An Empirical Investigation into the Transition of Change within three formerly Nationalised Companies

Geoff Lancaster
University of North London Business School, UK, Macquarie University, Sydney, and Durham Associates Group, Durham, UK
Gerry Brierley

Abstract: The article in the previous issue provided a background to privatisation and highlighted how previously nationalised companies were managing the transition of change. This article continues this theme at a more detailed level and presents details of applied research into three formerly nationalised companies, namely: The National Remote Sensing Centre, Royal Ordnance Environmental and The Stationery Office. It concluded that pre privatisation, notions of quality service, lower prices and working for the good of consumers was not achieved, as profits were not seen as a commercial requirement. Of the companies researched, two seemed to be strongly influenced by the culture of their new parent company. The two companies that have adopted a marketing culture seem to have fared better than the one company with a strong financial culture. Despite the moves towards being more marketing orientated it is also concluded that all three companies were having difficulty in breaking free from an inbred philosophy of production orientation.

INTRODUCTION

This article details the research following the authors’ previous commentary in the last issue of this Journal. There are many books on the subject of privatisation, where reportage reviews large privatised companies, but there is little evidence of primary research having been undertaken into attitudes within previously nationalised companies. Journals and press reports are also of a similar content. There are books relating to marketing and change, but minimal discussion of marketing culture linking this to privatised industry. The research approach adopted by the authors has concentrated on empirical primary data gained from one-to-one interviews. A phenomenological approach was used, and comparative analyses were made of the following organisations’ marketing cultures:

- NRSC Ltd (The National Remote Sensing Centre)
- Royal Ordnance Environmental
- The Stationery Office (TSO)
The precise methodology used was discussed in the previous article (Volume Two, Issue Two, Summer, 2000). The organisations were chosen because not only were they lesser-known privatised companies but also no previous substantial research has been published on them. NRSC was then the second researcher’s host company and they were able to gain direct access to a number of interviewees. Royal Ordnance Environmental was chosen because of its similarity to NRSC. TSO was chosen because of its business connections with NRSC.

Nine depth interviews were conducted within NRSC, two within Royal Ordnance Environmental plus a five further telephone depth interviews, and four depth interviews were conducted at TSO plus a further five telephone depth interviews. 47 questions were asked after piloting with staff at NRSC. Each in-depth interview lasted up to 2½ hours. All staff interviewed in-depth worked for, or had significant knowledge of, the organisation pre, during and post privatisation. Staff interviewed by telephone had knowledge of marketing culture post privatisation. Interviewees were questioned on the basis of five significant questions relating to marketing culture on a ‘quick fire’ basis in order to obtain their immediate, rather than considered, reactions. The primary research in this paper is presented within a ‘themed’ narrative approach in respect of each of the three organisations and then concludes with some comparative discussion. In addition, secondary background research, obtained both from respondents and from secondary sources, has been narrated as a preface to the reportage on each organisation.

RESEARCH FINDINGS

NATIONAL REMOTE SENSING CENTRE: A SUBSIDIARY OF GEC-MARCONI

In order to give a balanced insight into NRSC it is necessary to discuss and outline the behaviour and culture of GEC and its attitude towards its subsidiary companies.

GEC owns large parts of the UK power generation, telecommunications and electronics business along with a stake in such well-known consumer electrical brands as Hotpoint and Creda. The company is essentially the creation of Arnold Weinstock who held the post of chief executive for more than three decades before becoming honorary president in 1996. GEC’s performance in Lord Weinstock’s later years was unimpressive yet shareholders failed to apply adequate pressure for a more speedy succession
Weinstock studied at the London School of Economics before joining his father-in-law Michael Sobell in a business that made television sets. When this was absorbed into GEC in 1961, Weinstock became a director and by 1963 was appointed chief executive. He amalgamated British Electrical Engineering, GEC, AEI and English Electric at a time when management in the industry was poor, financial discipline weak, and strategic direction lacking. He was the first ‘downsizer’ long before the term was coined. When it came to handing over the reins, nearly thirty years after the hostile takeover of AEI, Weinstock left a company in which financial discipline was unquestionably strong, turnover was more than £10 billion and profits were close to £900 million. Yet the quality of the management was hotly debated while critics alleged that the record on innovation and investment was poor. GEC in the 1970s and 1980s was heavily reliant on the public sector for contracts. The main customer was The Ministry of Defence followed by British Telecom, the Central Electricity Generating Board and British Rail, all of which were under state ownership.

Weinstock shocked both his fellow industrialists and the Trade Unions with the ruthlessness of his plant closures and the lay-offs in the 1960s and 1970s. Yet, he was indulgent when dealing with the inefficiencies of the defence businesses in GEC-Marconi in the 1980s. He presided over the Nimrod early warning system which saw over-runs of more than £900 million. Similar problems occurred with the remote controlled Phoenix spy-plane. By mid 1995 it was six years behind schedule, and with £227 million already spent on the plane it was still prone to break-up on landing. This suggests that financial orientation was subordinated to project or product orientation whereby technological ego boosted new product development, and where marketing had little inherent value. Further financial contradictions were apparent in the appointment of George Simpson as MD in 1996, whereby a £600 thousand pound ‘golden hello’ was offered to compensate him for the loss of incentives at his previous company, Lucas Industries (Plender, 1997).

GEC style of management emphasised finance at the expense of marketing and technological innovation; a trait that is visible in subsidiary companies, and according to respondents, has been a restraint on NRSC Ltd. There was no on-going dynamic strategic market planning within NRSC Ltd as management attention was focused on financial objectives based on the next month or year, and not on medium and longer term strategy. It is also evident that due to organisational structure and culture, individual businesses within the Group were isolated due to the reporting regime and
were, therefore, unable to capitalise on the opportunities of cross-fertilisation within the Group.

By the end of the 1980s, and as the result of a potential hostile takeover bid, GEC put much of its efforts into power engineering and telecommunications activities through joint ventures. GEC provided the cost discipline and the partners provided the innovative technology and marketing strength.

In 1996, Dalby (Financial Times) discussed the position of Ordnance Survey (OS) versus NRSC Ltd. He said that the agency Ordnance Survey faced stiff competition from NRSC Ltd which could produce highly sophisticated maps and geographical systems from images using aerial photographs and remote sensing such as satellites. David Fox, then General Manager of NRSC Ltd, is quoted as saying the company had the largest portfolio of aerial photographs in the UK covering 80% of the land area. NRSC was co-operating with the OS, but could emerge to be the biggest rival to the OS. This could certainly have been possible, but the culture at NRSC was hostile to change and innovation. As with GEC, they would need to form a joint venture for both marketing expertise and financial backing.

NRSC was formed in 1980 as a Government centre for Earth observation. In 1991 it was privatised and became a private limited company with the main shareholder being GEC-Marconi and Matra Marconi Space UK. It was originally part of RAE (Royal Aircraft Establishment) that later became DERA (Defence Research Agency). During this time NRSC was only servicing the internal and defence department needs for data, although they had at that time become an agency for satellite data derived from the French spot image satellite along with the British satellite Landsat. In the mid-1980s the European National Space Centre (ENSC) decided they wanted to give the UK a leading edge on geographical data. £2 million per year was invested in the NRSC Government department to create a large database of information from the ERS satellite that formed the basis of the Earth Observation Centre.

In 1988 the Government decided that they wanted to turn the NRSC and the Earth Observation Centre into a commercial enterprise and put both centres out to joint competitive tender. The Government wanted to offer the company that won the contract the opportunity to join together the data from the Earth Observation Centre and the intellectual property rights assets and skills of the NRSC people, and combine the two. This was the first step in
the route to privatisation. There were two main objectives, firstly it must cope with the UK national requirements for Earth Observation data handling, processing and archiving, and second it must meet the needs of ESA - the European Space Agency.

In 1989 the Government awarded the contract to the then privatised British Aerospace (BAe), who wrote the first and only business plan for NRSC, as well as negotiating £2 million for five years. In return the Government would have a self-sustained remote sensing company. Even though NRSC was privatised in 1991 the new owners, GEC-Marconi and Matra Marconi Space UK, had this benefit until 1994. This often led customers, competitors and suppliers to be confused as to whether NRSC was privately or state owned.

Specific research findings – NRSC

NRSC Ltd employs 103 staff across two sites, and operates with a heavy technical/project and financial bias, employing no ‘pure’ sales or marketing staff. The organisational structure is a split between a matrix and functional design. In November 1998 the GEC-Marconi board instructed the removal of the board at NRSC, namely the HR, Operations and Marketing directors, followed by the Managing Director which were subordinate roles to those of the remaining Financial Director/General Manager who was soon to become the Managing Director.

The term strategy was understood to mean at a senior level: “A route map”; “Seeking out market areas in which to sell”; “A set of ideas to formulate tactics and objectives”. At a junior level strategy was understood to mean: “A plan to achieve the objective”; “A plan of action”; “A direction plan everyone works to”.

There was consensus that there was no marketing plan and no company wide business plan. Pre-privatisation, however, BAe did put together a five-year business plan. This is understood to be the only one in existence but “nobody worked to it”, although “each department has its own sales/ tactical plan”.

In 1998 an e-mail was sent to all staff from the Managing Director stating: ‘The good news is that the company has decided to formulate a strategy, but
at this stage we have not decided on the content’. This plan did not materialise, but the prelude, a three page mission statement, did. No staff apart from the directors knew the content of the pre-privatisation business plan. Consistent with many other privatised companies the change began to be implemented pre-, during and post privatisation and was referred to as: “Evolving and haphazard”; “Most staff left pre-privatisation, and were replaced by contract staff”.

The company prepared for change by: “Bringing more commercially aware people on board” or “They were only financially prepared and re-structured”. Three respondents believed that there was no preparation. The reaction to self-accountability was seen as ‘difficult’ for some, and ‘more of a challenge’ for others. “It was a challenge but if it was not in your nature, it was difficult”; “Staff became more protective”; “Staff liked to set their own targets but most gave it lip service”; “People were protected previously, some were nervous”. After more than ten years the company has yet to show a profit.

Commenting on how the role of sales and marketing staff has changed pre and post privatisation staff revealed: “Before they just ‘did lunch’, now they have to sell”; “Pre there were no sales, but there were marketers! Now there are sales, but no marketers”. In the area of contingency planning one small group had put together some risk analysis. Company wide, the contingency plan covered: “If a site burned down, we have back-up data and our own aerial photography is insured”. It was generally believed that if they had the skills, they could react to ‘on the spot’ developments quite quickly.

**The Organisation and it’s Culture**

The term marketing was understood to mean a variety of different things, but to most it was ‘promotion’: “The promotion of goods and services”; “It covers everything - the difference between sales and marketing is that marketing is promotional”. One commented: “Marketing is trying to understand the market, trying to address the market, customers and product needs plus understanding our competitors”.

Marketing culture was understood at a senior management level to mean “very little” or “not a lot”, but to staff at much lower ranking it meant: “The environment set up to implement marketing” and “The approach taken by a firm, i.e. how well they understood the market and whether they are all on the same wavelength”. Senior managers who stated that marketing culture
meant little to them, unexpectedly commented on the strength of the marketing culture, ranging from statements like: “It is strong in some areas” to “We can’t afford to do it at the moment, but that doesn’t mean to say we have a weak marketing culture”. All interviewees stated that they did not think that NRSC had a strong marketing culture. It emerged that pre-privatisation and during the transition of change there was not only more money spent on marketing, but there were dedicated teams of marketing people with a focus on PR. As one senior manager pointed out: “Pre-privatisation it was seen that lots of money was spent on marketing, and post it was much less”, but other staff pointed to marketing staff pre-privatisation to have more of a R & D focus. The most important changes and the most difficult changes were seen as varying from: “Getting rid of the recent board of directors”, to “Having to make a profit”; “Having to think commercially”. Generally, the most difficult change seemed to be orientated around being accountable.

- Although employee numbers have increased from pre-privatisation days, in the last three years numbers have decreased from 150 to 103.

- All junior staff and two senior staff believed that a strong marketing culture would increase profits. Two of the senior managers did not feel this to be the case as: “marketing costs a lot of money” and “the margins are always going to be the same”.

- The closest role to sales and marketing is held by Business Development Managers, who are technically orientated and qualified, without sales or marketing qualification or experience and who have responsibility for 80% technical issues and 20% sales issues.

### Products, Markets, Customers and Competitors

It was apparent that products/projects had priority. One project manager stated: “if you have no product, you have nothing to market”; “all are equally important, but must get in right order”; “we need more standard products”.

On their opinions as to whether the organisation was product, market or customer led, one director said: “we have never been successful at ‘products’, but we have been successful at ‘projects’ “. There was a mixture of opinion between project and customer led, with about a 50/50 split. A senior manager stated: “I’d like to think we are customer led but we are project led”. Consequently there is no R & D and no new product development process.
There is no dedicated customer service centre. When asked how they thought customers perceived their organisation, most were very positive from: “We have a high reputation”, to “We are experts in our field and well regarded”. However, one director commented: “With some we have been more successful than others; we have had difficulties from ‘delivering’ to ‘arrogance’ “, but as one junior member commented: “We are viewed as bureaucratic by the commercial world and still considered as a Government agency”.

Apart from one area of the company (oil, gas and minerals) between 80%-90% of business still comes from Government departments (a general figure that all respondents stated). On the question of what percentage of business gained was reactive or proactive, the answer on all occasions was reactive. It was noted by one senior manager: “All reactive business was probably as a result of some proactive work done, either through sending out ‘newsletters’ or ‘flyers’ “.

All interviewees stated that the organisation was designed to service chosen markets and that there were different product offerings for different segments of the market. One respondent observed: “The products may not be the correct ones”.

Most felt that the company had coped with commercial competition by: “Doing nothing at all”; “By having a good reputation”; “Reducing staff overheads”, and by “Controversial restructuring”. Overall, most staff considered the transition from public to privatisation to have been a success, four out of nine on the basis: “We’re still here aren’t we?”.

The nine respondents who were depth interviewed were asked to give a ‘strengths’ and ‘weaknesses’ analysis of NRSC in respect of marketing activity, and these responses are summarised:

**NRSC Strengths**

- A business plan was created by contractors BAe pre and during privatisation
- Junior staff – pro-marketing orientated, but largely in terms of promotional activity
- In 1998 there was a mission statement
- There was a feeling that ‘empowerment’ was possible
- Staff possess specialist expertise have good contacts with many areas of Government where this expertise is trusted
NRSC Weaknesses

- The business plan created by BAe was never communicated or implemented
- The mission statement was three pages long and extremely confused
- There has never been a marketing plan and no been any real preparation for change
- Senior staff did not really understand the role of marketing; ‘pure’ marketing was wasteful
- Technical, financial and project orientation were superior to marketing orientation
- No experienced or qualified sales and marketing staff
- PR, marketing and channel staff were dismissed in 1998
- Marketing culture not understood nor seen as important, as between 90-100% of business gained is reactive with 90% coming from Government departments
- Competitors largely ignored
- No market research conducted, but a conviction that customer perceptions of the company is high
- Staff morale low; a fear culture exists
- Confusion by organisational design that is combination of matrix and functional
- No customer service centre, and customers are viewed as an ‘interruption of work’
- No R & D or New Product Development function with projects frequently running into overspend
- No formalised pricing structure
- Autocratic parent company control.

Conclusions

Plender (1997) wrote that GEC has a ‘low trust’ culture, a lack of planning and a financial orientation that is subordinate to project orientation causing significant overspend on projects. Marketing has no inherent value, without market or customer orientation, and they suffered from a technological ego and welfare dependency.

Marketing culture does not appear to exist within NRSC. There has been no positive change towards marketing culture post privatisation. There is a strong cultural resemblance to the parent company. Marketing culture might have increased in preparation for the company to enter the commercial environment, but it begs the question that had NRSC been bought by a company like BAe would it be in the same position it is in today?

The research revealed that there was reasonable understanding of marketing at junior level with a very positive view towards marketing, although their opinions in general were covert. This begs the question that if a ‘junior’ marketing culture could emerge from the bottom up, strong enough to sway senior management, would this be sufficient to create a marketing culture? Many multinational corporations pose certain cultural characteristics whereby the parent company culture has significant bearing on the cultural
norms and behaviour of subsidiaries (Kubr, 1986). It also shows that in order to be successful that marketing culture needs to be ‘championed’ from the top. Without this there can be no rise in marketing culture in the foreseeable future. As Horton (1990) said: ‘bad management will not be salvaged by privatisation’. With no individual championing from a senior level within NRSC or from the parent company, a marketing culture will not emerge and will be contained within the minds of a few individuals.

ROYAL ORDNANCE PLC: A SUBSIDIARY OF BRITISH AEROSPACE (BAe)

In order to give an insight into Royal Ordnance, a broad background to BAe is included. BAe is famed for products like Concorde and the Harrier, and was formed as part of a merger of the British Aircraft Corporation, Hawker Siddeley Dynamics and Scottish Aviation. It was formed as a plc in 1981 acquiring the assets and the business of the Nationalised Corporation. One month later the Government sold 51.57% of its shares to the public with the remainder being sold in 1985. In 1987 BAe acquired Royal Ordnance plc for £190 million. Over the following two years BAe acquired a further four companies, the most notable being the Rover Group plc. In 1989 BAe became the HQ management organisation controlling these companies as wholly owned subsidiaries, each marketing its own products under its own name. Between 1989 and 1999 BAe:

- exchanged a 20% reciprocal holding by Rover in Honda;
- acquired a 30% interest in Hutchinson Telecom;
- formed a joint venture with the SEMA Group;
- BAe Defence began trading as a wholly owned subsidiary of British Aerospace;
- BAe Dynamics and GEC-Marconi formed a joint venture company;
- sold Rover Group to BMW; sale agreed of BAe Space Systems to Matra Marconi Space for £56 million;
- signed an agreement to acquire Siemens Plessey Systems (UK);
- acquired 35% interest in SAAB AB;
- BAe and GEC plc agreed to create a merged global aerospace and defence company.

Today BAe employs 47,000 people with annual sales exceeding £8 billion of which 89% is overseas. It is the fourth largest defence and aerospace company in the world, and is shaping its business through five values that drive decision-making and define the behaviour BAe expects between colleagues, the company, individuals, and BAe and the outside world:

- customers - the highest priority
- people - the greatest asset
- partnerships - the future
- innovation and technology - the competitive edge
£190 million, Royal Ordnance was estimated to be worth more than £450 million. By 1991 its work force had been cut by more than a third. Royal Ordnance is best known for over 300 years of development and manufacture of weapons and munitions. The business is split into five main areas:

1. Property and environmental services
2. Rocket motors
3. Electronics and fuses
4. Small arms ammunition
5. Weapons and munitions

This research focuses on Property and Environmental Services which, although part of Royal Ordnance plc, trades as British Aerospace Environmental Services. Property and Environmental Services report both to BAe Defence Systems and Royal Ordnance plc. Environmental Services which provides an integrated resource to current or prospective developers of potentially contaminated land has seven products (or services):

1. Desk studies - involves research of current and past activities on the commercial or industrial property in question. This can include site investigation such as geophysical, health and safety, soil and drainage surveys. Risk assessment may follow, that involves estimations like risks to human health, habitats and structures.
2. Site remediation – involves a plan that is produced where any contamination issues can be remedied.
3. Environmental management - involves environmental impact assessment.
4. Explosive safety - from safety training to analysis of explosive content.
5. Analytical section - for the organic loading of contaminated soil samples.
6. Soil remediation unit - the removal of treatable contaminants on site.
7. Unexploded ordnance investigations - assessing and clearing piling locations.

The Environmental Services division has grown independently and now has many commercial and Ministry of Defence (MOD) clients. Because of its success and independent nature, it might become totally independent (source: interviewee). In the year 2000 BAe and GEC-Marconi will merge.

Specific research findings - Royal Ordnance

The term ‘strategy’ was generally understood to mean “goals and visions, strategy and tactics” or “a plan to achieve your goal and how you go about achieving it”.

In respect of marketing planning, a director observed: “We are linked into BAe marketing which is a central resource, and we follow their value plan which is for ten years. We then have our own 2-3 year plan based on the larger plan and work top down/bottom up”; “All staff in the organisation are
aware of the plan and receive a glossy brochure explaining this, then each individual business unit plan is circulated to all staff”; “There was no plan pre privatisation; in fact, no plan at all”.

Changes began to be implemented pre-, during and post privatisation. “The BAe change programme really pushed the change”. The company prepared for change: “By looking at new structures and structuring new divisions (environmental and property services) and becoming more ‘new product’ focused”; “There is a matrix design that works and helps businesses to work together”.

On the subject of the reaction by staff to self-accountability and the generation of profits, a director commented: “We took the initiative to inform our groups; all staff have generally embraced the idea and to some degree the ‘gap’ has been bridged”. However, it was noted: ”We still don’t know how to sell ‘products’, but we have the knowledge to manage the customer through the BAe change programme”.

The role of sales and marketing staff pre and post privatisation has changed: “Pre-privatisation there were 4 or 5 staff in marketing out of 30,000 workforce; they assisted exhibition management”; “Today there is a 3,000 workforce, of whom 50 are actively sales and marketing focused”; “We have dual roles today, development and technical, everybody is responsible for sales and customer focus, but we have no ‘pure’ sales staff”. In response to the extent of contingency planning it was observed: “We are instructed to provide a base line plan for areas of contingency”.

Respondents described ‘marketing’ as: “An interactive function enabling the positioning of skills in the market place”; “It is how you can influence that market place, try to react and be proactive; sales is a subset of marketing”; “I don’t know the definition of marketing, but it’s about getting money into the company”. Marketing culture was: “The way one goes about marketing and how you target your market place”; “Being part of your customer’s business and how you deal with suppliers and competitors”. On marketing at Royal Ordnance: “It’s getting there! There have been dramatic improvements in the last 15 years”; “Our organisation was originally about manufacturing products for the MOD - they sold to overseas clients - we were just a production unit”; “Today, in environmental services, we sell a service designed for customers”.

Notes for Prospective Authors and Subscription Details: 258 - 281
269
The most important change was seen as: “The BAe change programme, team leader training and the ‘value programme’”. Difficult changes were: “We had two different types of people in the organisation, the public sector people and the externally focused people who were in charge of their own destiny”. On whether a strong marketing culture would assist in increasing profits, the answers were all in the affirmative. On the comparison of ‘products’ versus ‘marketing’, it was noted: “You have to do what you are good at to make a profit”; “We need to find the products that meet market demands”.

On whether interviewees considered the organisation to be product, market or customer led comments were: “Ten years ago we were product led”; “There is a gradual move towards the market”; “There is a drive to become customer focused and listen to customers”; “There is no customer service centre”; “There’s certainly not one in environmental services”; “Royal Ordnance Plc tried to set one up, but BAe doesn’t have one either”. Within Royal Ordnance as a whole, 80% of revenue comes from the MOD. In the Environmental Services division 80% comes from commercial clients. As to whether the business achieved was the result of a proactive or reactive approach, interviewees could not comment with any authority.

The design of the organisational structure to serve chosen markets was: “Designed to a certain extent; it could be more focused”; “We have tailored products/services in our division to meet different market segments”.

When asked about marketing research activities, it was commented: “We believed we were doing the ‘right thing’, then we carried out a research study involving all customers. What we found out was that ultimately what we thought was important - producing the products that we did - was not really important to our customers. In fact, they expected our quality to be a prerequisite, and they certainly were not as exited as we were about our products”; “What is ironic is that a decade earlier in the 1970’s, Royal Ordnance won the Queens Award for Industry for export. This had nothing to do with market focus; it was totally reactive against a paid ‘up front’ order of equipment to a specification for the Shah of Iran”; “In our division today we have a process called ‘capture planning’; it is continuous and we review primary and secondary data and produce a single page six monthly questionnaire”; “The way in which this division has coped with commercial competition is by specialising”; “We keep in with our clients and differentiate”; “We try to partner with our customers and offer a ‘one-stop-shop’”.

Notes for Prospective Authors and Subscription Details: 258 - 281
The general consensus was that the transition had been a success: “Yes, we have become highly efficient through our exposure to the market, but it has been harsh and brutal. Significant staffing numbers have been cut, especially in the five years after privatisation”. The two respondents who were depth interviewed plus the five who were depth interviewed by telephone were asked to give a ‘strengths’ and ‘weaknesses’ analysis of Royal Ordnance in respect of marketing activity, and these responses are summarised:

Royal Ordnance  Strengths

- There is a central marketing resource within the parent company BAe, that provides top level marketing and strategic planning in the shape of it’s five core values
- The marketing plan must be followed by its subsidiary companies
- There is input by subsidiaries in the shape of a bottom-up plan
- All staff are aware of the plan in the form of a well produced brochure
- Individual business units provide a three year plan and staff are provided with this
- Staff are aware of their individual plan
- The company was well prepared and structured for ‘change’ to a privatisation programme
- Provides services internally within BAe, and externally to commercial clients, and designs service towards chosen markets
- They are now more ‘new product’ focused
- Good understanding of strategy at a senior level – ‘leader training’ allows this to be transposed to general staff
- Good understanding of marketing at a senior level and positive approach to marketing – encouragement to technical staff to think the same way
- Good knowledge of customers and competitors and belief that strong marketing culture assists in increasing profits
- There is contingency planning

Royal Ordnance  Weaknesses

- Royal Ordnance Environmental has no ‘pure’ sales and marketing staff
- Technical people take on dual responsibility for project work and sales
- Lesser understanding of marketing at junior level; marketing training does not feature
- Difficulty in integration of the staff ‘pre-privatisation’ and ‘post-privatisation’
- Marketing culture is battling to get through
- Marketing is weak ‘bottom-up’
- Imbalance in the numbers of sales and marketing staff throughout the organisation
- The organisation is not well designed to meet chosen markets
- No customer service centre or in-depth business analysis i.e. no details of percentage of business that is reactive or proactive.

Conclusions

The emerging marketing culture is an internal reality, and not an external bluff. Marketing culture has evolved pre- during and post-privatisation, although it is not yet company wide. It is significantly stronger than before privatisation, as there was then no need to be market or customer focused, and no need to generate profits. The change to a marketing culture has been
dramatic, and has been both positive and ‘brutal’. Internal communication and marketing plans are considered of core importance, and are now allowing the organisation to transcend to a customer driven orientation. The positive marketing culture imposed by the parent BAe has led Royal Ordnance Environmental Services to have a positive and evolving marketing culture and remains a strong influence.

Staff within Royal Ordnance have a resemblance to the staff at NRSC, in that the majority are from a scientific background, yet they are ‘championed’ at the top management level in marketing culture. It was suggested by senior management that Royal Ordnance Environmental Services, now trading as BAe Environmental Services, may become an independent entity in the foreseeable future. It will be interesting to see how their strengths in marketing culture, gained largely from the parent company BAe, will influence their future strategy. It will also be revealing to see how junior staff cope, and to what extent senior staff continue to champion the marketing culture in what is a highly competitive market.

RESEARCH STUDY ON THE STATIONERY OFFICE - TSO (FORMERLY HMSO)

The history of HMSO dates back more than 200 years to 1786 when it was established as a department within the Treasury. The purpose of its creation was to reform and control the ‘stationery’ provided to all areas of Government plus the Post Office and Customs & Excise, providing an estimated net saving then of more than £30,000 per annum. In 1806 The Treasury ordered that buying by the Stationery Office of paper, parchment, pens and sealing wax should be by public and open competition, and that the lowest tender should be accepted in every case. In 1860 the Treasury abolished open competition by advertisement, to be replaced by invitation only.

Between 1917 and 1980 HMSO started printing, and the following activities give a ‘flavour’ of developments: sales offices were opened - now referred to as ‘Bookshops’; prints of aerial photographs were supplied to the army; printing of electoral rolls commenced; directors of areas such as publishing, accounts and transport were employed (1921); printing and production of charts for the Admiralty; printing of the Highway Code (1931); printing of 78 million ration books (1939); selling Christmas cards and popular books at subsidised prices was criticised by the competition as ‘unfair’ (1958); printing continuous forms to meet computer demands; and, in 1974
switched to ‘commercial style’ practices. In 1979 the Thatcher Government reduced the Civil Service and that eroded HMSO’s customer base, subsequently staff numbers fell from 7500 in 1968, to 6200 in 1980, when the first annual report was produced.

Under a new controller, Bill Sharp in 1981, HMSO started to implement the discipline of a commercial organisation and produced a five-year plan. From 1982 onwards Government departments could buy stationery from where they could get the best deal. Consequently, HMSO set to the task of negotiating agreements with Government departments. By 1985 staffing had been reduced to 3500, organised into four business units, namely:

- Supply
- Print procurement
- Publications
- Production

By 1986 the four business units were turning over £300 million, with debts reduced from £79 million to £41 million (King-Barty, 1986). This was achieved through a major programme of modernisation, rationalisation and broadening the customer base. The hierarchy had fewer levels of management, and individuals were given more responsibility, all of which received support from the Trade Unions. In 1988 HMSO restructured with the intention of changing the culture where needs of customers were ‘left wanting’.

By 1990 HMSO had become a ‘next steps’ agency and concern was voiced that HMSO could be privatised. By 1995 there were fourteen different business units, and in October 1996 HMSO was privatised and sold to a consortium for £54 million - less than a third of its asking price (Financial Times, 1995) and was once again restructured, this time into four main business areas with a loss of nine hundred jobs. In 1997 TSO achieved a profit of £10 million on a turnover of £250 million, acquired Whitakers Almanac and won a ten-year contract to print passports from the UK Passport Agency. In April 1999 TSO became four separate businesses:

- TSO (Publishing)
- Security Printing and Systems
- Tatica Solutions
- Banner Business Supplies

In July 1999 TSO Publishing was sold for £82 million.
Specific research findings – The Stationery Office (TSO)

The term ‘strategy’ was understood to mean: “A clear direction and how you are going to get there, we generally work on ‘goals strategy’, objectives and tactics”; “It is a plan of what you want to do, and who you want to do it with” or as a director commented: “Strategy is not just about planning, it’s about thinking ahead; it’s about markets and customers. It’s not about a document that simply sits on the chief executive’s shelf”.

In terms of marketing plans, three out of the four depth interviewees stated that there was a plan, but one respondent said that there was no ‘pure’ marketing plan, but that two years prior to privatisation, thirteen strategic marketing plans had been produced based on the advice of a consultant. It was stated: “There is a big plan - a group plan, a divisional plan, a strategic plan and individual plans”; “When a plan has been developed either pre- or post-privatisation, all staff have been aware of the general content of this plan, but more senior staff are privileged to more information”.

The ‘change’ began to be implemented prior to, and during privatisation; much planning went on prior, in the form of extensive customer market research, markets and competitors. In addition, all senior managers were sent to Cranfield University to undertake an intense strategic marketing course. “We were told that the customer is not ‘king’; to TSO he is ‘God’!” Management then briefed staff as to the changes, but without a change in marketing budgets. The reaction to self accountability was: “The culture has changed for the better; it is now more challenging”; “It creates a culture of ideas that has not been managed effectively”; “Most found it difficult; managers would not take on the responsibility”; “Some found it fantastic, others fearful”. Four years after privatisation the company now shows a profit of £13.1 million.

On ‘how the role of sales and marketing staff has changed pre and post privatisation’, interviewees commented: “Through targets and attitude”; “Key accounts were appointed pre-privatisation, but in the post- era they were considered to be more important, as 80% of revenue came from ten to twelve customers”; “Salaries created a ‘them’ and ‘us’ scenario. When a key account person left on say £25k, their position would be advertised at an OTE £45k”. One director acknowledged: “We give our sales staff the opportunity to earn the most in this industry, giving them higher than average basic plus commission and BMW cars, but we expect the best in return”.

Notes for Prospective Authors and Subscription Details: 258 - 281
Contingency planning comments were: “There are contingency plans for disaster recovery and for ‘scoring’ change within our customers”; “We have very little and it’s probably a real weakness”; “We do have contingency plans but they are based on our market channels rather than our products”; “We have contingency plans within our marketing plans based around opportunities and threats e.g. we have just completed contingency planning for our internet site”.

Some business areas felt that they could react to ‘on-the-spot’ developments: “Quickly but it depends on who is involved”.

The Organisation and its Culture

The organisational structure is one that has been ‘flattened’ and is slowly becoming more ‘tiered’. The term ‘marketing’ was described as: “Aligning the organisation’s strategy, people and processes to meet the needs of your customer”; “Communicating a message of what you want to sell”; “To our business it means the product, marketing communications and channels”. The head of Parliamentary & Statutory Publishing said: “Marketing is the management process. When I worked in publicity, I started the CIM diploma course and suddenly realised I was only a very small part of one small ‘P’ (i.e. Publicity as a subset of Promotion)”.

Marketing culture was seen: “To have changed for the better”, and was described as: “A form of organisation that structures its behaviour, and thinks how it is communicating its message and concept, tied in with how it behaves”; “It means that everyone is focused on the customer throughout the organisation”. One director commented: “We are about positioning - not marketing”. One marketing manager commented: “Marketing culture is about working in an environment where you put the customers first”.

All agreed that there was not a strong marketing culture but “That it was evolving”; “No, we have been a service or production led organisation, and are still thinking inwardly”. Pre-privatisation culture was: “There was no marketing culture in HMSO. It didn’t understand the ‘end’ customer nor the type of products needed to meet client’s needs. Today we are moving towards ‘brands’ “. The transition to privatisation culture was: “They were mainly concerned with the financial elements of privatisation, while the customer service side was ‘dropped’ “. Now it is: “Throughout the organisation the customer is the most important aspect; we understand the
needs internally by designing the product to suit the customer; that’s our marketing culture”.

Most important changes have been: “Getting senior management with more experience”; “We no longer have ‘break even’ and ‘loss’ products - marketing helped us to identify the profitable customers and products”. The most difficult change was: “New people were mistrusted; the organisation was made leaner although the top level was kept in place - it was a brutal change”; “It was getting to grips with the financial and profit orientation”. Three out of four depth interviewees believed firmly that a strong marketing culture would help increase profits. One director firmly believed otherwise. All telephone interviewees stated that a strong marketing culture would assist in increasing profits. New sales and marketing teams consist of old and new staff: “It’s about a 50/50 split between old and new”.

**Products, Markets, Customers and Competitors**

Interviewees rated the importance of products and marketing to be in favour of products: “Products under contract take precedence, as we use our branding”; “We have 4300 products selected from 16000 and base our selection on the customer requirements”; “We are really serviced orientated, but marketing and the focus on the customer should be more important than the product”.

Views on whether their organisation was product, market or customer focused varied: “We are still product or brand led, but we are trying to become market led by possible future acquisitions”; “We are product led tempered by being market led”; “We are customer focused, market led means a ‘me-too’ type of business”; “Product led with a drive to be more customer led”.

TSO has main customer service centres and believe that customers’ perception of their organisation is: “Some good! Some see us as trying hard and they get frustrated. With HMSO they felt safe, impartial and some threatened to withdraw contracts if key account people were not retained post privatisation”; “Customers still perceive us as HMSO”; “They see change and positive change”.

In some areas 40-50% of revenue still comes from the public sector. In other areas it is 85-100%. In some areas, business is seen to be proactive, but:
“The majority is reactive with a gradual shift to proactive”. All agreed that the organisation was designed to service chosen markets and that there were different products for different market segments. When asked about the NPD process, in some areas it was: “Innovative in technology, but in some areas we are just buying and selling office supplies”; “We put in ‘hit squads’ for NPD”. On marketing research issues: “It was considerable pre-privatisation, but post privatisation it has dropped off”; “Our last MR study was in February 1998, and we are just completing another”.

When asked how HMSO/ TSO coped with commercial competition: “By differentiating, we are aware of competition, but we don’t follow too closely”; “We looked at profitable markets and gained more information about customers”; “We don’t look at competition”; “Pre and during privatisation commercial competitors were allowed to come in and compete with us for public sector work, but we were not allowed to compete with them for commercial work”.

Most considered the transition to be a success, but one commented: “Not particularly, we made a profit, but they did not do as much as was intended. We failed on customer focus”. The four respondents who were depth interviewed were asked to give a ‘strengths’ and ‘weaknesses’ analysis of TSO in respect of marketing activity, and these responses are summarised:

**TSO Strengths**

- Staff were trained pre and during privatisation in strategic marketing and creation of strategic marketing plans
- Plans were produced as a result
- There was a good understanding of marketing and strategy
- TSO has a significant change programme. Twelve months ago there was an overall plan, divisional, strategic and individual plans
- TSO was split into four businesses each with their own plan in new separate companies
- Plans have been communicated to staff pre and during privatisation
- Sales and key account staff have been appointed pre, during and post privatisation to retain customers and gain new ones
- Against the competition, TSO has managed to retain business from the public sector – in some sectors between 50-80% of total business
- Now a change in the level of business gained resulting from a pro-active approach to the market place
- TSO do not follow their competitors; they differentiate and innovate (e.g. the newly created TSO enterprises which looks for innovative opportunities)
- Branding and customer focus is extremely important, largely due to MR pre and during privatisation. As a result, TSO is retaining existing business and growing new business
New products were looked at pre and during privatisation and in some areas they were highly innovative and leaders in R & D

There are dedicated customer service centres and some areas of TSO are very ‘service’ orientated. This has created strong loyalty from customers

Most staff have reacted positively to the change and are positive towards marketing

TSO pays higher than average industry salaries, and most senior people have come from the commercial sector

TSO values its staff and is a profitable company

**TSO Weaknesses**

- There appear to be no ‘pure’ marketing plans in some areas nor evidence of a competitor plan or strategy
- No evidence of marketing contingency planning - only disaster recovery
- Reaction to on-the-spot developments is slow
- Post privatisation R & D, NPD and MR has reduced
- Change was brutal with the loss of many staff. For a time, with new staff arriving, there was a ‘them’ and ‘us’ attitude causing lack of integration
- Customer orientation was subordinate to financial orientation
- In some areas there is a lack of understanding of the end user and heavy reliance on public sector business
- The lack of product development is compelling TSO to make acquisitions to develop
- TSO did not achieve what the original plans stated, largely due to lack of financing by the consortium’s venture capitalists
- In some areas sales culture is developing in favour of a marketing culture and there is a danger of sales myopia
- Today, business units are much less integrated and are unable to capitalise on joint opportunities in the marketplace

**Conclusions**

Managers who had been encouraged to believe that they would be able to deploy more personal authority post privatisation, sometimes sought to exercise it more widely and radically. On the other hand, there were many staff who found great difficulty in coming to terms with the changes that were inherent in the process. Areas that have come to play a much larger part in the daily corporate agenda are:

- quality;
- serving the customer;
- teamwork through empowerment;
- recruitment of employees from the commercial sector - particularly marketing and selling;
- a need to be predominant in a competitive commercial world in order to secure jobs

HMSO’s primary focus today is the customer. Its future depends upon the extent to which it can identify its markets and profitably and sensitively satisfy customer needs. The aim of restructuring the company was to put the customer first and become an organisation that has the ability to attain,
retain and satisfy its customers. This has required an extensive corporate culture change. There is a resilient and determined management team that welcomes change as an ally to service the customer (Salt, now Board Secretary, 1999).

The emerging marketing culture within TSO has been an internal reality and not an external bluff, but it is in danger of being eroded by a very strong sales culture. TSO has invested heavily in championing a marketing culture and this is evident in the confidence, quality and articulation of the majority of staff interviewed who clearly had a very good broad understanding of business and marketing, and were competent dynamic individuals.

Marketing culture has been widely accepted. Its importance and value has been the education of staff to put the customer first and take responsibility for their actions assisting the TSO business to compete in a highly competitive environment.

In some areas TSO is product led, in others it is market led and in some it is customer led. Further research would be useful taking the four separate companies independently and comparing their cultures with each other.

CONCLUSIONS TO RESEARCH IN ALL THREE ORGANISATIONS

Pre privatisation, notions of quality service, lower prices and working for the good of the consumer were not achieved. There was no marketing culture. Profits were not seen as requirements of these industries, marketing was linked to profits and perceived as negative.

That the marketing culture which exists now in these previously Nationalised industries has itself been a result of privatisation - a phenomenon to which all these organisations have been exposed.

Those companies with a strong marketing culture have fared better than companies with a predominantly financial culture. Within the Nationalised industry, it was widely acknowledged that the reason for lack of success was due to restrictive Government control. The previous article considers this in more detail.
Margaret Thatcher recognised the lack of marketing culture in the Government, and as a result her cabinet was comprised many marketing focused members who were pro privatisation. In preparing for privatisation, marketing culture emerged through high level championing and clear marketing objectives. The results provided indirect financial benefits such as the reduction of PSBR and the reduction of taxes.

Marketing culture was imposed on industries to be privatised, compelling companies for the first time to think about planning, marketing and profits. The Conservatives used marketing to communicate plans in the form of exhibitions, seminars, advertising and started to transpose marketing culture to all levels of society and the workplace.

All of the three companies researched were exposed to marketing culture pre privatisation in the form of the specific Government objectives for their particular privatisation programme, and were further exposed to marketing by having to produce plans and strategise. Prior to this process, there was no marketing culture or planning. Today, two out of the three companies researched continue to produce plans in one form or another, and in these companies the emerging marketing culture is an internal reality.

Two out of the three companies were strongly influenced by their parent company. One had a strong financially orientated parent, whilst the other had a strong marketing led parent. The parent with strong financial orientation that bought the company after the privatisation plans were in place did not pursue a planning or marketing culture, restricting the growth of this company. The parent that imposed a strong marketing culture on its newly acquired privatised company achieved profitable growth, differentiation and customer focus. The third company with no parent achieved a strong marketing culture championed from the top with a strong planning culture, originally imposed on it by the Conservative Government. This company was the only one to have pure sales and marketing staff and significant training in this area.

In two of the companies it was acknowledged that the change had been both positive and brutal. The companies that have been successful and coped best are those with an emerging marketing culture resulting from strategic marketing planning, ‘pure’ sales and marketing staff, along with training in marketing and customer philosophy.
Levitt’s (1970) marketing myopia was present in all companies, indicating an inbred production orientation. e.g. NRSC saw itself in the remote sensing business, Royal Ordnance saw themselves in the environmental business, areas of TSO saw themselves in the publishing business, when all in fact are in the information market. It was confirmed and commented in all organisations that they did not have a strong enough marketing culture.

REFERENCES


The Economist (1995), How to Privatise, 11th May, pp.16-17.

Financial Times (1997) Leader: the GEC Lesson, 5th September.


