Redistribution based concept of marketing for public organizations

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ABSTRACT

The author deconstructs the prevailing conceptualization of public sector marketing and concludes it rests on three principles: voluntary exchange, an open system organization, and self-interest motivation. A review of the genesis of these principles revealed that alternative principles were ignored in the social science literature. Based on a qualitative analysis and critical hermeneutic approach a revised conceptualization of public sector marketing was suggested which incorporated the principles of redistribution, the features of a closed system model of formal organizations, and collectivistic interest motivation. A revised definition of public sector marketing is offered based on these principles.

Key Words: Public sector marketing, Redistribution, Substantivist economic anthropology.
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Introduction

Interest among public administrators in the application of marketing tools to public sector services emerged from the tax revolt of the late 1970s and early 1980s in the US. With the shrinkage and withdrawal of grants from federal and state governments, municipalities were confronted with the issue of how to satisfy the growing expectations of taxpayers in a milieu of reduced financial resources. During this period of financial scarcity, the public administration literature witnessed an attempt to rethink the nature of public sector management through the active importation and borrowing of private sector techniques. Several commentators labeled this process of importation as integration of public and private sector management or in briefer terms “managerialism” (Graham, 1995; Murray, 1975; Walsh, 1994). Marketing in the public sector was part of the managerialism movement (Mansfield, 2011; Miller, 2013).

From the beginning, the concept of marketing in the nonprofit and public sectors was criticized in the marketing literature as confusing (Luck, 1969; 1974). Nevertheless eventually, it became widely embraced by marketing scholars and consultants (Nickels, 1974). In 1978, Lovelock and Weinberg noted that by the end of the 1970s there was no longer any serious controversy among marketing scholars about the appropriateness of the concept for the public and nonprofit sectors (Lovelock and Weinberg, 1978). However, despite this apparent agreement among marketing academics, public administrators and academics in public administration and nonprofit areas have not unanimously embraced the utility of the concept of non-profit and public sector marketing (Andreasen, 1995; Hastings and Haywood, 1991; Mansfield, 2011; Miller, 2013; Roberto, 1991; Walsh, 1994).

During the subsequent three decades the “marketing to nonmarketers” problem in the context of the public sector, has split public administrators into two camps comprised of its supporters and opponents. Roberto (1991, p. 81), an active proponent of marketing, observed: “Marketing’s recent and growing participation in public sector management has received a bipolar love-hate evaluation.”

Supportive commentators refer to public sector marketing as “a comprehensive strategy for effecting social change” with “unique concepts and techniques” which are “coming of age” and are merely “misunderstood” (Leathar and Hastings, 1987; Lovelock and Weinberg, 1978; Hastings and Haywood, 1991; Roberto, 1991; Miller, 2013).

Critical commentators do partially recognize the need of public administrators to adopt new management techniques to deal with the prevailing environment of «less-government-more-user-fees». However, they refer to the application of marketing principles within the nonprofit and public administration fields as “confusion compounded”, “an inappropriate model”,
“intellectualization”, “absurd”, “the megalomaniac marketing supremacy syndrome”, and “a dramatic imitation” of social relationships (Arndt, 1978; Capon and Mauser, 1982; Luck, 1974; Loveday, 1991; Monieson, 1988; Vanden Heede and Pelican, 1995). Ironically, the ultimate goal of proponents and opponents was essentially the same—to increase the effectiveness and responsiveness of public organizations in a changed financial environment. The essence of the difference in opinions appears to relate to the means by which this commonly recognized goal should be achieved.

The “marketing to nonmarketers” issue has wide geographic and disciplinary scope. It can be found in such diverse disciplines as political science, arts and culture, health promotion, fundraising, and nutrition education. The geography of the debates ranges from the Republics of the former Soviet Union, across Europe and Scandinavia, through North America, to New Zealand and Australia. The problem was perhaps best articulated by Walsh (1994, p. 68) who suggested the need to redefine public marketing “…if it is to be specifically public service marketing rather a pale imitation of a private sector approach within the public sector.”

The intent of this paper is to deconstruct the prevailing conceptualization of public sector marketing into a set of underlying principles, contrast these principles with alternative principles, and use the alternative principles as a basis for developing a superior conceptualization of public sector marketing.

Method

To pursue the objectives the study employed a critical hermeneutic approach that focused on deconstruction, understanding, and interpretation (Bleicher, 1980). The major tool employed to attack the problem was negative case analysis. Kidder (1981, p. 244) compares procedures of negative case analysis with statistical tests of significance. A goal of both methods is “to handle error variance.” During negative case analysis all existing propositions, null hypotheses, or assumptions underlying theories or concepts, are tested and refined against alternative explanations until no or a minimum possible number of alternative explanations are left. Kidder (1981, p. 241) notes: "negative case analysis requires that the researcher look for disconfirming data in both past and future observations. A single negative case is enough to require the investigator to revise a hypothesis." This method is consistent with the Hegelian method of dialectic, which suggests that any proposed thesis should be countered by an antithetical proposition in order to achieve synthesis.

Application of negative case analysis in this study included two major elements. The first element dealt with results of the investigative research and included a search for alternative concepts or disconfirming data. For example, if investigative research found that some concepts
from the social science disciplines were borrowed to develop the public sector marketing concept (e. g. the concept of formal organizations from organizational theory, or the concept of social exchange from sociology), then these concepts (the concepts of formal organization and social exchange in our example) were analyzed and the existence of alternative conceptualizations was investigated in the organizational theory or sociological literatures. If alternative conceptualizations were found then they were studied and analyzed in the context of their usefulness for the public sector marketing discussion.

The second step in negative case analyses was to investigate the potential for conceptual consistency among and between the existing and the revealed alternative concepts. For example, if alternative conceptualizations of both social exchange theory and formal organizations were found, they could be compared with each other looking for possible consistency, connections, or links among them.

The negative case analysis attempts to find out if researchers who developed the concept of public sector marketing suppressed evidence. Kahane (1973, p. 233) contends that such actions can occur when a researcher "conceals evidence unfavorable to his own position." It does not necessarily means that a researcher on purpose hid or omitted evidence or alternative concepts. As suggested by Douglas (1976) a researcher may have a diversity of reasons for suppressing evidence. Negative case analysis assists in avoiding the suppression of evidence by checking if alternative conceptualizations were considered and consequentially incorporated.

Maxwell (1996, p. 90) noted that: “the most serious threat to the theoretical validity of an account is not collecting or paying attention to discrepant data, or not considering alternative explanations or understandings of the phenomena you are studying.” The conceptualization of public sector marketing cannot be generic and universal if its originators purposefully or mistakenly ignored alternative explanations. The issue is analogous to public hearings and legal proceedings, where both offensive and defensive parties are given the right to be heard. In order to be fair, the negative case analysis focused on the evidence available and reported prior to, and not after, development of the concept of public sector marketing.

**Prevailing conceptualization of public sector marketing**

Kotler and Murray (1975) suggested one of the earliest and most influential conceptualizations of public sector marketing. It was elaborated upon in a text published in the same year (Kotler, 1975). Kotler adopted (Kotler and Levy, 1969; Kotler, 1972) definition, and Blau and Scott’ s (1962) classification, of formal organizations. In Kotler’s (1975a, p. 5) interpretation, a formal organization is "a purposeful coalescence of people, materials, and facilities seeking to accomplish some purpose in the outside world." Different purposes
determine different types of formal organizations: business concerns seek to benefit their owners; service organizations seek to benefit their clients; mutual benefit organizations seek to benefit their members; and commonweal organizations seek to benefit the public at large. In spite of differences in goals, Kotler contended that all formal organizations were involved in exchange relationships with various categories of publics.

However, the concept of voluntary exchange is only one of several possible philosophical alternatives for explaining the relationships between formal organizations and their publics. Other options include: the love system, characterized by the underlying motive of benevolence on one side without any necessary reciprocation by the other; and the threat system characterized by an underlying motive of malevolence on one side. Thus, in Kotler's interpretation, a church and its members, a police department and citizens, a charity and its donors, and so on: are all engaged in exchange transactions that involve taxes, services, money, contributions, feelings of well-being, or other tangible and intangible benefits. If an organization is willing to exchange resources with an identified public, then this category of public becomes the organization's market or "distinct group of people and/or organizations that have resources which they want to exchange, or might conceivable exchange, for distinct benefits" (Kotler, 1975a, p. 22).

Having introduced the notions of organization, public, market and exchange, Kotler explained the differences between marketing and a sales orientation. The marketing concept involves continuously adjusting the firm's offerings to the targeted customers' needs. In contrast, a sales orientation involves continuous adjustment of buyers' needs to the firm's offerings. He asserts that a sales orientation is likely to be characteristic of an unresponsive organization, while a marketing orientation is likely to result in a highly responsive organization. Kotler (1975a) favors the latter and defines marketing as being applicable for all types of formal organizations:

The analysis, planning, implementation, and control of carefully formulated programs designed to bring about voluntary exchanges of values with target markets for achieving organizational objectives. It relies heavily on designing the organization's offering in terms of the target market's needs and desires, and on using effective pricing, communication, and distribution to inform, motivate, and service the markets (p. 5).

Assumptions of the prevailing conceptualization of public sector marketing

Advocates of the prevailing conceptualization of public sector marketing believe that public administrators should be interested in "understanding what the organization exchanges with each public; i.e., what each party gives and gets... [and what are]...the motivations underlying their transactions and satisfactions received" (Kotler, 1975, p. 17). Three major principles underlying this conceptualization of public sector marketing are: (1) An open-system model of formal organizations, borrowed from organizational theory (Katz and Kahn, 1966); (2)
the concept of social exchange, adapted from individualistic sociology (Homans, 1961); and (3) Self-interest motivation, advocated by formalist's economic anthropologists (Belshaw, 1965). These principles and their origins are discussed in the follow sub-sections.

An open-system model of public agencies

This principle assumes that an organization is "a purposeful coalescence of people, materials, and facilities seeking to accomplish some purpose in the outside world" (Kotler, 1975, p. 5). The primary functions of such an organization are: (1) Input—attraction of sufficient resources; (2) Throughput—conversion of these resources into various products; and (3) Output—distribution of these throughputs to the public. This conceptualization of a formal organization as a resource conversion machine is consistent with the precepts of an open-system model of organizations, designed to respond to external and internal pressures.

Self-interest motivation

The doctrine contends that pursuit of personal self-interest is the essential motivation for exchange between any organization and their publics. Although Kotler (1975) avoided the term "self-interest," Bagozzi (1975, p. 34), who acknowledged Kotler's influence and advice, openly recognized the central role of self-interest motivation in the context of public sector marketing: "...many individuals, groups, and firms pursue their own self-interest. This is what Adam Smith meant by his reference to an "invisible hand ... the pursuit of self-interest can be the foundation for the web of kinship, economic, and social institutions." Adam Smith (1850, p. 7) described the quid pro quo principle that underlies his philosophy of the invisible hand in the following terms: "whoever offers to another a bargain of any kind, proposes to do this: give me that what I want and you shall have this which you want." Shapiro (1973, p. 124) similarly believed that this central role of self-interest in the context of public and nonprofit marketing was sufficiently self-evident that there was no need to discuss it: "I shall not bother discussing the concept of self-interest; it can be taken for granted."

Voluntary exchange and public agencies

A central assumption underlying this principle is that all organizations seek to attain their goals through the voluntary exchange mechanism. They perceive voluntary exchange to be the only viable mechanism through which formal organizations can attract, convert, and distribute resources (Kotler, 1975). Kotler argues that voluntary exchanges are not limited to such conventional resources as: goods, services, and money [but] include other resources such as time, energy, and feelings" (Kotler, 1972, p. 49). He believes that voluntary exchange in all of its
resource forms should be conceptualized as a transaction, and that it is the central tenet
underpinning the notion that marketing is generic. Such exchanges require the existence of at
least two conditions: (1) The availability of two parties, and (2) That each party possesses some
resource that is valued by another party (Kotler, 1975, p. 23).

**Limitations of the prevailing conceptualization of public sector marketing**

Some negative comments towards applying the marketing philosophy and techniques in
the public sector have emerged in the public administration literature. Opponents of marketing in
the public administration field felt uncomfortable with Kotler’s generic transactional
conceptualization of public marketing, which suggests no differences between public and private
management; public, private and the nonprofit sectors; and the role and application of marketing
in these different sectors.

Rainey, Backoff, and Levine (1976) contested Kotler and Murray’s (1975) and Murray’s
(1975) positions that there were only limited differences between formal organizations and
between managing public and private entities; that their trends converged; and that as a result,
marketing was appropriate in the public sector. In contrast, Rainey et al., (1976) postulated that
there are crucial differences between the two sectors and, thus, in the role of marketing in public
agencies. Drawing from the literature existing at that time and organizing their data into three
major categories (environmental factors, organization-environment transactions, and internal
structure and processes), Rainey et al., (1976) contended that a public organization: works in an
environment with less market exposure; has more legal and formal constraints on its procedures
and spheres of operation; relies more on the "coercive" and "monopolistic" nature of many
government activities; and has less decision-making autonomy. Allison (1992) and Walsh (1994)
reached similar conclusions. These analyses challenged the notions of the appropriateness of
both the marketing philosophy and voluntary exchange in the delivery of public services
services.

Differences between the public and private sectors were at least partially recognized in
subsequent literature on public sector marketing. Crompton and Lamb (1986) argued that
government organizations are committed to allocate resources equitably, while private sector
organizations direct resources only at the most responsive target markets. Equity principles
require public organizations to deliver services to all citizens on a fair basis. In contrast,
commercial organizations selectively serve only responsive customers. Although differences
were recognized and incorporated into some conceptualizations of public sector marketing, the
controversy remained salient. Crompton and Lamb (1986), Mokwa and Permut (1981), and
Coffman (1986), who all accepted the distinctive positions of commentators on both sides of the
debate, demonstrated the centrality of controversy. They recognized Rainey et al.’s (1976) crucial differences between public and private organizations, but they accepted the Kotlerian conceptualization of marketing based on the voluntary exchange paradigm as the basis of their conceptual frameworks.

Doubts were raised that the conceptualization of public sector marketing authentically reflected the public realm (Loveday, 1991; Walsh, 1994). Walsh (1994) and Loveday (1991) argued that public sector marketing as it is operationalized has little in common with the public realm. According to Walsh (1994), marketing has not developed in a fashion that is specific to the context of government. He believes that the current conceptualization of marketing reflects a simple semantic adjustment of commercial marketing definitions, for example, by dropping the notion of profit without substantive adaptations to the political context of the public realm. Loveday (1991) questions whether public sector marketing is in any way innovative. He argues that “what the marketers claim as their own has been developed by a lot of other people as well; marketers have made a distinctive contribution in thinking it through in the context of selling products, first tangibles and more recently intangibles, to a mass market” (p. 174). Both authors support Walsh’s (1994, p. 70) conclusion that there needs to be a rethinking and re-examination of public sector marketing in order to develop its new politically informed form.

Empirical studies seem to support these critical voices. Contrary to Lamb and Crompton’s (1981) findings about the growing acceptance of marketing philosophy in public agencies, Graham (1995) found that after 10 years of attempting to implement it in public sector organizations, most agencies still were not customer-oriented as defined by the generic marketing concept. Smith’s (1988) study found that marketing was viewed only as a promotion technique concerned with specific problems such as an AIDS campaign. Marketing continued to be perceived by many public administrators as unethical, goal distorting, and as an inappropriate model and framework for public service delivery (Buchanan et al., 1994; Ehling, White, and Grunig, 1992; O’Faircheallaigh et al., 1991; Vanden Heede and Pelican, 1995). It appears that public sector marketing should undergo further modifications to address the concerns of those public administrators who remain skeptical towards it.

Results of Negative Case Analysis

Negative case analysis found that alternative assumptions (negative cases) were available to those who introduced the public sector marketing concept. A search for negative cases and rival hypothesis revealed that those available were: (1) open-system and closed-system perspectives on formal organizations that could be operationalized using microeconomic or political system paradigms; (2) individualistic and collectivistic versions of social exchange
theory; and (3) "formalist" and "substantivist" perspectives in economic anthropology with distinct views on the history of marketing exchange and types of economic analysis. The following subsections discuss the overlooked concepts in more detail.

A Closed-System Model of Formal Organizations

A search for rival hypotheses in the organizational theory literature suggests that formal organizations can be conceptualized not only from an open-system model perspective but also from a closed-system model perspective. Hall (1972, p. 49) summarized major differences between these two approaches:

The closed-system model views organizations as instruments designed for the pursuit of clearly specified goals, and thus directing organizational arrangements and decisions toward goal achievement and toward making the organization more and more rational in the pursuit of its goal. The open-system model views organizations as not only concerned with goals, but also responding to external and internal pressures. In some cases, the open perspective virtually ignores the issue of goals.

The closed-system conceptualization of organizations is an older perspective that stems from Weber’s classical analysis of bureaucracy. Weber (1946, p. 151) defined an organization as "a system of continuous purposive activity of a specified kind." This perspective suggests that an organization has a clear and explicit goal that determines its internal structure and the tasks undertaken to achieve this goal. Tasks are divided among members of the organization so that each member has responsibility for an area of activity that matches his/her competence.

Decision-making in a closed-system organization is based on an established normative order and is manifested by clearly specified rules and a chain of command. Selection of members is based on an individual’s skills and technical competence. The person's membership with the organization is documented in the form of a written contract that delineates the individual’s duties and level of remuneration (Weber, 1946).

The open-ended or "natural-system" perspective on organizations emanates from a critique of the closed-ended system (Katz and Kahn, 1966, p. 26) and is based on the conventional microeconomic paradigm. This perspective puts lesser emphasis on an organization's concern with goals and greater emphasis on its responsiveness to external pressures:

The major misconception [of the closed-system model] is the failure to recognize fully that the organization is continually dependent upon inputs from the environment and that the inflow of materials and human energy is not constant.
This perspective is based on assumption of scarce energy and resources. The main goal of the organization is perceived to be survival in a competitive surrounding environment that consists of other organizations that compete for the same resources. A need to survive, forces the organization to adapt to both controllable internal and non-controllable external forces. Therefore, it is conceptualized as a "natural system" which imports energy in the form of people and materials (input) from its external environment, alters it in some way (the throughput), and distributes it back to the environment (output). Survival dictates a "broadening of organizational goals" because the organization is dependent on what is imported to it, how it transforms inputs, and how the environment accepts the organization's output.

Finally, there has been an attempt in the organizational literature to develop a balanced model of formal organizations that encompasses elements of the both the open-system and closed-system perspectives. The major assumption of this perspective is that organizations have multiple conflicting goals and thus have to make strategic choices in response to internal and external threats. This perspective tries to control three major factors: individuals within an organization; the environment of the organization; and form of the organization. Individuals within the organization are seen as the mechanism through which environmental and organizational characteristics are shaped. The environment is considered as being unstable and varying from predictable to non-predictable. By choosing the best strategic choice-response to a changed environment, the organization attempts to fit itself to the changed environment and accordingly changes its form. That is why contingency and choice are major elements of this perspective (Hall, 1972).

The negative case analysis suggests that the open-system definition of an organization, in contrast to the closed-system definition, invites an organization-environment approach, which implies that an organization is engaged in exchange relationships with the competitive environment (Yuchtman and Seashore, 1967). In such an approach, differences between the goals of formal organizations become less apparent since all types of organizations are concerned with the issue of survival through efficiently attracting and distributing scarce and valued resources, and ensuring there is a difference between accrued revenues and expenditures. An open-system model interpretation of the four types of formal organizations classified by Blau and Scott (1962) suggests the generic nature of operational goals (Katz and Kahn, 1966), management functions (Kotler and Murray, 1975), and marketing applications (Kotler and Levy, 1969a) for both public and private types of organizations.

The alternative Weberian closed-system definition of organizations emphasizes the critical role of clearly specified organizational goals that will result in different, not generic, operational tasks; management functions; and internal and external arrangements of
organizations. From the Weberian perspective it is important to distinguish between profit organizations concerning with goal of survival and budget organizations concerning with bureaucratic goals. For example, a goal to maximize profit institutionalizes the existence of business organizations that are concerned with profit management. In the internal arrangements, subparts or units are accountable for the success or failure to attain this goal as well the whole organization. Therefore, management and accountability are decentralized, and responsibility is divided among the organization’s parts without jeopardizing the unity of the total operation’s achievement of the profit goal. Subordinates are empowered and have discretion to amend rules or regulations in order to keep their operations profitable (Von Mises, 1944). In the external arrangements, the profit goal directs decision-making relating to selection of the most profitable market segments for an organization.

However, similar to the Weberian separation of profit and bureaucratic organizations Von Mises (1944, p. v) notes that: “There are areas of man’s activities in which there cannot be any questions of profit management and where bureaucratic management must prevail.” Bureaucratic management is bound by law and budget and concerned with those areas where profit management cannot operate. Bureaucratic management means management in strict accordance with the law and budget, so bureaucratic organizations do what the law and the budget order them to do. Accordingly, as Von Mises notes (1944, p. 45): “bureaucratic management is bound to comply with detailed rules and regulations fixed by the authority of a superior body. The task of a bureaucrat is to perform what these rules and regulations order him to do. His discretion to act according to his own best conviction is seriously restricted by them.”

Bureaucratic management requires very rigid internal and external arrangements. Internally, it implies detailed discretion based on bureaucratic procedures and codes of ethics such as, for example, the American Society for Public Administration (ASPA) Code of Ethics (Van Wart, 1996). Externally, the law and budget requires bureaucratic managers to serve members of the community equally, and without showing preference to one client over another. The open-system model assumption about formal organizations fits well with the activities of business agencies and profit management. Business concerns are encouraged to compete for scarce financial resources with other business concerns in a competitive environment that is boosted by this economic development. However, the social exchange school by ignoring the closed-system model of formal organizations fails to acknowledge the difference between profit oriented and bureaucratic oriented management. Profit and bureaucratic organizations are situated in different economic and political environments. Public agencies often enjoy the status of monopolists with no need to compete and with relatively stable funding in the form of tax-support from the public-at-large who own these organizations. Von Mises (1944, p. 47) noted:
“In public administration there is no connection between revenue and expenditure. The public services are spending money only; the insignificant income derived from special sources is more or less accidental.”

The main general goal common to most public agencies is effective implementation of the tasks established by the public at large, based on rigid compliance with detailed rules and regulations established by the authority or superior body that politically represents the public at large. However, the open-system interpretation of public agencies distorts the pursuit of such a goal and inevitably arouses conflict between the requirement to comply with detailed regulations and the need to generate revenue.

Negative case analysis suggests that the term “bureaucracy” does not necessarily have negative connotations, and the term “overbureaucratized” when used to characterize an organization does not necessarily imply an unresponsive organization as was suggested by the social exchange school (Kotler, 1975a). Blau and Scott (1962, p. 45) in an introduction to their classification of formal organizations cautioned about this fallacy:

Note also that the criticism that an organization is “overbureaucratized” means quite different things in the four types of organizations. In the case of mutual-benefit associations, such as unions, overbureaucratization implies centralization of power in the hands of officials. Here it does not refer to inefficiency; indeed, bureaucratized unions are often ruthlessly efficient. But in the case of business concerns overbureaucratization implies an elaboration of rules and procedures that impairs operation efficiency, and here the term is not used in reference to the power of management officials to decide on policies, since such managerial direction is expected and legitimate.

In other words, if business concerns are bureaucratized it means that they are unresponsive and there is an authentic need to move towards a de-bureaucratization process and higher responsiveness through application of the marketing concept, as the social exchange school suggests. However, if commonweal organizations are bureaucratized it does not necessarily mean that they are unresponsive and that there is an urgent need to implement the marketing concept. On the contrary, Blau and Scott (1962, p. 55) argue that “the maintenance of efficient bureaucratic mechanisms that effectively implement the objectives of the community” is the major task of commonweal organizations. According to Blau and Scott (1962), the de-bureaucratization of commonweal organizations (or Kotler’s suggestion to apply the marketing concept to make them more responsive) may lead to commonweal organizations jeopardizing their ability to effectively implement community objectives.

Public Interest and “Coercion Mutually Agreed Upon”

Negative case analysis revealed the existence of alternative conceptualizations of motivation. Hardin (1968) formulated the limitation of self-interest motivation in the context of
commonly held resources (commons) in his essay “The Tragedy of Commons.” Hardin (1968) illustrated the tragedy of the commons by using the example with of a pasture fixed in size that is accessible to all the residents of a village. Motivated by self-interest all the villagers sought to maximize their own use of the pasture by grazing as many cattle as possible and expanding the size of their own herds. Since each villager followed the same logic, the tragedy occurs. Receiving personal benefits, villagers fail to recognize that all villagers will share the costs of the increased grazing. In other words, they fail to recognize that in the end the cumulative effect of their short run independent pursuit of self-interest will harm their collective interest. Without adequate and timely collective measures, the pasture will be destroyed.

The example demonstrated that increasing demand on limited resources and a philosophy of unlimited access to commonly held resources eventually might lead to mutual destruction and harm. Hardin (1968) argued that education efforts to prevent the tragedy of commons are not enough since there can be free riders who will take advantage of others’ voluntary self-restrained actions. The solution suggested by Hardin to this type of problem is “mutually agreed upon coercion,” a coercion agreed upon by a majority of the people affected through democratic voting procedures. Mutually agreed upon coercion may take the form of a law, rule, regulation, fine, or a graduated tax. Such an approach, however, requires people and agencies that will be responsible for enforcement of these procedures: that is, bureaus and bureaucrats.

The limits of self-interest motivation in different non-economic contexts have been articulated conceptually and supported empirically in the social science literature. For example, the sociological literature introduced game The Prisoners Dilemma when two captured suspects are confronted with several alternatives for confession/non-confession and different types of punishments. A usual result of this game suggests that both suspects could receive minimum punishment if they co-operate with each other. However, each of them by following personal self-interest to minimize personal punishment inevitably harms each other’s personal self-interest.

Nevertheless, Hardin’s position was debated by libertarians who associate the word “coercion” with the word “anathema” and by representatives of the public choice solution in the public administration literature. Representatives of this school questioned if “the mutually agreed upon coercion” is democratic and voluntarily agreed upon by a majority of citizens. Representatives of the public choice solution coined the term “free rider,” arguing that there would be members of a community who would prefer to use common resources while others were paying for them. Public choice school advocates of the “user pays system” and “vouchers” seek to increase the discretion of individuals by compelling them to “vote with their feet” for levels of taxation and a need government services.
The social science literature seems to give a balanced consideration of the self-interest and the coercion perspectives. The self-interest motivation was recognized in sociology, anthropology, and social psychology (Belshaw, 1965; Frazer, 1919; Homans, 1969; Thibaut and Kelley, 1959). The “coercion mutually agreed upon” perspective was also recognized by many as a legitimate principle for doing things appropriate for a democratic country. Writers, whose studies were cited by the social exchange school, characterized it either as a “visible hand,” “quid pro without quo,” “pure gift,” “one-way transfer,” “grant economy,” “bureaucratic management” or simply “government” and “public administration.” For example, the philosopher Berdyaev (1948, p. 185) distinguished two motivational principles in regard to economic life: “One of them says: In economic life follow up your own personal interest and this will promote the economic development of the whole, it will be good for the community, for the nation, for the state … The other principle says: In economic life serve others, serve the whole community and then you will receive everything which you need for your life.” Similarly, the economist Von Mises (1944) referred to the same distinction as “two contrary methods of doing things” in a democratic society: “the private citizens’ way and the way in which the offices of the government and the municipalities are operated.” Von Mises termed them, “profit management” and “bureaucratic management.” Another economist Boulding (1970), adapting from the philosopher Sorokin (1964) the distinction between compulsory and familistic types of social relationships, discussed the malevolence and benevolence types of motivation that underlie the threat and love integrative forces. The anthropologist Sahlins (1965) distinguished between altruistically motivated transaction and subordination to central authority, as did Polanyi (1944) and Dalton (1971) who differentiated between politically or socially defined obligations and self-interest motivation. Finally, one of the definitions of government articulated by Abraham Lincoln recognized the limits of invisible hand and a need for bureaucratic management: “a legitimate object of government, … to do for a community of people, whatever they need to have done, but cannot do, at all, or cannot, so well do, for themselves—in their separate, and individual capacities” (cited in Shafritz and Russell, 1997).

Negative case analysis suggests that self-interest motivation fits well with the activities of business organizations or profit management. However, negative case analysis also suggests that there is a contradiction in the social exchange school’s conceptualization of public sector marketing between self-interest motivation and the code of ethic practiced by public administrators. Contrary to the social exchange school interpretations, Blau and Scott (1962) argued that self-interest plays a limited role in the governance of nonbusiness formal organizations such as mutual-benefit associations, service organizations, and commonweal organizations. They contended that in the case, for example, of a mutual benefit association such
as a labor union, self-interest condemns the organization: “If union leaders usurp the role of prime beneficiary and run the union as if they owned it for their personal benefit, the organization is condemned for no longer serving the proper functions of a labor union.” (p. 44).

Service organizations are in a similar case. In service organizations, such as social work agencies, hospitals, schools and universities, the welfare of clients, participants, patients, and students is presumed to be the chief concern. This concern usually is cemented in codes of ethics adopted by professions as, for example, oaths, rules, or codes of ethic in the medical, military, law enforcement, and jurisprudence professions. These regulations are based on an assumption that while customers are able to look after their own self-interest in a store, the same customers often do not know what will best serve their own interest in relationships with professional service organizations.

For example, patients in a hospital may or may not want surgery intervention in their bodies. However, it is a doctor or medical professional who determines and decides for patients what is in their best interest and what is the best treatment for a particular health problem based on professional and ethical considerations. Similarly, clients who pay lawyers for legal advice may guess what is good in their case, but it is the lawyers who decide what is in the client’s best legal interest on the basis of professional and ethical standards, and not considerations of personal gain at the expense of the client. Lawyers who personally gain at the expense of client interests are usually condemned by the bar association and deprived of their practice. Finally, in the example of a university used by Kotler (1975a), Blau and Scott (1962, pp. 52-53) argue: “students are best served when professional educators determine what and how they are to be taught and not when students themselves decide what and how they need to study”. Blau and Scott (1962, p. 51) identified clear differences between the motivations of business and public decision-makers:

... while the businessman’s decisions are expected to be governed by his self-interest--as epitomized in the phrase “caveat emptor”--the professional’s decisions are expected to be governed not by his own self-interest but by his judgment of what will serve the client’s interest best. The professions are institutionalized to assure, in the ideal case that the practitioner’s self-interest suffers if he seeks to promote it at the expense of optimum service to clients.

In the Code of Ethics developed by the American Society for Public Administration (ASPA) employees of public sector organizations are seen to “serve the public interest beyond serving oneself.” (Van Wart, 1996). The ASPA’s guidelines are consistent with Blau’s (1964) contention that public servants must “abstain from exchange relationships” with clients and serve the public interest in “detached manner” with personal “disinterest.”
The presence of self-interest in the relation of clients with commonweal organizations inevitably leads to ethical and even legal conflicts. For example, Locke and Woiceneshyn (1995) argue that the cynical egoism code that is commonly taught in business schools as the subjective expected utility (SEU) model is inappropriate for the character of social service because it advocates dishonesty "... if one feels like it, if it helps gratify one's immediate desires, and if the cost (likelihood of getting caught) is low" (p. 406). In the like vein, Blau and Scott (1962, p. 44-45) note:

Commonweal organizations, in sharp contrast, are not expected to be oriented to the interests of their “clients,” that is, those persons with whom they are in direct contact. A police department, for example, that enters into collusion with racketeers fails to discharge its responsibility to the public-at-large and is no longer the protective organization it is assumed to be. Likewise, if policemen solicit bribes instead of enforcing the law, or the police commissioner runs the department to further his political ambitions, the public’s position as prime beneficiary of the organization suffers.

**Redistribution and Reciprocity Arrangements**

Negative case analysis suggests that arrangement of formal organizations with environments can be explained from not only an exchange perspective, as suggested by the social exchange school, but also from the redistribution or reciprocity perspectives. The concept of redistribution, as well as the concept of reciprocity, was developed by those adapting a substantivist perspective in economic anthropology (Dalton, 1971; Polanyi, et al. 1957; Polanyi, 1944; Sahlins, 1965). This perspective attempts to analyze economic life in primitive and modern societies from three different approaches: reciprocal arrangements based on the symmetry principle; redistributive arrangements based on the centricity principle; and marketing exchange arrangements based on price-making markets.

Reciprocity implies a symmetrical sequence (AB/BA) between just two partners or (AB/BC/CA/AC) between more than two fixed partners. Redistribution is centripetal movement of resources among many actors within a group upon one central figure followed by the action of that central figure upon the actors within the group in unison and repartition (BA/CA/DA/ and then A/BCD). Finally, marketing exchange is chaotic movements (A/BCD, B/ACD, and C/ABD) (Polanyi, et al., 1957, pp. vii-viii). This “substantivist” perspective is different from the “formalist” perspective that recognizes only marketing exchange arrangements (Belshaw, 1965).

Substantivists theorize that redistribution is payment to, and disbursement by, a central political authority. It implies a hierarchically structured group and that there is a center of the group. The primary mechanism of redistribution is sharing. Members of a group pool their resources at a center, and this pooled or common resource is then shared among the group
members according to commonly accepted distributive rule. The tax systems of industrial
countries or payments to the chief in primitive societies are typical examples of redistributive
arrangements. Sahlins (1965, p. 141) referred to redistribution as “pooling.” Pooling is
“centralized movements: collection from members of a group, often under one hand, and
redivision within this group … This is “pooling” or “redistribution” … pooling is socially a
within relation, the collective action of a group.” The most important principles that characterize
redistribution arrangements are centricity and the group membership rules.

While Sahlins (1965) believed that it was wise to separate the array of economic
transactions in the ethnographic record into two types (reciprocity and redistribution) because
their social organizations are very different, Ekeh (1974), whose study was adopted by the social
exchange marketing school to develop public sector marketing concept, used a different
between direct reciprocity and generalized reciprocity.

Direct reciprocity characterizes relationships where actor A expects to be benefited
directly by actor B, whenever A benefits B. Ekeh refers to this type of reciprocity as restricted
exchange and notes that restricted exchange can take two major forms. Given only two parties, A
and B, restricted exchange has the form A \(\rightarrow\) B, and this is referred to as exclusive restricted
exchange. Given several parties, for example, three individuals A, B, and C, restricted exchange
has the form A \(\rightarrow\) B \(\rightarrow\) C and this is referred to as inclusive restricted exchange.

Both types of restricted exchange based on direct reciprocity are characterized by the
notion of quid-pro-quo, emotional load, attempts to maintain equality, tensions, distrust, frequent
conflicts over fairness, instability, mechanical solidarity, and brittle relationships (Ekeh, 1974;
Gillmore, 1987; Uehara, 1990; Yamagishi and Cook, 1993). Restricted or dyadic exchange is
traditional economical exchange motivated by self-interest motivation and profit considerations.
This exchange is characterized by Adam Smith’s quid-pro-quo notion: "whoever offers to
another a bargain of any kind, proposes to do this: give me that what I want, and you shall have
this which you want" (Smith, 1850, p. 7).

Univocal reciprocity characterizes relationships that involve at least three actors and
where actors do not benefit each other directly, but only indirectly. Ekeh refers to this type of
relationship as generalized exchange that also has two forms. Chain generalized exchange has
the form A \(\rightarrow\) B \(\rightarrow\) C \(\rightarrow\) A, where, "\(\rightarrow\)" signifies "gives to." It is operated by chain univocal
reciprocity when actors in the system are so positioned that they operate a chain of univocal
reciprocations to each other as individual units. Net generalized exchange operated by net
univocal reciprocity. Net univocal reciprocity denotes empirically observed situations where
relationships can be individual-focused or group-focused. In individual-focused exchange
relationships, the group as a whole benefits each member consecutively until all members have each received the same amount of benefits and attention (ABC → D; ABD → C; ACD → B; BDC → A).

In a group-focused exchange, individuals give to the group as a unit and then gain back as part of the group from each of the unit members (A → BCD; B → ACD; C → ABD; D → ABC). Generalized exchange produces a high degree of social solidarity among parties, and establishes trust and commitment. Ekeh (1974) believed that generalized exchange and univocal reciprocity generate collective rights and lead to concepts such as “payment of taxes” and "citizenship".

This negative case analysis suggests that interpreting of a formal organization’s interaction with its environment as a voluntary exchange of values, fits well with business organizations and the profit management philosophy. Business and marketing scholars have commonly accepted this law of exchange. However, negative case analysis and a review of original sources (Blau, 1964; Blau and Scott, 1962) used by the social exchange school (Kotler, 1975a; Kotler and Murray, 1975) suggests some contradictions in the interpreting public agencies’ interaction with their environment in terms of voluntary exchange.

For example, contrary to the assertions of the social exchange marketing school that adopted the Blau and Scott (1962) taxonomy of organizations, Blau (1964) denied that voluntary exchange was applicable to public organizations. The reason for his denial was the inherent conflict between bureaucratic rules of conduct and exchange relationships in these types of organizations. For example, when discussing service organizations, Blau (1964, p. 261) noted:

Professionals are expected to be governed in their work exclusively by professional standards of performance and conduct and not by considerations of exchange with clients. Although free professionals depend on fees from clients for their livelihood, the professional code of ethics demands that they do not let this fact influence their decisions and that these economic transactions do not affect the social interaction in which professional services are rendered to clients. The professional must refrain from engaging in reciprocal social exchange with clients lest his decisions be influenced by the exchange instead of being based only on his best judgment in terms of professional standards.

Discussing commonweal organizations, Blau (1964, p. 263) noted the existence of the same conflict between bureaucratic rules and exchange transactions citing the empirical studies that he and Scott used in their work on classification of formal organizations in 1962:

The situation of bureaucratic officials who provide services to clients is similar to that of professionals. Officials in a bureaucracy are expected to treat clients in a detached manner in accordance with official rules, and this requires that officials abstain from exchange relationships with clients, because exchange transactions would make them obligated to and dependent for rewards on clients. Even if it is only the gratitude and
approval of clients an official wants to earn, his concern with doing so can hardly fail to influence his decisions and lead him to depart from official procedures. If officials become dependent on clients either for rewards they personally seek or for services of clients the organization needs, they must enter into exchange transactions with clients, which means that they cannot strictly follow bureaucratic procedures in their relations with client.

The absence of direct exchange relationships between nonbusiness organizations and their clients based on the *quid pro quo* notion was a principal argument used by Luck (1969; 1974) against acceptance of the broadened marketing proposition and the social marketing concept. Luck (1969, p. 54) noted the existence of exchange relations of public organizations with their clients as a process of "corruptly committing illegal acts," which is consistent with Blau’s (1964) position of a “departure from official procedures.”

In response to its critics, the social exchange marketing school attempted to use the notion of an *indirect quid pro quo* and to introduce concepts of indirect, restricted, generalized, and complex exchanges (Kotler and Levy, 1969b; Bagozzi, 1975). However, a closer analysis of these concepts revealed that this school still relies heavily on an exchange paradigm that ignores the “absence of exchange relations with clients” requirement as a fundamental condition in the functioning of public agencies. The results of negative case analysis suggest that consciously or unconsciously the social exchange school of marketing overlooked the main condition for governing the functioning of public organizations suggested by Blau (1964, p. 263):

> An essential element of professional and bureaucratic detachment is the absence of exchange relations with clients. Exchange transactions create obligations that make it impossible to conform undeviatingly to professional or bureaucratic standards.

Thus, the complex exchange concept has limited adequacy for conceptualization and explanation of public agencies’ interaction with their environment. It appears that the concept of redistribution might be superior conceptual constructs for operationalizing and accounting for such interactions, because it recognizes the “absence of exchange relations with clients” requirement to be crucial for bureaucratic management.

**Development of the redistribution conceptualization of public sector marketing**

The redistribution conceptualization of public sector marketing is based on a closed-system model of formal organizations; “coercion mutually agreed upon” motivation; and a redistribution arrangement mode. This perspective attempts to view a public agency as a bureaucratic organization. The agency is viewed as a substantively constrained subsystem of a larger political system having relatively little freedom for responsive action without approval
from a dominant political center that governs the system. A public agency is subject to tight central control enforced by the city manager’s office and/or by a city council. Almost all decisions have to “go through channels” and be authorized by the central authorities before actions can be taken. This perspective stresses pursuit of clearly specified goals and procedures, and a pyramidal hierarchy of positions and regulations. They are designed in accordance with the philosophy that says, “If this is the goal, then these are the most rational procedures for achieving it.” The tasks, sphere of activities, and authority to make decisions are clearly delineated, tightly defined and proscribed. They are assigned to members of the agency based on their position in the hierarchical pyramid. All decisions are centralized and employees in the middle and lower echelons of the pyramid have very limited discrete decision-making authority.

This perspective implies that a public agency achieves its goals through the notion of redistribution. Redistribution entails obligatory payments of money objects (taxes) by community members to a democratically elected government. The government uses the receipts for its own maintenance, as emergency stock in case of individual or community disaster, and for the provision of needed different community services.

Redistribution payments (taxes) to a government (socially recognized center) are an expression of politically and democratically defined obligations, and redistribution disbursements (public services) by government are determined democratically by political, legislative decisions, and voting procedures. This perspective postulates that the collective needs are best met when the managers and it employees of a public agency serve the public interest rather than their own self-interest. From this perspective, a public agency’s interaction with its interest groups diagrammatically can be represented as: C \(\leftarrow\) A B, then C \(\rightarrow\) B A, where: “\(\leftarrow\)” signifies “redistributive payments”; “\(\rightarrow\)” signifies “redistribution disbursements;” and “C” is a city council or the city manager’s office with a subservient agency, and “B” and “A” are groups of citizens.

**Redistribution marketing**

The data and results of the study suggest that the marketing-like activities of public organizations could be descriptively termed as “redistribution marketing.”

The historical root of redistribution marketing is administered trade. Under administered trade “prices, as well as all other terms, had been negotiated with the king before any transactions could take place” (Arnold, 1957, p. 168). Historical records document that under the system of administered trade the king “fixes the price of every sort.” After “the terms were agreed upon and the king’s customs paid” the merchant had “full liberty to trade, which is proclaimed throughout the country by the king’s cryer” (Arnold, 1957, p. 168). Although records
of administered trade stem from the eighteenth century, they seem to aptly describe the modern regulation policies of local government regarding collection of taxes and the approval of fee structures for some government services.

Redistribution is the central concept underlying redistribution marketing. A city council, as an elected and commonly recognized political authority collects property and sale taxes from citizens and deposit them into the general fund. After taxes have been collected, they are distributed among the different services delivered to the community. Government establishes the agency, finances it, determines its goals, mission, and rules, and authorizes it to provide services for the community including some that require fees. An agency is a bureaucratic closed-system organization with a clearly defined mission, moral principles, hierarchical structure, and internal arrangements designed to effectively implement the mission.

A professional administrative marketer is someone who seeks to understand, plan, and manage redistributive arrangements. She or he would not be expected to focus upon selling the agency’s services and generating revenue, but to look at the agency, its mission, and its problems in a rational manner: identifying objectives; discovering the recreational needs of citizens through research; weighing the opportunities and constraints; determining the resources available to the agency and exploring alternative sources of resources; examining the various ways, in which client requirements can be met and the amount of human resources and type work that needs to be done.

Additionally, an administrative marketer would be concerned with the resources, efforts, and time that citizens, donors, and partners are willing to contribute; location of the agency’s facilities and scheduling of times when these services are offered; behavior of employees in accordance with established moral standards and, finally, control mechanisms which help to determine if the agency is functioning as planned, or whether changes and adjustments are required in response to new citizen demands. All of this is embraced in the following definition of administered marketing:

Redistribution marketing is the analysis, planning, implementation, and control of programs designed to facilitate redistributive arrangements within a community for achieving established objectives.

Conclusion

The concept of redistribution marketing developed in this study differs from existing conceptualizations in several important ways. Conceptualizations of nonprofit marketing can be characterized as a continuum. On one side would be located perspectives that consider marketing as a set of tools for managing exchanges (e.g. Coffman, 1986; Mokwa et al., 1980; Kotler, 1975;
Lovelock and Weinberg, 1984; Manoff, 1985; McCort, 1994). Marketing is perceived as being concerned with satisfying clientele needs and, hence, the marketing is defined as identifying and fulfilling people’s needs through the integrated use of marketing tools with the goal of creating consumer satisfaction, which is the organization’s primary goal (Kotler, 1975a).

At the other end of the continuum are perspectives that do not consider marketing to be defined by with exchange processes. These perspectives discard both the voluntary exchange of values and marketing concept as means for meeting visitors’ needs. According to these conceptualizations, marketing is a set of tools designed to induce behavior change. From this premise, the marketing concept is defined as inducing changes in existing patterns of behavior. Persuasive communications and adapting to existing patterns of behavior are seen as marketing’s two primary characteristics. This perspective distinguishes between a core area of mission and an augmented mission and argues that tools of persuasion are central to achieving the core area of mission, while marketing and sales orientations are appropriate for the augmented mission activities (Capon and Mauser, 1982; Lauffer, 1984; Rados, 1981).

Between the continuum extremes, there are conceptualizations that incorporate elements of both extremes. For example, Dixon (1978) does not accept the conceptualization of marketing as a management technology, arguing that marketing is a social activity and a social science concerned with study of such market activities as buying and selling. A similar conceptualization but with different nuances is offered by Pandya and Dholakia (1992) who positioned their approach in the political economy paradigm developed in the marketing literature by Arndt (1981). Their perspective advocates conceptualization of social marketing based on both exchange, redistribution and reciprocity arrangements, although the authors mistakenly perceive the later two arrangements as other forms of exchange.

Redistribution marketing is a synergetic concept. It accepts the premise of supporters of exchange conceptualizations that marketing is a management technology. However, it rejects the concept of voluntary exchange as being universal and as underlying all of marketing activities. Instead, it recognizes the concept of redistribution, but does not accept that it is merely another form of exchange. Economic anthropologists and historians derive it from the classic notion of redistribution with all the rules and premises that comprise this system that have been developed and documented.
Literature


