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**Marketing and Public Sector Management***Kieron Walsh*Development, Growth, Management,  
Public Sector

Examines the development of marketing in the public service and presents a short discussion of the growth of marketing in public service organizations over the last 20 years. A critical analysis of marketing as applied to the public service, argues that, if it is applicable, it needs to be adapted to the particular character of the public realm. Gives an analysis of how an approach to marketing that is appropriate to the public service might be developed. This implies not so much the application of marketing as it exists, but the development of a new form of marketing. The management of the public sector is political management, and marketing, if it is to be effective, will need to be politically informed.

**Market Exchange, Social Structures and Time***Geoff Easton and Luis Araujo*Economic Systems, Relationship Marketing,  
Selling

Two important, although neglected, dimensions of market exchange are the temporal

and the social. Exchanges, particularly those between organizations, may be thought of as embedded in a social framework which rewards continuity. Similarly exchanges between the same entities which recur over time take on a different character from those which are instantaneous and atomistic. Such patterns of exchange create a framework, of among other things, expectations, trust, adaptations and investments which can be said to comprise the elements of a relationship. Addresses the many reasons why individuals, but especially organizations, choose to give up freedom of choice and the open market for the confines of a stable and long-term relationship. Where such relationships exist they provide a measure of continuity in the workings of markets. This, in turn, gives rise to enduring structures which have been labelled industrial networks. Such structures provide an important framework for exchanges within a market since they introduce interdependence and stability into the system. Markets are thus networks of connected exchange relationships, among individuals and organizations, located in time and space, and whose identity is both the product and the outcome of these exchange patterns.

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## **Introduction**

The public service is going through a management revolution. Every service, it seems, from health to waste management and from the courts to housing management is being subjected to radical reorganization, based on the application of market principles. Purchasers are being separated from providers, contracts being introduced, and internal trading accounts being developed. Financial control is being devolved, for example to schools and hospital trusts. Users are being given more explicit choice, for example in community care and education. The language of business planning, commercialism and competition is commonplace. It is not surprising, in this atmosphere, that marketing, both as concept and metaphor, has attracted increasing attention from public sector managers and politicians.

## **The Growth of Public Service Marketing**

There have long been limited elements of a marketing approach in the public service, even if they might not have been thought of as such, for example in the promotion of local areas for tourism or economic development. Marketing as it operated, though, was marginal to the core public services, consisting, at most, of the use of specific techniques, rather than the development of a marketing orientation. It is only over the last decade or so, as managerialism has grown, that marketing has begun to attract more general attention, and to be considered in relation to core public services, such as health and education. The change may fall short of the adoption of a full marketing approach, but there has been noticeable development. The nature of public sector marketing may be considered under three headings; the growth of consumerism; the adoption of strategic marketing; and the use of promotion.

Consumerism has been at the centre of the changing management of the public services in recent years. The political right has developed a critique of public service as unresponsive and inefficient because it is not accountable to those whom it is meant to serve and is dominated by those who produce services. The way forward, it is argued, is to recognize that the users of public services are customers, with rights, and should be treated as such. This perspective is explicit in the Citizen's Charter:

The Charter is based upon the recognition that all public services are paid for by individual citizens, either directly or through their taxes. Citizens are entitled to expect high quality services, responsive to their needs, provided efficiently at minimum costs[1].

If this vision is to be put into effect, as the Citizen's Charter maintains, the public service must operate on explicitly market-oriented principles of price, exchange and competition, involving the development of user choice, contracting out, quality-based management systems, market-testing and internal markets. The view of the public service as monolithic and unresponsive is shared by the left, and, though its proposed reforms differ somewhat, with more emphasis on issues of community government, there is remarkable overlap between the approach it adopts and that advocated by the new right.

The introduction of consumerism in the public service has taken a number of forms, notably decentralization, customer-consciousness, improved communication, greater choice and systems of redress. Decentralization has reflected the feeling that services are often distant from users, a particular issue in Britain, where public organizations tend to be larger than in many other countries. The extent of decentralization has, in practice, been limited but is becoming more important as local government faces the prospect of reorganization, and large bureaucracies, for example in health and central government, are broken down. Customer-consciousness and customer-care training has been widespread in the public service, from British Rail to the Inland Revenue. Communications, for example letters and forms, have been reviewed. More explicit systems for consulting the public are being developed, for example in the National Health Service, as the purchasing and commissioning roles develop[2]. There have been attempts to increase the level of choice available to users, both over simple things such as decoration of council houses, and more complex matters such as choice of school or residential home. Service entitlements and standards are increasingly specified, for example waiting times in hospitals. Many public service organizations have introduced complaints systems and even arrangements to pay people compensation where services have failed.

Strategic marketing approaches have been developed in response to requirements that public service organizations shall compete, both within the public realm and with the private sector, and operate on market principles, for example through competitive tendering and the establishment of internal markets. The development of market-based approaches has put public service organizations in a comparable position to private organizations, against whom they must sometimes compete. The language of market segmentation, market position and the market mix has become commonplace, as strategic and business plans are developed. Even where there is no competition from the private sector, for example in most education and health provision, public organizations are often part of an internal market, in which they must compete against one another. For many public providers there is now the danger that market failure can put them out of business, as has happened to a number of direct labour organizations in local government. Strategy is necessary once the monopoly position of the public services is eroded and they must act in the light of what others will do.

Government, particularly central government, now makes extensive use of promotional techniques. Indeed, central government has become a major

purchaser of advertising. There is a good deal of direct promotion to citizens, as with the Patient's and Parent's Charters, and documents on the national curriculum. Major advertising campaigns are common when government wants to promote a particular initiative. Promotional events are used, as, for example, in the launch of the National Health Service reforms. Local government has become more adept at the use of promotional techniques, though it must now operate under strict legal guidelines to prevent political bias in the information it provides. The way that policy is presented is seen as central to effective implementation[3]. Politics itself has become a focus of marketing, with sophisticated use of opinion analysis and image creation and management.

One result of the greater interest in marketing in the public sector has been the establishment of marketing and public relations capacities within public bodies. Larger public organizations increasingly have dedicated units for public relations and marketing. Even smaller organizations, such as further education colleges and schools have marketing facilities in some cases. Professional organizations of public service marketing staff are beginning to be formed. In the early stages of interest in the use of marketing techniques, they were applied to services that had a more commercial character, such as leisure services, and they concentrated on the promotional aspects of marketing. Now they are being applied to core functions and to the nature of government itself. In Knowsley Borough Council, for example, marketing was used as part of a campaign to persuade people to pay the poll-tax.

Even where dedicated marketing units have not been established, a need to understand the nature of marketing is coming to be accepted as part of the managerial process in the public service, as competition and consumerism have grown. Again, this is most obvious in those organizations that are in direct competition for work, either internally or with the private sector. There has been a proliferation of books on marketing and business planning for specific services such as health and education. Marketing has developed from the use of promotion techniques for specific purposes, such as encouraging tourism, to marketing as part of the general process of public service management, for example in determining the nature of needs for health, education or community care, and how those needs should be met.

It is important not to over-emphasize the extent to which the marketing orientation has influenced the public sector. It is still, essentially, peripheral to the management of public services. There are two reasons for this; first, the development of marketing is still at an early stage; second, marketing has not developed in a fashion that is specific to the context of government. If we are to understand how marketing might develop in the public realm, we must understand the particular character of that realm.

### **Marketing and the Public Realm**

The need for public services is often explained in terms of the failure of the market, for example because of the public good character of services, or the

presence of externalities[4]. This negative approach is unhelpful in explaining the specific character of government, as opposed to the need for public service production and provision. Government, at least in a democratic system, is based on authoritative decision, grounded in acceptance of the legitimacy of the state. Citizenship can then be argued to involve welfare provision, in order to enable individuals to be full members of society[5]. The role of the state is in governing the character of provision, rather than, necessarily, itself producing services. Much recent philosophical work, following Rawls' pioneering study[6], is concerned with the basic character of the public and private realms. Walzer[7], for example, has argued that different distributive criteria are appropriate to different types of goods and different spheres of production. This argument has intuitive appeal. It seems implausible that the distribution of education, health or social care can be carried out on the same basis as that of consumer goods. The public realm has its own character and demands, both in what it does and the way in which it operates.

Care is needed in making this argument. We do commonly accept that what Rawls calls primary goods, such as housing and food, as well as health, education and social care, can be distributed, at least partially, by the market. For such primary goods, though, the institutional character of the market is likely to be strongly regulated, because they are necessary to enable us to lead a good life and may be seen as citizenship needs.

If the market is to be adequate to the distribution of certain types of goods, that is primary goods, then, even if government did not produce services, we would have to intervene in the distribution of income and wealth in order to ensure that people had access in the market to those things needed to live in the communities to which they belong. There are also cases in which the market is likely to undermine the successful operation of a service, for example the case of donating blood, analysed by Titmuss[8]. The role of voluntarism and altruism is important to some goods, and more generally to social efficiency, and public intervention may be necessary to ensure that the level of altruism in society is optimal[9], since altruism has some of the characteristics of a public good and purely private decisions may lead to underproduction. The state may not produce any goods or service directly, at all, but it will still have roles in redistribution, regulation and establishing frameworks for common commitment.

The government has the responsibility for ensuring that collective principles are recognized and collective duties and responsibilities are met. Galston[10] argues that:

To say that individuals are joined in a collaborative endeavour is to suggest that they may make special claims on one another. Within a liberal framework, three kinds of claims are of particular importance: those arising from the bare fact of membership in the community (need); those arising from contribution to the community (desert); and those arising from the voluntary individual disposition of resources in areas left underdetermined by the legitimate claims of others (choice).

The role of the state in ensuring that collective responsibilities are met does not determine the mode of delivery of goods and services, however primary they

may be. Ensuring that a particular distribution of goods and services exists does not, for example, necessarily involve the government directly in the actual process of production and distribution. As Osborne and Gaebler[11] have argued, the role of the state may be to “steer rather than row”.

The role of the state, then, is ultimately to govern, not to produce or distribute services. It is possible to envisage a state with extensive powers and responsibilities, but producing very few public services itself. We are, perhaps, moving towards this “enabling state”[12]. The operation of the state would still differ from the operation of the private sector in such a system. Collective choice, and the resolution of the collective problems which may flow from individual choices, such as the “prisoner’s dilemma” type of problem, is different from individual choice and is not simply the aggregate of individual choice. Consumer sovereignty does not express the fullness of citizenship, with its basis in community as well as individual rights. In the market consumers may choose and “exit” where they are not satisfied. The possibilities for “exit” are limited in the public realm and are subsidiary to “voice” and “vote”[13]. The public sector demands an openness and accountability that is less appropriate in the world of commercially sensitive information, even though that openness and accountability may not be achieved in practice. If the ultimate criteria against which the private sector is measured are efficiency and profitability, the dominating ideas in the public service are justice and democratic control.

The legitimacy of the state depends not only on the effective delivery of services, but also on the mutual commitment of citizen and government:

What modern state agency legitimately consists in is the collective agency of its own citizenry; and any contemporary state which cannot plausibly present its agency in those terms or which chooses not to do so faces persisting and acute difficulty in representing its agency as legitimate at all. In addition, every modern state also claims a wide and peremptory authority over many aspects of its subjects’ lives and an entitlement to determine in the last instance, by some legal process or other, just how widely that entitlement may reach[14].

Marketing processes cannot replace the political dialogue between states and citizens, because they assume a separation of the two, which, when it happens, undermines the public realm. Translation of the language of politics into that of marketing may carry the danger that it makes coherent public debate more difficult and separates us from our responsibilities to each other.

Some politicians are well aware of this issue; William Waldegrave, when Secretary of State for Health, has argued:

Our “customers” do not come because the price of beans is less ... they come because they are ill, not seldom frightened, and they want help and expect care ... without remitting for one moment the pressure to get a better management system, borrowing what is useful from business, let us watch our language a bit. It just bears saying straight out: the NHS is not a business; it is a public service and a great one[15].

The issue of language is a crucial one, for it establishes the terms on which dialogue, which is central to political management, takes place.

None of this is to say that marketing has no place in the operation of the government, but rather that it is secondary, following political decision on the purpose and content of the public realm. Marketing may be seen as playing a part in the basic determination of mission and strategy for commercial organizations. It clearly has a role to play in the determination of what markets to operate in, with which products and for which customers. By contrast, marketing has little to say about these processes in the public realm, for they are matters for communal democratic determination. Mission and strategy are matters for political decision in the case of public services, as is the issue of what shall be produced for whom. Political decision is necessary because the issue is not one of efficiency alone. It is perfectly possible to argue that people want something, and that it might produce some beneficial results, but that it would be wrong to do it. The central questions of politics, the nature of punishment, the organization of health and education, foreign relations and the formation of law cannot be settled on the basis of consumers' expression of wants. Politics is irredeemably a moral undertaking and what is efficient comes second to what is right or good for the social community. Only when fundamental political decisions have been made does the marketing orientation become relevant.

The public realm involves inherent ambiguities. Much of the recent development of the management of the public service has been concerned with the close definition of standards, against which performance is measured. The danger of such standards, and performance management systems based on them, is that services may become static and that adaptation to changing circumstances may be made more difficult. The nature of ambiguity in the public realm, inherent in clashing values, cannot be eliminated by the development of better information for decision making, because choice in the political sphere involves the balancing of conflicting purposes. Marketing techniques for the balancing of characteristics of product in the design process are likely to have only limited application to basic political decisions, which are based on resolving value conflict.

We understand a good deal about the psychology of consumers; much less is known about the psychology of the citizen. It is only the citizen as voter who has been the subject of extended study by psychologists[16]. The psychology of the recipient or user of public services, for example the elderly person in need of community care, has been little researched. The psychology of the citizen may not be that of the consumer of goods in the market and the consumption decision may differ radically from the decisions that we make about participation in the public realm. Marketing in the public realm, if it is to be effective, will need to be clear on its psychological base. It will have much to learn from consumer psychology, but it may well be very different.

The contractual exchange between the consumer and producer, or buyer and seller, lies at the heart of the market process. The contractarian perspective[17] on the nature of politics makes use of the notion of exchange in explaining the

role of the state, and it can inform political decision making over distributional decisions; but, as Gray[18] argues:

Contractarian theory can no more give us a criterion of political choice for our contemporary dilemmas of liberty and distribution than it can deliver universal prescriptive principles of political justice.

Much of the recent approach to the management and delivery of public services, embodied in the Citizen's Charter, has been based on the notion that the application of market principles can improve their quality. There is much truth in this, as the publications of the Local Government Training Board[19,20] and the organizations awarded Charter Marks[21] show. The fundamental relationship between citizen and government, though, is not one of exchange but one of mutual commitment, and public services are not simply the reciprocation of the payment of taxes.

The danger of defining the public realm as the arena in which services are exchanged for taxes is that politics becomes reduced to service delivery, rather than government, seen as authoritative decision based on collective commitment. If we can then state explicit objectives for services, we can establish standards and targets for which managers can be held to account. We are then able to replace politics with management and to replace management, in turn, with audit. The "providing" state, the welfare state of the post-war years, gives way to the "enabling" state, which can ultimately be replaced by the "evaluative" state, checking actual provision against given standards through various forms of inspection. This is an extreme vision, but it is useful to pose the extremes if we are to evaluate the changing nature and direction of government.

### **Politically Aware Marketing**

The place of marketing in the public realm is limited by the nature of that realm. Government is not a market exchange, indeed, I would argue, it is not an exchange at all, but an expression of the commitment to collective agency. Marketing professionals tend to argue for an extensive role in government:

"The marketer must be allowed to play a substantial role in helping to determine what, in view of customer preferences, changing market conditions, and the actual and potential competition, the council should or should not be providing"[22].

This is a strong claim and partly begs the question by adopting the language of markets to describe the public realm. The claim itself needs to be assessed against the nature of politics and government.

In order to consider how marketing might develop in a form that is appropriate to the public realm, I would like to distinguish between marketing as a collection of techniques; marketing as an integrated set of ideas; and marketing as a language or discourse. The strongest claim for the development of marketing in the public realm is that it provides a set of tools that can be used to help improve the efficiency and responsiveness of the public service. The use of surveys, for example, of public attitudes and values, has expanded greatly

over the last few years, and they have clearly contributed to improved decision making about the way that services can become more responsive. There is still a long way to go, and much to learn, for example in the use of qualitative techniques[23], but the introduction of marketing techniques in a subsidiary role is relatively uncontroversial.

Marketing as a set of ideas is much more difficult to apply, based, as it is, on the assumptions of exchange, competition and profit. The ideas may be becoming more significant within the public service, but they are not constitutive of it. If we apply the ideas of marketing simply by adjusting its definitions, for example dropping the notion of profit, we will not capture what is specific to the public service, namely the conflict and ambiguity of values and purposes, the need for collective choice, and the mutuality of commitment and responsibility. Marketing for the public service will need to develop a psychology of citizenship to match the psychology of the consumer.

Marketing is a dangerous language for the public service to begin to speak, because the way that we think is influenced by the language that we use. However ill-defined the public service ethic may be, we do need to distinguish between the values that guide the public and private sectors. It is already apparent that the language of commercialism fits ill with that of service. Managers of competitive trading organizations in local government, for example, find difficulty in balancing the demands of the market and the public service[24]. Similar arguments have been made about the National Health Service[25]. If marketing is to be developed for the public realm, then it will need to develop a language that is defined by the specific character of that realm, not negatively, by contrast with the private sector.

In arguing that marketing, as it presently exists, should have limited application in the public realm, I want to make a positive, not a critical statement. The marketing perspective has value as more than simply a set of techniques. The nature of marketing itself, though, will need to be rethought if it is to be specifically public service marketing rather than a pale imitation of a private sector approach within the public service. That rethinking will be a part of the overall evaluation of the nature of public service management that is now under way[26].

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