research is a case study which strives to give detailed information from an individual case. Qualitative methods, interview and observation as a part of the interview, will be used to gather data. The interviews will be recorded if possible and material will be transcribed later. The research questions, main and sub questions, will be answered and recommendations suggested. The questions meant for the interviews, will be asked in an interview from mainly the employees that X gives as a resource for this study. Also other employees from X, having interest and some employees from P are interviewed. Questions for P were done after these interviews with X.

In this case the research was started by interviewing some sales employees and a program employee in either an open, single or couple interview. The author had an interview with the sales managers, some sales administrates, and project leaders to get a picture about what are the wishes and needs regarding to the internal service quality. Furthermore, the author wanted to learn with what attitude the employees react towards the subject. In the end, these so-called reflective interviews were used as a base to build up suitable questions for P employees to ask their response. Kananen (2009, 27) mentions the reflective interview, which primarily is introduced by Gabor (1993, 12). It is one of the techniques that can be utilized in such a pre-discussion to find out development areas (Kananen 2009, 27). The reflective interview concerned the issues under the topic of internal service quality. The theme of this study was previously decided in understanding with X.

As literature of service quality is already having a ready method called SERVQUAL, therefore it will be used as a support in analyzing the results. The method combines customers' expectations and perceptions and therefore is suitable in this thesis. Not only to analyze the results, but also to give a background to the research questions asked from the employees in X. The questions were created after first getting familiar with the theory of service quality SERVQUAL method (Zeithaml etc. 2004, XI-XII). The method itself consists of five dimensions namely, tangibles, reliability, responsiveness, assurance, and empathy, which can be used in a quantitative study with a survey. These dimensions are valued by customers. When trying to modify the method to a qualitative research, it is not working. The author felt the method used as it is in literature introduced is extremely systematic and for the aim of this thesis it would not suit.

That is why a qualitative research method was chosen for this thesis. Because this study is a qualitative research, SERVQUAL will not be utilized as it is meant for a quantitative research. In a quantitative research a survey is created based on the mentioned five dimensions of SERVQUAL. Nonetheless, the dimensions will support this thesis when analyzing the results. This study examines the results through discussions with the employees. Issues that arise in the interviews are presented by grouping them under themes, research questions, and how it is clear for the reader to follow.

The author strives to understand the feelings of the examined and therefore tries to go deeper in the research situations to get answers with descriptions. In addition, the total service quality model by Grönroos will be used to differentiate whether the quality issues are more on the outcome or the process dimension. The theory from service quality will be presented in chapter 2.3.

Main research questions:

1. How does the internal customer experience the internal service quality?
2. What does the internal customer wish from the internal service provider?
3. How have the reorganization of purchasing affected to the way purchasing serves sales?

Sub research questions:

1. Do the expectations meet perceptions?
2. Strengths and development points?

The two main and sub research questions as in 1, 1.1, 2, and 2.2 are under greater focus. The question 3 is concerning the reorganization of purchasing, which is taken to this thesis, because of the actuality of it. After the interviews concerning the internal customer expectations and experiences are carried out, the purchasing employees will be interviewed and their responses asked. P is having its own questions, which are created based on the interviews with X. In the P interviews themes will handle mostly the internal marketing. After all interviews a SWOT analysis will be implemented to bring together equally aspects, both from the internal customer and from the internal service provider.

To give an insight to the background information from the respondents the examined employees mostly had an economic engineer's education, which has given them skills for both business and technical issues. The interviews were mainly performed in the office in the middle of the work, what made it for some parts challenging for them to adapt the vocabulary of this thesis. Some were aware of service-orientation and gave examples from previous employers, when for some it was a bit more challenging. After the researcher introduced the theme and explained the concepts the discussion could go on quite fluently.

The German and Finnish law regarding the University of Applied Sciences is not identical as for open publication of the thesis. The author decided together with the mentor from X (Employee 15, 2012) that all employees interviewed would remain anonymous within this thesis. The solution is that each interviewed employee has a specific number and these ways are divided from each other. The mentor from Laurea University of Applied Sciences confirmed that it is possible. The author asked the permission from each examined and explained the varying law in the two countries. An extra confidentially list (appendices 10) is given to the Laurea University of Applied Sciences that includes the names of each interviewed employee and a link to the employee number. There was an effort together with the law department in X to create a statement where each employee could choose themselves, by signing the document whether they wanted their names published. This did not turn out successful and therefore was left out.

1.5 The restrictions of the study

Services marketing will be explored to give an insight about what belongs behind the concept of internal service quality. In addition, the nature of services will be discussed to understand how they vary from products. Relationship marketing is discussed to understand when a relationship is being born. The concept of service quality will be thoroughly handled, because it is an essential part of this thesis. This research is about finding out whether the internal service quality needs improvement or not. Literature is mainly from the external customer relationship, which will be modified into the use of internal customer relationship. Additionally, some electronic sources from the internal customer relationship are used.

This thesis can be divided into two parts. Firstly, the customer gap that emerges between the expected and perceived service the company provides. As a result the gap between these two can be counted and improvements can be suggested. This gap is illustrated in figure 2. Even though finding out the internal customer expectations and perceptions is one of the reasons why this study is implemented, internal marketing is the second part of this study. Internal marketing is a strategic point of view where the internal customers are seen as the first market (Grönroos 2009, 443). Rope (2005, 604) brings out that internal marketing is connected into services marketing as they both developed together around the 1980's. As internal marketing is the precondition of customer management it is relevant regarding this research (Grönroos 2009, 443). When having the chance to run discussions with the internal customers' and the internal service providers', the combination of the two parts of this study creates a combined picture. However, internal marketing will not be a part of the theory, rather kept in mind when creating the research questions for P and analyzing the results.

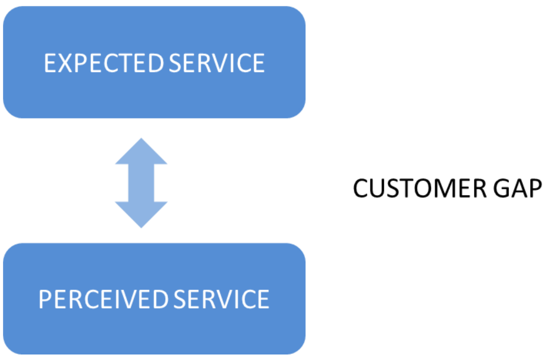


Figure 2: The customer gap

1.6 The structure of the study

This thesis consists of eight main chapters, which are shown in figure 3. At first, the introduction includes the presentation of the subject with theoretical sources, background of the study, company in subject, purpose and objectives of the thesis, research problem and research approach, restrictions of the study and the structure of the study. The theoretical background is built with services marketing, service quality and internal customer relationship. The main concepts end up into a summarizing framework illustrated as a figure. The theory consists of both external and internal customer relationships, even though in principle this thesis focuses on the internal customer relationship. The theory parts dealing with service logic and service quality are from the perspective of an external customer relationship. Nevertheless, they are modified mostly to the use of internal customers, latest when explaining the figures and tables. Furthermore, research approach deals with the introduction of various research methods, chosen method for the particular study, methodology, analyzing the data, validity and reliability. To attain a more specific image of the company in subject, the empirical study encompasses this and introduces the results of the study with comments. Then the conclusion, recommendations and some new possible research topics are introduced, followed by the theoretical linkage of the theory and the research and how research met the validity and reliability demands. At the end a summary sums up the entire thesis. To give a picture of how the process of writing this thesis succeeded the last chapter will be about the author's personal comments on the entire process as well as feedback given by the respondents.

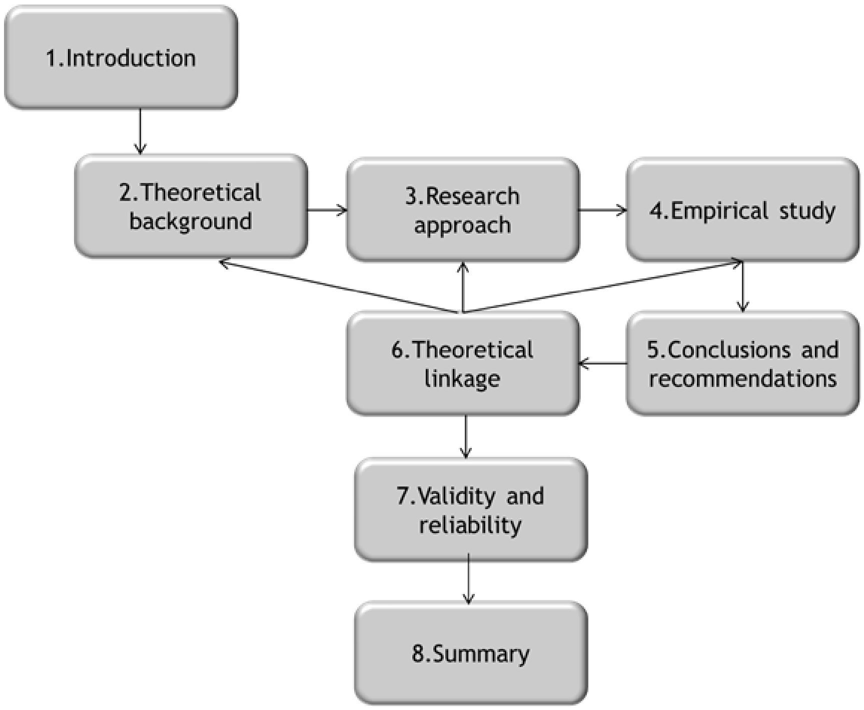


Figure 3: The structure of the study

2 Theoretical background

The following chapters introduce the theoretical background in this study. It consists of services marketing, services, service quality, internal customer relationship, and service culture. Services marketing are chosen as the theoretical base for this study, because this thesis is about researching the internal service quality. Customer-orientation is closely relating to services marketing. The theory introduces the challenges an industrial company like Y can face, when striving for a customer-oriented operation and to a service culture. Moreover, service quality discusses what service quality means and about what does it consist. Internal customer relationship focuses on the internal relations in a company. Because not much literature was found from internal service quality, the concepts under services marketing were chosen. The chapter ends up in a summarizing framework and explains the main concepts in this study.

2.1 Services marketing

Since the 1980's the concept services marketing have been in discussion between the researchers and slowly it is brought into the knowledge of business people and students. One of the sources of this phenomenon began from Scandinavia where the so-called Nordic school, which focuses on the research of service management and marketing, was founded. (Grönroos 2009, 45.) Besides services marketing, concepts like service quality, relationship and service management have been created and are nowadays applied in many businesses or at least are on the way to be.

The importance of the concepts such as services marketing and service management are highlighted, because the competition in markets is becoming tougher and the companies' ability to differ with its physical product or service is getting almost impossible. This applies to both an industrial company and a service company. Furthermore, it is the same with companies selling to companies and to consumers. (Grönroos 2009, 15.) Only if a company has a technical advantage it can use the product as a competitive advantage (Grönroos 2009, 27). To accomplish sustainable business it requires a totally new way of thinking. The traditional way of thinking is that customers use the total product or service. The new way of thinking is that customers actually utilize the service, the product or the core service can provide them. In other words, companies must realize that the customer is interested in the service which the physical product or core service facilitates. The service delivered to customers, is called a support, which creates value for customers everyday processes. This support can be offered by creating a service offering that consists of additional functions needed together with the physical product, service and support. Companies' struggle with, which one of the companies will be able to create the pre-eminent service offering that correspond to the customers' expectations. This is a challenge and requires the adoption of the service logic and introducing it as a part of the management decisions. The industrial companies face the biggest challenge in this change. (Grönroos 2009, 15 –16.)

Managing business by service logic is getting easier, because services are inherently relationship related. In other words, there are naturally interaction relationships in the exchange of services. The requirement is though, that the customer management will adopt a customer-focused approach. The truth is that hidden relationships between the company and the customer always exist. However, the customer does not necessarily appreciate a relational approach to customer management. It refers to the readiness of the customer to commit in a relationship with the company also referred as a service provider. The same applies to the service provider. It is not always advantageous for the service provider to develop a relationship with the customer. (Grönroos 2009, 16; Grönroos 2007, vii.)

The concept of customer management, that Grönroos (2007, viii) brings up simply means the way the company relates to its customers in service competition. A familiar term for customer management could be a marketing approach. The importance of customer management is in its goal to create permanent customer relationships and to achieve repeat business. Repeat business or repeat purchasing means getting the customers to buy again. In the concept of marketing, the most important action is to acquire customers to the company. The concept marketing, which comes from the industrial time, is updated to fill the needs of the new era of services marketing. (Grönroos 2007, viii.) If a company decides to choose service perspective in their business, managing relationships with customers and other stakeholders becomes at the same time fundamental. Examples from stakeholders are suppliers, distributors, financial institutions, and shareholders. Thus, marketing based on customer relationships, becomes important for understanding how to manage a company in service competition. (Grönroos 2007, 8; Gummesson 2008, xv.)

Services marketing has been facing problems and some new theories have been introduced. Furthermore, customer needs are valued. Two approaches come up. Firstly, marketing should be seen as a process. The intension of it should be to create, sustain and promote long-term customer relationships. Secondly, the internal interactions that occur between the employees and interactions between employees and customers are forming an important part in this process. (Blomqvist etc. 1993, 18-19.)

2.1.1 Relationship marketing

As in previous chapters referring to interfaces between people, the introduction of relationship marketing is current. The concept relationship marketing was created by Leonard Berry

(Blomqvist, Dahl & Haeger 1993, 19). Gummesson approaches the concept by introducing 30 different kinds of relationships. Indeed, by reading the preface of his book he introduces rational reasons why it is so important to manage relationships, not only with the customer, but also with the supplier, employees as well as with other stakeholders. He discusses value creation for these parties. The ideology behind his work is that relationships are the only real asset of the organization. The word asset is here changing its meaning. Traditionally the term is used when referring to something that creates revenue in the short term such as products. However, relationships provide long-term revenue with low risk. No organization can create value to customer alone within one department. If relationships are the key assets of an organization, the focus should be turned into building these relationships. It is essential to involve the whole company. (Gummesson 2008, xiii-xv.)

There are several of other perspectives to view the customer relationship such as attitude or amount of purchases. The latter suits more for external customers rather than internal ones even though inside an organization two independent companies can exchange goods and transfer the payment. Relationship marketing is dependent on the attitudes of the employees and commitment as well as of the results of work. Internal marketing shall be first in shape before actions towards relationship marketing can be done. (Grönroos 2009, 60.) Internal marketing is not belonging to this thesis as theoretical background, but it has a contact surface to this study. An assumption is that, if the internal service quality needs improvement in Y, some actions within internal marketing need to be undertaken. Thus, it brings up again the connection of when the internal customer relationship is having problems; also the service towards external customers suffers.

Along the issues mentioned in the two previous chapters, relationship marketing offers the perspective of process management. Theoretically when relationship marketing is applied in a company the traditional way of operating, referring to functional management should be forgotten. Instead, process management should be applied as an alternative. Process management strives for cooperation between departments. This operating sequence between for example sales, purchasing, invoicing and maintenance shall be coordinated and controlled as one process A functional organization refers to an organization where each department or function highlights their special knowledge rather than cooperation with each other. The result is partial value instead of total value. The latter is what the customer expects. (Grönroos 2009, 57.)

As the introduction articulated, a relationship is born when a customer feels both he or she and the service provider think link-minded. Grönroos (2009, 60) clarifies a wrong assumption by stating that it is necessary to remember that when the marketer believes a relationship is born between him or her and the customer, it is fiction. He continues by mentioning that marketers seem to forget the opinion of the customers. This means that the marketers begin too early to apply relationship marketing. In relationship marketing the focus should be on the customers. A customer might still cogitate that the service is slow even though the marketer has modified its regular customer club membership more customer-orientated. The customer might benefit from the changes, but still the relationship is not developed. (Grönroos 2009, 60-61.)

2.1.2 Customer-orientation

Nowadays in the middle of the increasing competition, to differentiate from the other company customer-orientation is something to improve. When focusing on the customers, the purpose is to improve the service quality. This is, because the customer needs are this way noticed more than before. In addition, when applying customer-orientation the company should communicate the change to the entire organization. Many things alter when this works in an excellent way. Literature reveals some examples of best practice organizations, which compete in competitive marketplaces. Those organizations have been facing benefits from taking customer-orientation into action. The image in the customers' point of view is likely to get better when the organization changes its marketing strategy towards customer relationship management and marketing. The step to take is to enter from marketing department to a fully marketing oriented approach or in other words, customer management. (Cook 2002, 2.) The benefits gotten from marketing approach are listed in table 1.

Benefits of marketing approach
• differentiate itself from the competition
• improve its image in the eyes of the customer
• minimize price sensitivity
• improve profitability
• increase customer satisfaction and retention
• achieve a maximum number of advocates for the company
• enhance its reputation
• ensure products and services are delivered "right first time"
• improve staff morale
• increase employee satisfaction and retention
• increase productivity
• reduce costs
• encourage employee participation
• create a reputation for being a caring, customer-oriented company
• foster internal customer/supplier relationships
• bring about continuous improvements to the operation of the company

Table 1: Benefits gotten from the marketing approach
(modified Cook 2002, 2)

When discussing about a customer-orientated organization, it means that the customer is in the front line. The needs and wishes of the customer are heard. It has no effect whether they come from an internal or external customer. The triangle shown in figure 4 illustrates the way a service organization is built. Sales are positioned at the peak of the triangle, whereas other departments are having a supporting role in serving the end customer. This means that for example controlling, purchasing, or logistics shall offer sales excellent service by focusing on the end customer. However, the targets are often different for example with purchasing and sales. The task of the management is to organize the company in a way that supports the end customer in the best possible way. The focus of all employees should be the peak. Sales deliver customers with products and services directly from the peak and therefore needs support from other departments. Figure 4 is modified from a figure that Lovelock and Wirtz (2007, 336) present in their book about services marketing.

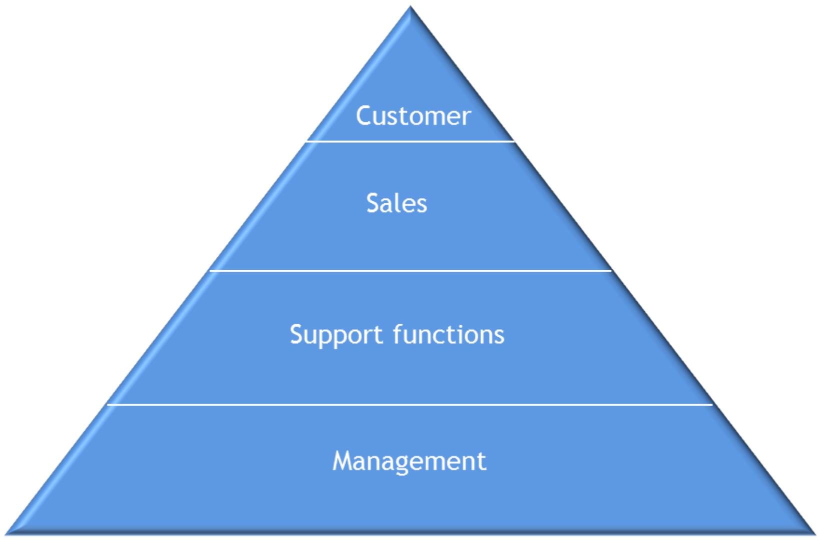


Figure 4: Customer-orientated company
(modified Lovelock and Wirtz 2007, 336)

2.2 Services

Services have been changing the way companies operate in business life. Nevertheless, services are not the first time a part of the offering in markets. This time no matter if the solution offered to the customer is a physical product or a service, both are treated by the rules of services management and marketing.

2.2.1 Definitions for services

Firstly, there is not only one definition for services, but there are some characteristics that come out again and again in literature. Zeithaml, Bitner and Gremler (2009, 4) describe "*ser-*

vices are deeds, processes, and performances provided or coproduced by one entity or person for another entity or person." In other words, services are something else than a tangible thing. Services cannot be touched, seen, or felt and are this way intangible. To give an example, IBM serves offers training service for its customers. The training session is a service referring to an intangible, but the possible instruction material is a tangible included in the service. (Zeithaml etc. 2009, 4.) Grönroos introduces an alternative definition by expressing a service is "*a process consisting of a series of more or less intangible activities*". He continues "*that normally but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems*." (Grönroos 2007, 52.)

The most critical definition arises from Gummesson, which Jackson and Alvarez (1) mention. The definition defines services the following way "*services is something which can be bought and sold but which you cannot drop on your foot*." (Jackson etc., 1). It refers to the aspect that services cannot be concretely touched. Both Gummesson and Zeithaml etc. agree with the definition, even though the latter gives a more expanded definition.

2.2.2 Characteristics for services

Services have own characteristics, which differ clearly from the characteristics for goods. Figure 5 shows four characteristics of services. Services are *intangible* meaning they cannot be seen, touched or felt, because they are no objectives. Services are *heterogeneous* meaning that service delivery and customer satisfaction depend on employee and customer actions. Service delivery means the process when the service is delivered from the company to the customer. Thirdly, services are *produced and consumed simultaneously*. As last characteristic, services are described as *perishable* meaning that services cannot be saved, stored, resold, or returned. (Zeithaml etc. 2009, 20–22; Parasuraman, Zeithaml & Berry 1985, 41–50; Vargo & Lusch 2004, 15.)

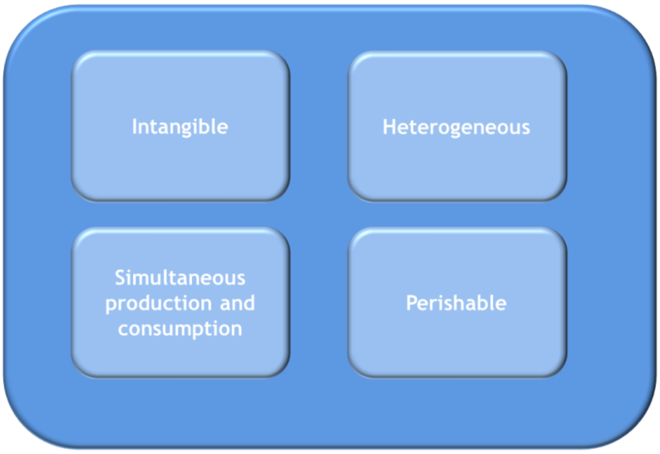


Figure 5: Characteristics of services
(modified Zeithaml etc. 2009, 20)

Besides the four characteristics of services, the expression *services are processes* is strongly agreed by Bruhn and Georgi (2006, 13). They place all the other characteristics intangibility, heterogeneity, perishability, simultaneous production and consumption, co-production by the customer, and services being non-transportable under the concept of services are processes (Bruhn etc. 2006, 13). They agree with the four characteristics that Zeithaml etc. (2009, 20-22) bring forth, but add two additional ones that are the co-production by the customer and services being non-transportable. However, Grönroos (2009, 79-80) names three basic characteristics of services. Firstly, the services are processes, which consist of functions or a series of functions. Grönroos believes it is the most important characteristic for services. The processes take advantage of several resources such as people and systems. Secondly, services are at some extend produced and consumed simultaneously. Thirdly, the customer participates in producing the service together with the service provider. The two latter characteristics are a result of the process feature which shows the importance in understanding the process characteristic of services. (Grönroos 2009, 79-80.) It appears that Bruhn etc. (2006), Zeithaml etc. (2009) and Grönroos (2009) value the process nature of services. Admittedly, the time when service is produced, consumed and delivered happens in a process. The process includes many interfaces between the customer and the service provider.

Grönroos (2009 76-77) names services as a complex phenomenon that has various meanings. Services can be a personal service, such as a hairdresser, a physical product or a service offering. Almost anything can be called a service. Even a clear product like a machine can be changed into a service by customizing it into specific customer needs. Administrative services such as billing and reading of complaints are also services provided to the customer. These services are so-called “invisible services”. Unfortunately, they are often seen as problems rather than real services. When the company would focus more on these kinds of services it could give the company a competitive advantage. (Grönroos 2009, 76-77.) If the company sees the invisible services as a possibility to offer excellent support even in administrative routines, the customer will notice this and start to appreciate it after a while. As a consequence, the complaining customers will disappear and change to satisfied customers.

2.2.3 Three additional variables for the marketing mix

The traditional marketing mix consists of price, product, place, and promotion and is known as the 4P model (Kotler & Keller 2006, 19). The 4P´s will not be discussed in this thesis, because of their non-relation to purely services. Blomqvist etc. (1993, 17) bring forth in the book, which is written about relationship marketing, the message of Gummesson, that the 4P is an American way of thinking marketing. Gummesson continues that companies acquire customers to purchase by utilizing the 4P model in marketing decisions. However, he states that the approach is manipulative and the target, referring to the customer, is an unknown mass.

(Blomqvist etc. 1993, 17.) In other words, the customers are underestimated. The marketers are the wise ones knowing what and how to act to get the customers to purchase. This is the opinion of Gummesson.

Finally, if the 4P model is valid in making product decisions, additional variables shall be added when applying the model for services. Three variables that are added are *people, physical evidence*, and *process*. Thus, the model is called the expanded marketing mix of services or the 7P'. (Zeithaml etc. 2009, 24.) Table 2 (page 27) shows these three P´s and lists down concepts belonging under each P. Grönroos (Blomqvist etc. 1993, 17) criticizes the expanded model by disagreeing that adding some variables would improve it. As there have been changes in the society and business, as competition has been getting tougher and technical possibilities for companies to utilize customer data are applied, these effects to the need of a new marketing thinking. The lack of traditional marketing comes up especially in services marketing. (Blomqvist etc. 1993, 17-18.)

As noted, people, physical evidence, and process are suggested as the three additional P's to the services marketing mix. Referring to chapter 2.2.2, services are usually produced and consumed simultaneously. It means that the customers are often in the company's factory when enjoying the service. In addition, interaction with the personnel is an essential part of the service process. Customers participate in this process. Nonetheless, the customers also pay attention to the physical surroundings, such as the dress of the employees or the facility design. The facility design means for example the cleanness of the company's work place. This is a part of the service experience and based on these experiences the customers make their assessment of the service quality. (Zeithaml etc. 2009, 24.)

Because the 4P's have been a part of the traditional marketing mix for so long and because, this thesis handles services, here it is only relevant to discuss the three new variables. The issues under the 3P's are introduced and can be found from table 2 (page 26).

<table>
<tr><th>PEOPLE</th><th>PHYSICAL EVIDENCE</th><th>PROCESS</th></tr>
<tr><td rowspan="5">Employees
• Recruiting
• Training
• Motivation
• Rewards
• Teamwork</td><td>Facility design</td><td rowspan="3">Flow of activities
• Standardized
• Customized</td></tr>
<tr><td>Equipment</td></tr>
<tr><td>Signage</td></tr>
<tr><td>Employee dress</td><td rowspan="2">Number of steps
• Simple
• Complex</td></tr>
<tr><td>Other tangibles
• Reports</td></tr>
<tr><td>Customers
• Education
• Training</td><td>Business cards
• Statements
• Guarantees</td><td>Customer involvement</td></tr>
</table>

Table 2: Three additional P´s for the marketing mix
(modified Zeithaml etc. 2009, 24.)

People working at the company are having interaction with the customers. A customer includes things such as the way how the employees treat the customer and how they are dressed to his or her assessment of the perceived service. Zeithaml etc. (2009, 24-25) are paying attention to this, as well as to the point that no matter if the service provider is the service or if the service provider only plays a small part in service delivery, the person can still have a critical effect on the organization. In other words, when the service provider is an airline baggage handler, the role is not in comparison with the main service, flying. On the other hand, when the service provider is offering teaching, it is up to him or her how the service goes forward. (Zeithaml etc. 2009, 25.) In the first example of flying, the service provider is having a small part of the service delivery and in the latter the service provider is himself or herself the service. However, in both examples it is vital that the service is provided fluent. In addition, the customers can affect themselves to the service quality and customer satisfaction. If they are providing information on time, that is relevant and implementing recommendations, the result should be successful. If the customer leaves some parts out, it is useless to accuse the service provider for faults when the customer left few issues undone. Additionally, the customer can effect to other customers either by damaging or making other customer experiences better. (Zeithaml etc. 2009, 25)

- ✓ *“People: All human actors who play a part in service delivery and thus influence the buyer’s perceptions: namely, the firm’s personnel, the customer, and other customers in the service environment”* (Zeithaml etc. 2009, 24).

The physical evidence has an effect on the assessment of the delivered service. It includes different kind of things such as brochures, business cards, equipment and in some case the physical facility. This does not handle telecommunication companies. However, tangibles such as a repair truck might grow into a value unexpected. The physical evidence is fundamental for the customers, especially when that is the only thing to judge in service quality. (Zeithaml etc. 2009, 25.)

- ✓ *"Physical evidence: The environment in which the service is delivered where the firm and customer interact, and any tangible components that facilitate performance or communication of the service"* (Zeithaml etc. 2009, 25).

The customer includes the quality of the process, such as the actual delivery steps in the evaluation of the service. Especially when the service is complex it requires customers' careful attention on the actions belonging to the complicated process. An example is when a service is bureaucratic. In this case, the customer is often confused. Other characteristics of the process variable are whether the process is empowered or customized, or whether the service follows a production-line or standardized approach. These the customer might take into account when judging the service. (Zeithaml etc. 2009, 25.) In other words, when the service itself is hidden all these three P's are vital sources for judgment.

- ✓ *"Process: The actual procedures, mechanisms, and flow of activities by which the service is delivered – the service delivery and operating systems"* (Zeithaml etc. 2009, 25).

2.3 Service quality

As service quality has become a key marketing tool in all kinds of organizations it has led the managers in front of a challenge. All kinds of organization refer to both traditional and service organizations. The challenges can occur in both business-to-business and business–to-customer relationships. Analyzing and paying attention to service quality helps a company achieve differentiation and to foster loyalty. Services cannot be calculated by durability rather the focus is on how the customers experience them. Each customer experiences the same service differently which causes challenges in measuring service quality and afterwards in improving it. (Zeithaml & Parasuraman 2004, XI.) Service quality is indeed one of the most researched topics in the field of services (Zeithaml etc. 2004, XVII).

More or less, services are complicated, which is why service quality should not be underestimated. Basically, the product quality is related into its technical characteristics. The complexity of services derives from the fact that services "*consist of processes, where the production and consumption cannot totally be separated and where the customer is actively taking part in the production process*", referring to Grönroos (2009, 98). (Grönroos 2009, 98.)

When the service provider understands, how the customers experience the quality and assess it, the service provider can define how these assessments can be managed and guided in the desired direction (Grönroos 2009, 99). In other words, to be conscious about the issues needing improvements, the company must know first what things effect to the judgment of the service quality. In 1982 Grönroos brought service-orientation to the quality thinking by introducing the concept of perceived service quality and the model of total perceived service quality. The comparison of the expectations to the perceptions of the process and the outcome dimension form more and more the basis in service quality researches. (Grönroos 2009, 99.)

Customers perceive service quality widely. Thus, quality shall be also defined in a comprehensive way. In literature quality is analyzed by how customers perceive it. The problem is that organizations connect especially the technical characteristic of the good or service to the perceived quality. In reality, the perceptions are based on a variety of other things. Therefore, it is extremely important to define quality the way the customers define it. Otherwise, the problem can be that in extensive quality projects some wrong actions are implemented. This way money and time are wasted. (Grönroos 2009, 100.)

2.3.1 Service quality dimensions

The perceived service quality has two dimensions *technical* or *outcome dimension* and *functional* or *process-related dimension*. When a consumer visits a restaurant and receives a meal, the meal is an example of the outcome of the service. The question is *what* and a meal is the answer. Nonetheless, this is frequently on the managers' mind when companies decide on how to estimate the perceived quality. As a matter of fact, the outcome dimension or in other words the technical quality is the only dimension that is left on the customers' hands after the production process and interaction between buyer and seller is over. The other side of the quality is the process-related or functional dimension. There are many interactions between the customer and the service provider, as well as either successful or failed moments of truths, which means the technical dimension is not enough for the assessment of the quality the customer perceives. (Grönroos 2009, 101.) A moment of truth refers to a moment when the customer and the service provider or some system interacts and the moment is critical regarding the quality experience (Grönroos 2009, 111).

Furthermore, the customer cares also about *how* the outcome is delivered. The dress code of the waitress or the behavior of a salesman effects as much as the outcome of the perceived quality. This dimension is closely related to taking care of the moment of truth. The difference between the technical and functional dimensions is that the latter cannot be assessed as objectively. Besides the two dimensions the image of the company belongs to the model of two service quality dimensions. The customer often sees the service company and its resources, methods, and processes therefore it has an effect frequently on the perceived quality. The image of the company acts as a filter for the perceived quality. When the customer has a positive image of the company the customer probably allows few mistakes occur and accepts them. Whereas, when mistakes become self-evident truth, the image of the company suffers. When the image is negative, the next mistake affects relatively more. (Grönroos 2009, 101-103.)

Quality is often considered as the most significant factor in achieving competitive advantage, therefore it is not useless to analyze the two dimensions – technical and functional, more precisely. When the company chooses one of the two dimensions, it can start to develop its business in the wanted direction. It is difficult for a company to withdraw on a technical solution, because the consequence can be that competitors are soon copying the idea and eventually end up in a similar solution. (Grönroos 2009, 104). The technical quality shall not be forgotten. The technical developments in a solution are vital and even wished to be developed (Grönroos 2009, 29). Referring to Grönroos (2009, 104) "*the technical quality has to be acceptable*." Acceptable quality depends on the customers' needs, expectations and companies' strategy. When the outcome is positive its purpose disappears. Alternatively, the customers do not necessarily appreciate the service and assess it as high quality. However, when the company wishes to fulfill this, it should keep the functional quality also fluent. When the company pays attention to this demand, it can achieve appreciation among the customers' compared to those companies that leave the functional dimension aside. (Grönroos 2009, 104.)

The two service quality dimensions and image were described to give a background to the model illustrated in figure 6 (page 30). The model of perceived quality was created for managers and researchers understand by which variables customers define service quality. The model was constructed to picture, how the customers perceive the characteristics of services. After this is known, it is possible to figure out, how satisfied the customers are with the service. In the context of service quality research the focus has been in others than normal customer satisfaction surveys. (Grönroos 2009, 99.)

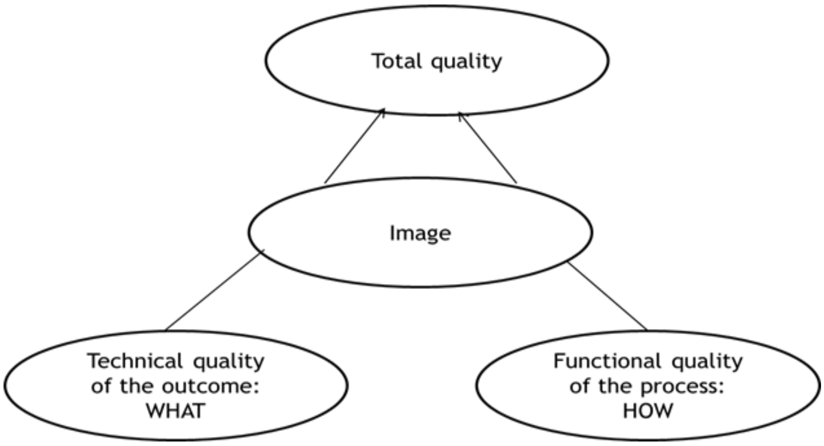


Figure 6: Two service quality dimensions
(Grönroos 2007, 74)

2.3.2 Model of total perceived quality

The way how a customer perceives the service quality is not only based on the technical and functional dimensions, but much more. Figure 7 (page 31) illustrates the wider picture of what is all included in the total perceived quality by Grönroos (2009, 105). The model shows how the perceived or in other words experienced quality is connected into traditional marketing actions, and eventually leads to total perceived quality. The main interpretation of the model is that the total perceived quality is satisfactory when the experienced quality answers the expected quality.

The expected quality depends on several marketing activities like marketing communication, word of mouth, the image of the company or a part of its, public relations, and the needs and values of the customers. Marketing communication consists of advertisement, direct marketing, sales promotion, internet pages; communication in internet and sales campaigns. Marketing communication is completely in the control of the company. Instead, the image, word of mouth and public relations can be controlled only indirectly by the company. These are influenced mostly by the company's previous success. Finally, the customer needs are affecting to expectations. If the company promises too much in an advertisement, the customer has huge expectations from the service that is about to be implemented. When the customer feels the company gave him or her less than it promised for sure the customer evaluates the total perceived quality low. Therefore, it is better to promise less and provide more. The company gets a chance to surprise the customers, which improves customer loyalty and can lead eventually to repeat purchases. (Grönroos 2009, 106.)

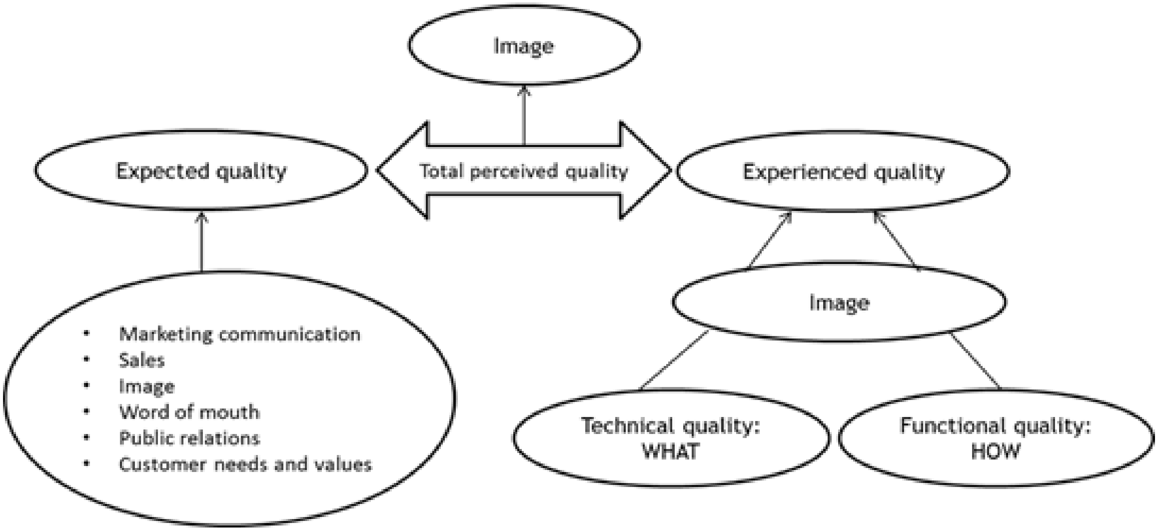


Figure 7: Total perceived quality
(Grönroos 2007, 77)

2.3.3 Moments of truth

Situations where the customer interacts with the service providers', employees, or systems are vital regarding to the experience of perceived quality. This situation is named a moment of truth. Richard Normann created the concept. These interactions determine the level of the process-related dimension. (Grönroos 2009, 111.) The moment the interactions happen, the service provider has a once in a lifetime chance to show the service quality. It might be so that shortly the moment passes by and the service quality can only go down. A possible consequence is a loss of the customer. In addition, several other customers might stop purchasing when the dissatisfied customer spreads the word out. Grönroos (2009, 111) interprets that if the quality is facing some problems it is too late to start repair work. Instead, he believes a new moment of truth shall be created by calling the customer to apologize the mistake and to explain why something in the service process went wrong. Possibly the effort makes the customer at least somewhat satisfied, but no assumption should be that the service level would be fluent due to this action. (Grönroos 2009, 111.)

2.3.4 Measuring service quality

Naturally service quality has to be measured and probably it would be easiest by measuring the customer satisfaction. The service quality research has focused on developing direct methods for measuring the service quality. There are two measurement tools that occur in literature. Firstly, attributes based measurement tools, which are often used in companies or in academic researches. Secondly, qualitative measurement tools, which are rarely used.

Latter tools are based on the studying of critical incidents and first tools are based on attributes describing the characteristics of service. (Grönroos 2009, 113-114.)

2.3.5 Critical incident method

The critical incident method or in other words, the critical incident technique is a qualitative way of measuring service quality. The ideology in this particular method is that the respondents inquire about any part in the service process that was exceptional either positive or negative. The outcome of the service can also be estimated. These are critical incidents. When the researcher is aware of the critical incidents afterwards the tasks is to ask the respondent to describe in detail what happened and why did he or she consider the incident critical. Lastly, the researcher analyses the descriptions and their reasons. This leads to finding out what kind of quality problems or positive findings occur and why. The value of this method eventually is that the marketer receives a lot of material. The material includes the problem areas and the strengths, as well as development areas. The development areas need improvement in order that the service quality would be perceived better. (Grönroos 2009, 120; Zeithaml etc. 2009, 149-151.)

2.3.6 SERVQUAL

Since the mid-1980's service quality emerged and became a component in services marketing by Zeithaml etc. (2004, vii). They have been determining the concept of service quality and useful, yet criticized ways to measure the service quality and improve service performance. SERVQUAL method is an output of these two researchers and Leonard Berry. Besides these authors a very few such as Grönroos (1982); Lehtinen and Lehtinen (1982); Lewis and Booms (1983); Sasser, Olsen and Wyckoff (1978) have been discussing about service quality early on. (Zeithaml etc. 2004, XVII.) To understand what SERVQUAL is Grönroos presents some explanations for it. SERVQUAL is the most known methods for measuring service quality. A group of attributes that defines the characteristics of service are being determined. Afterwards the respondents are requested to give a grade from the attribute. (Grönroos 2009, 114.) Zeithaml etc. (2004, XI-XII) define service quality by stating that *"service quality can be defined as the difference between customers' expectations of service and their perceptions of actual service performance"*. This means that before the actual service performance the customer makes an evaluation of what the service quality shall be. After the perceived service the customer compares the expectation with the actual performance.

In 1985, a study by Zeithaml, Parasuraman and Berry revealed that when customers' evaluate service quality, both the outcome and process dimensions effect of the evaluation. As an outcome of the research ten components of service quality were created. The ten components affecting to the perceived service quality are tangibles, reliability, responsiveness, competence, courtesy, credibility, access, security, communication, and understanding the customer. (Zeithaml etc. 2004, 2-3.) Courtesy means the politeness of the employees. Competence is linked to the outcome of the technical quality, whereas credibility is linked to the image perspective of the perceived quality. All the others relate to the process dimension of the perceived quality. (Grönroos 2009, 114.) Those components associating to the process dimension are critical. People, referring to employees or customers can affect a lot to the result of process dimension, either positively or negatively. Later on the ten components were restricted to five. The five dimensions with which help the customer assesses the service quality are assurance, empathy, reliability, responsiveness and tangibles. (Grönroos 2009, 116.) Johnston (1995, 2) refers in his study to texts from Parasuraman etc. (1988) and Zeithaml etc. (1990) about service quality dimensions by reporting that out the five dimensions reliability emerges as most critical to customers. Tangibles emerge as least critical. Responsiveness, assurance, and empathy follow reliability (Johnston 1995, 2).

Tangibles consist of the pleasantness of the companies' physical facilities, equipment, personnel, and communication materials. In addition, it includes the external appearance of the customer staff. Reliability means that the service company offers accurate and flawless service to customers' directly from the first time on and does that in the promised time. Responsiveness means the willingness of the employees in the service companies to help customers, answering their requests, telling customers when the service is provided, and providing prompt service. Assurance means that the behavior of the employees makes the customers trust the company and makes them feel safe. In addition, employees have the ability to answer the customers' questions and are always polite. Empathy means the employees' ability to understand customers' problems, acting towards their benefits and treating them as individuals. Empathy includes also that the opening times of the company are suitable. (Grönroos 2009, 116.)

Figure 8 (page 34) illustrates these five dimensions with a short description after each dimension. The author assumes that the area marked with the dashed lines apply for this study as this thesis deals with one organization. Therefore, tangibles referring for example to physical facilities are basically the same no matter which department it is.

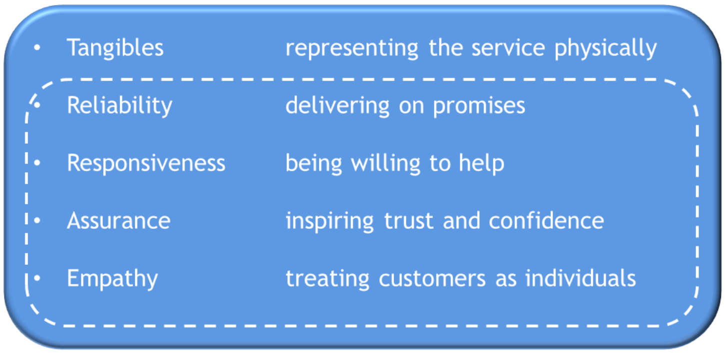


Figure 8: Five SERVQUAL dimensions
(modified Zeithaml etc. 2009, 113-115)

To mention again, SERVQUAL is a method that can be utilized when measuring how customers perceive the service quality. It is based on the five dimensions and to the judgment when comparing the customer expectations of the service quality and the customer perceptions received from the service experience. Frequently, the five dimensions are described by 22 attributes and the respondents are required to declare with the scale from 1-7 what did they expect of the service and how they perceived it. 1 means fully agreeing and 7 fully disagreeing. The difference between these two, the expectation and the perceptions, can be used to figure out the “score” for the total perceived service quality. When the score shows the expectations are lower than the experiences, the weaker the total perceived service quality is and vice versa. (Grönroos 2009, 116.)

Some critics have been addressed towards the SERVQUAL method. The 22 attributes include sometimes useless attributes. In this case something should be changed. Furthermore, the dimensions have been discovered to concern different services. Therefore every time when using the SERVQUAL, the choosing process of the dimensions and attributes should be carefully implemented and modified to the particular case. (Grönroos 2009, 116-117.) Zeithaml etc. (2004, 9-10) also discuss about some issues that have been under criticism. Whether the measurement of expectations is necessary is unclear. Studies that include only the perceptions component show scores that explain considerably more variance. The variance concerns the customers’ overall assessments of an organization's service quality. However, when both expectations and perceptions are being measured it increases the length of the survey. Nevertheless, the developers of SERVQUAL claim measuring both define the weaknesses in service quality. (Zeithaml etc. 2004, 9-10.) That is why the expectations and the perceptions should be under assessment.

2.3.7 The seven criteria of good perceived service quality

The seven criteria of good perceived service quality are a combination of several researches and theoretical analyzing. Most of the criteria, attitudes and behavior, accessibility and flexibility, reliability and trustworthiness, and service recovery, and servicescape, are linked to the functional dimension. Servicescape means the physical environment and other factors relating to the environment of the service meeting. In addition, professionalism and skills belong to the technical dimension and reputation and credibility to the image. (Grönroos 2009, 121-122). As stated in chapter 2.2.2 services have a strong characteristic of the process. Grönroos (2009, 79-80) kept it as the most essential characteristic and Bruhn etc. (2009, 13) listed all other characteristics under the characteristic of the process. This leads to an interpretation that when a company seeks for a higher service level the focus should be on the functional dimension. Still, all the seven criteria are important to acknowledge and the situation is naturally different in all organizations. Figure 9 based on studies, theory and practical experiences give a general picture of those criteria, which matter to customers when they estimate the perceived service quality (Grönroos 2009, 121).

1. Professionalism and Skills
2. Attitudes and Behaviour
3. Accessibility and Flexibility
4. Reliability and Trustworthiness
5. Service Recovery
6. Servicescape
7. Reputation and Credibility

Figure 9: The seven criteria of good perceived service quality
(modified Grönroos 2007, 90)

2.4 Internal customer relationship

Traditionally customers are seen as external people or organizations. Companies aim is to satisfy the needs of these external customers and to receive gratitude. However, relationships occur also between the internal service provider and its internal customers. (Grönroos 2009, 413.) It is almost impossible for the customer service personnel serve the external customer without the support of other employees. Products cannot be delivered on time, if the storage does not provide a truck driver or products, which are high quality. Each service organization is full of internal service functions; actually they amount even higher than functions providing service for external customers. (Grönroos 2009, 413.)

2.4.1 Internal customer

An internal customer is as an individual of another department within an organization that is served by an internal supplier. An organization consists of a chain of individual units, which are linked together. Furthermore, the linked units are there to satisfy external customers. (Jun & Cai 2010.) A synonym for the internal suppliers is internal service providers. Because the internal customers and the internal suppliers form a chain the cooperation of each employee within the chain effects to the companies' ability to meet or exceed the external customers' needs and expectations. (Jun etc. 2010.) The thoughts of Jun etc. (2010) refer to Fredendall etc. (2005).

All interaction between two people needs communication. When an organization is huge, the challenges to reach a satisfactory communication level become higher. More people interact with each other and it can lead to a situation where the same message comes from several communication channels. Additionally, when striving for a high service level, communication with colleagues grows to a value unexpected.

2.4.2 Internal service quality

The service profit chain, figure 10 (page37), illustrates the issues, which have an influence to the internal service quality. All single steps of the chain can have either a positive or a negative effect with each other. It depends on how the single step of the service profit chain is handled. If the internal service quality is fluent, employees are satisfied and their loyalty is higher than without fluent internal service quality. This leads to advantageous external service quality and customer satisfaction. In addition, the customer loyalty tightens and it can have positive effects on the organization's revenue and profitability. Internal service quality has a direct impact to the employee satisfaction and other way around. If the internal service quality is low, so is the employee satisfaction. On the other hand, if employee satisfaction is high, so is the internal service quality. Referring to the thoughts of Schneider and White (2004, 17), to ensure employees deliver service quality, the service needs to be provided with the necessary tools and resources. Training and equipment are examples of tools and resources (Schneider etc. 2004, 17). Reynoso and Moores (1995) discuss about that the management has to support and be ready to work with its employees towards outstanding service. This statement appears in the text of Schneider etc. (2004, 17).

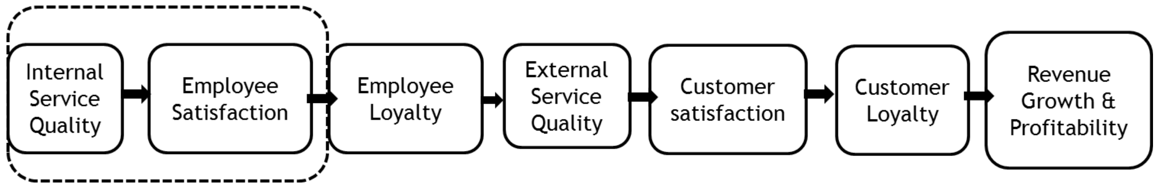


Figure 10: Service Profit Chain
(modified Schneider & White 2004, 146; Loveman 1998, 18-31)

Researchers, such as Parasuraman etc. (1985) have been focusing much on the external service quality. Still some understand the requirements and importance of internal service quality. Authors, such as Albrecht (1990); Berry (1995); Cespedes (1995), in the field of quality improvement and leadership believe that internal service quality is least understood, but one of the most important concepts in modern business. (Marshall, Baker, & Finn.)

2.5 Service culture

People are having a crucial role when delivering services to others. An organization that adopts a service culture can eventually satisfy the customers. This applies to external and internal customers. Grönroos (2000, 360) determines service culture as *"a culture where an appreciation for good service exists, and where giving good service to internal as well as ultimate, external customers is considered a natural way of life and one of the most important norms by everyone."* This sentence represents the central issues of which are important when the aim is to carry out excellent service quality. Everyday work is not only performing the tasks that read in the job description or which belong inside the department nor unwillingness to support colleagues. It includes much more. Firstly, employees who work in a company where service culture exists are aware of the meaning of fluent service. They understand that the customer has some expectations. These expectations the employees endeavors to fulfill. Secondly, the definition by Grönroos (2000, 360) remarks on both internal and external customers, that are frequently highlighted in this thesis. (Lovelock etc. 2007, 349.) Service culture becomes a part of an organization as a routine and after a time it is nothing extraordinary, because everyone is expecting it. This is how the last part of the definition is by the author understood.

To compare the definition Grönroos (2000, 360) suggested, the thoughts by Lovelock & Wirtz (2007, 348) will be brought forth as an alternative view. Lovelock etc. (2007, 349) believes that no considerable advertising campaigns need to be done to attract the employees to appreciate fluent service. Employees know that this kind of service is valued. The authors represent that all customers are important. (Lovelock etc. 2007, 349.) This confirms again the statement, which this thesis is trying to make. Finally, Lovelock etc. explains how service culture can lead up to a competitive advantage for the company (Lovelock etc. 2007, 349).

The book by Lovelock etc. (2007) is used as the source for the theory parts of the two paragraphs above.

The reason why service culture is needed occurs from this chapter. Reasons why service culture is needed occur from bad recruits meaning not having service-oriented employees, role ambiguity and role conflict among contact employees. In addition, problems with fitting employees and technology together, inappropriate evaluation and compensation systems, and lack of teamwork and empowerment are further reasons for the need. Employees might have difficulties to motivate themselves into a service-oriented service or probably they do not know how to do it. (Lovelock etc. 2007, 348.) Role ambiguity means when one is having several meanings for roles. To avoid the problems above it is time to focus on how the service employees should deliver the service.

The management needs to show their passion towards service excellence. This is how a strong service culture begins. When the manager shows the orientations by living the values that are vital to the organization, then the employees can start to believe in them and adopt them into their daily work. There are two different kinds of values, those that managers say are values and those that employees observe the management performing. The first one mentioned have less impact on employees, however, the latter values employees believe. Thus, service culture is what employees' experiences the management genuinely believes. The experiences can be gathered in everyday business when the employees and management interact with each other. (Lovelock etc. 2007, 348.) People in management have more power than employees. When a manager comes up and shows that he or she respects everybody, the employee get a positive experience and can show respect towards internal and external customers himself or herself. In this example respect is one of the values of the company.

If an organization wants to develop a service culture, human resource and internal marketing practices work as a support. The development towards a service culture takes time. No one special trick makes it possible, but hundreds of factors are required to build and sustain a service culture. When the aim is to create one service culture to all countries it is not necessarily simple. This means if the organization is having operations in more than one country getting to know traditions and the behavior in different countries helps to modify the service culture in each and every country the best way. The Four Seasons Hotels will be used as an example. The hotel identified values that they believed that could be applied also in other nations. One of these values was to anticipate guests' needs or in other words, to prepare actions beforehand regarding to what the customer needs could be. In the United States this was applied by leaving a coffee pot on the table in the hotel restaurant, when in Paris the coffee pot never was left on a restaurant table. The customers' in the United States are independent and can serve themselves, but the customers in Paris would not favor this. Above this language barrier can act as a challenge, when the company wishes that the service culture could be transferred abroad. (Lovelock etc. 2007, 349-350.) Nonetheless, whether the cultures are similar, important is that the management shows by performing their values.

2.6 Theoretical summary

When services are a part of as the competitive advantage in an organization, the organization is named a service organization. When moving from traditional business to service-orientated business, the company needs to adopt certain issues. The new service perspective and the characteristics of services force the companies for this. Otherwise they will not reach the leading position in the markets. A flight with an airplane is a service, but also pure physical products like a car lift can be sold as a service offering, when it includes maintenance and assembly. If an organization wants to become a service organization it means the service offering should be placed as the competitive advantage. This way the company can differentiate from its competitors. In addition, employees in all departments need to understand the value of the end customer. Not only that the marketing department is employed with this task. Both the internal and the external customers are fundamental to take into consideration.

Services are heterogeneous, intangible, simultaneously produced and consumed as well as perishable. Employees as well as resources such as systems and processes are fundamental when services are provided. The customer expects to perceive fluent service quality that exceeds or is on the same level with the expectations. The customer values mostly the process dimension that means for example reliability, responsiveness, accessibility and flexibility. Still the outcome of the service, such as the final product is valuable for the customer. Professionalism and skills are examples of the outcome of the service and reputation and credibility belong under the concept of image. All these three dimensions, process, outcome and image influence on the perceived service quality.

The internal customer relationship seems to be left out in literature. However, internal customers should be recognized and treated similar way as the external customers. Frequently, less attention is paid to the internal customers, because the focus is more on serving the end customer the best possible way. This is done by the sales department, because they are the first link outside of the organization to the customers. As the external customers create turnover to the organization they are being highlighted. Still, the low profit of the company can ground from internal frictions that occur between two departments. The more growth the organization undergoes, the more difficult it is to handle all processes. By requesting the expectations and the experiences of the internal customers some developments can be done in the area of the internal service quality. When wanting to find out the satisfaction of the external customers a customer satisfaction survey is implemented. The conclusion about this is that questions can be asked from all customers with similar methods. Service culture consists of values. These values encompass the fact that fluent service belongs to daily work and serving the external and the internal customers with a fluent service level. As employees follow the managers' actions it is essential that the managers' show by performing their values.

Essential concepts for this thesis are chosen from the theory of services marketing. To be precise the main concepts besides, services marketing are, service quality, internal service quality, internal customer, internal customer relationship and service culture.

Services marketing is developed to provide a choice to the traditional marketing. Traditional marketing refers to the exchange of goods. Service marketing means that customers are valued and especially that the organization strives to maintain and develop the customer relationship.

Service quality consists of the customers' expectations and experiences. The expectations consist of different marketing activities such as marketing communication and customers' needs. In addition, the experiences consist of the functional and technical quality of the received service. Functional quality includes the entire process such as the kindness of the service personnel or the quickness of the service, whereas technical quality includes the outcome of the service referring to the end product.

Internal service quality causes either employee satisfaction or dissatisfaction. Internal service quality is vital to notice and measure. However, it is seldom considered to be important in companies. When then it will be noticed, a lack of resources prevents to manage it. Internal service quality can have an impact up to the company's financial results.

An *internal customer* receives goods or information from an internal service provider. An internal customer is in contact with the external customer and supplies the goods or information forward. The relationship between an internal customer and an internal service provide can be called an *internal customer relationship*.

Service culture is a culture in an organization where everybody knows fluent service is valued. Both internal and external customers are served with a fluent service level. As employees follow the actions of the managers', important is that the managers' show by doing what they value and what values are essential for the company.

2.7 Theoretical framework

In this thesis, the theoretical framework consists of service quality, internal customer relationship, and service culture. These three concepts are shown in figure 11. They end up into the concept of internal service quality, which is the theme of this thesis.

Figure 11: Theoretical framework

3 Research approach

The researcher should decide what research strategy is used when a research is implemented. Researches are having a tendency in choosing an approach. Moreover, research strategy means the completeness of the methodological solutions of a research. (Hirsjärvi, Remes and Sajavaara 2007, 128.)

Hirsjärvi etc. (2007, 130–131) divide traditional research strategies into three groups. These are an experimental research, a survey research and a case study. Furthermore, Tuomi (2007, 94) places also the qualitative, the quantitative and a mixture of them under the concept of research strategies. Both have some kind of division between the two opposite and familiar researches, qualitative and quantitative. Referring to Hirsjärvi etc. (2007, 130-131) the first research strategy is an experimental research where the effect of one variable is measured against another variable. Some typical features of an experimental research are choosing a sample from a specific population that is analyzed in different test arrangements considered and systematically by changing the conditions. In addition, the changes are measured using numbers. The experimental research usually includes the testing of the hypothesis. The second research strategy is called a survey-research where the information is gathered in a standardized form from a group of people. Then from a specific group of people a sample is selected and data is gathered from each one in a structured form. Furthermore, in this strategy it is frequent to use a survey or a structured interview as the material collecting method. After the data is gathered, the aim is to describe, compare and explain the phenomenon. The third research strategy is a case study, which aims to give detailed information from an individual case or from a small group of cases in relation to each other. Some typical features for a case study are that a situation or a group of cases are chosen. The target is an individual, group or community and the individual case is often researched in its natural environment. The data are gathered using several methods such as observing, interviewing or studying documents. The objective is to describe the phenomenon. (Hirsjärvi etc. 2007, 130-131.)

3.1 Various research methods

The scale of selection is wide when choosing one research method to implement a research. The research methods are divided into two major groups: qualitative and quantitative. (Hirsjärvi etc. 2007, 131-132.) Like mentioned in chapter 3, Tuomi placed these into research strategies. The two methods are seen as opposites even though many researchers would want to remove this notion. It is up to the researcher how these are named. The two approaches are seen as approaches which support each other. (Hirsjärvi etc. 2007, 131-132.) The qualitative and quantitative methods are in this thesis separated so that the difference of them would become clear. Research methods consist of those ways and practices with which help observations reasoned (Hirsjärvi etc. 2007, 178).

A *qualitative research* deals with meanings and quality as its name reveals (Hirsjärvi etc. 2007, 156-157). The emphasis is on understanding. The researcher is close to the data and has a subjective view. (Ghauri & Grønhaug 2010, 105.) The starting point in a qualitative research is to describe the reality. The attempt is to study the target as complete as possible. The data are collected in its natural environment. (Hirsjärvi etc. 2007, 156-157.) A natural environment could be an office, where the researcher studies the employees' actions. A common characteristic for a qualitative research is that humans are favored as the instrument of collecting data. Furthermore, the researcher reckons more on conversations with the object of the research and on his or hers own perceptions rather than in information gathered by writing. As a support some tests and forms are used, but the main focus in a qualitative research meaning methods such as observation. Opposite from the quantitative research, a detailed research of the data is an essential part in a qualitative research. It is important that the voice of the examined comes up. Theme interview, participatory observation and analyses of different documents are examples of qualitative research methods. The target group is chosen appropriately and the research requires flexibility. (Hirsjärvi etc. 2007, 160.)

Instead, a *quantitative research* deals with numbers being this way the opposite of the qualitative research (Hirsjärvi etc. 2007, 133). The emphasis is on testing and verification. In the quantitative research the researcher is distant and objective of data. (Ghauri etc. 2010, 105.) In this method reality is constructed through objectively stated facts. When choosing to implement a quantitative research it is important to make conclusions from previous researches and scrutinize previous theories. The examined phenomenon should be placed to some theory trend. Furthermore, the essential concepts shall be defined and possibly a hypothesis should be made. Regarding the gathering of the data the researcher has to remember that the observation material should be suitable for a quantitative measurement. Before this the people being examined shall be carefully chosen. First, the population shall be determined and from this a sample shall be taken. The results apply to the entire population. When the data is gathered it is positioned into a form that can be statically handled. The analyzing of the data occurs for example by percent charts or by counting correlations. (Hirsjärvi etc. 2007, 135-136.)

3.2 Case study with qualitative research methods

This research is a *case study* where qualitative research methods are used. The reason why case study was chosen is, because this particular research aims to provide specific information about one case. Detailed information is possible to receive through intranet and employees as the author has the chance to work in X while the thesis process.

A qualitative research method was chosen as the approach, because the study researches the relationship between two parties – the PG employees and P employees. The resources of X were restricted and, because the form of the research problem qualitative research methods served the needs better. As the research is conducted with qualitative research methods, interviews and observations a part of the interview, the size of the data received from the interviews will not be a challenge. The wish is that 12 employees participate in this study. 12 is the ideal amount for a research and next information starts to repeat itself. If a survey would have been sent to the employees, it would need at least 100 responses in order that the results are reliable. In this research when the schedule began to be tight and information repeated itself, the interviews were stopped. In the end, a satisfactory amount of respondents participated.

3.3 Methodology

The methodology introduces with the support of literature what research methods were used when gathering the material and how the study was carried out. The interview is one of the research methods used in a qualitative research. When referring to an interview it means a research interview that has aims in getting competent and reliable information. The fact that the researcher is in a direct interaction with the examined, gives a unique touch to it as a data collecting method. This has both benefits and disadvantages. (Hirsjärvi etc. 2007, 199-203.)

When collecting data, flexibility is regarded as one of the advantages. When carrying out an interview it is possible to change the order of the interview subjects. Additionally, interpretation of the results belongs under the advantages. The reason why the interview is chosen for this study is that in an interview the human is placed in front and treated as the subject in the research situation. Furthermore, humans are an active participant. The possibility that the respondent tells more than it is inquired is one reason for choosing the interview. In addition, to be able to get clarified answers is another reason why the interview was chosen. An additional advantage is that people, who are planning to participate in the research, will most likely participate when using an interview rather than anything else as the research method. Finally, if the researcher needs additional information it can be easily inquired. Previous advantages can be classed as disadvantages. (Hirsjärvi etc. 2007, 199-201.)

Planning the interview and the interview itself absorbs a lot of time (Hirsjärvi etc. 2007, 201). In a quantitative research, where the survey is utilized as a research method, the time spent to gather the data does not take much time. The researcher only needs to wait for the answers. However, the preparation of the survey takes time. When the research method is qualitative and interview is the method used, the researcher sacrifices from 30 min to some hours to interview each participant. A few respondents may not dare to answer face-to-face with the researcher. Probably they want to stay entirely anonymous. Furthermore, respondents might misplace the essential theme and speak about topics the researcher does not provide for the discussion. A few might also give socially excepted answers such as about charity work. On the other hand, they might keep silence about income. The data that occurs of the interview material is context based. It means the researcher should be careful with a generalization about the results. (Hirsjärvi etc. 2007, 202.) The manner the researcher forms the research questions can have a negative impact for the reliability of the research. The researcher should not form the questions so that the respondent answers the way the researcher wants. This is a disadvantage. Indeed, the researcher receives what he or she wants. Still it can be seen negatively regarding the reliability of the results. (Hirsjärvi etc. 2007, 201-202.)

In this research the data collection happened through qualitative research methods, which were primary data sources as interviews and observation. Primary data means sources that the researcher collects himself or herself. The other choice would be to use secondary data. It is collected by others and is offered for example by research institutions. (Hirsjärvi 2007, 181.) Secondary data were not much used, except some internal material on the intranet of Y. Referring to Ghauri etc. (2010, 105) when wanting to expose a person's experience or to expose and understand a phenomenon from which little is known, qualitative research is the correct choice. This study was about hearing the internal customers' expectations and experiences of service provided as well as responses from the internal service providers. By interviewing the phenomenon it is trying to be understood if there are issues to improve in the internal service quality. Before beginning the interviews and observation the author did not have previous information about the subject.

After understanding the advantages and disadvantages of an interview it is time to choose the interview type. Typically this is done by how structured and how official the interview situation is. When an interview is structured and the interview situation is official the order of the questions is already decided and the way how they are formed. On the other side, when the interview is non-structured and unofficial, it is a free interview. It means that the interviewer has only a topic area in his or her head and the discussion is implemented in a freely. The interviews are divided into three groups: a structured interview, a theme interview and an open interview. The table 3 shows the typical characteristics of each one. (Hirsjärvi etc. 2007, 203-205.)

	Structured interview
1.	A format as support
	The order and format of questions is already locked
	Easy interview after questions are figured out and organized
	Theme interview
2.	A mixture of the structured and open interview
	Interview themes are known beforehand, structure and order missing
	A research method for qualitative researches and quantitative researches
	Open interview
3.	Synonyms: free interview, deep interview, informative interview, un-structured interview
	Researcher studies the thoughts, opinions, feelings as they occur in conversation
	Reminds of a discussion
	Takes much time and requires several interview times
	Situation is in researchers hand when there is no clear structure
	Needs skills from researcher

Table 3: Three different interview types

After the interview type is clear, it is time to answer the question about how should the interview be implemented. The choices are single, couple or group interview. These are not closing each other away; instead, these can be used together. Frequently, interviews are single interviews. Couple interview is a subgroup of a group interview; therefore the same rules apply to it as into group interview. It is a matter of taste whether the respondents are more open in a group or in single interviews. (Hirsjärvi etc. 2007, 205.) The choice for this study was mainly single interviews, because there was enough time to implement them and the subject is sensitive so probably employees would not be that free to unveil their opinions about how they feel about the internal service quality.

3.3.1 Interview in this study

In this study the amount of employees *interviewed* was determined after the author saw how many employees work in the department and by talking to the employees to get a picture who could provide information from the specific theme. The selection of the examined employees started, by looking at the organization chart of PG S with customer Z. The department has six sales managers. Four of them are physically located in western Germany and one of them is the mentor of this thesis. These five were the first ones to interview. To get a woman perspective a sale administrative was interviewed. Expectations were that these chosen employees have experiences to tell about the interaction with P. Some examined employees gave suggestions from others who could provide valuable information to the thesis. Often, the so-called snowball effect was used when choosing employees to the research. The reason why these people were suggested by other employees was, because they have experience from several departments. The clues were used. However, the data seemed to be one sided and small. The author contacted a sale administrative from PG C with whom she worked last summer. It seemed as a clear choice, because the contact was already built and the employee just started as a full-time employee. Additionally, a sales manager for PG C was used as consultation, because he has done his bachelor thesis about external customer satisfaction. The discussion provided information about the central issues needing improvement within external customer relationships, which he assumed can also apply in the internal customer relationship.

Next, P employees were interviewed. The first contact was with an old colleague from P who gave names from P employees who could participate in the interviews. Criteria by which he looked for candidates where fluent English language knowledge and employees with different amount of work experience. There were both employees with whom the author has been much in cooperation and also some who were unknown before. This raises neutrality.

The interviews were a mixture of a theme interview and an open interview, implemented either as single or as couple interviews. A theme interview was utilized, because the interview questions had clear themes as the relationship, reorganization, employees and working environment. The interviews were open interviews, because they were more discussions than structured interviews. The mood was relaxed and the researcher did not mind if the path went away from the subject, because it offered interesting data that would not have otherwise occurred.

Mostly the interviews took place in the office, but sometimes in a separate conference room. The process of gathering data for later analyzing took about one month. In the interview situation the theme was introduced and questions presented. The author wanted to discuss face-to-face with the employees how they feel and what do they wish. This could be done the best way by interviewing them. Another reason for choosing the interview as the main research method was because of restricted resources. Each interview took from 30 minutes until two hours. Possibly it took more time than answering into a survey. However, the meetings were implemented in between daily work and therefore were easily arranged.

Table 4 illustrates the different kind of interviews implemented. The background questions were identical for each group. There were five background questions, which handled gender, education, work experience in Y, position and department. The official research questions can be found from the appendices. ISQ is a short form of internal service quality and is used only as a concept in table 4. The documents used as a support in the interviews are found from appendices 2, 3, 4, and 5.

Themes	Expert PG	Expert P	Normal PG	Normal P
General from relationship				
3 adjectives	x	x	x	x
Wishes	x		x	
Strengths	x		x	
Experiences	x			
Values		x		x
Taking care of ISQ		x		
Role of P		x		
Reorganization				
Effect on service	x		x	
Satisfaction to it		x		x
Change communication		x		
Statement in actions		x		
Training		x		
Employees				
Needed knowledge				x
Clear responsibilities				x
Additional training				x
Communication				x
Reasons for fluctuation		x		
Employees placement		x		
Working environment				
Status		x		x

Table 4: Themes used in the different interviews

Most of the interviews were done in German, because of the wish of the respondents. It was advantageous when clarifications could be made. The subject is unknown in that way that the author had no previous researches provided by Y, P, or X. However, a so-called Mini Survey was found from the intranet. There employees of all departments could express their opinions of their satisfaction to issues like credibility and preference as Y as the ideal employer. The author read the survey. Some comments are made later on in this research.

3.3.2 Observation

Observation tells whether people act as they say they act, whereas an interview tells what they think, feel or believe (Hirsjärvi etc. 2007, 207). Observation can be used independently or as supporting an interview. The data gotten through observation is immediate and direct information about the behavior and operations of individuals, groups or organizations. This is its advantage. (Hirsjärvi etc. 2004, 201-203; Saaranen-Kauppinen & Puusniekka 2006.) In this research, observation was used as an additional research method to support interviews. The observation was made during interviews. The examined employees were observed by how they behave in such a situation. Their reactions to questions were observed and if other employees around or customers calling have an effect on the answers.

There are different types of observations depending on how strict or open the operation is. In addition, the role of the researcher doing the observation effect to the type. Either the observation is systematic what means the operation is systematic and structured as well as the researcher is an operator outside. Instead, the observation can be a participatory observation what means that the observation is freely modified in the situation and the researcher participates in the group's operations. (Hirsjärvi etc. 2007, 207.) This study used the more free observation. There were no ready issues listed down what to observe. The acting of the interviewed ones was observed, such as how they react to questions. The observations were documented.

3.3.3 Triangulation

Triangulation means connecting different for example methods, researchers, sources or theories. It gives the research a multiple view. The reliability of the study can be increased by using this technique. (Tuomi & Sarajärvi 2002, 141-142; Saaranen-Kauppinen etc. 2006.) Triangulation was used in this research to raise the reliability and to offer variety to the central research method in this research. It refers to the interview. Observation was utilized as the additional research method. Denz (1978), Tuomi & Sarajärvi (2002, 141) believe triangulation can be divided into four main types. This fact occurs from the source by Saaranen-Kauppinen etc. (2006). They divide triangulation into material triangulation, researcher triangulation, theory triangulation and method triangulation. Material triangulation and method triangulation will be used in this research, therefore only these two will be explained. Moreover, when the material triangulation is used in a research, a research is consisting of several materials such as interviews, statistics or archive materials. On the other hand, different targets for data can be used such as doctors, patients or relatives. Method triangulation means that when gathering data several methods are used like surveys and interviews. (Eskola & Suoranta 1998, 69-70; Saaranen-Kauppinen etc. 2006.)

3.4 Analyzing the data

After the data have been gathered the task is to transcribe it into a text form. The data were gathered through interviews, observations or recorded material. This should be implemented so that all the material can be compared to each other. The process goes on by the researcher reading through the transcribed text several times to get a general picture of it. Answers are searched for the research questions. The material can be coded, organized or grouped into themes that assures understanding and seeing through the material. Afterwards, when the materials have been going through these two phases, the researcher tries to find out interpretations to the phenomenon. Transcribing is mechanical, but coding, organizing and grouping the material into themes is already discussion. Some researchers say that analyzing data starts first when interpretations are made from it. Interpretation answers the question what does this mean. (Kananen 2009, 79-80, 112.)

It is essential to know the background information on the respondents, because that information makes the reader understand the context better. The gender of the respondents makes a difference in the answers. Possibly a woman tells more openly about her feelings than a man. This is though only a presumption. It makes a difference whether an employee has worked one month or a few years in the company. After one month the image acquired from the internal service quality has not probably gotten stable, whereas after some years the employees have been facing many situations. Then they can share experiences in a more confident way. Education gives understanding of the professional background of the employee. Information received from the position tells in what level the employee works and about the view from where he or she examines the theme from. Finally, the department is essential to know, because in this research it is a question about internal relations. It makes a difference, whether the employee is in the position of an internal customer or an internal service provider.

In this study the data gathered from the interviews was analyzed. At the time of the interviews, the researcher made notes and directly on the same day or the day afterwards wrote the heard and written material in computer for analyzing it later. In the end, mainly the interviews from P were recorded, because in the beginning of the research phase the author was unaware that there is a recorder available. Then the material from the interviews was written down in the computer. The material was written down in sentences and trends were searched. Mainly the focus was in qualitative analyzing methods, but also some percent charts and other tables were made. All in all, five out of 13 interviews were recorded. Some respondents gave no permission for it and to some the recording was not even suggested, because of the chance to record occurred later on in the research phase. The recording turned out positive and negative. The interviews that were not recorded could not be analyzed so deeply, because after a few days some details were forgotten by the author. In addition, the focus of the researcher has been often in both hearing the respondent and writing information down. It affected on the quality of writing notes and leading the conversation with the respondent. It was challenging to transcribe the recorded interviews into the computer.

Next, the analyzing methods used in this study will be introduced. One choice is to put issues into themes. Quotation as an example or sayings occurring from the material can be used in this method. It is one way of analyzing a theme interview. When using this method, summaries of the themes are gathered under each theme. Furthermore, real quotation can be used in the research report as samples. Essential is to remember, that only presenting results is not enough in a research, but also interpretation should be made. (Kananen 2009, 84). After the material was transcribed, it was several times read through and some remarks were written aside such as what themes occurred often. Because the material consisted of over 20 pages of written material, the material needed to be reduced into the main points that would answer the research questions. The respondents gave all in all many precise examples referring to their experiences. After this phase was over, interpretation of the material started. The results of this will be found in chapter 6 that handles the conclusions and recommendations.

3.5 Validity and reliability

Validity and reliability are the two concepts that are used when confirming the reliability of the research. Indeed, the reliability of a research shall always be ensured. (Kananen 2009, 87.) Tuomi (2007, 150) defines validity by what way the research is able to measure specifically what should have been measured. He adds that validity relates to theories and concepts (Tuomi 2007, 150). Referring to Hirsjärvi etc. (2007, 226) validity is the ability of a research method to measure what it should measure. For example, a researcher assumes the respondents understand the survey questions in a certain way. Validity decreases, if the questions are interpreted in a different way as the researcher meant. Validity is ensured by using the appropriate research method, appropriate measurement and by measuring appropriate issues. Furthermore, reliability means the permanence of the measuring's. In other words, when the same research is done again the results will be the same. (Kananen 2009, 87.) The correlation between validity and reliability is the following. Validity is the precondition of reliability. If the validity of the research is high, also the reliability is. When the validity is low, so is the reliability. (Kananen 2009, 89.)

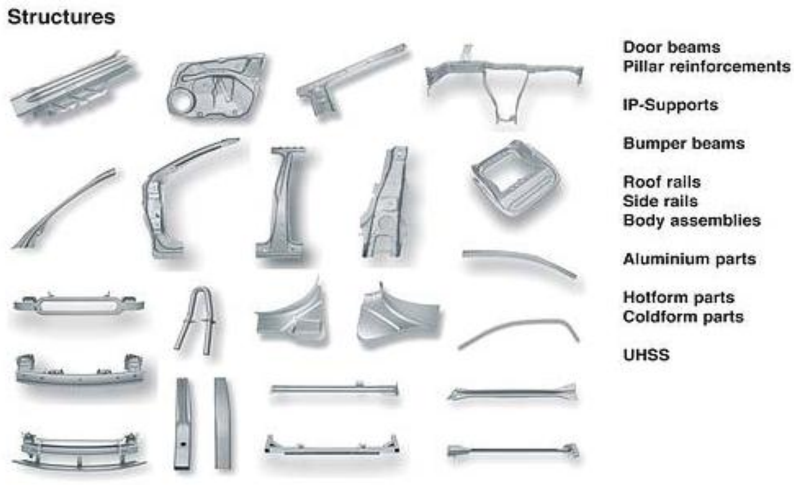
Validity and reliability can be used as such only when implementing a quantitative study. Therefore the measurements are not fitting into a qualitative research (Kananen 2009, 87). As this research is a qualitative research, the author considered it important to describe the validity and reliability with literature specifically describing the adoption of the two measurements in use in qualitative research. The text by Kananen (2009, 87-99) is therefore a competent choice for it. Kananen lists in his text the three main evaluation basis for a qualitative research that is primarily suggested by Mäkelä (1990, 48). Nonetheless, the three evaluation bases are the adequacy of the material, scope of the analysis and analysis to be estimated and repeatability. (Kananen 2009, 92.)

4 Empirical study

To start by giving an overview of what X strives for, the vision of the strategy 2015 report is brought out. “X is a company of choice leading in efficient, environmentally friendly and safe automotive solutions committed to a culture of FAIRNESS, INTEGRITY and HONESTY” (X Strategy 2015 2012). As noted, company X is an operator in the automotive industry with a long history. The products and services X manufactures are purchased by leading automotive manufacturers. This is a result of a selection of individual solutions, ability to innovate and the courage to go new paths. (X at a glance 2012.)

4.1 Company X

X is already introduced shortly in chapter 1.2, but will be introduced here more thoroughly. Instead, of only presenting company X, P will also be presented shortly afterwards. X operates in the automobile branch producing chassis, structures as well as exhaust and engine systems. The corporate philosophy and code of conduct define the organization Y with three points, which are customer satisfaction, high quality and technical competence (X Corporate philosophy and code of conduct 2012). These principles apply in all the division belonging under Y. To get an overview of which solutions X offers and produces, products from PG S are taken as examples. For example, to show what solutions PG S offers to the customers, picture 1 (page 52) illustrates this. PG S is having a close cooperation with product development and implementation and therefore is a full-service partner for the end customers. The fields where PG S is a pioneer are steel, aluminum and hybrid lightweight solutions. PG S has competence in metal forming and manufacturing processes and stands in the market leader’s position. (Automotive_Products and competencies_Structures X 2012; Employee 14 2012.)



Picture 1: Products within PG S
(Präsentation X 2011)

PG S where the research was mainly implemented consists of about 20 employees. The department is responsible for customer Z. In the organization chart, which is shown on the wall of the department, consist of one key account manager. In addition, six sales managers have each their own customers within Z. Also each sales manager has at least one employee who directly works for him in assisting tasks. Besides these employees the department has an assistant. (Organizational structure X.) Sales are of course dealing with other customers than Z. They all have their accounts situated on the same floor. Furthermore, the entire PG S, which includes more than only Z as customer has its own manager. For example, the project management employees are placed just next to the sales. This all is introduced so that the reader gets a picture of the working environment.

Referring to the leadership principles, which are meant for the entire organization Y, gives guidelines for the management how to manage the employees. The leadership principles are divided into three: external marketplace, internal environment and individual leadership style. The internal environment will be discussed here, because it supports the research topic of internal service quality. Within the internal environment the principles include three sub points, which are leaders keeping decision chains short and pushing responsibility for decisions down to the operational level, leaders have the courage to face problems and obstacles directly and leaders develop both the organization and themselves. The first principle about decision making is done by ensuring that each employee understands what is required of them as well as by empowering their employees whenever they can. In addition, the principle includes leaders to trust their employees to deliver effectively. Finally, leaders believe that each employee is capable of making a precious contribution and expects to be treated that way. (X Leadership principles 2012.) These are introduced, because they express something about the managers' way of leading the internal service providers and internal customers.

As in the service profit chain illustrated in chapter 2.4.2., there is a connection between the internal service quality and the external service quality. It is not direct; however, there are steps in between. The external customer satisfaction has been measured in X a few years ago by a student. As an output of this study a customer survey was created. The author had a chance to meet the creator of the survey and held a discussion with him. The main output from this discussion was the results he explained that he felt also correlate into internal service quality. In the study of external customer satisfaction, product quality, flexibility, and commitment and loyalty were in the first place as being critical issues. Delivery reliability, rapidity, quality of information and data were in second place. Assurance and the knowledge of the employees were in the third place. (Employee 15 2012.) The author keeps this in mind when the results of this study are analyzed.

Besides the measurement of the external customer satisfaction also the employee satisfaction was researched in a form of a survey. This was done last year within X. The worldwide survey was created by the human resources department. As internal service quality is connected to employee satisfaction and employee loyalty, some of the results received from the survey are shortly introduced. 80 % of the PG S employees participated in the research, altogether 88 % from X. The survey handled three themes, which were commitment, engagement and leadership. Table 5 shows the results in percentages from the two previous years. Commitment got the lowest evaluation and has decreased from 2010 with 9 %. Engagement has no change compared to 2010. Leadership has increased from 70 % to 73 %. The PG S employees were satisfied mostly to work inside the department or to their own work. These were called the top 5 issues. The low 5 issues concerned cooperation between other teams, workload and changes in organization. (Employee opinion survey 2011, 1-20.)

	2011	2010
Commitment	60 %	69 %
Engagement	70 %	70 %
Leadership	73 %	70 %

Table 5: Results from the employee survey (PG S)

To introduce all the results from the research would provide assumable interesting data regarding this study. However, the objective was only to present what actions have been done before in the area of any issues that come up in the service value chain. In addition, both the external service quality and employee satisfaction relate to internal service quality. They show that efforts have been made to gather data from the situation within the area of the satisfaction of the internal and the external customers.

Additionally, based on a statement given by the management board of X, the company has realized some gaps within the organization. They have been gathering together a group together that focuses on the following elements:

- ✓ review the roles, contents and processes within the matrix organization to a low flawless execution by all executives and employees,
- ✓ overcome the current challenges of the organization and ensure that leadership takes on an active role in shaping the future of X within an environment of trust and confidence. (X Information of the management board 2012.)

The announced project team will work towards cooperation, leadership and conflict management in X (X Information of the management board 2012). Because this initiative came from the company's side, it is a signal that the management takes the issues seriously and is ready together with all employees to improve the situation. The management board highlights that the implementation of the issues coming up in the project teams, depends on the employees, their commitment and their ideas. (X Information of the management board 2012.) In addition, hopefully this thesis offers some input for the meetings.

4.2 Purchasing

At the end of last year, P was organized in a new way. The reorganization of purchasing, which belongs to the concern where X also belongs to has a positive effect on the internal customers. This was found out written when doing a research in intranet of Y. Purchasing describes it by "the reorganization of P ensures the optimal alignment of internal client requirements." (Y Relevance of "purchasing" 2012.) The reorganization seems to be a precondition to functioning internal service quality.

5 The results of the study

The accepted material of the research consists of 11 answers gotten from Y. It correlates to the sufficient amount as the guidelines for research keep 12 adequate. Two answers had to be disqualified, because the interviews did not provide information that could be used when analyzing the results. Therefore, these two answers' were disqualified. The two are not calculated in the 11.

Six respondents are employed in PG and five in P. The employees were straight willing to participate in the interviews when they were asked. It was a positive surprise, because the author was aware of the sensitiveness of the theme. The respondents felt secure, because the answers were handled anonymously. Moreover, in this chapter the results are introduced in a constructive way and both the internal customers' and internal service providers' sides are presented.

To understand the people behind their answers, some general questions were asked. The background information received from the research will be shortly introduced. Detailed tables will be found in the appendices 6 and 7. Usually anybody should be able to repeat the research and get the same result if the research is done correctly and the phases are in a detailed way explained. However, due to the varying backgrounds of the respondents the answers can vary and eventually the results and the conclusion as well as the recommendations can lead to different issues.

After the background information is introduced, the actual research questions will be answered. The data were gathered by different kinds of interviews, which are illustrated in table 6. As the table illustrates, PG and P had both one expert interview. So-called normal single interview was done four times to PG and three times to P. This means that the employee was not asked so deeply about issues and about so many questions as the expert. Besides single interviews also one couple interview was implemented to PG and one to P.

	PG	P
Expert interview	1	1
Normal interview (single)	4	3
Normal interview (couple)	1	1
All in all	6	5

Table 6: Interviews implemented

To find the questions that were used when gathering the material from the respondents, a look to appendices 2, 3, 4 and 5 shows them. The researcher has transcribed the answers, read them carefully through and highlighted themes that occurred frequently in the answers. The results of the expert interviews are more thoroughly introduced, because their value is in a way greater. Therefore, single opinions from expert interview P and PG are presented. The results are presented in themes so that the reader can follow better.

5.1 The background information

A bit more than 50 % of the interviewed employees faced the subject as internal customers and the rest as internal service providers. Even though Y consists of thousands of employees, still, because of the qualitative nature of this study there was some criterion why these employees were chosen. As the name of this thesis tells “Developing the internal service quality in Y” also the P employees were interviewed. The reason for this was to give them a chance to express their opinions about the theme. The development handles the entire organization. Not only hearing the internal customers, even though the customer perspective is having a huge role in this thesis.

Some of the employees were already familiar to the author, because of a previous internship implemented in P, but the effect of this was minimized by asking new employees to participate in the interviews. Employee 14 was the mentor for this thesis and employee 15 gave support as he has been implementing his thesis also from a similar topic. Employees 12 and 13 were disqualified. The reason why all P interviews were done in English was that their daily working language is 50 % English.

The results consist of the interviews of six PG employees and five P employees. The division between female and male respondents was three to eight. As table 7 shows more men participated in the research than woman. The respondents were not chosen by the gender; however, it was essential to get some women respondents also to give probably varying perspectives to the study. The prediction was that a woman is more openly talking in discussion than a man. Somewhat this was also true, but the gender was not the only factor affecting to this. The work experience with Y had a greater effect.

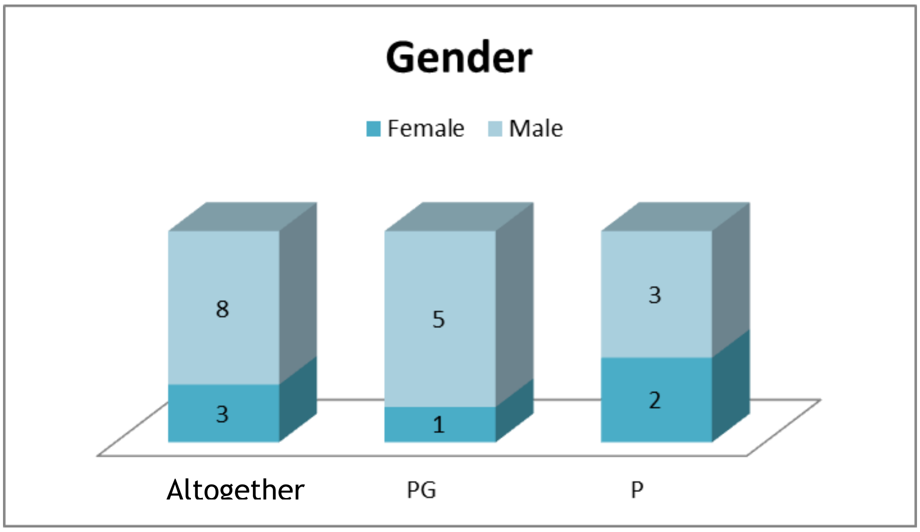


Table 7: The gender of the respondents

Half of all the respondents have more than five years work experience in some of the divisions in Y. The others have less than that. Table 8 illustrates in years the amount of work experience the respondents are having. Six respondents have 0-5 years of work experience in Y. It is less experience. This correlated on the answers the respondents provided. This means that some of them answered with only one word to the research questions or not at all. If they did not answer, they mentioned low experience as a reason. Two employees who have 6-10 years of work experience in Y were coincidentally the ones participating in the expert interviews. The expert from PG had much experience in working in many different departments and therefore, was chosen for this study. The expert from P was a colleague from the author's last internship, who is involved in the strategic work in P. Finally, three employees have 11-15 years of work experience in Y.

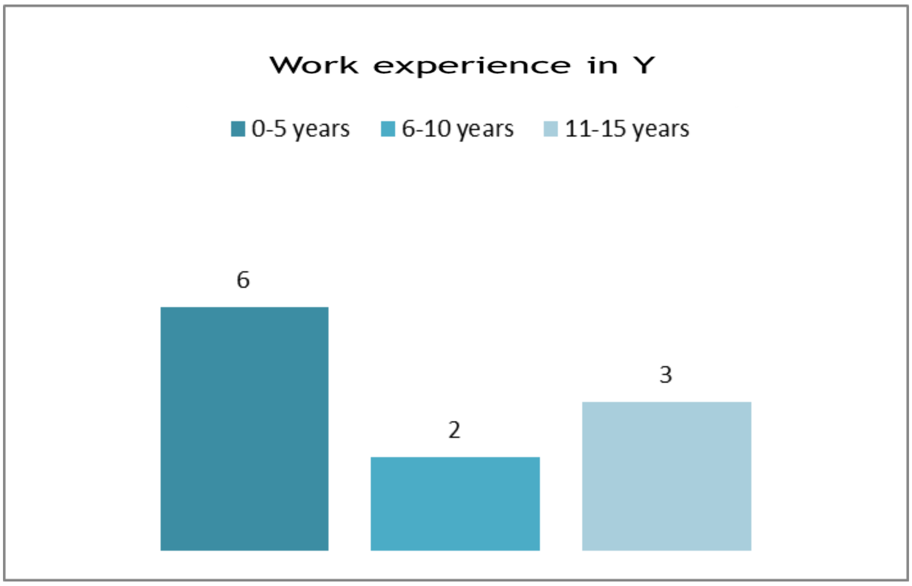


Table 8: Work experience of the respondents in Y

Most of the respondents have a higher education degree behind, either in engineering and business or in only in business. Six out of 11 are managers, leaders or directors, one is an administrative, two are buyers and two have another position. It means they work in the team program purchasing. Six respondents were from PG and five from P. Appendices 6 and 7 shows more detailed information about all the five background questions asked in the interviews.

5.2 General from the relationship

The internal customers' meaning the PG respondents, experience the relationship with P negatively. They see many issues where P should improve and are unsatisfied with the way they are served. Six out of six PG respondents are expecting a higher service level than they experience. This means that the results are reliable in the population being interviewed. This is a result from the question about describing the relationship to P with three adjectives and thoughts that occurred during the discussion around this question. A similar question was asked from P, but only vice versa, how is the relationship towards sales. The results are presented in chapter 5.6. Some of the PG or P respondents could not list three adjectives, but told one or two. Figures 12 (page 58) and 13 (page 63) are based on the adjectives PG and P mentioned. However, the text includes parts from all around the interviews.

Figure 12 illustrates the adjectives the PG listed when they were asked to describe the relationship to P. Six out of six respondents answered the question from PG. Five out of six mentioned the adjective slow in their answers. It was not always described the same way; instead concepts, such as not on time and receiving information are taking too long were used. The respondents, who kept time or the slowness of the service as a problem within the relationship to P, gave examples. Examples which two respondents mentioned are that the slow service related to that it is taking too long time to get an offer from the supplier. Another example was that a request goes three times forward inside P and then someone answers the phone. One out of six who did not keep slowness as an adjective, mentioned that he is not having much contact with P. That is why he believes the relationship is improvable.

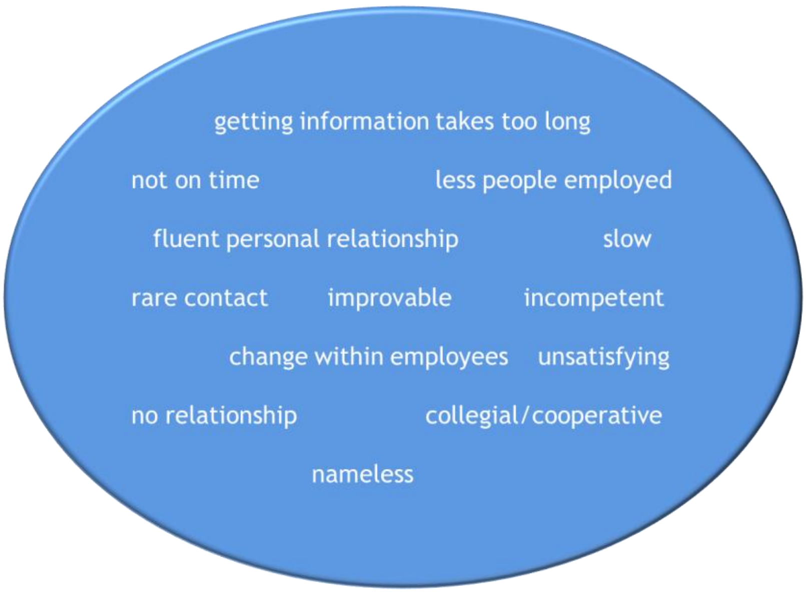


Figure 12: Concepts by how PG describes their relationship to P

5.3 Internal customers' wishes and strengths

Next, the internal customers' wishes and strengths within the internal customer relationship will be introduced. Six out of six of the internal customers' answered the question about what do they wish more from the cooperation between sales and purchasing. Things that came up in the interviews handled contact persons in P and the service-orientation of the organization Y. Table 9 illustrates the wishes, which the respondents told in the interviews. The left side of the table shows how many respondents out of six agreed and the right side shows the wish. Two out of six PG respondents feel there is a lack of contact persons in P, who could serve sales, the technical knowledge of P employees is not fluent and service-orientation is missing in Y.

Responses out of 6	Wishes from PG
2	more contact persons
2	technical knowledge of purchasing
2	service-orientation

Table 9: Wishes from the PG

Those 2 respondents, who feel there is a lack of the contact persons in P believe that one contact person for entire PG S is definitely too less. A contact person means the program buyer, which is the link between sales and purchasing. The program buyer is working together with sales and purchasing, but is paid by purchasing and therefore, having a challenging position as the link. Besides the lack of them, also the level of the technical knowledge was cited. Technical knowledge is missing from some P employees. This is the opinion of two respondents. As an example one of the two respondents suggests cooperation between departments within the technical issues. At the moment, when it comes to so-called plausible check sales ends up doing the task. A plausible check means whether costs are covered for a project. In the end, it should be the job of purchasing. The third wish that three respondents told concerned service-orientation. The examples given were that supporting functions should support sales, because sales are the link to the end customer. The supporting functions refer to for example purchasing, logistics and controlling. Currently, all departments give pressure all around and the focus is not on the end customer as it should be in a service-oriented organization. Another example handled the lack of process-oriented employees. Sales see the end customer as number one. This should be done by the P and other internal service providers too. However, currently it is not to be the case.

Five out of six of the internal customers' answered the question about what are the strengths in the internal customer relationship to purchasing. One out of six gave no answer. Two respondents found no strengths from the relationship to purchasing. The other three respondents mentioned each a different strength. These were fluent personal contacts, close location to P, the signal given that purchasing is willing to support PG and that P have been realizing a lack regarding the organizational structure and capacity and is improving it. Through the following responses no generalization can be made, because the answers vary. Still, some central issues can be realized. Probably the respondents were not mentioning the strengths without a reason.

5.4 The PG expert interview

The best way to introduce the results from the PG expert interview was to create an own chapter for it. Only main results are brought forth so that the research questions and research problems are answered. Questions that were same for also other employees were introduced before and will be introduced later on in the sub chapters in 5.

As the expert from PG has years of work experience from P, program and some other departments, she had much to tell. In addition, she shared several experiences from the internal relationships in Y. It was known before the interview that the expert has a broad work experience within Y. Before when she worked in the program, she was only seeing the needs from one side, but after getting the experience of purchasing the understanding towards their relationship with suppliers and tough targets began. Nonetheless, at the moment she experiences it so that P is not invited into meetings, because her colleagues are unaware of the contact persons in P. As it often came up in the interview, essential would be to talk with each other. This means also with employees from other departments and to understand the organization. Additionally, employees should know each other. She keeps it as a challenge when employees do not know the problems of the other side.

The expert felt both P and PG wish more from the relationship. Moreover, she believes the tasks of other employees are not understood and no one is willing to ask the other department for support. The dissatisfaction was a reason why she was participating in the creation or more a refreshment of the program purchasing organization (PPO). From now on PPO is used as a short form to refer to the program purchasing organization. As the PG expert described, the PPO began with the objective that there is a better link from P to the PG's. Y has realized that there is a lack of a P contact person for the PG's. Now when the PPO is introduced, she believes the PG's are generally not accepting. The PPO has already existed a long time, but now is refreshed and introduced again. The reason for this is that it seems to be forgotten.

Improvement effort

As PPO shows there is an improvement effort done by P as it is trying to improve the cooperation between sales and purchasing. Therefore the researcher wanted to know more about it and that is why she asked a more precise explanation. This question was asked from the expert PG and from a team purchasing employee. The team purchasing employee described it by that the concept program purchasing is nothing new, but the organization have been newly introduced from the past, as the connection between sales and purchasing is not in a satisfying level. The program purchaser himself or herself is a link to both sides. This was explained by a P respondent who is at the moment much involved with the change.

Back to the expert PG interview. The expert believes the PPO is a definite improvement in the internal relationship. The question is about how the different departments will accept the new plan from the PPO. Through the plan P asks permission that a program purchaser could be invited into team meetings. She thinks that no one wants to see that the organization noticed a lack and is trying their best to solve the problem. Some PG's are having difficulties in accepting it. As the expert explained, PG EES have been accepting it and is inviting P to meetings to discuss about actions together. PG C has someway accepted it, but is still having obstacles and PG S is not at all accepting it. Table 10 combines the stages of the acceptance of the PPO and PG's behavior. The table is based on the expert interview with PG.

	Acceptance	
PG C	Yes and no	Biggest PG
		Seeing P does something
		Somewhat arrogant behaviour
		Team leader from program purchasing is accepted
		Complaining of low capastity in P
PG S	No	Middle PG
		Not believing P does something
		Arrogant/customer behaviour
		Depends on person
PG EES	Yes	Smallest PG
		Asking support and happy to get support
		Not arrogant
		Inviting to meetings
		Fluent relationship inside PG

Table 10: PG's acceptance of PPO

To conclude, the expert combines the acceptance by saying that it depends on the size of the PG, the technical knowledge of the buyer and the commodity. The technical knowledge is kept as essential criteria, because PG expects the purchaser can discuss with the project leader about technical issues. The expert believed that if sales ask support they will also get it. However, P has no time to market new improvements after they have already been introduced. She believes that at the moment sales behave like the customers behave.

Another improvement effort towards cooperation is operation through an integrated part management, as the expert PG introduced in the interview. Currently, sales works with projects and purchasing with parts. This way there is a complete break between works. Purchasing does extra work when typing manually parts into systems. Through the new system sales and purchasing could work together or at least that is her wish.

5.5 The effect of the reorganization of purchasing

The third main research question concerned the reorganization of purchasing; whether it have been affected in the way purchasing serves sales. Six out of six internal customers' answered the question. Four out of six mentioned somewhere in their answers that basically the reorganization has not changed the daily work, had no effect, or no direct impact. Four out of six mentioned the fluctuation of the P employees in the context when discussing about the reorganization. As an additional question the researcher asked about whether the PG employees are aware of the new organizational chart of P. Three out of six are unaware of it. The three others are either more involved with P in daily business or through a personal contact manage their work. If the employees are more involved with P, they already got the information about the organizational chart. Two out of four sales employees, so two out of six from all PG respondents, believe that the employees in P do not answer the phone and that service is slow. When they answer the phone, P employees do not know how to answer the questions sales requests. This is grouped under slow responsiveness. Table 11 shows in a compact form the comments the PG gave when the discussion about the reorganization of P was under subject. When counting the respondents amount together, it sums up to more than six. It is because they mentioned more than one issue and, because of the additional question.

Responses out of 6	Comments on reorganization of P
4	basically no impact
4	fluctuation
3	organization chart unknown
2	slow responsiveness

Table 11: Comments on the reorganization of P

The expert from PG believed that the reorganization was not successful regarding the acceptance from X. Before the change sales had the control over purchasing, but now as P is as their own division in Y, sales has no possibility to influence the targets purchasing sets. Nevertheless, the expert states that it is possible that targets will be somehow linked together with the attempt to improve the cooperation. This would support the strategy that Y has, that is “One Y”. She believes this makes them work together. Finally, she adds that in mind there is a change, but in the daily business no.

5.6 The responses from purchasing

Even though the perspective of this thesis is the internal customers' point of view, the opinions of the internal service providers were asked and now being presented. The reason for this was to be able to discuss the results constructively and to be able to develop the internal service quality in cooperation if there is a need for it. As the author had a chance to interview also other departments besides, sales and other employees of PG, it was used. Therefore, the P employees were interviewed. Usually it is not done when someone implements a thesis in Y. The reason why the author chose this was to avoid doing too quick conclusions about the answers gotten from PG rather than to compare them with the answers of P.

As the internal customers were asked about the relationship, also P was requested to describe the relationship with three adjectives. Four out of five answered the question. A theme that came up was the adjective infrequent that two out of four mentioned. A reason suggested for infrequency was the organizational structure. This means that there is no direct possibility to contact sales from P. The program or in other words, the project leader is in between. Team meetings should be organized where sales and P could discuss issues together. Currently, team meetings are irregularly organized. A team meeting was a wish of three out of four respondents. Furthermore, competitive and different targets can be grouped together. Three out of four mentioned this in their answers. It is a consequence coming up from the different goals purchasing and sales are having. P is looking for savings when sales are reaching for a high turnover to get as much money inside the organization as possible. Below figure 13 illustrates the view of P to the relationship towards sales.

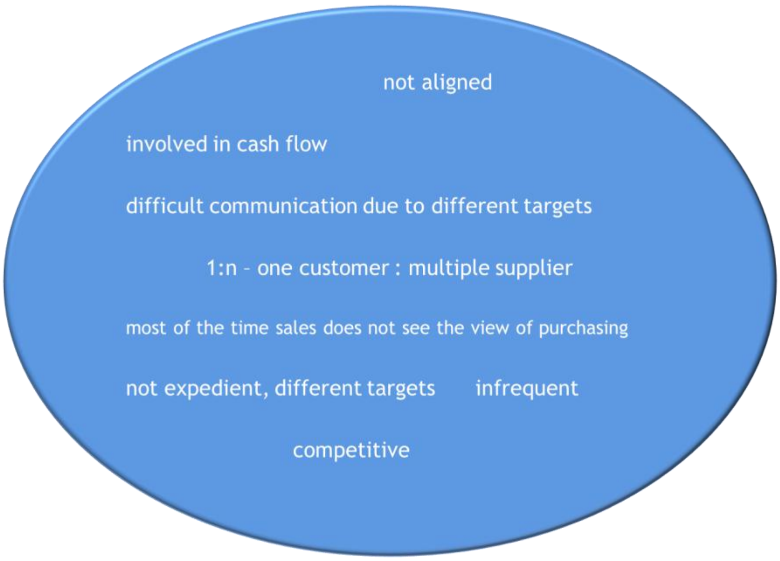


Figure 13: Concepts by how P described their relationship to sales

Furthermore, during the discussion about the relationship three out of five respondents mentioned there being problems with forwarding information to other departments. As sales and purchasing are in this research the research parties, the lack of forwarding information was shown there. Still other departments were not forgotten. One respondent believed that through a more frequent and better information change between sales and purchasing the relationship could be improved. He continued by saying that the contact is minor between these two departments. With more effective information change he means moving from IT-systems rather to face-to-face communication. Another respondent, who participated in the same interview as it was a couple interview, gave an example to clarify the problem. She wishes that the information would come enough early so P would not have to do the tasks two times. For example, when the end customer requests for a change in a module and an ECR needs to be done, the supplier needs to be asked for a new prize. When P believes it is finished with their share of the task sales approach them with a new engineering change request (ECR). Instead, sales could have informed P earlier. In the ideal situation P should ask only one offer from the supplier with all needed information. Finally, the third respondent who referred to the issue spoke about the lack of some specific information. He believes that for example volume information should come automatically from sales.

Values when serving an internal customer

The values when serving an internal customer were clarified to see if the P employees' value service-orientation when providing service and information to internal customers. Five out of five answered this question. All respondents mentioned a fluent communication flow as a value. Three out of five spoke about a wish to get a more sensitive operation between departments. In addition, three out of five believed employees should relate to the position of another employee. Finally, three out of five mentioned respectful interactions. The three descriptions above all belong together into the concept of respectful dealings, which the author chose to use here. A respondent mentioned it in an interview and it goes together with the values the respondents mentioned.

The reorganization of purchasing

The question about how has the reorganization been going will be handled here. Five out of five answered the question. Four out of five saw positive sides in the reorganization. However, out of this only one out of four stayed in the opinion and others named later on negative sides. One out of five could not describe the reorganization at all, because she has so less work experience in P.

The respondents saw some changes positive for P. For example, the new the global commodity management, where the commodity manager is the first contact person was one of the advantages. However, three out of four mentioned the fluctuation of P employees, lack of capacity or workload as a negative thing. Some other single negative opinions regarding the success of the reorganization were that sometimes the second step was taken before the first one. It means that the employees had first their physical location and afterwards the IT-systems were put in place. Additionally, many bosses, the division of the commodity managers and the huge involvement of the commodity managers to daily business were seen as negative issues. The last four opinions are all personal opinions that cannot be generalized.

5.6.1 The P expert interview

As in chapter 5.4 the PG expert interview results were introduced, in this chapter the results of the P expert interview are introduced. Questions that were the same for also other employees were introduced before and will be introduced later on in the sub chapters in 5.

Taking care of the internal service quality

The way how the expert is taking care of the internal service quality is by supporting the employees with systems so that the workload is somewhat taken away from the employees. In addition, the expert P strives to align and speed up processes and work more internationally. Furthermore, as the expert P is supporting the employees by systems, other respondents from P also introduced input to this theme. A respondent spoke about an employee survey done with questions for example about cooperation. He believed no actions based on the survey have been taken rather only questions are asked. He suggested that an action towards cooperation would be that the team leader of the team program purchasing would be in a deep contact with the departments. The wish is to be involved in regular meetings to talk about cooperation. Alone as purchasing, it might be challenging, because the communication is not corporate communication, rather non-constructive towards P.

The role of purchasing in Y

As the role of P in the Y was asked to be described, the expert referred to the words from the leader of Y by stating "*P is the second most important or most important department behind sales.*" The expert assumes this, because P is highly involved in the cash flow. It means that purchasing strives for savings, when sales strive to get the money inside Y. He continues that without sales P would not be needed.

Additional questions asked from the reorganization

A question concerning the success of the reorganization was asked from each P respondent. The answerers were already introduced. Additionally, the expert P answered still to some questions. The expert P said that everybody who wanted to be informed had the chance to inform themselves about the reorganization. The answer to the question about communication about changes is next presented. Communication was done to other departments and employees in P by the leader of P. Furthermore, an announcement about the reorganization was posted in intranet by the corporate communications. The new placement of P was introduced there. It refers to a folder where information related to P can be found. The second question handled the statement "the reorganization of P ensures the optimal alignment of internal client requirements." The expert said that by centralizing operations it offers the internal customer benefits, because of the amount of interfaces inside an organization decrease. As the last question within the theme reorganization was training. The expert explained that P offers volunteer training, which consists for example of negotiation, languages and supplier management trainings. He continued that after a P employee has been participating in these trainings all the employees should have an equal skill level.

Employees in purchasing

The two last questions introduced to the expert belonged under the theme of employees. The questions handled the fluctuation of the employees and whether the employees are positioned in the right places. He believed that the reorganization is not necessarily the only reason for fluctuation. Another reason for the fluctuation of the employees is probably the market situation. With this he meant employees getting tempting offers from other companies. The reorganization is still seen as the other side, because he believes there are always people who do not want to change. Additionally, he believes the topic is sensitive therefore if someone does not feel safe in the company he or she should quit the job. The expert spoke about how difficult it is to find skillful people. That is why he believes it is essential that P motivates the employees to stay.

The second question under the theme employees was whether P employees are in the right places. He believes that it is ensured that the employees are in the right places and know their work. Due to the reorganization the experience and skill level of all P employees was checked together with the human resources department. As a consequence, everybody has a job regarding to their skill and experience level.

5.7 Other issues affecting the internal service quality

Under this chapter results within the theme employees and working environment will be presented. The next questions about employees were only presented to P employees. The expert P was only asked to give an answer to the question about the working environment as employees from P also. To start with table 12 illustrates the results of the first three questions within the theme employees. Four out of four answered all the questions presented below. The squares marked with light blue are the typical most said answers.

	Reponses out of 4	Yes	Unsure	No
Needed knowledge	4	**3**	1	0
Responsibilities clearly told	4	**3**	0	1
Additional training needed	4	1	0	**3**

Table 12: Results to three first questions under the theme employees

Three out of four employees feel they are having the needed knowledge to their tasks. Two of them explain it by experience in the department from Y or from other companies and one answered that one could always learn something no matter how much experience he or she has. The only respondent who felt unsure said first that the needed knowledge correlates also to the work experience. However, already in the next sentence she said she has the needed knowledge even though she has only one year experience in Y. Nonetheless, she wishes there would be more possibilities for training.

Also three out of four felt the responsibilities are clearly told in the department. Two of them gave no further comments and one believed that there is no balance in the work of different hierarchies. She explains it by saying that managers should work strategic and buyers' operative as well as realizes a reason why this is not possible. As the workload is huge the managers have to support the buyers'. One out of four who answered that the responsibilities are not clearly told, believed it is related to the reorganization. He describes the situation in the department so that he feels that employees are unaware of their responsibilities and not sure if they are bound, allowed, or should do some tasks. Employees run away from tasks as several parties inside of P believe it is always the other one who is responsible for something. Running away from responsibilities is not helping.

Three out of four would need no additional training, when one out of four sees a need for it. Three out of four respondents believe, regarding the reorganization there are enough trainings organized. One out of four respondents who sees a need for training told it already when answering the question about needed knowledge.

Communication

Next, the results for the last question under the theme employee will be presented. It handles communication towards sales and whether P has some wishes for it. Three out of four employees wish team meetings would be more frequent and that the participants would be rethought. Correspondingly two out of four wish improvement in communication from project issues between departments and two out of four wishes to get early enough information.

Two out of three respondents see team meetings as an improvement point believe that currently the team members are not right. A respondent working in program purchasing for PG S believes a purchasing employee is rarely in the team meetings. He sees that P needs to be involved. However, the respondent working also in program purchasing, but for PG C believes that a sales employee is too rarely in the team meetings. Three out of three believes that the team meetings are not frequently organized. Team meetings are hoped, because at the moment face-to-face contact is low. Additionally, when the communication happens in IT-systems such as ECR the performance is unsatisfying.

The respondents had the most to say about the second wish. A respondent working in program purchasing with project handling PG S believes distributing information for project work is a general problem in Y. He told an example about when a new project begins; information is stored all around in email accounts, desktops and folders. In reality it should be shared with everybody being involved in the project. There is an official project folder in SAP (IT-system) where this all should be stored by the project leader. However, because of workload it is not often possible. This slows the work and P cannot start their work, because they have no access to the information when it is all around stored out of the hand of P employees. As a conclusion, automatic communication is a wish. PG should transfer information to P automatically and P should not have to get it.

Finally, the wish concerns the time when the information comes from PG to P. One out of two wishes that when there is a change happening in a module, the information should come early enough. The other respondent, who has the same wish, hopes information to come early, because otherwise P cannot start their work as being the last part in the chain of all departments.

Working environment

The question about the working environment was presented to all P employees also P expert. Five out of five P employees answered the question about the working environment in P. Four out of five tell workload is huge or capacity is too low. Any other generalization from the responses cannot be done; therefore some single answers are raised up. One respondent mentions that P has to work in a quick time, because they get information really late from the PG being at the end of the process. Another respondent sees job training as an improvement issue. According to him when a new young employee is employed it takes much time from the superior to train him or her to the tasks. Usually there is not much time to give as a resource. One out of five respondents, who does not mention the workload, mentions the lack of space as a problem. He mentioned a new building is built where the P employees will all be able to sit together. Moreover, he analyses that this way communication inside P gets better and between departments. Now the P employees are physically away from each other. Two out of five keeps poor air and two out of five keep loudness as negative things in the working environment.

Besides wishes, which respondents see as development issues also some positive sides were seen in the working environment. Adjectives such as funny, friendly, and supportive were mentioned in single answers. No generalizations can be made.

The author wanted to introduce some quotations said by the respondents, because they introduce the employees answer in the most authentic way. They can be found from appendices 8.

5.8 SWOT analysis

Based on the interviews and after a discussion with the mentor from X, the results are combined through a SWOT analysis. The strengths and weaknesses or in other words, development points were asked in the interviews of the PG employees. The opportunities and threats mainly consist of answers gotten from purchasing. Eventually the mentor from X as employee 14 (2012) looked the analysis through and gave the last words.

The SWOT analysis is a usable tool for putting internal and external issues together from the company's business environment. The analysis consists of the strengths, weaknesses, opportunities and threats that are illustrated in figure 14 (page 72). While the focus of this thesis is on the internal customer relationship, the use of SWOT is modified.

Strengths

Departments sales and purchasing as well as others from PG are physically closely situated, which is a definite strength. Even though variable opinions came out of interviews, it can be regarded to strengths. The close location with the departments gives the opportunity for a fluent cooperation and face-to-face communication, as distances are not remote. At the moment communication happens through IT-systems like engineering change requests (ECR's) or by e-mail, the physical location does not matter. In the end, the objective and wish of many respondents were to improve the face-to-face communication, where the close location of the departments is important. The facilities are there, but the people talking together from different departments are missing. Active communication between the employees is an aim for the future.

The second strength is the personal contacts employees are having to other departments. This means that employees are seeing colleagues also outside of working time. If there is no personal contact, it is straight shown in the condition of the relationship meaning that the relationship is rather unsatisfying. Third strength is that the organization has realized a lack in the organizational structure and capacity. It is noticed that it is time to awaken the link between sales and purchasing. The improvement is the PPO.

Weaknesses

A weakness is that sales are unaware of the contact persons in P. They do not know who the contact person is. When they know it, they believe one contact person is not enough. This is concerning, because the contact persons from program purchasing have been presented by P and information is given. In intranet the reorganized purchasing has their new folder. In the end, it seems like all this information is given for nothing. If sales know the contact person, inside P there is unclearness of the responsible person. This all sums up to a problem with the communication flow.

Cooperation is missing between sales and purchasing. This can be seen as a weakness, because when there are internal problems in the interaction with departments it makes it much harder to serve the end customer with a satisfying service quality. Communication is happening through IT-systems rather than face-to-face interaction. This is seen as a weakness by many interviewed employees.

Besides, that the responsible persons are often unknown, the service is slow from the side of P. At least this is the majority opinion from the PG employees. Additionally, sales believe purchasing does not have enough knowledge in technical issues. This slows down the process of giving the end customer the offer. In an organization like Y, the technical knowledge should be on a high level.

Employees coming from different departments do not understand the work of the other department. This makes the communication challenging. It means that actions are not sensitive and employees stare at their own department and priorities. The best example is the employees from sales and purchasing. Their relationship is challenging, because they have their own separate targets, but are meanwhile dependent on each other. Actions such as job rotation, a workshop, or a pilot project for improving the communication could develop the situation and some day even solves this problem. These are situated to the opportunities in the SWOT. Service-orientation is missing in the organization. Sales should be supported from all the other functions. At the moment, pressure is coming from several directions rather than having sales as the top of the pyramid. The pyramid consists of the customer on top, sales and support functions behind and the management on the bottom. This model was introduced in the chapter from customer-orientation and it is the way an organization aiming to be customer focused should operate. Something that is connected to the service-orientation is process thinking, because it strives for cooperation between the departments. Currently, the way Y operates is more or less the traditional way. It means every department does their own work. This is definitely not heading towards a service organization and customer thinking.

Low capacity is a weakness in Y. Currently, nothing can be done to it, because no new employees can be employed to X due to the financial situation. Probably another choice would be to make processes more effective and a positive start for this would be the PPO that belongs in SWOT to the opportunities.

Opportunities

An opportunity is the newly presented PPO that is no new invention, but refreshed from the old times. There the program purchasing acts as a connecting link to sales and at the same time to purchasing. The improvement shows that P is willing to do steps to create a better cooperation between the departments. The PPO gives a chance to improve it, if sales supports and accepts it. The problem is that the relationship between sales and purchasing has been for years on a low level; therefore attitudes are not easily changed. The reason why the PPO is seen as an opportunity is, because it is an effort made by P to work more integrated with sales and of course with other departments. Sales have the chance, whether they accept it and welcome the newly refreshed structure. The refreshment means that it is always there, but forgotten. PG S is having the most difficulties in accepting it. PG EES have been already accepting it and PG C is something from the middle.

The PPO is presented several times to PG, but it seems that the message is left behind and never received PG. Therefore, as a pilot project PG S could receive the information once more and together discuss about the improvements with P and follow whether it brings positive things to daily business in a short period of time. Afterwards if this is successfully implemented, the two other PG’s could participate in the same project. In addition, job rotation and a workshop could support when the organization wants that employees understand each others tasks better. Additionally, job rotation and a workshop could be organized. Chapter 6 introduces more discussion about this.

Threats

Employees leaving the company could be considered as a threat. A reason for this could be their dissatisfaction to the working environment. For example, the issue that improvement efforts such as the PPO are not successfully accepted by Y can be an occasion. Additionally, many changes in Y can be another reason. To avoid this, employees should be listened and team spirit should be raised by events or by actions aiming for better cooperation between departments.

Figure 14: The SWOT from internal service quality

6 Conclusions and recommendations

As results have been introduced, now it is time to make conclusions about them and to give recommendations. In addition, list some topics, which could be researched later on in Y based on this thesis.

6.1 Conclusions

The objective of this thesis was to find the answer to the research question “should the internal service quality be improved and if so, how?” The topic raised much discussion within the respondents and several examples were given from real working life situations. After getting familiar with the theory and implementing the research study the answer is definitely yes. The internal customers experience the internal service quality negatively. It means they wish more improvements. A few issues they see as strengths. The input of the interviews was that there is a gap in the communication between especially sales and purchasing. This was a clear statement from both sides, PG and P. The internal customer reclaims about the waiting time, whereas the internal service provider believes sales does not necessarily have the full understanding of purchasing tasks and goals as well as they do not accept the newly presented PPO. Different targets between P and PG’s make the cooperation challenging.

Firstly, the organization does not provide a direct contact with purchasing and sales departments. That is the reason why the communication and cooperation is so rare. Moreover, communication, especially sensitive communication, is the biggest improvement part. PG employees expect service-orientation; more contact people from P and that P would have better technical knowledge. P employees expect more involvement, participation and team meetings, where issues have gone through together, rather than sending emails or working with IT-systems as the current situation is.

Team meetings where purchasing and sales would discuss together are somehow avoided. A reason can be that the problems between these two parties have been for years and no constructive discussion is able to be arranged. It should be the task of the management to start it and then involve some employees from both sides. Also in PG side, information is not forwarded outside of the department. Management should take the wishes of the employees seriously and try to bring them further to the management board. In a huge organization like Y, employees have no chance to make a change. It is the task of the management of each department to inform people who really can influence and make some actions happen. Naturally external market threats and themes are essential and sometimes more actual, however, as with employee satisfaction only positive results can be implemented in the run, the well-being of them is fundamental to notice. Pushing difficult issues away is definitely not helping and is not a solution. It will not resolve the problems purchasing and sales have been having for years. As the management board of the X made an initiative by giving a statement of improving the cooperation inside the organization, it supports the aim and the results of this thesis. Time will show whether it the actions bring results.

As P has presented the PPO to PG S already few times it seems awkward that inside an organization where the OEM is waiting for weeks, a problem like internal communication can be seized. The PG S claims to be unaware of the PPO. It seems so that they are not still aware of it or the value of it is not yet seen. As sales complained of too less contact people and that PG is not aware of them, the PPO would bring an improvement for it. Each department has their focus on issues important to them. Sales are concentrated on the OEM's, because they aim to get offers with a high price, when purchasing deals with savings and communicates with suppliers and does not seem to care how quick a service is delivered to the internal customer. This should stop and understanding of the tasks above own department should occur.

Firstly, it would not be so difficult to ask who is responsible for what. The PPO brings three contacts within Northern Europe as well as its own in other regions who to consult. Moreover, the PG's, especially PG S, react in a denying way and see points what purchasing is doing wrong, but not the efforts they are trying to make towards a functioning relationship. Sales harm this way the organization, which is an obstacle when the aim is to be an integrated service provider. When Y has one target "One Y" it should mean cooperation and working towards mutual benefits. Asking support and accepting positive improvements should not be an obligation as it seems to be. Constructive communication could be an aim for both sides, especially for the PG to improve. They have the internal customers' position, but still as belonging to one and the same organization with P, they should understand that with arrogant and impolite behavior one cannot receive kind service.

This tells that the problem is not in the creation of something, probably also not in the implementation of it, but in the acceptance of it from the other side. The support should come from the organization, but inside the organization some PG's prevent it. Anyhow, the question is about the same organization why it should be even more important to interact and be cooperative. Positive is that some efforts are done and there is willingness especially from one side to change the situation. It can be that, because of the ongoing reorganization there is too less time to adopt new things in a quick pace. Still, the feeling is that only the new PPO is not enough, but much more between sales and purchasing needs to be done. This was a wish from more or less every respondent. Nobody described the internal relationship fluent from all 11 respondents. When PG does not realize the improvements provided by P, the management should step into actions and bring up a discussion between departments

Besides wishes the PG respondents saw also strengths in the relationship. No generalization could be made from the answers. It means that they are not necessarily reliable. Personal contacts, close location to P and a signal given that P is willing to support PG are kept as strengths. In addition, the fact that P has been realizing a lack regarding the organizational structure and capacity and is improving it was mentioned as strengths. All these strengths should be appreciated in the organization. Remarkable is that some respondents found no strengths in the relationship.

The internal customers believed the reorganization of P has some influences to the received service from P. Nonetheless, more than half of the respondents thought it has been having no impact. Still, fluctuation, unknown organization chart and slow responsiveness were issues, which have negatively affected to the relationship. When looking the organizational change from P point of view, they believe it have been somewhat worked and somewhat not.

Which needs more improvement – the technical or functional quality?

As promised in the thesis, the two service quality dimensions as in the technical and functional quality will be used now to analyze the results. Technical quality relates to the outcome of the service and functional quality relates to the entire process the service is delivered. What was served and how it was served are questions that these two dimensions will give an answer to. Above the two dimensions, four components as in reliability, responsiveness, assurance and empathy are used here to evaluate the total service quality. In other words, as now the results are known through these four components the satisfaction of the PG is being analyzed. PG is in this study the internal customer. On the other hand, as P was also interviewed their point of view is also heard, because this study aims for development and to handle results in a constructive way. This is done by analyzing the results and searching for the needs of improvements from both the PG and P side. Internal customers' assess service with all the four components mentioned above and all these four are used to analyze the main results regarding this study.

As the results are analyzed, clear is that the PG respondents' saw many improvement points within the functional quality. Mainly the slowness of the service was considered as a problem. This relates to the responsiveness of the P employees. It illustrates that the service given by P is slow and it is kept as a critical point in the relationship and therefore should be improved. However, after the P interviews the other perspective was heard, and therefore PG is not that innocent. When sales give information too late, ignores P in team meetings or does not even invite them there P has a challenging task to take care of the fluent service quality and fluent responsiveness. Naturally, improvements need to be done on both sides. When PG would inform earlier, P could implement their tasks earlier. It would result into a better responsiveness. The challenge here is that how will the departments commit for cooperation. P is willing to support PG, but the problem is that PG is not willing to take this help. The acceptance of the PPO is an example. It is an improvement for the entire organization, but PG is not accepting it and currently do not seem to be aware of it.

Reliability relates closely to responsiveness. As responsiveness demands prompt service, reliability demands prompt service that is accurate, flawless and correct. For example, P is not providing the correct service regarding technical issues, because they do not have the knowledge for it. The problem is that the task comes automatically back to sales, who are frustrated while the tasks in the beginning should be done by P. As a solution cooperation could resolve this as a sales respondent suggested in an interview. The employees coming from different departments seem to have mental difficulties to access another department with questions. A reason may be that the two departments are the money bringers, as the expert P mentioned. The pressure and competition between the two parties is high. This is not only a problem in Y, but also in other organizations, that is in prime of importance to remember.

The criteria for assurance are not quite filled by P. The internal customer PG claimed about the lack of the technical knowledge of the P employees. The consequence of this is that P is not able to give the service that PG expects. In addition, the contact persons are unknown and P is not answering the requests by sales. This is only the other side. As P told there is a clear lack of capacity that somewhat is caused, because of the reorganization. However, the newly introduced PPO should provide the first steps for a better cooperation and communication between especially sales and purchasing as the link is awakened. What comes to the technical knowledge, it is not a requirement for the P employees, and P is searching for employees with technical background without finding it.

As P tries to understand the problems in the PG by showing empathy, P does not feel heard. P has refreshed the PPO to develop the internal relationship with the objective that the link between purchasing and sales would become more fluent. The reason why PG is still complaining from poor service can be, because they do not themselves accept or know the changes as in PPO or that P is now a separate business division from X. Customer behavior is also a reason that shows that PG S waits service should be brought to them rather than that PG would itself make a movement.

To conclude, the functional service quality is definitely under a satisfactory level. All issues except the knowledge of the P employees relate to the functional dimension. The knowledge of the P employees relates to the technical service quality. Moreover, as adjectives linking to the process dimensions are critical, the service is delivered with a poor service quality when assessing it with the two dimensions.

As in chapter 4.1., already mentioned, a bachelor thesis regarding the external customer satisfaction is implemented few years ago in X. The author had a discussion with employee 15 (2012) as he now is employed in X. The main output of this discussion was the results he felt correlates into the internal service quality. The results of the thesis about external customer satisfaction consisted of a grouping with priority levels. Similarities can be seen in the results compared to the analyzing of the results based on the functional and technical quality as in by what criteria internal customers' asses the quality. The research about the external customer satisfaction had as second priority the delivery reliability, rapidly, quality of information and data. As third priority was assurance, reclamation, knowledge of employees and stability of the X. As the analyses in this thesis show, prompt service was seen essential from the internal customers' perspective. It correlates to the rapidity. Secondly, assurance is kept as a fundamental adjective to be fulfilled by the internal service provider. Additionally, the knowledge of the employees was mentioned. It correlates directly to the other study where assurance and knowledge of the employees was positioned in the third place.

6.2 Recommendations

A clear development point is definitely to create a team meeting with both purchasing and sales employees. As this research introduced, PG S is having some issues to improve such as accepting effort presented by P, more sensitive and automatic communication. However, P has inside their reorganized department some open questions regarding the responsibilities. All in all both departments should aim for integrated cooperation where both understand somewhat the problems and tasks of the other department. These statements are based on the 11 interviews with the PG and P employees. The recommendations handle mainly P and PG, though the others should not be forgotten, when later on thinking about possible actions.

In this case when internal communication has gaps, it is clearly wise to rethink how to continue with the PPO improvement. Some actions towards PG S should be done regarding this. This time not straight to everybody within the department rather to the managers that could inform their closest employees. PG S could be the target group for a pilot project and then the same could be done to PG C and PG EES. The pilot project could consist of once more introducing the PPO and then discuss together about it. However, especially PG EES seems to be aware of it already when looking it from the view its acceptance. The output from the pilot project could be which positive improvements is the PPO bringing or has it already brought them. The PG's shall understand that there are improvements happening, as the organization has realized some problems between the interfaces from sales to purchasing. The management in Y and in X and P has the task to make efforts that sales and purchasing work more integrated. This should include all departments, especially the ones working within projects.

Sales and purchasing are not having much direct contact with each other. There are interfaces in between, such as program as in project management, which can prevent the communication process. The organization should make it easier and especially courage face-to-face contact before, during and after projects. Both departments are involved in projects, where eventually the target is to supply the OEM a solution on time and with high quality. The different targets of purchasing and sales make it challenging. The roles could be changed between sales and purchasing employees, so both would get a picture from the others work.

That is why job rotation is a recommendation. Job rotation is comparable to the trainee programs where an employee, often an absolvent, sees several departments in a few years of time. There employees from different department change places for a while and gets familiar with the other departments goals, tasks, and additional things needed to know in daily business. This could become challenging, when an employee prefers one department why would he or she change it for the reasons to understand the tasks the other department does. If this happens, the employees should do it for their own interest and will, support should still come from the organization. A workshop is suggested to improve the understanding of the others tasks and to improve communication. There sales and purchasing could analyze the situation and find out solutions to the occurring problem. This could happen few times a year or when needed with different employees from all departments belonging to the project team. The concentration would be in sales and purchasing as it seems that these two currently have less or no direct contact and struggle with who is the winner in Y.

The organization should definitely employ more people especially to P. As almost every PG respondent claimed of the poor capacity. It should be thought seriously through whether there would be possibilities to hire more people. At the moment, while the financial situation is not adequate in X, it is natural that human resource costs are put down and in X no new people can be hired. Moreover, in the long run it can be less effective when one person does the work of two and it takes double time. It can be a reason why schedules are not kept and end customer has to wait while the organization internally cannot provide fluent service. In this case fluent service means serving the customer on time. Still, hiring new employees will not solve the internal problems and give Y the missing service culture. Service culture should be improved in the organization. As Y is a traditional industry organization it is not a surprise that they still work with old ways even though in practice new methods like the matrix organization and project work are officially being as organizing and working methods.

Because the reorganization first took place last year, it cannot be assumed that everything would function excellently. When there are many changes coming at one time, it is no wonder that the employees of the purchasing department need time to adapt the changes. A recommendation is to provide some time to P, but not let again ten years pass by and find the organization in front of the same problems when then implementing similar interviews. As employee satisfaction is so fundamental regarding aiming for advantageous profit, it should be well taken care of.

Internal service quality shall be the prime of importance and somehow from the management side supported that both departments' sales and purchasing are equal. No matter which side caused the problem, when selling the best solution for the end customer. The best solution for Y should be found through cooperation. A meeting where at least the leaders from all three Y, X, and P should come together and find ways to a more effective cooperation. Instead, of leaving the discussion to the management level, employees should be involved. A reason is that they are the people who in daily business discuss with the customers and suppliers as leaders and managers manage them.

A wish is that purchasing and sales would have team meetings together where they can discuss in a constructive level about occurring challenges. Purchasing is more ready to come forward, when sales act passive and has a customer behavior. Despite the several development points and recommendations, it is not impossible to make improvements based on them. Of course it needs time. The aim is to finally open the frictions between sales and purchasing.

6.3 Other research topics

Nonetheless, to ensure a wider research, in a form of a survey could be done to all PG's. Another research topic would be that what does the management value. If they discuss about beneficial issues regarding internal service quality, it should be listed in their values. The value should be shown in daily work. This research question could provide interesting information. This assumption is a result based on the interviews and data searched in intranet. Hopefully issues mentioned will be taken seriously and under research in Y the cooperation between departments will improve.

7 Theoretical linkage

The core of services marketing is that customers are number one. This was remembered along the empirical study as the research questions were invented. Not only services marketing was a part of the theory in this study, however, concepts belonging under it such as relationship marketing, service quality, internal customer service and service culture had their role when building up the theoretical framework for this thesis. The empirical study was based on these themes. The results were looked from the perspective of the internal customers. On the other hand, also to be able to analyze the results in a constructive level, responses of the internal service providers were included. Customer needs are essential to hear though blindly looking at them was not the purpose of this study.

8 The study meeting validity and reliability demands

It was important to use specific documentation throughout the entire study. Referring to the three evaluation points by Mäkelä (1990, 48), at least the two first points are fulfilled.

Altogether 13 employees were interviewed from different departments, both men and woman working in different positions. Normally it is said that 12 people should be interviewed and after that no more new information is gotten. This means that in this study through this criterion the adequacy of the material is fulfilled. For this research there was no maximum or minimum amount of employees that should be interviewed. This entire research changed all the time. Essential was that the same research questions were asked from all employees belonging to one of the four different groups. These groups were introduced in chapter 7. With groups the author refers to PG employees and P employees as well as normal interviews and expert interviews. Finally 11 interviews were accepted, because two of them had to be disqualified, because of poor answers. This amount gives already a reliable base to make conclusions; however, because this research is a case study no generalizations can be done outside of Y.

The second point in validity and reliability demands by Mäkelä (1990, 48) is the scope of the analysis. The analysis phase was carefully implemented and the material was gone through several times with the aim to try to find out the main points and themes. As material was transcribed based on the interviews, written down in sentences, read through more than once, and themes within the answers of the respondents were searched with the support of an Excel table, the scope of analysis is sufficient.

At last, the analysis to be estimated and repeatability. This research could be done again based on the questions attached to the appendices, however, the results would possibly vary somewhat. The reason for this is, because the interviewed employees had a different background regarding work experience and current department. It would be unusual to get similar people to participate in the study. The general opinion regarding the theme of the employees being interviewed was clear, so assumable is that it would repeat itself in the next study as well. In this study the internal service quality needs improvements. This result is reliable, because employees from different departments were interviewed.

Half of the interviews were done in German, because of the wish of the PG employees. Due to the fact that memos from the interviews have been given to the respondents for revision, the language issues have been eliminated. Even though observation was used as a supportive method, no specific observation method was used. As some interviews were recorded and then transcribed it gave a positive effect on the reliability and validity demands.

Implemented interviews were not identical, because of the openness of them, that more reminded a discussion than an interview. Still, the questions were put into themes what kept some structure in the interviews. Because of the open feature of the interviews, depending how the respondent understood the questions, the author supported in explaining terms, clarified what is meant by a particular question. The research process was learning by doing, therefore the further the implementation of the interviews went, the researcher began straight from the beginning to explain some issues that seemed to be difficult to understand. Strength was to be on the same level with the respondent.

Triangulation supported the reliability. Because interviews as well as observation were used as research methods, method triangulation was used. This gave either a confirmation of the data that was gotten from the interview or it resulted into a paradox situation. Example when a respondent answered clearly that they wish an improvement in service from the internal service provider, the researcher interpreted it as a genuine opinion of the respondent. However, if the respondent answered yes and no to the same question whether they need more training, it made the interpretation difficult. Even though the material consisted of many pages and 11 interviews, the results were carefully analyzed and that is why the risk of leaving something essential out was minimized. Besides method triangulation, also material triangulation was used. Interviews and observation was used as gathering material and different target groups were used as in P and PG employees.

When mainly the respondents said that internal relationship is not at a high level, it gives a thought that can it be true. It raises a reliability question, can the results and conclusion be trusted. After interviewing 11 employees from different departments, different PG’s with a variety of the amount of work experience in Y, the results can be studied as reliable.

9 Summary

The themes of this thesis were services marketing, service quality, and internal customer relationship. The introduction included the background and choices done regarding this study. Then the main concepts were introduced with suitable figures and charts. Some sub concepts belonging under the main themes were also introduced in more detail, building up the theoretical background. After the research methods were generally presented suitable ones were chosen for this study. As the theoretical and research chapters were introduced, the empirical study was presented with results, conclusions and recommendations. The table of contents shows in detail the contents of this thesis.

Service-orientation is more and more adopted in businesses, because companies cannot compete with a pure product or service anymore. Services are intangible, heterogeneous, perishable, and simultaneously produced and consumed. As the competition gets tougher, the companies which succeed in creating a tempting service offering win. A totality of the physical product, service, or additional services are not the central component, however, the way how the company delivers it to its customers is. This leads to customers' assessment of the service quality, which consists of two dimensions, the technical quality and the functional quality. The quality of service is determined by the customers' experiences. Additionally, what they expect of the coming service influences also not forgetting the image of the company.

Whether the customer is an internal or external customer the need to supply fluent service should be valued. Both sides expect also fluent service. As this thesis handles the internal customer relationship, the theory of it is compactly introduced after service quality. Frequently, the external customer gets more attention, because they bring the money to the company. The direct profit of serving internal customers well is not shown. This is the issue which makes it challenging. Despite the fact, that company's low profit can ground from internal frictions that are between two departments. Moreover, to be able to achieve satisfactory internal service quality, the organization's culture should be changed to a service culture. It means that giving high service belongs to daily work and serving the external and the internal customers with a high service level. As employees follow the managers' actions, important is that the managers' show by doing what they value as what value is essential for the company.

The aim of this thesis was to make awareness for the employees how fundamental it is to appreciate internal service quality and to show the effects which the company has to confront in the first case. This means that, because of low internal service quality, employees' satisfaction can decrease, external customer satisfaction decreases. Eventually it affects negatively to the profit and growth of the company. By interviewing the internal customers' their wishes were trying to find out. Above this, the internal service providers were an essential part of this study in giving responses. As the name of this thesis tells "Developing the internal service quality in Y", the word development meant for the author to hear both sides, even though in principle the customer needs are number one.

Mostly the results included improvement points which meant the satisfaction in the way how internal customers are served needs work. However, some positive sides were also mentioned in the results. These could not be generalized, because the answers were told only once by a single respondent. Communication and cooperation revealed as the two main adjectives which need improvement. Organizing team meetings between sales and purchasing could solve the problems. Additionally, job rotation and pilot project regarding PPO would be other recommendations. As there were several wishes that more than one respondent mentioned.

Additionally, both the internal customer and the internal service provider had much to tell, a view to the conclusions and recommendations, chapter 6, gives more detailed explanations.

The benefit for the organization of this study is that first time someone is researching the internal service quality between mainly the two departments, sales and purchasing and by asking opinions from both sides. As it came up in interviews, there have been problems longer in the relationship. Through this study, X got a word to tell their opinions about the relationship to P, whereas P could respond. Y gets an overview of the internal service quality and hopefully pays attention to it later on. The image gotten from intranet is that the employees are reminded how important they are, though this is done in black and white in some official documents being shared internally. When talking to the employees, they did not seem to be satisfied with how they are being taken care of.

A statement about how the author summarizes the conclusions and recommendations is: *through team work towards an integrated service organization and satisfied end customers*.

10 Own comments

The planning of this thesis started early, which turned out to be beneficial as some setbacks came. The author left much time for finishing each part, because the thesis is in English written. Eventually, the process was the biggest challenge in the three year period of Business Management studies, but gave much for the future no matter where the author is in the next years. The author learned a lot from working independently and managing a project. Luckily the support from the mentor from X was sufficient and supportive. Previous work experience in X was a definite support when implementing the research in the same organization. The company’s business idea was already known and also some employees.

Implementing the interviews was a huge learning process, because the author has never done such a process. First, a challenge was to plan the questions and also to manage the interviews in English and German. However, it was a positive challenge and difficulties with language were overcome by changing the language to English and let the respondents read the memos from interviews. This was done to assure that everything was correctly understood.

There are naturally some cultural differences between Germany and Finland. Finnish people often express their opinions straight as also the German people, especially when it comes to negative things. The aim was not to find out what are the problems within the organization, rather to find out if there is something to develop. As the results show there is work to be done. Hopefully the results bring awareness to the organization about the internal service and the development ideas will lead to concrete actions in the future. As working life relation is important in the thesis cooperation, positive was that the organization took it seriously and offered resources.

Comments from the organization

Y is benefiting from this research as the mentor from X assessed. Referring to the notes of the mentor from X, he said that closer teamwork between different departments and understanding the needs of other departments is enhanced. Additionally, the author contacted the human resources department and forwarded the information about this thesis, because the theme applies better there than to sales where the author mostly implemented the interview. In the end, everybody has an allowance to see this thesis as it comes with the intranet in Y, but a different thing is that who takes actions based on the suggestions made in this study. Some employees wished straight a contact person who takes charge of the actions. However, action plans are too early to be made, because first awareness of the importance of internal service quality needed to be awakened.

All 15 respondents including the disqualified ones and those, with whom the author had discussions with, had a chance to give feedback by answering an email that can be found from appendices 9. This email informed them about the next steps after the author finished her project in the organization. Two out of 15 answered the email. A comment from a P respondent was that the email, sent by the author, informs the organization of the project after her absence. The respondent knows whom to ask if there are some questions. Once more she mentioned the wish of better communication between the departments in future as well as that the thesis is a reminder that the organization still has to improve. Another P respondent said it is positive that inside P one can always report a lack of knowledge in a particular field and get training for it.

“In my opinion communication inside a company is the most important thing, even if you can't calculate the monetary value of communication!” (Employee 8 2012).

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Appendices 1: List of short concepts

ECR	Engineering change request (a technical change in a solution that the customer requests)
End customer	In this thesis it means an OEM such as AUDI, VW
OEM	Original equipment manufacturer
P	Reorganized purchasing department
PG	Product group
PG C	Product group chassis
PG EES	Product group exhaust and engine systems
PG S	Product group structures
PPO	Program purchasing organization
Program	Project management in projects
Program purchasing	Employees officially paid by purchasing, working together with PG’s so with project management and sales, the connection from sales to purchasing
SERVQUAL	method for measuring the service quality
X	Company in subject as internal customer
Y	Concern where company P and X belong to
Z	Customer in PG S

Appendices 2: Expert interview for a PG S employee

The main research question is “Should internal service quality be improved? If so, how?” The purpose is to ask internal customers, if they are satisfied with the internal service level, and that way find out the internal service level, if it is good, or would need some development. Then to list strengths and weaknesses and to think about how to improve these or on other hand how to keep them strong. Purchasing will be asked for response to the issues that rise up in sales.

By Finnish University of Applied Sciences law, all thesis works are open in a database in Internet. Because of traceability, it is important to mark down the sources, books or interviews. That is why I ask your permission in using your background data with the link to the word employee and a number in my sources at the end of my thesis. Your name will only be a part of a confidential list, which Laurea University of Applied Sciences keeps itself. Additionally, I ask your permission to record this interview.

BACKGROUND

1. Gender
2. Work experience in Y
3. Education
4. Position
5. Department

GENERAL FROM THE RELATIONSHIP

6. Describe the relationship between you and purchasing with three adjectives.
   1.
   2.
   3.

7. What do you wish more from the cooperation between sales and purchasing? (Confirming question)

8. What are the strengths within internal customer relationship to purchasing?

9. Describe your experiences as being a part of purchasing.

10. Describe your experiences as being a part of sales.

REORGANIZATION OF PURCHASING

11. How have the reorganization of purchasing been affecting to the way they serve you?

ADDITIONAL COMMENTS

Appendices 3: Interview for sales/program employees

The main research question is “Should internal service quality be improved? If so, how?” The purpose is to ask internal customers, if they are satisfied with the internal service level, and that way find out the internal service level, if it is good, or would need some development. Then to list strengths and weaknesses and to think about how to improve these or on other hand how to keep them strong. Purchasing will be asked for response to the issues that rise up in sales and program.

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BACKGROUND

1. Gender
2. Work experience in Y
3. Education
4. Position
5. Department

GENERAL FROM THE RELATIONSHIP

6. Describe the relationship between you and purchasing with three adjectives.

    1.
    2.
    3.

7. What do you wish more from the cooperation between sales and purchasing? (Confirming question)

8. What are the strengths within the internal customer relationship to purchasing?

REORGANIZATION OF PURCHASING

9. How have the reorganization of purchasing been affecting to the way they serve you?

ADDITIONAL COMMENTS

Appendices 4: Expert interview for a purchasing employee

The main research question is “Should internal service quality be improved? If so, how?” The purpose is to ask internal customers, if they are satisfied with the internal service level, and that way find out the internal service level, if it is good, or would need some development. Then to list strengths and weaknesses and to think about how to improve these or on other hand how to keep them strong. Purchasing will be asked for response to the issues that rise up in sales. Before these questions were written down, I had interviews with sales about theme internal service quality. Now I would like to hear how you respond to these and why is sales expecting more than experiencing.

By Finnish University of Applied Sciences law, all thesis works are open in a database in Internet. Because of traceability, it is important to mark down the sources, books or interviews. That is why I ask your permission in using your background data with the link to the word employee and a number in my sources at the end of my thesis. Your name will only be a part of a confidential list, which Laurea University of Applied Sciences keeps itself. Additionally, I ask your permission to record this interview.

BACKGROUND

1. Gender
2. Work experience in Y
3. Education
4. Position
5. Department

GENERAL FROM THE RELATIONSHIP

6. Describe the relationship between you and sales with three adjectives.

    1.
    2.
    3.

7. What are your values when serving an internal customer?

8. How are you taking care of the internal service quality?

9. Describe the role of purchasing within the organization.

THE REORGANIZATION OF PURCHASING

10. How do you feel reorganization have been going?

11. How have you been communicating about changes?

12. “The reorganization of purchasing ensures the optimal alignment of internal client requirements.”
    a. What does this mean in real, concrete actions?

13. What kind of training is organized for the employees?

EMPLOYEES

14. How do you explain the changes among the employees?
    (changes inside the department and outside)

    a. Is this since reorganization?

15. Are the employees in right places?

WORKING ENVIRONMENT

16. Describe the working environment in purchasing at the moment.

ADDITIONAL COMMENTS

Who could be next interview from purchasing?

Appendices 5: Interview for purchasing employees

The main research question is “Should internal service quality be improved? If so, how?” The purpose is to ask internal customers, if they are satisfied with the internal service level, and that way find out the internal service level, if it is good, or would need some development. Then to list strengths and weaknesses and to think about how to improve these or on other hand how to keep them strong. Purchasing will be asked for response to the issues that rise up in sales. Before these questions were written down, I had interviews with sales about theme internal service quality. Now I would like to hear how you respond to these and why is sales expecting more than experiencing.

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BACKGROUND

1. Gender
2. Work experience in Y
3. Education
4. Position
5. Department

GENERAL FROM THE RELATIONSHIP

6. Describe the relationship between you and sales with three adjectives.

    1.
    2.
    3.

7. What are your values when serving an internal customer?

8. Describe the role of purchasing within the organization.

THE REORGANIZATION OF PURCHASING

9. How do you feel reorganization have been going?

EMPLOYEES

10. Do you have the needed knowledge for your tasks?

11. Are the responsibilities clearly told in the department?

12. Would you need some additional training?

13. Would you wish something more from the communication towards sales?

WORKING ENVIRONMENT

14. Describe the working environment in purchasing at the moment.

ADDITIONAL COMMENTS

Appendices 6: Background information from the respondents

Employee Nr.	Interview language	Recorded	Interview type
1	English	not asked	single
2	German	not asked	single
3	German	not asked	single
4	English	not asked	single
5	German	not asked	couple
6	German	yes	couple
7	English	yes	single
8	English	yes	couple
9	English	yes	single
10	English	no allowance	single
11	English	yes	single

1.Gender	.Experience in	3.Education	3.Degree	4.Position	5.Department
M	4	Economic Engineer	-	sales manager	sales PG S
M	14	Economic Engineer	-	sales manager	sales PG S
M	15	Industrial Manager	Master	sales manager	sales PG S
M	0,5	Business Administration	Bachelor	sales administator	sales PG C
M	4	Economic Engineer	-	project manager	program PG S
M	13	Industrial Manager and Business Administration	Bachelor	team program purchasing	purchasing
M	7,5	Business Administration	Master	project leader	purchasing
F	5	Business Administration	Bachelor	commodity buyer	purchasing
F	10	Mechanical Engineer	Ph.D	director	PG S
F	1	Economics		commodity buyer	purchasing
M	2	Engineer	Master	team program purchasing	purchasing

Appendices 7: Background information from the respondents (precise)

	All together	PG	P
Gender			
Female	3	1	2
Male	8	5	3
Working experience in Y			
0-5	6	3	3
6-10	2	1	1
11-15	3	2	1
Education			
Business and engineering	5	4	1
Business	6	2	4
Position			
Manager/Leader/Director	6	5	1
Administrator/Byer	3	1	2
Other	2	0	2
Department			
PG	6		
Sales	5		
Program	1		
Other	1		
P	5		
Commodity Buyer	2		
Program purchasing	2		
Other	1		

Appendices 8: Said by the respondents

Quotations by PG

"No one is willing to go to the other department to ask." -- "They are waiting for information so from both sides connection is bad and both sides think that Y needs to work better together."

"PPO was started with the objective that there is a better link to the PG's."

"Most important is that people talk with each other, they know each other and understand the organization."

Quotations by purchasing

"Respectful dealings while focusing on the same target."

"Support with important information for project work needs to be optimized."

"In the end we are one Y."

"Generally the problem in Y is distributing information for project work."

"Regular team meetings are not as regular as they should be."

Appendices 9: The email sent to the respondents regarding feedback

Dear employee,

first of all I would like to thank you for participating on the research within my thesis about the theme "Internal Service Quality". The amount of responses gotten was positively surprising.

Friday the 20th of July will be my last working day here in Y, and then I will start vacation and eventually in August fly back to Finland to present my thesis to my teacher.

However, before that I wish you would give some feedback about the interview implemented. The word is free, and that is why I will not give any guidelines how or what to answer.

I wish you look back to the interview and give a short comment, either in German or English. This will be a part of the assessment of “how the implementation of the thesis succeeded.” **Please send me the answers latest Tuesday the 17th of June.**

The final version of my thesis will be first available at the beginning of October. ….., my mentor from X or……, PG Structures HR manager, can be contacted if there are some questions after I am away. As you are aware the thesis will be found also from the internet. Regarding the position of the thesis, I will prepare a document from this and send it to ….

If you have any questions, those you can also right down on the feedback.

Best Regards and thank you once more,

Susanna Järvi

Appendices 10: A confidential secret appendices

A confidential document given only to the Laurea University of Applied Sciences.