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## MARKETING : A NEGLECTED FUNCTIONAL AREA IN PUBLIC SECTOR ENTERPRISES

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In this article the author examines in brief the reasons for the neglect of marketing in public sector enterprises. With liberalisation and globalisation there is a greater need for PSEs to become market oriented so as to benefit most from the economic reforms.

Till the recent phase of liberalisation (1991), an active and interventionist role of the state and a substantial growing public sector were the integral elements of our planning. Both in the matter of establishing the infrastructure of industrial growth and in the development of a wide range of industries of national importance. The public sector was to assume "commanding heights" of the economy.

Consequently the Public Sector expanded. It is the leading sector in energy, rail, sea and air transport, extraction activities, defence heavy and basic industries, insurance and banking, capital finance and many a service industry.

However, the realities of the performance of PSEs did not come close to the planners expectations. Any cause of the sickness or slow growth of PSEs has been traced either to the production function or finance function. Among the causes put forth are : (i) political factors influencing decision making, (ii) lack of professional management, (iii) delay in completion of projects (iv) price policy, (v) trade unionism, (vi) use of manpower in excess of actual requirements etc.

However, marketing has not been looked into a probable cause of their inefficiency. Marketing, a key functional area in any organisation, has not been given due importance, role and relevance it should have and will have in the coming years, in PSEs. There is a commonly held belief, which has been persistently hammered by politicians and bureaucrats, that there is a basic contradiction between profits and achievement of socio-economic goals. Experience in India has shown that well meant and well intentioned desires of policy makers to use PSE for achieving broader social objectives were more likely to succeed if a PSE was making adequate profits and generating healthy surpluses. PSE that were in the black were able to build up technological self reliance, contributing to the central exchequer and had better management-trade union relationships. In addition they were contributing to the public good by making available quality products, at reasonable prices and was responsible with respect to protecting the environment.

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Companies incurring losses were in no position to discharge their social responsibilities. They have hardly had the resource to model employees or make expenditure on Research and Development, and have remained a drain on the public exchequer.

There are several reasons as to why marketing has been relegated into the back and not been given much attention in PSEs.

1. *Existence of sellers market* :In India there has always been the presence of excess demand for products. Almost any product, so long as there is a need for it, is sold with little or no effort. The existence of excessive demand over supply has forced the managements of PSEs to concentrate on production — have a production orientation rather than a marketing orientation.
2. *Lack of professional management*: Implementation of good marketing ideas requires good overall management skills to achieve the adequate degree of success. It is necessary for PSE to have manpower with managerial competence to run these productive sectors. It is common to see (Chairman and Managing Directors) top positions in PSE being held by politicians or bureaucrats.

Non professional personnel running programmes contribute to exercise in bureaucracy and inhibit innovativeness in programme implementation.

3. Operating in monopolistic or oligopolistic markets, PSEs operate in protected markets with little or no competition. The Railways, Indian Airlines, Electricity Boards (the last two till very recently) were monopolies. Fertiliser Corporation of India, Hindustan Steel Ltd. were operating in a sellers market. The possibility of inter-unit competition did not exist or was minimal. The lack of the threat of potential entry and virtual absence of import competition meant :

- (i) Slow or no response to the market place.
- (ii) Lack of innovative, competitive products.
- (iii) Unresponsive service.

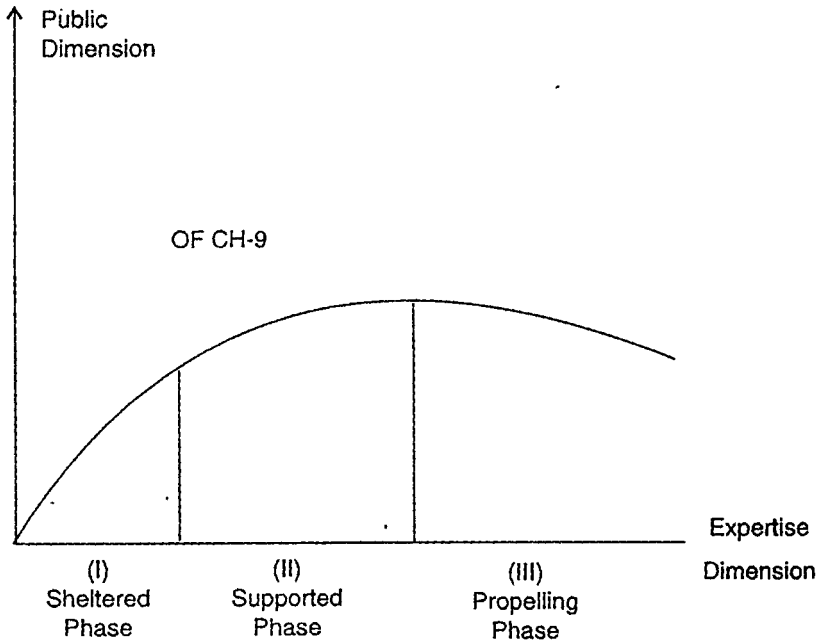
4. *Budgetary support* : In case of losses the government would step in to provide adequate budgetary support. PSE could afford soft budget options, because their losses were met by general revenues. In view of the availability of this option the pressure to take hard economic decisions was not present.
5. *Pricing policy in PSE* : Pricing, as one of the 4Ps of the marketing mix fetches revenue to the organisation, whereas the other three P's — product, promotion and physical distribution (place) lead to costs. Thus pricing is an important variable. Pricing policies in a number of PSE have not been guided by rational commercial consideration. Social and political constraints compel PSEs to charge uneconomic

prices. The government has administered pricing for certain production.— petroleum products, drugs, fertilizers, steel etc.

Further PSE vary in terms of their position on the public-enterprise dimension continuum. Some have more of a public dimension and other a more enterprise dimension.

6. *Narrow view of marketing function* : Many people consider marketing to be just hard selling and heavy promotion of goods and nothing beyond that. Further they consider the end result of marketing activities to be either maintenance of a market share or a slight shuffling in the share of a group of brands.

### Growth Cycle Model of PSEs



In reality marketing revolves around a wide spectrum of activities ranging from product planning to post transaction services. Even when operating in a sellers market, in an monopolistic position, marketing problems will exist and do exist even now. Even such situations marketing would try to ensure better response to market changes :

- (a) optimal use of scare resources,
- (b) better & equitable distribution of goods & services,
- (c) responsive customer service,

- (d) innovative, environment friendly products etc.

The Growth Cycle model developed by Rao and Tagate, analysing the points of relevance between marketing and PSE, state that PSE go through three phases in their growth pattern over a period of time — sheltered, supportive and self propelling. These three phases are sequential, presenting a decreasing intensity of the enterprise dimension. With New Industrial Policy in June 1991, PSE in India are on the threshold of entering phase III of the growth model — the self propelling stage. (see diagram)

In the age of liberalisation, privatisation and globalisation, the PSEs will have to face major challenges :

- (i) Loss of budgetary support,
- (ii) managing competition from both domestic and international competitors,
- (iii) managing changes — as a collective effort involving management, trade unions and government,
- (iv) human resource development,
- (v) revolution in information technology that has made it necessary for PSE to adapt new change in communication/information technology for improving corporate performance.
- (vi) Becoming more market oriented.

Adapting to the changing market place is the first issue that needs to be considered. This is where marketing has a vital role to play.

A few specific steps are necessary in creating such an orientation.

- (1) *Corporate strategy should reflect an understanding of the reality of the market place.* A marketing oriented plan identifies target customer groups and the product supplied to them. It also defines how the company will position itself against competition in each of its principal product lines. Growth and profit objectives are to be supported by marketing programs that specify how margins can be improved. Marketing was an almost alien and completely unimportant consideration for Bharat Electronics Ltd. It always had a ready buyer — the government. With the captive customer base all but disappearing, marketing has become a vital concern. BEL has revamped its marketing network totally. A three step marketing strategy has been worked out :

- (i) to understand the operational aspirations of customers (understanding, identifying consumer needs) both present and future,
- (ii) to develop system and network designs,
- (iii) to develop these designs into desired products and further to find

new applications for BEL's products.

2. *Management Information System (MIS) needs to be designed to produce an Information Flow that will enhance understanding and monitoring of the market.*

Information systems which have usually been designed to fulfill financial reporting requirements ignore marketing needs.

A well designed MIS should concentrate on key customers and customer groups and track the profitability of serving them a reporting system providing information that helps in supporting marketing decision making.

3. *New product development*: There needs to be a strong link between marketing and new product development. Marketing input is needed at stages of development from conceptualisation to prototype development, field tests and finally market introduction. Furthermore, the processes of product development are established within the framework of the marketing strategy, so that the allocation of funds considers marketing needs first.
4. *Corporate culture should reflect marketing* : Marketing needs to be understood as the work of the entire company and not just that of the sales and marketing staff :

Every employee needs to look at his job as including a marketing element e.g. finance should also be concerned with producing information that contributes to market analysis. The entire company needs to think in terms of marketing and market place performance. We are not saying that the PSE have turned a Nelsons eye on this functional area, but marketing has not been given the importance it should have had and will have in the phase of liberalisation, privatisation and globalisation. Priorities change with change. Dynamism and growth are the essence of progress. Thus, this is the phase where priority has to be accorded to marketing in PSE — so that the process of growth continues and the state of inertia is not allowed to peep in.

#### NOTES AND REFERENCES

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