

# LEADERSHIP AND INTERNAL MARKETING IN ENSURING SUSTAINABLE DEVELOPMENT OF PROJECT ORGANIZATIONS IN RUSSIA

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## Abstract

The results of the authors' studies suggest that the majority of Russian enterprises transferred to the project-oriented management gradually, combining traditional operating, cyclic, repetitive activities with innovative design activity. The objective and the subjective nature of the contradictions in these forms acts as obstacles to sustainable development of the enterprise. In this regards, the actual scientific and practical problem is the absence or lack of development of control mechanisms that would allow the optimum combination of operational and project activities, gradually increasing the proportion of the latter, adapting organically and including it in the context of the internal and the external environment of the enterprise. As will be demonstrated later, by such mechanisms, among others, we may mean leadership and internal marketing, which in the case of project-oriented management should get a substantial transformation and thus become important factor for sustainable development of the enterprise. The result of empirical researches is a conceptual model of the management of sustainable development through a combination of operational management and project-oriented management. Special role of the leadership and internal marketing in the sustainable development of enterprises was justified within the research.

**Key words:** sustainable development of the organization, internal marketing, leadership.

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## Introduction

A careful study of the problems of Russian companies allows us to speak not only about the need of forming a clear technology, considering characteristics of the environment and the organization of development management, but also about the technologies that ensure the sustainability of the development. Sustainable development is directed at progressive dynamic change of all organizational systems that maintains equilibrium under the influence of any factors. It allows you to unlock the potential of the enterprise and ensure long-term competitiveness.

During our 2012-2015 researches, we found out that the development of Russian companies in most of the cases is not complex, without the proper information-analytical, methodological and organizational sustainability.

Today, all over the world, and Russia is no exception, we can see a growing number of project organizations using simultaneously with the operating technology also the project management technology to enhance the operation and development. Unfortunately, features of the project activity during the first stages of its implementation usually increase fragmentation and does not facilitate the sustainable development of organizations. Even the increase in the level of maturity of project management techniques requires the provision of the consistency of the integration project goals and overall business objectives and strategies to achieve them.

In order to implement the company's sustainable development all levels of operational and project management need to provide optimal allocation of financial, human and other resources of the company. Real preconditions for participation of employees in the preparation and implementation of comprehensive programs of sustainable development of project organizations should also be created.

Leadership and marketing are some of the main instruments that provide the basis for solutions of these problems to ensure sustainable growth of project organizations.

Internal marketing as a mechanism of the implementation of strategies and tools for integrating cross-functional interests of the various departments of the organization allows to create an internal environment that would support the orientation of the entire staff of the company on indicators of sustainable development. Results of the research prove that in Russian project organizations sustainable development in the first place requires a substantial change in the direction and intensity of the employees' loyalty in the organization.

Another factor through the creation of innovative environment is transformational and inspiring leadership. It is necessary to note, that modernization of approaches to leadership implementation considering sustainable growth of project organizations is needed.

Proceeding from the identified problem, the aim of our study was to develop a conceptual model of governance for sustainable development of the company through a combination of adaptation and flexible transition from operating to the project activity, from traditional management to the technologies and tools of project-oriented management, in particular, management through internal marketing and leadership.

## 1 Theoretical foundations

Let us turn to the review of theoretical propositions of our study.

Studies on different aspects of leadership have a long history. About the role of leadership in ensuring the effective operation of the commands to create the conditions for the most complete and effective use of personnel, teams and the organization as a whole, spoke following authors of studies and publications on leadership: V.S. Bayhem, O.B. Smith, M.J. Pizi (Bayh et al, 2002), F. Cardella (2002), W. Roberts (2002) , B. Tracy (2003), F. Hesselbeyn, M. Goldsmith, A. Somerville (2001), D. Maxwell (Maxwell , 2001), etc. Russian researchers also study the functions of leadership, for example, the authors Belyatsky, Zub , Smirnov (1999), Yakhontova (2002) etc.

Despite the current deep and diverse works devoted, in particular, to the impact on the effectiveness of leadership, in the now classic studies only indirectly noted the role of leadership in the sustainable development of enterprises. Only in the new theories of leadership, the question of impact of leadership the on organizational development is directly raised. In this regard, should be noted increasingly popular theory of transformational (conversional) leadership, which refers to the role of leadership in the innovation process, from the creation of a leadership environment for continuous growth and improvement of human resources required for the implementation of the innovation policy of the company.

Scientific propositions and applied research of the leadership science raise questions about the relevance of such forms of leadership as process, team , division, "primary " G. Yukl, D. Goleman and P . Boyatzis (1987), A. Cohen and D. Bradford (Bradfort & Cohen, 1998), which also contribute to the deepening of ideas about the role of leadership in the sustainable development of teams and organizations.

The role of the internal marketing in the effective functioning of the enterprise is highly acclaimed. It is believed that there has developed three complementary approaches to the understanding the essence of internal marketing.

First considers the internal marketing organization as a system of relations with the staff. At the same time as the main factor determining the quality of services provided by external personnel is employee satisfaction. This approach is reflected in the writings of S. Theopold, M. Schacherer (Theopold & Schacherer, 2002), A. Gudmundson, C. Lundberg (Gudmundson & Lundberg, 2009), Yang Jen-Te (Yang, 2003). This approach is fully consistent with the known ecological approach of the development sustainability. Today the environmental criteria of sustainable development is not only the preservation of natural

resources, but also the protection of human resource development. Social security and the possibility of career development, protecting human resources, all together these factors form employee satisfaction. And that internal marketing tools let you transform employee work satisfaction in customer satisfaction, ensuring the formation of income of the organization, which in its turn allows the organization to meet the economic criteria for sustainable development of the organization.

The second approach considers the internal marketing philosophy as intra-market orientation. It is assumed that the single market philosophy is to provide guidance on the customer and a competitor. This approach is most fully represented in the works of Grenross (Novatorov, 2000).

In the third approach, internal marketing serves as a mechanism for the implementation of the strategy and means of cross-functional integration of conflicting interests of the various departments of the organization (Ahmed, 2002). Close attention is given to resistance management staff on the new policies (Brooks et al, 1999)..

To date, there has formed a fairly clear notion of sustainable development of the organization. It involves "a process of constant change, in which the use of resources, the direction of investment, technological development, innovation, improvement of personnel and institutional changes are consistent with each other and are aimed at improving the present and future potential of the company, its needs and achieving its strategic goals" (Anpilov, 2012).

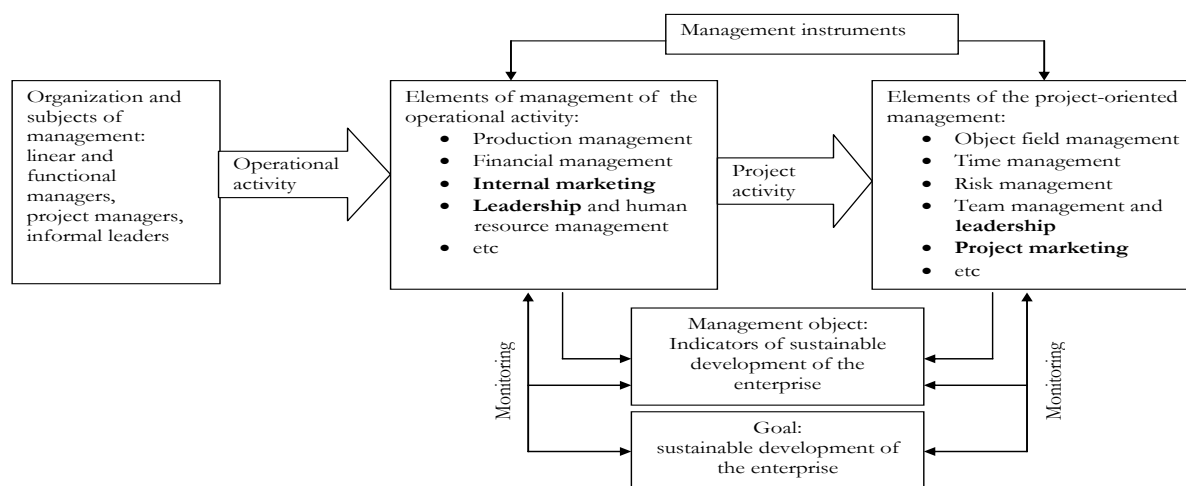
Issues of sustainable development in the works Mille, Schumpeter, Domar, Slow, Romer, Meadows, Haye are inextricably linked to the notion of economic growth (Kucherov, 2007). Sustainable development of organizations is considered by such Russian scientists as A.V. Grachev, M.I. Bakalov, A.A. Kolobov, G.V. Savitsky, A.D. Sheremet. Unfortunately, the problems of sustainable development of project organization are not found worthy of reflection in modern research.

## **2 Methodology**

This study is based on a systematic methodology, in particular, applied are the principles of a systematic approach to the construction of a model for managing sustainable development of the enterprise. In addition, we are developing the provisions of the design approach to the organization of the company. In this case, leadership and internal marketing positioned as elements of system of sustainable development management of a company and its subsystem - project-oriented management.

Conceptual model of the system of sustainable development management of a company includes such elements as the subject of management, the object and purpose of the control, management tools (Picture 1). Leaders of different levels and different directions of the organization, project managers, opinion leaders, and others act as a subject. The objects of the control are the indicators of sustainable development of the enterprise, as that may be, for example, indicators of financial stability indicators of the sustainability and growth of innovative activity, indicators of social policy, etc. The ultimate goal is the sustainable development of the company. To achieve that, the company uses a variety of tools through the implementation of both operational and project-oriented management. Internal marketing and leadership are among the instruments. Their special role is that they are implemented as elements of a system operating in the system project-oriented management. Their content is changed, the shape and technology of their implementation is transformed, as it helps to solve the problem of overcoming the contradictions between the operating and project activities, which will be discussed below. The tools for managing sustainable development of the enterprise we have classified as monitoring tools and indicators of governance. Monitoring allows you to monitor the process and results at the end, namely, the sustainable development of enterprises.

**Fig. 1: Conceptual model of the management of sustainable development of the enterprise**



Source: Author

To justify the relevance of the described conceptual model of the system of sustainable development management of a company by matching the operating and design activities we carried out applied research on Russian companies. As an empirical object selected enterprises of the Omsk region, which is a typical Russian region. Study of in-depth

interviews conducted with 126 companies, applying at different levels of the development methodology and the implementation.

In international practice, the fixed international standards, formed and successfully implemented a variety of functional areas of project management. The list is represented in Table 1. At Omsk surveyed companies implemented works content management operations, the timing and cost control of the projects. A little less, but companies also pay attention to the personnel management, quality control, half the companies –to the supply chain management. The other functional areas are underdeveloped.

**Tab. 1: Answers to the question: «What functional areas are implemented in your company, what would you like to implement?»**

Functional areas	Implemented		Would like to implement	
	numbers	%	numbers	%
Work content management of the project	126	100	126	100
Time management	116	92	126	100
Cost management	116	92	126	100
Quality management	87	69	116	92
Human resources	97	77	116	92
Risk management	39	31	107	85
Communication management	48	38	72	57
Supply Chain Management	58	46	63	50
Project Integration Management	24	19	63	50
Projects change management	20	16	39	31

Source: Author

One of the objectives of the study was to investigate the key behavioral competencies required for project-oriented management to achieve sustainable development of the enterprise. As can be seen from Table 2, the experts confirmed the primary importance of leadership in the project. Important and competencies that are realized in the course of internal marketing, namely a set of competencies that allow to reconcile the interests of different groups, ensure the involvement and focus on results, manage conflicts and crises.

**Tab. 2: Answers to the question: «What behavioral competencies must have the manager of project management?» (% of respondents)**

Competencies	2012 год			2013 год		
	Very important	Important	Not important	Very important	Important	Not important
Governance and leadership in the project	73	23	4	76	24	0
Engagement and Motivation	69	31	0	64	36	0
Teamwork	58	42	0	66	34	0
Self-control and self-organization	38	58	4	25	69	6
Confidence and credibility	46	42	12	44	46	10

Releasing tension, stress resistance	16	72	12	26	70	4
creativity	12	69	19	18	68	14
Focus on results	54	46	0	51	49	0
Effectiveness	42	58	0	40	60	0
The ability to align the interests, negotiate	46	50	4	52	48	0
The ability to manage conflicts and crises	31	46	23	45	31	14
Reliability	54	46	0	61	39	0
Understanding the values of the organization and the project	19	54	27	37	49	14
Ethical behavior	16	54	32	23	50	27
Troubleshooting	42	50	8	56	37	7

Source: Author

### 3 Leadership and sustainable development of the project organization

It should be noted that the project activity significantly increases the relevance of leadership, making it a must and also creates a lot of assumptions. Every project starts with a clear statement of objectives, outcomes and challenges in the path of achieving the target, the project does not allow goal-setting and goal-achievement to be blurred. The objectives of the project determine a set of requirements for the project manager and project leaders. However, the project activity highly suggests that the project manager must be able to participate in the formulation of project objectives, if necessary, to influence its adjustment, actively define the tasks of the project team. These circumstances provoke expression and contribute to the development of leadership qualities. Typically, in many projects already at the first stages there are particular leader and his followers.

Management of most of the projects involves a form of leadership as transforming (converting, reforming). It is designed for changes, dynamic development of the organization, team and people. According to researcher in the field of management Bernard Bass, recognized as the most brilliant representative of the theory of transformational leadership, transformational leaders (George, 2003):

1. Increase understanding of the subordinate importance of their tasks and the need to run them at a high level;
2. Require that employees strove for personal growth, professional development and achievements;
3. Motivate their employees to work for the good of the organization, not just purely for their own benefit.

Shifting from the individual leadership to a split and team leadership is important to maintain a system for sustainable development of an enterprise. Under the split leadership we understand the performance of functions of leadership team members as a result of the delegation of these functions from the leader - manager to leaders-followers. That is, the team may consist of leader-manager, leaders-followers and just followers. The variant is possible, in which the group has no clear main leader, and leadership functions are performed by the core team - a team of leaders that is followed by the followers.

Recognizing the importance of the split leadership, you need to be aware of its difference from the team leadership. Split leadership suggests that many members of the team are the leaders in their fields. In the team leadership - leadership of the team is secured by a high complementarity and coordination of actions of team members. This form of leadership is realized in the self-managed teams or teams with a high level of performance - groups with independently exercising supervision.

#### **4 Internal marketing and sustainable development of the project organization**

Achieving the enterprise sustainability in its development of economic relations is supposed to give a new quality content, increasing functionality and raising the level of these relations. As a result, we can see change of priorities, motives, economic relations, forms of their manifestations, behavior of economic agents and their relationships. Whilst the company seeking to maintain a steady state is influenced by both external and internal factors.

The integral indicator is traditionally used to evaluate the sustainable development of enterprises and the interests of both internal and external users. So, K. Bashirov (Bashirov & Shakhshaeva, 2012) includes in it (other than financial, production and innovation) market stability. And marketing strategy is being developed as a part of the strategy of market stability.

Peculiarity of development of the marketing strategy of the project organization is to increase the share of domestic marketing tools in the whole complex. A significant change in the ratio of internal and external marketing tools is for the following reasons:

1. Each project oriented organization carries not only the design but also the operations. Individual projects marketing support complexes should be fully integrated with the general marketing strategy of the organization as a whole and supported operationally. The increasing effectiveness of such integration processes will be supported by marketing-oriented organizational culture, created with the tools of internal marketing.



2. Namely internal marketing tools are designed to facilitate understanding by the project team members of the relationship between what does a separate team make, what does the company make as a whole, and how it affects relationships with clients and financial results.

3. The variety of stakeholders that accompany any project activity requires careful coordination of their interests. Internal marketing tools that let you manage the interests of different stakeholder groups of the project also provide overcoming the problem of conflicting goals. Indeed, in accordance with the standards of IPMA, project's success is only possible while achieving the goals of all members of the project activities.

4. Internal marketing tools increase the efficiency of change management. Project-oriented organizations, by definition, have more internal and external dynamism. M. Rafiq and P.K. Ahmed (1993) identify internal marketing tools with a set of planned actions to overcome the resistance of personnel changes.

The research results shows that on the majority of enterprises (56%) project management is carried out , but it is not always efficient and systematic. A deeper analysis of the results leads us to say that 68 % of respondents link the problems arising in the process of project management with low skills and low interest in working of project personnel. The simplest form of internal marketing system's implementation in the company is focused on recruiting, training, promotion and retention of qualified staff through the establishment of such working conditions that meet their needs. The main tool for achieving this goal is taking care of employees, as well as consumers. Moreover, realizing functions of connecting leader will heavily facilitate the increasing effectiveness of these internal marketing instruments.

It is necessary to address two main challenges: the creation of an organizational culture that promotes customer focus; cross-functional alliance of personnel and marketing management in order to optimize the potential of motivated employees who are satisfied with the inner-product of work.

The solution of these problems carried out by methods, borrowed from the external marketing, but applied to the participants of the internal market, for example, internal training, internal communication, internal PR-policy, internal marketing research, internal segmentation and so on.

## Conclusion

In the course of our business practice survey we revealed that most of the studied enterprises in the city of Omsk have difficulties with the effective use of project management technologies. This is not only due to the novelty or complexity of the technologies itself, but because of the need to integrate a new project technology with an established operating management technology. Conflicts, arising in the implementation of project management, hamper sustainable development of the whole enterprise.

One of the most accessible tools that facilitate overcoming the contradictions that arise are leadership and internal marketing. Their integration allows, primarily due to the effect on the staff, to create conditions for effective use of project and operational management technologies.

Conceptual model proposed by the authors represents leadership and internal marketing as tools to ensure sustainable development of project oriented enterprise.

In further research our goal will be to develop specific technologies of shared use of internal marketing tools and leadership in the sustainable development of the organization.

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