

CLIENT RESPONSIVENESS FOR PROFESSIONAL PUBLIC SERVICES: RESHAPING RELATIONSHIPS WITH VOICE AND CHOICE

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Abstract

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Abstract

Client relationships are a key issue in public and non-profit management and the language and logic of marketing underpins the idea of 'customer-focused' services. The practical concern is the widespread belief that marketing philosophy and business techniques will change the inward focus of service providers to an outward client-orientation. This paper examines the managerial implications of transferring the concept of customer relationships in a strategic marketing framework to publicly funded professional services such as health, education and community care. There are two issues in the transfer of strategic marketing to professional public services. The first is the generic attributes of strategic marketing. In theory strategic marketing changes the inward focus of professional service providers to an outward client-orientation. The second issue is the specific context of publicly funded professional services. This paper examines the specific context of publicly funded aged care in Australia's federal system. The issues around transfer relate to the 'professional' and 'public' characteristics of these services. In practice the complexity of purchaser-provider-client relationships leads to confusion about 'markets' and 'customers'. The marketing challenge is managing excess demand for publicly funded services in the public interest. Regulation not marketing is reshaping strategic relationships in aged care. New accountability mechanisms rely on regulation and voice more than competition and choice.

“Marketing is an enigma. At the same time it is both simple and complex, straightforward and intricate, a philosophy or state of mind and dynamic business function; it is new and it is as old as time itself. Cynically, we might observe that marketing is therefore precisely what you want it to be, and, and therefore everything or nothing.”

Michael J. Baker (2001) (ed) *Marketing Critical Perspectives on Business and Management*, Volume 1, Introduction, page 12.

INTRODUCTION

Publicly funded services are the interface between governments facing budget constraints and the community demanding better quality. Growth in public expenditure on health, education and community care in OECD countries has been accompanied by restructuring of service delivery networks (Keating 1999). Two main strands in New Public Management (NPM) have been the transfer of business techniques including marketing to the management of public services and the introduction of market type mechanism for service delivery (OECD 1995; 1996 & 1999).

Marketisation refers to structural changes that introduce contestable service delivery and competition between service providers to give consumers greater choice (Walsh 1995). Markets are characterised by voluntary exchange where dissatisfied customers can exercise choice and exit to an alternative service provider. Consumer sovereignty in competitive markets is the imperative for responsiveness to the needs of clients as customers. However, the provision of health, education and community services is still characterised by monopoly or monopsony, and competition is for budget funds rather than consumers (Walsh 1995; Lyons 2001). These ‘markets’ are administered or managed by governments.

Marketing techniques, developed in business contexts, have been transferred to publicly funded services to change the focus of providers to ‘clients’ as ‘consumers’ and ‘customers’ (OECD 1995; 1996 & 1999). The broadened concept of marketing advocates the universal application of ‘market-and-customer-driven’ strategy (Kotler & Levy 1969; Kotler 2001; Kotler 2003). Strategic marketing is concerned with where and how an organisation competes to attract and retain valuable customers. Customer relationships and the value chain are the foundation of analysis in strategic marketing. The strategic imperative for service providers in competitive markets is responsiveness to customer needs.

A landmark report *Administration as Service, Public as Client* in 1987 argued that a marketing mentality would increase client responsiveness by increasing “accountability to and control by clients” and challenging “administrative and political cultures” (OECD 1987, 32). However ambiguity in the language of marketing confuses debates about the role of marketing for publicly funded services (McGuire 2003b). The strategic imperative for public services is excess demand and budget constraints (Walsh 1995). This means the power of the purse has been in the hands of government purchasers and providers rather than consumers. Professionals have been the gate-keepers for services such as health, education and aged care. The NPM agenda challenges the power of providers of publicly funded services to increase consumer choice and client responsiveness (Walsh 1995).

This paper considers the transfer of customer relationships in a strategic marketing framework to publicly funded professional services. The issues are the universality of strategic marketing and the nature of relationships between providers and clients in different contexts. The first section examines the generic attributes of strategic marketing and the imperative for responsiveness to customer needs. Kotler’s (1972 & 2001) broadened concept of marketing advocates universal application of strategic marketing to products and services, consumer and business markets, profit and non-profit organizations.

The second section considers the transfer of a strategic marketing framework to professional public services. Universal application of strategic marketing hides the complexity of transfer and the significance of specific contexts. The issues around transfer relate to the ‘professional’ and ‘public’ characteristics. Information asymmetry between providers and clients creates marketing problems for professional services. Information asymmetry between providers and purchasers creates marketing problems for public services. Value,

competition and the strategic imperative for client responsiveness are different for publicly funded professional services.

The third section illustrates these issues in the specific context of publicly funded aged care in Australia's federal system. Human services provided by professionals are a difficult case (Chalmers and Davis 2001, Ryan 2001; McGuire 2003a&b). Responsibility for meeting the needs of the aged for care is shared by different levels of government, non-profit and private providers. Markets are managed and competition is for scarce budget resources. Aged care is a priority for governments and client responsiveness is central to recent reforms. The marketing challenge is managing excess demand in the public interest. Customer is a slippery concept in the context of aged care with a complex set of stakeholders sharing decisions about demand management. Budget processes determine resource allocation. Client choices are constrained by eligibility conditions and access to providers. In aged care new accountability mechanisms and accreditation have been the catalysts for changing relationships.

STRATEGIC MARKETING – VALUE, MARKETS AND CUSTOMER RELATIONSHIPS

Marketing was originally a branch of applied economics that developed into a management discipline and applied behavioural science (Kotler 1972). The core concept is exchange. After an academic battle in the early 1970s, a broad domain for marketing has been staked out. Phillip Kotler has been instrumental in the universal application marketing philosophy and strategic marketing planning. The foundations were laid in an article with the prescient title 'Broadening the Concept of Marketing' (Kotler & Levy 1969). Initially the argument was that marketing is relevant to all organisations having customers. The generic concept of marketing (Kotler 1972) broadened exchange to any voluntary transfer of value. Wherever exchange occurs there is a need for marketing. In Kotler's words (1972, 54):

Generic marketing is a logic available to all organisations facing problems of market response.

The argument is that all organisations have customers and products, and therefore marketing is relevant to all organisations. Every relationship becomes a market exchange. Marketing philosophy and strategic marketing are universal. In an international publishing empire built over more than three decades, Kotler offers strategic marketing to practitioners as a systematic process for demand management in a wide variety of contexts.

Kotler's doctorate in economics and postdoctoral work in mathematics at Harvard and behavioural science at the University of Chicago, led him to approach marketing from a managerial point of view (Kotler 2001). According to Kotler (1994 & 2001) marketing's central purpose is demand management. Marketing techniques are used to understand, create, communicate and deliver value. Markets are defined by customer needs and preferences. Consumer sovereignty in competitive markets provides the 'customer-focus' imperative. Attracting and retaining valuable customers is the focus of strategic behaviour. The commonly used abbreviation 'STP' reflects the three elements of segmentation, target marketing and product positioning that are the focus of strategic behaviour. Segmentation is about recognising the characteristics and behaviour of different groups of customers that make up a market. Segmentation enables target marketing, where a company chooses the customer groups that it can best serve most profitably. Positioning is used to establish differences from competitors that are valuable to customers (Kotler 1994 & 2001). Quality and superior customer service are product differentiation strategies.

Strategic marketing has changed from a behavioural approach, concerned primarily with customer responses, to an economic approach concerned with the profitability of customers. Not all customers are equally valuable. 'Customer-and-market' driven strategy means selecting customers based on profit potential. The value chain is the centre of analysis in new marketing (Webster 1994; Kotler 2001). Exchange value is defined in economic terms. Research quantifying the link between customer retention and profitability has changed the focus from market share to the profitability of customer relationships (Reichheld 1996).

According to Kotler all contexts are similar in seeking the greatest return on the investment of resources. Seeing the world through a marketing prism, Kotler (2001) argues that non-profit and public agencies face

marketing problems and therefore need to analyse markets and competition. Underlying the broadened marketing concept is the universal application of strategic marketing to change organisations “from being product-centred to becoming market-and-customer-centred” (Kotler 2001, xiii).

In *Nonprofit Organizations* (1975, 1982, 1986, 1991, 1996, 2003); *Professional Services* (1984 & 2002); *Educational Institutions* (1985 & 1995), *Health Care Organizations* (1987) and *Social Marketing* (1989 & 2002), Kotler has applied marketing concepts and strategic marketing to the management of public services. Public and non-profit organisations are urged to develop a marketing mind-set and adopt strategic marketing. The propositions are that public sector organisations have to learn to market their services in what were once monopoly markets, and non-profit organisations have to learn to market public services where outcomes are not profit but social welfare (Kotler & Andreasen 1991). Social marketing advocates strategies to change behaviour through voluntary compliance. Fund raising and managing volunteers become marketing exchanges for non-profit organisations (Kotler & Andreasen 1991). Exchange theory and a customer orientation are applied to public services (Kotler & Roberto 1989). Demarketing is using marketing to reduce rather than increase demand (Kotler 1994).

Strategic marketing and a customer orientation define the solution to the problems of public provision from market ideology, the philosophical stance of marketing. In Kotler’s words (1994, 354):

Exchange is the most democratic way to acquire goods. It beats obtaining them by force, begging, or threat.

Opponents of universality argue there are limits in transferring strategic marketing to public services (Allison 1979; Walsh 1991; Mintzberg 1996). The fundamental issue is context (Gummeson 2002). The transfer of a program is affected by the specific context, as well as the generic attributes (Rose 1993, 14). The generic attributes of strategic marketing are segmentation, target marketing and positioning (STP), customer relationship management (CRM) and economic value. The next section examines the transfer of strategic marketing to the specific context of publicly funded professional services.

TRANSFER IS MORE COMPLEX THAN A PUBLIC/PRIVATE DICHOTOMY

Supporters of universality argue market-type mechanisms have rendered traditional environment and organisational boundaries and the public/private sector dichotomy obsolete. Opponents argue universality ignores the significance of the specific context of publicly funded services. However, as Table 1 indicates a simple public/private dichotomy hides considerable diversity in contexts. Classifying publicly funded health, education and community care as ‘services’ with ‘professional’ and ‘public’ attributes signals a distinctive context that has implications for strategic marketing.

Marketing Challenge for Services – Process Consumption

Service has a diversity of meanings that leads to confusion between services as products or processes and customer service (Johns 1999; McGuire 1999). Customer service is a differentiation strategy applied to manufactured goods and intangible services. Services are products from a marketing perspective and processes from a management perspective. Services have developed as a distinct perspective from consumer and industrial products in marketing and from manufacturing processes in management (Grönroos 1994). Services marketing and management literature recognise that service providers face distinctive marketing challenges. Intangibility, coproduction by providers and clients and direct provider-client encounters in delivery are fundamental differences between goods and services that have implications for marketing (Grönroos 1990; Gummeson 1998; McGuire 1999).

Services marketing and management start from a philosophy of customer-and-market-driven strategy based on STP and CRM. The service profit chain applies the economics of customer retention to services (Heskett et. al. 1994). Quality and productivity are key drivers of profitability in this model. However, services marketing and management is a different perspective on provider-customer relationships (Johns 1999). Production and consumption are not separate for services and marketing has interactive and internal

dimensions. Process consumption is a fundamental difference between manufactured goods and services (Grönroos 1998).

Productivity and service quality are key drivers of performance. However quality and productivity are different for services because of provider-consumer interactions in service delivery. Productivity has interactive dimensions (Gummesson 1998). Quality has technical and process dimensions (Grönroos 1990). Technical quality or 'reliability' relates to what is delivered and is usually measured by conformance to standards. Process quality relates to how the service is delivered and is usually defined by 'satisfaction' based on clients' subjective perceptions of encounters with providers. Quality and productivity for services depend on the behaviour of clients and in comparison to manufacturing processes are harder to control. The strategic imperative is managing gaps between providers and customers perceptions of quality and value.

Marketing Challenges for Professional Services – Signalling Quality and Provider-Client Asymmetry

All services are not the same and professional services pose particular challenges for marketing (Maister 1993; Kotler & Bloom 2002). Professional services offer care and advice and are delivered by people with specialist knowledge and technical qualifications. As a class, professional services are generally customised rather than standardised, require active participation by clients, and have a high level of face-to-face encounters. Professional providers have a different perspective on relationships and usually describe their customers as clients, signalling trust relationships and a duty of care. Professionals are regulated by standards and codes of conduct that are used to signal technical quality (Kotler & Bloom 2002).

Table 1: Strategic Marketing in Different Contexts

Marketing Context	Strategic Behaviour
Strategic marketing	Customer-and-market driven strategy Customer-driven: responsive to customer needs Market-driven: needs are wants backed by the ability to pay Performance measure is economic value
Conventional marketing (transactions)	Marketing challenge is attracting new customers Strategic behaviour is directed at market segmentation, target marketing and positioning Performance measure is 'market share'
New marketing (relationships)	Marketing challenge is loyalty, trust and customer retention Strategic behaviour is directed at creating, maintaining and enhancing relationships with valuable customers (and other stakeholders) Performance measure is 'lifetime value of customer'
Consumer goods marketing <i>Customer-as-consumer</i>	Demand is for outcome consumption Customers are consumers Consumer sovereignty is based on purchasing power Marketing challenge is understanding customer needs
Industrial marketing <i>Customer-as-business</i>	Demand is derived from final consumption Customers are businesses Marketing challenge is account management
Services marketing <i>Customer-as-coproducer</i>	Demand is for process and outcome consumption Customers are coproducers Service imperative is customer choice Marketing challenge is managing customer-provider interactions in service delivery Customer perceptions of quality have technical and process dimensions
Professional services <i>Customer-as-client</i>	Demand is for advice and care Customers are clients Service imperative is client choice Providers are professional with technical expertise Marketing challenge is managing professional-client relationships Clients cannot judge technical quality Professional accreditation signals quality
Public services <i>Customer-as-client</i>	Customers and markets are ambiguous concepts Demand is derived from budgets and entitlement is based on eligibility Clients are consumers with needs and citizens with rights and entitlements Budget processes allocate funds for services and eligibility regulates access Performance measures are social (access and equity) and economic (productivity) value Service imperative is client voice Providers are publicly accountable for funds Strategic challenge is managing purchaser-provider-client relationships

The strategic imperative for customer-and-market-driven strategy for professional services in contested markets is also competition between providers for profitable customers. Marketing strategy based on STP and CRM, and customer retention economics in the service profit chain are applied to professional services (Heskett et. al. 1994). Managing the profitability of client relationships is a key driver of performance. Indeed much of the early development of relationship marketing was in the field of services (Christopher et. al. 1994).

In contested markets the strategic imperative for client responsiveness is competition between providers for profitable clients. However clients find it difficult to make informed choices between professional service providers. A high degree of uncertainty about quality and value increases the information gap between providers and clients and this poses particular marketing challenges (Kotler & Bloom 2002). Professional-client relationships are characterised by information asymmetry arising from high ‘credence attributes’ (Zeithaml 1981). This means providers have information about technical quality that clients cannot evaluate. Clients have more information about process quality or ‘customer service’ aspects of delivery. Signalling quality and value to attract clients and delivering quality and value to maintain client relationships are strategic imperatives.

An impediment to client responsiveness is the power of professionals that derives from their specialist knowledge (Pollitt 1988). Professional accreditation and service guarantees are strategies to reduce uncertainty for clients. Monitoring client satisfaction and complaints are strategies to reduce the gap between provider and client perceptions. Marketing management issues centre on the divergence between provider and client views on service delivery, quality and value.

‘Markets’ and ‘customers’ are slippery concepts for publicly funded services (McGuire 2003b). The tension in strategic marketing between ‘customer’ and ‘market’ orientations (Baker 2001) is exacerbated when applied to professional public services.

Marketing Challenges for Public Services – Equity and Funder-Provider Asymmetry

Public services pose the greatest challenge for marketing. The ‘public/private differences/similarities’ debate is usually framed in terms of sectors or organisations. Marketisation shifts the focus from organisations to *services*. Professional public services are provided by public, non-profit and private agencies. So, comparisons based on organisations or sectors are confusing. However existing service classifications do not isolate ‘public’ characteristics (McGuire 2003a&b). Whilst contracting and competitive tendering changes the location on a public-private provider continuum of agencies responsible for delivery, this does not change the public nature of community services (Quiggan 1999). The issue is the transfer of customer relationships in a strategic marketing framework to publicly funded services. The issues around transfer to education, health and community services relate to the public attributes of these professional services. Value, markets and ‘customer’ relationships are ambiguous concepts for professional public services.

‘Values’ for Public Services

Public services have social value reflecting social policy objectives (Titmus 1974). Social policy is concerned with income inequality and the objective of government intervention is to achieve greater social justice and distributional equity (Eckersley 1998; ACOSS 1999). Revenue and profitability are ‘bottom line’ measures of economic value for private services. Equity and access are ‘bottom line’ indicators of social value for public services (Carter, Klein & Day 1992). Demand management in the context of public services means rationing. Markets ration on the basis of ability to pay. Market equity drives the service profit chain. Governments ration on the basis of eligibility conditions that restrict access. Targeting is about social equity. Fair processes and accountability are central to public services. ‘Public’ refers to the use of public funds, for which governments are accountable, to provide services in pursuit of social policy objectives. Value is complex and contested for publicly funded services. There is no place for social value and equity in ‘service profit chain’.

‘Markets’ for Public Services

In practice, markets for publicly funded services are managed through regulation and administrative rules (Flynn 1993). The context of ‘strategic marketing’ for public services is public policy networks. Demand is

derived from policy and budget processes based on collective political choices (Stretton & Orchard 1994). Competition is for scarce budget funds. Approaches vary between OECD countries and, as Table 2 indicates, there is a continuum of market-type relationships with different competitive conditions (Walsh 1995, Lundsgaard 2002).

Table 2: Markets for Public Services - Shades of Competition

Competitive Conditions	Strategic behaviour
Internal contracts and performance related funding	Service agreements between different levels of government Purchaser-provider arrangements that separate funding and service delivery Specification of service standards
Competitive tendering and contracting	Competitive tendering by providers for contracts to deliver services to designated groups Competition between providers
Vouchers and user choice Competition between providers	Competition between purchasers and providers Separates funding (policy), purchasing (regional authority) and providing (service delivery) Client choice

Source: Adapted from Lundsgaard, J. (2002) Competition and Efficiency in Publicly Funded Services, *OECD Economic Studies*, No. 35, 2002/2.

The strategic imperative for client responsiveness is different for public services. The imperative in strategic marketing is customer choice and its link to economic value measured by profitability. The imperative for public services is citizen voice and its link to social value. Strategic marketing is a competitive model that elevates customer choice and economic value in determining access to services. The principle is individual access based on ability to pay. Public policy processes is a political model that elevates citizens' rights and social value. Program funding and eligibility determine access to services. The principle is universal access based on needs. Tax funding with universal access is the most collectivist approach (Flynn 1993). User pays is the most individualist approach.

Client Relationships for Public Services

While competition and user choice is still limited for many public services, increasingly funding and supply of public services are being separated (Lundsgaard 2002). A customer metaphor has been applied to health, education and community services to change the focus of service delivery from programs and providers to users and results. Patients, students, elderly people in need of care, children in need of protection, and even prisoners are 'customers'.

Relationships between providers and clients for public services are more complex. There is a complex set of stakeholders to be 'satisfied' and clients wear different hats (Mintzberg 1996). Labels such as customers, consumers, clients and citizens create confusion about the nature of relationships and the meaning of responsiveness. As Table 3 indicates there is also a spectrum of client relationships. Clients can be customers who pay a fee for service.

Table 3: Strategic Roles and Relationships

Role	Relationship
Purchasers Purchasers can be different levels of government and agencies	Responsible for allocating funding, service agreements and contracts to give effect to policy guidelines Purchaser control derives from budgets Responsive to policy priorities Accountable to citizens through parliament for outcomes
Providers Providers can be government, private or not-for-profit agencies	Responsible for delivering services under agreement or contract with government. Provider control derives from managerial autonomy Responsive to operational priorities Accountable to funding agencies for performance
Professionals Professionals have technical expertise and a duty of care based on standards and codes of conduct	Professional control derives from technical expertise Responsive to professional standards and codes of conduct. Accountable to professional bodies and for external accreditation agencies for standards and duty of care
Clients Clients are coproducers and citizens who may pay a fee for service	Client control derives from choice (access to alternative services and providers) and voice (opportunity to complain effectively and obtain redress)

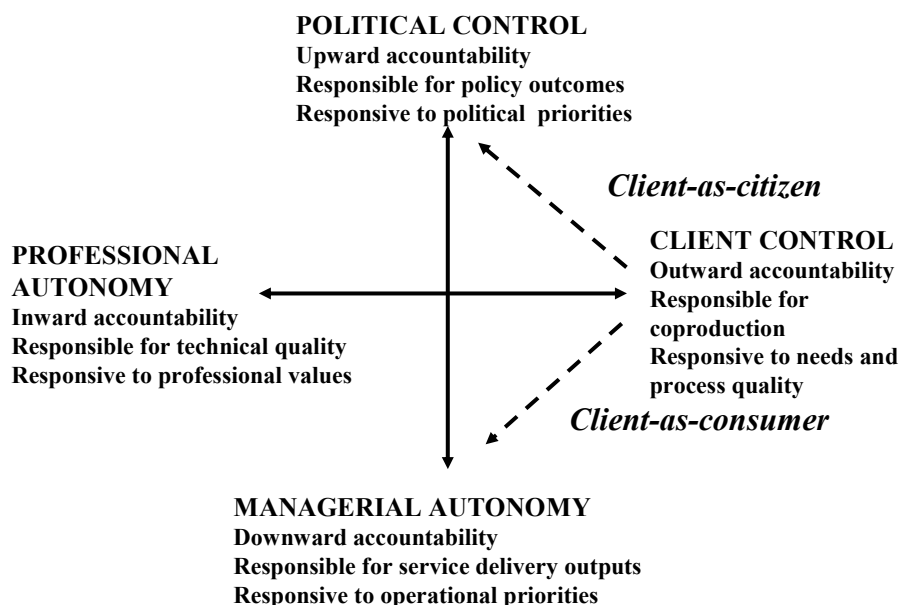
Sources: Adapted from Department of Finance (1995) *Clarifying the Exchange: A Review of Purchaser/Provider Arrangements*, Discussion Paper No. 2, Resource Management Improvement Branch, November and Department of Immigration and Multicultural Affairs (2000) *Access & Equity 2000 Annual Report*, Progress in Implementing the Charter of Public Service in a Culturally Diverse Society, December.

Clients are consumers who coproduce the service. Clients are also citizens with rights to access and fair process. The primary source of revenue for many service providers is budget-funded agencies or ‘purchasers’. Access is decided on eligibility or assessed needs, not customer choice. The strategic imperative for responsiveness to clients in this context is voice, based on public administrative law rather than private contract law (Walsh 1995). Funding tied to service outputs and outcomes and new accountability mechanisms based on complaint and redress increase client responsiveness (Pollitt 1988; Walsh 1991).

Strategic Relationships

Accountability relationships are a fundamental dimension of ‘publicness’ in representative democracies and a key distinction between public and private services. Marketisation increases the complexity of accountability relationships. As Figure 1 indicates there are two key relationships for professional public services. Professional-client relationships are one dimension of accountability and the issue is responsiveness to clients’ individual needs. Customising services for quality is a strategic imperative in this relationship. Funder-provider relationships are a second dimension of accountability, and the issue is political responsiveness to public policy priorities. Standardising services for productivity is a strategic imperative in this relationship. Service providers are caught between the conflicting priorities of elected policy makers and clients (OECD 1987). Professionals who make decisions on access to services and standards of care have to balance the conflicting pressures of quality and productivity.

Figure 1 Strategic Relationships



Changing from a system dominated by professional providers to clients as customers, implies clients have sufficient information to make informed choices (Flynn 1993; Pollitt 1998). Strategic marketing is a competitive model that elevates customer choice and economic value in determining access to services. The principle is individual access based on ability to pay. The imperative for client responsiveness is customer choice and its link to economic value. Public policy process is a political model that elevates citizen rights and social value. The imperative for client responsiveness is voice and its link to social value. In the absence of choice, client responsiveness depends on the ability of consumers to voice dissatisfaction through complaints and seek redress. The link between budget funding and client satisfaction is through public policy processes, not market exchanges. There is a balance to be struck between efficiency in the use of scarce public resources and equity in responding to the needs of clients. This is fundamentally an ethical, not a managerial or marketing problem (Wilenski 1986).

Social values, multiple stakeholder relationships and public accountability do not fit easily into the rational planning framework of strategic marketing. Social values are not included in the service profit chain. The strategic relationship for providers is with public agencies that fund or purchase services on behalf of clients. Competition is for budget resources and the paying ‘customers’ are the public agencies responsible for program funding. Policy processes not markets decide budget allocations. Program funding and eligibility criteria determine access to services, and calling clients customers does not change this.

Human services delivered by professionals pose the biggest challenges in demand management. These markets are managed by regulation as government still determines funding, access to programs and service standards. Delivery is gradually being reshaped around clients using a mix of contestability, choice and case management to tailor services to individual needs (Davis 2001). Public funding for care of the elderly is growing in OECD countries and a range of institutional approaches and payment systems are used (Lundsgaard 2002). The next section considers the changes to publicly funded aged care services in the specific context of Australia.

PUBLICLY FUNDED AGED CARE SERVICES IN A FEDERAL SYSTEM

Responsibility for publicly funded aged care services is shared in Australia’s federal system. The Commonwealth Government provides the majority of funding but its role is essentially a purchaser. Delivery is fragmented in highly complex systems that vertically cross three levels of government, and

horizontally cross public, non-profit and private agencies. The public interest defined in national goals is (SCRCSSP 2002, 650):

to promote the health, wellbeing and independence of frail older people and their carers through funding and delivery of services that are accessible, affordable, appropriate to needs, high quality and efficient.

The performance of the State and Territory governments is monitored against these objectives (SCRCSSP 2003; McGuire 2003a).

Publicly funded aged care system is a complex mix of stakeholders with different interests. A strategic challenge in this system is horizontal policy coordination between programs and vertical coordination between different levels of government and agencies that deliver public services (Davis & Rhodes 2000). There is a continuum of aged care services from support for independent living to high level residential care (PC 2003). The main programs funded by the Commonwealth are summarised in Table 4. In contrast with the United Kingdom and the United States, there has been a lower level of involvement by the private sector in providing residential aged care residential in Australia (Lundsgaard 2002). Residential care is provided mainly by religious, charitable and community agencies.

Clients are the frail and elderly (persons aged 65 years and over), who require care and support with daily needs. Clients often have complex needs that require a number of different services, from a range of professionals, funded by government and non-government agencies (SCRCSSP 2002). In 2001-2002, \$8.5 billion, about 1.2 per cent of Australia's GDP, was spent on aged care services (SCRCSSP 2003). Publicly funded residential care is provided for only 6 per cent of the aged population but accounts for 70% of public expenditure (SCRCSSP 2003). Most aged Australians requiring care obtain this at home from informal carers, often with support from publicly-funded programs (PC 2003). Community care services are provided through a range of programs. The largest in funding terms are Home and Community Care (HACC) and Community Aged Care Packages (CACPs).

Table 4: Commonwealth Funded Aged Care Programs

<p>Residential Care</p> <p><i>Aged Care Assessment Program (ACAP) (1984 +)</i> The Commonwealth provides grants to the State and Territory governments who are responsible for administration of Aged Care Assessment Teams (ACATs) and Evaluation Units. ACATs are responsible for assessing and recommend appropriate services. ACAT assessment and recommendation is mandatory for admission to residential care.</p> <p><i>Aged Care Standards Accreditation Agency (ACSAA) (2001+)</i> Funding is been tied to accreditation and services providers are assessed against expected outcomes. In 2002 there were 1338 accredited providers operating 30,000 residential care facilities.</p> <p>Community Care Packages and Support for Carers</p> <p><i>Home and Community Care (HACC) 1985+</i> Provided services including home nursing, personal care, respite care, meals, domestic and home maintenance help and paramedical services to people with disabilities, to be cared for at home. Assessment and recommendation by ACATs is mandatory for access to HACC. In 2001-02 about 2900 agencies provided a range of services to over 583 000 clients (PC 2003). The majority of these services are provided by not-for-profit agencies. Since 1996-97 agencies have had to comply with national service standards.</p> <p><i>Community Aged Care Packages (CACPs) 1992+</i> Provides individually tailored packages, equivalent to low level residential care, to enable people to be cared for at home. The cost is estimated at \$30 compared to \$100 per day in residential accommodation. Assessment and recommendation by ACATs is mandatory for access to CACPs. In 2002, approximately 900 agencies provided more than 26 000 CACPs to 1.5 per cent of Australians aged over 65 years. Only 6 per cent of these packages are provided by private sector agencies, and more than 80% are provided non-profit agencies.</p> <p><i>Extended Aged care at Home (EACH) 1993+</i> A small pilot program that was extended in 2002, following an evaluation which demonstrated that many frail aged people, who would otherwise need high level residential care, can be cost-effectively maintained in their homes. The Commonwealth Department of Health and Ageing is currently developing a quality assurance and accountability framework to extend the program's scope. Pilot programs are operating for rural and remote communities and to support dementia patients at home.</p> <p><i>National Respite Carers Program (NRCP)</i> Services include day care and short-term residential care or in home respite care. Direct financial support is provided to carers through the Care Payment and Carer Allowance schemes.</p>

Sources: PC 199& 2003; SCRCSSP 2002 & 2003.

With an aging population demand for services is increasing (SCRCSSP 2003). There has been a gradual shift in policy priorities from universal access to targeting expenditure on those most in need' through eligibility criteria (Lyons 1998; Keating & Weller 2001). Consistent with the general trend for welfare services, there has been a shift from traditional grants to output based funding for aged care services (SCRCSSP 2002).

Reforms in 1997 changed the basis of funding for residential care. The objectives are to increase choice and flexibility in residential aged care services and to “facilitate ageing in place” (SCRCSSP 2002, 647). The Commonwealth provides capital grants and a subsidy per bed day tied to the assessed level of care to providers. Residents contribute around 30 per cent of the cost of care. In the face of considerable opposition, the government introduced means tested individual contributions in the form of a bond for residential care. Benchmarking and performance contracting have been introduced to change the emphasis from inputs to results. Service agreements and contracts specify units of service for designated client groups (Lyons 2001; PAEC 2002). However funding is still a provider rather than an entitlement model. Expenditure is tied to programs rather than individuals, there are inequities in fees and charges between different types of care and access is limited. There are acute shortages for high level residential care, dementia-specific care and services in rural and remote areas (PC 2003).

New accountability mechanisms have been introduced to change the strategic behaviour of service providers to focus on clients. Subsidies for residential care are tied to a national accreditation scheme introduced in 2000 (PC 2003; SCRCSSP 2003). All governments have committed to using a Consumer Survey Instrument (CSI) being developed by the Australian Health and Welfare Institute. Evidence from an independent review of aged care suggests there is greater consultation in policy-making, and that reforms have delivered improvements to the system (PC 2003). Performance reporting for the Council of Australian Governments shows that services are better targeted and more responsive to client needs (SCRCSSP 2003). However, the “provision of accessible, affordable, appropriate and high quality care” (PC 2003, xvi) is a complex balancing act.

Public policy processes is the context for demand management for aged care services where supply and access are regulated. Demand exceeds capacity and consumer choice, particularly for residential care, is limited (PC 2003). Supply is controlled through the allocation of subsidised places, administrative price setting and an accreditation scheme for providers. Access is rationed by Commonwealth sponsored aged care assessment teams who determine eligibility and queuing. A major weakness of the system has been the focus on providers and programs, rather than people and outcomes (Keating 2001b).

In the face of a continuing shortage and queues for high level residential care, the Commonwealth Government is currently conducting a review of the system. The criteria for evaluation are equity, efficiency, choice, quality and sustainability. In the Australian context, equity means services should be developed and delivered on the basis of fair treatment of eligible clients (DIMA 1999). The Productivity Commission (PC) has recommended an entitlement system involving payments to users to increase consumer choice and provider responsiveness to users. (PC 1999 & 2003). However, as the PC did acknowledge (PC 2003, xxiv):

consumer sovereignty has limitations when applied to the frail aged, as not all those who act as their agents have incentives which are perfectly aligned with their principals.

Government is considered to have a duty of care and is accountable for the quality of services (Keating & Weller 2001). Accreditation rather than client choice controls quality for aged care. Failure to meet accreditation standards has led to the closure of residential care facilities. Whilst clients of aged care service providers outside the public sector do not have direct access to administrative appeal and judicial review processes, accreditation has institutionalised complaint, if not redress (Keating & Weller 2001). Better practice on internal complaint handling mechanisms is to be found in administrative law processes developed in the public sector. Australia has experimented with this form of accountability since administrative law reforms in the 1970s. Transfer in this case works in the opposite direction, and the experience of public services providers has much to offer marketing theory and practice.

For services such as aged care, where demand has outstripped funding capacity, efficiency objectives and responsiveness to clients’ individual needs have not always been easy bedfellows. Giving a voice to clients is important for these services, given their essentially non-traded status and information asymmetry between providers and clients.

CONCLUSION – BRINGING THE ‘PUBLIC’ BACK IN

As Pettigrew observed, “one swallow doesn’t make a summer” (1987, 670). However, aged care services are the epicentre of current debates about markets and client relationships for public services (McGuire 2003a). Aged care does illustrate the limits of a ‘market-and-customer-driven’ approach to relationships for professional public services. Marketisation blurs the public/private distinction on the provider but not on the purchaser side of the relationship. Public funding, public purposes and public accountability distinguish these services. Strategic marketing ignores these ‘public’ characteristics.

Market-driven means budget-driven, and in the case of aged care the challenge is managing excess demand in the public interest. This means equitable rationing of scarce public resources on the basis of need. A strategic marketing prism elevates economic value, competition and choice. Strategic marketing is an individualistic framework that ignores the use of public funds in the collective interests of society to build social capital (Walsh 1991, Brennan 1998). There is a more fundamental confusion between market values (ends) and market mechanisms (instruments). The limitations of market approaches for community services are well documented in theory and in practice. Competition and choice elevates individual needs over collective interests. The market model of public services implies that delivery is a technical rather than political process, and citizens are reconstructed as consumers rather than participants in public policy processes (Ryan 2001). The objection to market values is on equity grounds (Keating 2001a). Markets do not take account of social values. There is no place for social equity in Kotler’s strategic marketing framework or the service profit chain.

A ‘customer’ metaphor confuses thinking about professional-client relationships for public services. Responsiveness means transparent accountability and meeting client needs within a public policy framework. A public policy prism elevates social values, regulation and voice. Strategic relationships are political rather than economic or managerial. Redefining clients as customers is neither necessary nor sufficient to improve responsiveness for professional public services. A customer service model does not take into account the nature of relationships between providers and clients for public services. Customer satisfaction measures do not adequately capture the duty of care and equity dimensions that are fundamental to publicly funded human services such as aged care.

Traditionally, professionals controlled service standards which critics argue had little regard for clients. Changing from professional to consumer control, necessary for more responsive service, is difficult. Judging the quality of providers is more difficult for professional services. Budget constraints limit access to public services. In practice, access to public services is decided by a balance of political and professional judgements (Pollitt 1988). There is a balance to be struck between the invisible hand of the market choice and the strong arm of regulation for professional public services. A mix of choice and voice is being used to overcome provider capture. Quality control through external accreditation and service charters is changing the orientation of professional providers.

Marketisation fragments service delivery and strategic marketing does not resolve political problems. In the words of a former Minister and Australian Governor-General, Sir Paul Hasluck, “politics is to public services what water is to a fish” (Keating 1998, 44). If the strategic issue is failure of service delivery, marketing techniques have much to offer service providers seeking to improve client relationships and consultation. However where the strategic issue is the allocation of public resources and under-supply, as is the case with aged care, strategic marketing that displaces public policy with market processes will only serve to exacerbate distributional problems and inequity. The language of ‘markets’ and ‘customers’ suggests a clarity that does not exist in practice. Allocation and distribution of publicly funded services is a political, and not simply a marketing challenge. Competition delivers productivity gains but service quality relies more on voice than choice. There is more to social policy than strategic marketing, and there is more to service delivery than customer service.

Customer-and-market driven strategy is deeply ambiguous for professional public services. Dichotomies such as public/private disguise a diversity of contexts. Paradoxical tensions are two sides of the same coin used to reveal complex relationships that have to be balanced (Lewis 2000). Client responsiveness for professional public services is fraught with paradox (Dobuzinkis 1997; Patterson 1998). The tensions that

explain the paradoxes are at the very heart of the debates about the best way to fund and deliver aged care. Between Adam Smith's invisible hand of the market and Alfred Chandler's visible hand of management are the collective hands of deliberative public policy. The rationality of markets and strategic marketing frameworks may be more appealing to practitioners than indeterminate, pluralist policy process models. However, relationships between providers and clients for public services are more complex. Reducing policy challenges such as satisfying community needs for aged care to a strategic marketing problem displaces the 'public' that is the very essence of these services.

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