Use of Marketing Management Decision Tools  
In Public Policy Decisions  

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ABSTRACT

This paper examines how marketing management tools can be used to shape public policy and solve problems in the public sector. Marketing management focuses on utility transfer through transaction processes. Governments increasingly listen to its citizens, for instance through governance networks, where citizens try, often by invitation, to influence decisions to be made by public organisations. Frequent privatization of utilities, which often implies that citizens have a choice among suppliers, requires a systematic approach to the public policy decision making. Globalisation also means that in essence every supplier in the public policy sector is in competition with all other suppliers in the global marketplace. Public policy decision makers are beginning to employ many of the decision making tools used by marketing managers and deem marketing decision making tools suitable for the public sector. This is an exploratory paper that attempts to connect two separate sectors; public and private.

BACKGROUND

The public sector has grown steadily for many decades. The long process of industrialization has suggested that production has specialized as compared to the agrarian period, where a farm was mainly a self-sufficient production unit. This has demanded infrastructure, urbanization, tax collection and many other activities that involve the public sector. The public sector expands, when new challenges are presented to it, and politicians try to meet the demands of idealistic reasons or to satisfy their voters. Governance of the public sector has taken place with political objectives more than cost benefit objectives. This has often meant imbalances in public budgets with tax increases as a consequence. Still, though, there have been claims for more public spending, when environmental factors changed and, for example, new technological or social challenges need to be addressed. At the same time, citizens that had been favored before they fought to keep their rights and public support.

Hildebrandt (2005) writes “The economic accounts were for many years universal, because we thought that economy was both goal and means. We thought that a good economy was the final goal, and we believed that a good economy was the road for continuing good economy. This picture changes, but it goes slowly, among other things because we live in a very tuff economic world. Economics is the most dominating logic – and this circumstance is in reality splitting the world into pieces.” Hildebrandt think that the world and people suffer from our shortsighted economic thinking, and that we have to think more long sighted. It is about the value of the company and its survival in the long run. And for survival the company must
think in social, environmental, and economic contexts. A triple bottom line of the accounts is an option.

It seems that business world needs new tools in managing these new values that appear on the horizon. How can business manage, for instance, social, environmental, and equality matters and still remain competitive. However, under the notion of market economy it is a definite fact that a company has to produce profit in the long run to survive. Regulating forces might be governments, international organizations, and even the mindset and demand from consumers that will change behavior of businesses for fulfillment of these new goals. Today we have seen many examples of change in mindset of consumers. Companies like Nike, Wall-Mart, Carlsberg and many other are much more social responsible today than earlier. The World Trade Organization (WTO) has addressed the inequality issue in the recent Doha Round of meetings.

Morsing (2004) writes that sustainable development is topical now. She points out the stakeholder perspective as incorporation of other stakeholders than shareholders in firm’s decision making. And not as Milton Friedman (1970) says: “The business of business is business.” Or in other words, the objective of the firm is to make profit. Post, Preston and Sachs (2002) express it this way: “No business activity can survive in a democratic society, if it incurs negative influence on a group of people or on certain interests, unless it can offer a visible and accepted compensation”. Multinational companies are pressed by Non-Governmental Organizations (NGOs), politicians, media, and other critical organizations to rapport about their social responsibility. The societal marketing philosophy demands considerations of users of goods and services not to be harmful for other groups in society.

The mission of private- and public sectors has been changed over the last decades, as can be illustrated in Figure 1.

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<thead>
<tr>
<th>Public Sector</th>
<th>Before</th>
<th>Today</th>
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<tbody>
<tr>
<td>Political correct decisions</td>
<td>Solving public issues</td>
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<tr>
<td>Cost efficiency</td>
<td>Cost and benefits</td>
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<tr>
<td>Private Sector</td>
<td>Profit maximization</td>
<td>All stakeholders’ interests including ethical and social behavior</td>
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Previously companies in the private sector had focused on profit maximization, as can be seen in Figure 1. The public sector was managed to solve public issues. It administered rules and departmental orders. Today, both private and public sectors satisfy a multitude of stakeholders’ interests. The private sector has more objectives than profit and the public sector has got profit objectives, and thereby a necessity to manage cost effectively and after cost-benefit considerations. Therefore, management tools used in the two sectors can in many cases be the same.

These changes have been demanded by the market. Ultimately, all activities in any organization are performed to the benefit of people. The changes are illustrated in Figure 2.

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Before</th>
<th>Today</th>
<th>Reason why?</th>
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<tr>
<td>Inward looking</td>
<td>Outward looking</td>
<td>Privatisation</td>
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<tr>
<td>Private Sector</td>
<td>Inward looking</td>
<td>Outward looking</td>
<td>Oversupply</td>
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Figure 2 suggests that both the public and the private sectors were previously rather inward looking. Today outward perspective is necessary. If the public sector is not offering cost effective services expected by the
public, it is in danger of privatization. For the private sector, the oversupply in most industries necessitates more
adaptation to the market and the outside stakeholders.

The presentation in Figure 2 might seem simplistic, however. Markets are becoming far more
competitively and socially demanding, which increases the demands for both the public and
the private sector focus. The demands for the public sector also put pressure on resources, so
that the public sector has to be still more efficient to meet all these demands. To the extent
that private enterprise is allowed parallel with public activity, this also puts pressure on the
public sector. Privatization of railroads, power plants, telecom sector etc. means more
competition that also public suppliers must deal with.

The private sector presented in Figure 2 it is most realistic in Western societies. Of the about
six billion people in the world, most of them live under conditions, where oversupply hardly
exists. Many markets are not served by multinational companies, as they do not find them
economically interesting. Prahalad (2005) has addressed this, though, in an article about the
billion dollar market of the Bottom-of-the-pyramid market (BOP-market), which he finds
interesting, if companies do market adaptation.

The rapid change in society has influenced organizations into a more egalitarian structure, as can be perceived
from Figure 3.

As organizations must utilize their resources and capabilities, in today’s globalized and
competitive world, much more effective than earlier, organizational pyramids tend to be flatter. Team work is a common form of activities within most organizations today, and some organizations are entirely organized in teams. This means that more senior employees more frequently today work together with younger, more inexperienced employees. The younger ones have, however, often more updated theoretical skills and better knowledge within information technology and foreign languages. The teamwork format with often very heterogeneous teams will often bring in more market sensing abilities to the organization, and today also within a cross-cultural context. This also helps to make organizations more market oriented.
The extent of democratization of organizations is, though, dependent on cultural differences. German and French companies in general are more centrally managed than the Scandinavian ones, where the power distance is smaller.

It appears that the public sector has moved towards a more democratic form of governance with more consideration for individual citizens. This trend has been driven by more transparent world, information technology, and globalization. With the will and capacity of the public sector to meet the needs and wants of its citizens, it can use tools from marketing with advantage.

**ANALYSIS**

How has public policy recently developed in practice? Since the middle of 1980s, there has been much interest in modernizing the public sector. The following are some examples from Western countries, especially from Denmark.

**Public Policy**

As public policy relates to relevant developments in the recent past, it can be subdivided into three main categories: (1) economic policy, (2) foreign and domestic policy, and (3) political and social policy (American Enterprise Institute 2005). These categories can be further subdivided into twenty nine policy subgroups. International trade and finance policies are placed in the first subgroup while, for example, educational policy is placed in the third group. Policy can be undertaken by government organizations (GOs) or by (NGOs). The description below is especially addressed by the GOs, as these by nature are more unified and difficult to change. NGOs tend to be more heterogeneous in structure and management.

In many countries the public sector has gone through modernization processes during the last decades. Governments of different colors have had their vision about modernization. In fig. 4 an example from Denmark illustrates the major public policy efforts by the Danish government from the first major modernization in 1983 to the next modernization in 1993 and the latest modernization in 2002 (Ejersbo and Greve 2005).

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<tr>
<td>Decentralization of responsibility and competence</td>
<td>The public sector is an asset for businesses</td>
<td>Free choice</td>
</tr>
<tr>
<td>Market economy, consumer choice, and changed financial tools</td>
<td>The right to quality for citizens</td>
<td>An effective public sector</td>
</tr>
<tr>
<td>Better service for citizens and simplification of rules</td>
<td>The institutions guarantee quality</td>
<td>Market mechanism and supplier formation</td>
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<td>Human resource development</td>
<td>Responsible human resource policy</td>
<td>Simplification of rules</td>
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<td>Increased use of new technology</td>
<td>Taylor made governance and political boundaries</td>
<td>Quality of rules</td>
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<td>Human resource</td>
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<td>Quality and holistic governance</td>
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<td>Involvement of citizens and openness</td>
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<td>Digital administration</td>
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<td>Organization of central administration</td>
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<td></td>
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<td>Municipality governance</td>
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As can be seen from these philosophies, policies, and aims the citizens are more in focus today than earlier and the public sector is asked to fulfill their needs and wants better today than earlier. The question is, however, to what extent it is able to do the job – whether it has the tools to meet the aims.

New Public Management (NPM) was a term introduced by Christopher Hood (Hood 1991) and is a concept containing market orientation and management inspired by the private sector. The tools in NPM are for instance contract management, new wage, quality management, balanced scorecard, free choice arrangements and digital administration. (Ejersbo and Greve 2005).
Donald Kettl (2000) writes about the global public management revolution. New principles of management have been introduced throughout the world. It is for instance productivity, market orientation, service orientation, decentralization, increased policy capacity, divide up into order-implementer-models, and result orientation (Ejersbo and Greve 2005).

NPM is a mix between market instruments and management tools from business schools with focus on incentive management and results in stead of input. It started as an idea in New Zealand and spread through heavy promotion by OECD to other countries, where it was interpreted and adopted (Ejersbo and Greve 2005).

In an obituary article for Peter F. Drucker in The Economist (2005), the author writes: “… Mr. Drucker helped to inspire privatization – an idea that in the 1980s galvanized Britain’s sclerotic economy.”

Pollitt and Bouckaert (2000) define four major strategies that governments can use: (1) maintain, (2) modernize, (3) marketize and (4) minimize. The maintain strategy is about defending the existing public administration system. The modernize strategy is about modernizing with different types of management tools. The marketize strategy is about using market mechanisms in managing public service deliveries. And, the minimize strategy is about giving as many tasks as possible to the private sector, e.g. through contracting out and privatization. (Ejersbo and Greve 2005).

What has happened within the public sector in recent years is that the tools for concentrating on the outcome side have become better and more precise than earlier. The public sector has acquired tools from business schools and has been still better in utilizing them. The organizational structure has changed too. From the learning: “Organizations are nothing – results are anything!” there has been a restructuring towards flatter pyramids and work in cross-ministerial project groups and even in teams in administrative functions. (Ejersbo and Greve 2005).

As examples of public policy’s adaptation of NPM shall be given the main elements in the Danish NPM program since 1983. In essence these elements were the same across the world (Ejersbo and Greve 2005):

**Implementation of budget reform.** As a new thing costs and revenues are allocated to the same period and the net result is found and evaluated. This is similar to the procedure in private companies. Earlier the budget was a cash flow registration. The new system allowed management by objectives, where focus is on output, not input. It should be clearer what the society gets for its money. The management tools in use are: (1) contract management, (2) company accounts, (3) controller function, and (4) balances and standards of reference. **Market management** aiming at ensuring citizens direct control on size and quality of public service. The tools are here privatization, tenders, free choice, and public-private partnerships. **Better service for the citizen and simplification of rules.** It should be simpler to be a citizen. Legislators and administers were told to simplify rules, which showed up to be very difficult. **Human resource management.** The tools in modernizing human resources were manager contracts, new wage and codex for public governance. **Digital administration.** The aim was to improve the efficiency of organizations, to offer better service to citizens, and to save resources.

**Marketing’s Role**

In 1969 Philip Kotler and Sidney J. Levy wrote the article “Broadening the Concept of Marketing” in the *Journal of Marketing*. They argued that traditional marketing principles are transferable to the marketing of organizations, persons, and ideas (Kotler and Levy, 1969). They wrote:
“The choice facing those who manage non-business organizations is not whether to market or not to market, for no organization can avoid marketing. The choice is whether to do it well or poorly, and on this necessity the case for organizational marketing is basically founded.”

The authors see that the crux of marketing lies in a general idea of exchange, whatever is exchanged so to say, because each party enters into the exchange because he wants something other than he gives. They see marketing as a universal process carried out by individuals, groups, and organizations to win the support of others through offering value.

The contemporary definition of marketing also suggests that the public sector needs to be taken into consideration (Kotler 2004):

"In the broadest sense, the market tries to bring about a response to some offer. The response may be more than simply ”buying” or ”trading” goods and services. A political candidate, for instance, wants a response called ”votes”, a church wants ”membership”, and a social-action group wants ”idea acceptance” Marketing consists of actions taken to obtain a desired response from a target audience towards some products, service, idea or other object.”

All activities in the public and private sector are ultimately taken place to fulfill the needs, wants, and demands of people through offering of products or services that give people value and satisfaction at cost and price considerations. If the value of the offering exceeds its price transaction can take place at a market, where values are exchanged with money or money equivalents. Marketers will market their goods and services on these markets. Marketers can be guided by different marketing philosophies: Production-, product-, selling-, and marketing-, and societal marketing philosophy.

The last philosophy is very consistent with public policy issues as they should be at their best. Politicians, public servants, and public administrators must produce services for the citizens that satisfy society as a whole. “No smoking” in public facilities is an example of a societal decision that might harm the smoker in the short run, but benefits society and hopefully the smoker too in the long run. The modernization programs within the public sector have given citizens better value (Kotler 1994). All marketing parameters can be used, and as always it is difficult in practice to compose an ideal marketing program.

The public sector also engages more in relationship marketing today (Kotler 1994). These relationships can be defined as: (1) basic, (2) reactive, (3) accountable, (4) proactive, and (5) partnerships. These relationships can be used to show that public sector employees have moved upward in this pyramid by being far more oriented towards customer delivered value philosophy. Introduction of digital services shall be seen as improvements too.

Both the public and the private sector have adopted the societal marketing philosophy to a great extent today. Taking a copy of The Economist from October 22, 2005 and counting the full page advertisements which address this philosophy shows that seventy percent of those ads carried societal marketing issues as their contents strategy.
The following marketing management decision models can be used in the public policy sector. It is a short presentation of the approaches within the context of export promotion public policy issues.

Perhaps the most influential decision model that has strong implications for public policy decision making is the Porter’s five force approach. The approach consists of: (1) rivalry which will occur when countries are competing on export markets and on inland markets as well against imports; (2) threats from suppliers which happens when companies meet price increases and poorer terms on outsourced production when suppliers become more integrated and capable they gain more power and use this power to achieve a bigger share of total profit in the value chain; (3) threats from substitutes are the ever being threats of innovations that will disrupt the market and make our products obsolete, especially where there are competing countries that are close to new innovations within the traditional fields of our country; (4) threats from customers are the threats from ever more competitive customers on export markets, for example in the car industry that has developed so fast in buying organization toward leaner buying reducing the number of suppliers dramatically; and (5) threats from new entrants are the phenomena of new players in the traditional export markets.

Product life cycle theory is also well known in marketing management for a specific product or product category. In international business they are known as Vernon’s trade cycles describing how trade of product categories change over time. Several phases are identified: (1) innovation takes place in country X, (2) country X expands its production for home market and start exporting, (3) importing countries start substitute production and export, (4) because of traditionally lower costs for especially labor and because of learning curve effects these importing countries are being competitive on export markets and starts to out compete country X on export markets, and (5) efficient import countries out compete country X on export markets and home market too (Daniels, Radebaugh, Sullivan 2004).

Numerous examples can be given. In the United States where the market for televisions was lost to Japanese manufacturers. And now, Japan is loosing this market to Korean and Chinese television manufacturers. GOs and NGOs can identify which phase a specific sector or businesses is in and decide to plan long range according to the phase identified.

The so called General Electric/McKinsey matrix is also an excellent framework for portfolio decisions in the public sector. Export markets or regions can be investigated for industries, where the country has high competitiveness and favorable export markets can be chosen. Japan has proven to be a highly attractive market for Danish pork exports because of the consistent, high quality of the Danish pork together with high hygienic standards at the Danish slaughterhouses.

Portfolio decisions are among the most vital for GOs and NGOs, because it is important to allocate funds to businesses, where the country has sustained competitiveness. It might be because of absolute comparative advantages or because of acquired or natural relative comparative advantages. This model together with other models such as the PLC model described above can be highly effective for planning of state funds and state interests in general. Japan, for example, has decided to focus on robots as a main sector in the Japanese economy in the future.

The PEST model can be effectively used to investigate country’ political, legal, economic, socio-cultural, and technological environments. Based on these environmental factors
opportunities and threats can be identified. Environmental scanning is extremely important for public policy decision making, as the environment form the shell into which all citizens have to behave.

Michael Porter (2000) found in his research in the 1980’s important factors for country competitive advantage. One of his main models was the diamond model that describes the concept of clusters:

“Clusters are geographic concentrations of interconnected companies, specialized suppliers and service providers, firms in related industries and associated institutions (e.g. universities, standard agencies, and trade associations) in particular fields that compete but also cooperate. Such clusters are a striking feature of virtually every economy, especially those of more economically advanced areas.” (Porter 2000).

The model looks at the following conditions: Factor conditions; demand conditions; related and supporting industries; firm strategy, structure, and rivalry. By understanding how the elements in Porters Diamond work together the public policy can be designed to enforce the formation of clusters; to build and protect an infant industry or service and to maintain the cluster created.

Following the SWOT structure of analysis and thinking about the study in a business plan framework indicates that you should take a market approach, but also a resource approach in your analysis of the country. You can take the perspective of a CEO of a Confederation of SMEs, who has got the following directive from the government: “Make a business plan for growth of SMEs in this country!”

The general structure, therefore, could be as shown in Figure 5.

![Figure 5: General Structure of a Country Analysis](image)

Demand for a country stems from inland and foreign markets. How can a country be competitive? From where does its competitive advantage arouse? How does culture influence demand? Demand has been globalized. Consumer segments around the world in some instances demand the same products and brands.

Supply for a country is the output from its companies. The extent to which the country is innovative and enhances entrepreneurship is important for its supply. Globalization of supply, where companies especially in the industrialized world source from whichever country is also important for a country. For example, today China is called the production site of the world. WTO has had tremendous importance for trade and global sourcing by reducing restrictions for world trade.
The basis for a country to produce goods and services is its resources of any kind - its natural endowment of raw materials, oil, and gas etc, its climate, its people. The capabilities of its people are, of course, very important for production and growth. How is the people of the country educated and trained? How is its proficiency in information technology? All this is not enough, however. Entrepreneurship has to be financed. A capital market has to function well to provide efficiency of a society. There should be fair rules for foreign direct investments (FDIs). The labor market should be organized and flexible to meet the demand of the companies. Supplier networks should be encouraged to pool resources and capabilities of the country.

For a society to function it needs institutions to set up rules for, coordinate and control functions. The political system should have democratic institutions for overall acceptance of rules. The society should have a vocational system that can maintain the skills of its people and an education system to give knowledge and competence for enhancing growth. Businesses should form organizations for support of their members. Institutions should proliferate for adaptation to a still changing environment.

For a country, same as for a company, the SWOT framework offers an excellent analytical tool for evaluating the country’s future. Opportunities for a country will be growth factors. Some of them are universal and valid for more countries, such as China, as a new market for many products from all over the world. Other growth factors will be country specific, e.g. a political decision of increasing funding for education in a country will open up for suppliers of training programs. In the same way threats can be universal, e.g. increasing prices on steel; and others will be country specific, for example, shortage of medical doctors in Sweden.

The individual use, or combined use, of such marketing management decision making tools as described above provides the public policy decision makers with much more robust tools for them to use in making their decisions. It appears that the trend of borrowing these tools from marketing management is irreversible given the recent developments in privatization and extensive outsourcing by governments on all levels.

Many government administrators find it necessary to systematically deploy the use of these decision making tools in order to justify their decisions not only to the public sector for which they are responsible, but also for the private sector from which they source many of the services for their constituencies. In reality, the marketing management decision making tools serve as a communication platform between the public sector administrators and private sector managers.

CONCLUSION

This article has dealt with the new awareness of being market oriented in the public sector. Selected marketing tools have been presented. An attempt has been made to illustrate how these marketing management tools can be used and interpreted in a public policy context. Only a sample of these tools has been identified; there are more marketing management tools that potentially can be used in the public policy context. Special attention has been given to export promotion public policy issues. Many of the same tools could, however, be used for e.g. innovation, entrepreneurship or environmental public policy issues. Most of the tools in the marketing management tool box can be used within a public sector framework. Marketing is about satisfying needs and wants of consumers. Public policy makers should do the same.
With the broadening of the marketing concept to include needs and wants of public audiences the task is simple.

The use of marketing management decision making tools is particularly important when one considers the use of quantitative data in formation of public policy issues. National, regional, and local government have direct access to enormous amounts of data that needs to be systematically and objectively processed as bases for public policy decisions. The problem is that many of the public policy decision makers, in the context of public policy theory, do not have the relevant decision making approaches they need. Marketing management as a social discipline can provide some of the decision making they need.

REFERENCES


