Emerging Marketing Culture within Privatised Industry: The Transition of Change

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Abstract: The transition from a product driven to market driven culture has enforced changes in management style in previously nationalised companies. This article examines the background to the phenomenon of privatisation in the United Kingdom and explores current practice. The transition to change over two decades has brought about more demanding and value conscious customers along with a technological revolution in information technology. Corporate culture is seen as the litmus test in shaping changes in performance, and a strong culture is an important factor in unifying the social dimensions of an organisation. Privatisation has seen changes emerge in some companies more dominantly than in others. The principal purpose of this paper is to use this background as a building block to describe the detailed empirical research that has been conducted within three previously nationalised companies. This research is reported in the next issue of this journal.

INTRODUCTION

Previously nationalised industries have undergone a revolution. The transition from product driven to market driven culture has constituted a major enforced change that has had significant implications for emerging marketing cultures within these organisations. Before Thatcher announced that Government was over-governing and that certain sectors be handed over to private industry, marketing culture was minimal without requirement for profits. These sectors were reactive to the needs of customers, internal communications were limited, marketing plans were not important and product/project orientation persisted.

The reality now is that these organisations need to compete with experienced competitive commercial organisations for customers and market share. Survival dictates a need for profits and profitability, a
streamlined organisation with a well-communicated marketing plan, accompanied by the ability to transcend to a marketing and customer driven culture. Privatised industries are experiencing an emerging marketing orientation that has been both positive and brutal, so why have some been more successful than others? How have they coped? What is the value and importance of marketing in these changed organisations?

The purpose of this article, and the one that follows in the next issue, is to establish if a true marketing culture has developed in privatised industry. This information has been collected on a qualitative methodological basis from depth interviews with staff in three organisations. The focus of the research has been on marketing culture both pre- and post privatisation. The privatisation programme has seen changes emerge in some companies more dominantly than in others. It is this topic that is the concern of the empirical paper in the next issue that examines three companies, namely: The National Remote Sensing Centre, Royal Ordnance Environmental and The Stationery Office. This research had three aims:

- To establish how the pre- marketing culture differed from post marketing culture
- To establish if a true marketing culture exists in denationalised/privatised industry
- The extent to which marketing culture been accepted, understood and implemented.

This approach sought to explore the level of the individual’s understanding of the marketing concept as well as to explain their behaviour and attitude. The ‘language’ of the individual was analysed to ascertain their level of exposure to a marketing culture. These ‘In-house’ interviews were undertaken during December 1998 with the external interviews conducted between December 1998 and July 1999. Respondents in each organisation were asked for details of their position/responsibility and when they joined the organisation. They were asked forty-seven questions plus four questions suggested by Kotler (1997) covering:

- Their understanding of marketing culture in the organisation and differences pre and post denationalisation
- Marketing planning pre and post denationalisation
- Strategy and contingency planning
- Composition of the marketing team and whether new marketing/sales staff had been recruited internally or externally
- Proactive marketing and reactive marketing
- Changes in the organisation relative to being product, market or customer led
- Problems relating to ‘change’ to cope with commercial competition
Reaction by personnel to self-accountability and the need to generate new business and profits, plus other profitability issues
Changes in employee numbers pre and post denationalisation
Customer service issues
Revenue percentages from Government and commercial sources
Profitability of different market segments, customers, territories and products
Supplier channels, competitors, customers and environmental issues when planning
How marketing works with research, manufacturing, purchasing, logistics and finance
Staff changes pre and post denationalisation
Changes to marketing budgets, pre and post denationalisation
When the last marketing research study of customer buying influences, channels and competitors was conducted
Organisation of the new product development (NPD) process
Speed of reaction to on-the-spot developments
How successful the transition has been

THE ORIGINS, AND PHENOMENON OF, PRIVATISATION

The word ‘privatisation’ was coined by Drucker (1969) who argued further that:

“The purpose of Government is to govern, to present fundamental choices and make fundamental decisions, which is incompatible with doing. “If the decision maker tries to be the doer, he does not make decisions and the doing doesn’t get done” (Drucker, 1969)

The first documented use of the word ‘privatisation’ in the UK was in a Conservative office pamphlet written by the Guildford MP David Howell and published in nineteen-seventy entitled ‘A New Style of Government’:

“The need is not to spend more on housing, (to) do more to help research, exporters, hospitals or introduce a fairer tax. It is to re-involve the Private Sector in the achievement of a National goal of good homes for all. It is to harness and reduce the torrents of public money being poured into Government research institutions. It is to create a framework in which private enterprise services replace the welfare services which have grown up in the Government and make these redundant.”

The Heath Government did little to adopt these “words of wisdom” and it was to be a decade later when the word ‘privatisation’ (Chapman, 1990) now synonymous with ‘Thatcherism’, was used again.

After the mid-1940s the public sector had grown substantially and Nationalised industry comprised a large part of that growth. In the 1950s the Labour Government was “crying out” for nationalisation in order to halt
private entrepreneurs (Chapman, 1990). Post-war Labour Governments nationalised coal, steel, electricity, gas, railways, docks, canals, road haulage, aircraft and ship building, car manufacturing and many more core key industries. When State owned industries were established the notion was that the nationalisation programme would provide general economic and social benefits such as improved quality of service, lower prices and the preservation of jobs. Additionally, it was believed that industry would be more efficiently and economically operated, promoting greater equality of income and increased distribution of wealth. Employees of State owned industries would work for the public good and that therefore their decisions would reflect what was best for the Nation, namely, to create prosperity throughout the UK. (Morrison, 1964; Her Majesty’s Treasury, 1989).

The post war nationalisation programme was guided by Herbert Morrison’s notions of public enterprise: “large strategic industries should be accountable to Ministers and Parliament”. As a whole, the performance of Nationalised industry was below that of the private sector. From the mid-1960s through to 1989 total return on capital invested of the nationalised industries was significantly less than the private sector. The total return on capital of nationalised industries was close to zero from the early 1970s (Miller, 1994).

Historical comparisons show that the prices of goods and services provided by nationalised industries have regularly increased faster than the retail price index. During the years 1970-1983 employment costs per employee in the large nationalised industries increased faster than the national average but without equivalent increases in productivity. For example, employment costs per employee in the gas, coal, electricity and telecommunications industries increased 38%, 21%, 18% and 18% respectively more than the national average. Contributing to this was the fact that those Trade Unions that represented employees in the public sector monopolies were successful in securing significant pay rises for their members although worker productivity hardly increased. (Pryke, 1982; Her Majesty’s Treasury, 1989; Van Oudenhoven JP., 1989). By 1979, the borrowing and losses of the nationalised industries amounted to about three billion pounds annually (Moore, 1992).

Furthermore, customer satisfaction with the services and products of nationalised industries was often low, as a survey conducted by the National Consumer Council revealed. It found that customers were discouraged by rising prices and declining standards and thus their expectations were not
being met (Her Majesty’s Treasury, 1989). For example, before British Telecom was privatised many customers had to wait up to two years to have a telephone installed in their residence. The National Coal Board received complaints about not only being a bureaucracy but also failing to respond to consumer demands. A succession of White Papers in 1961, 1967 and 1978 from the Conservative Party outlining both the need for Government to have more involvement in the affairs of nationalised industry, and to have them copy the style of private sector management and accounting practices, did little to improve matters (Heald, 1980).

During industrial strife in the 1960s and 1970s, coal, gas, transport and steel were affected and UK performance fell well below that of its Western counterparts. The overall performance of nationalised industries in the UK could be characterised as poor, resulting in a negative return on capital, low productivity, high costs, bad labour relations, inefficient use of resources and unsatisfactory service to customers (Wiltshire, 1987). Moore (1992) arguing that “State owned industries will always perform poorly and this performance will affect the economy as a whole … bad performance was not due to the employees, it was the nature of State ownership”.

The post war Conservative government had embarked on an early denationalisation through the partial privatisation of iron and steel (which had barely been nationalised) between 1951 and 1955. The Heath Government in 1970 engaged in limited privatisation when two Government owned travel agents were sold and some Government services were contracted out.

The mediocre performance of the nationalised industries has been attributed to several factors, of which the more important can be considered to be:

- In reality they were not dependent on satisfying the customer but rather more dependent on satisfying politicians and the financial objectives set by the Chancellor of the Exchequer in consultation with the appropriate Minister. Managers thus faced regular interference from Government bureaucrats and politicians, and certainly the priorities of the latter may rightly be different to those of mainstream commercial business.

- Politicians felt able to overrule a commercial judgement, for example, to site a plant in an uneconomic area in order to gain electoral status (Moore, 1992).

- There is a distortion of true market positioning given that nationalised industries do not have to succeed commercially in order to survive.
“Vulgar notions of profit and personal success simply should not arise” (Morrison, 1964).

There is no motivating force or incentive to serve the customer and there is no reward for doing it well and no punishment for doing it badly (Moore, 1992).

Nationalised industry does not positively harness the power of self-interest, and because of statute restrictions it cannot innovate, nor does it have the financial flexibility to diversify into growing or changing markets, as a private firm could do (Shackleton, 1984).

Government can force nationalised industry to purchase from domestic suppliers rather than cheaper foreign suppliers.

When Thatcher came to power in 1979, nationalised industries accounted for one tenth of gross national product, however, by the end of the 1980s, half of that was under private ownership. What was once a radical experiment, pioneered in the UK over twenty years ago, is now a practical proven process by which state owned industry can join the free market with visible and often dramatic gains for the industry, its employees, its customers and for the Government that set them free (Moore, 1992).

Within the UK, ‘privatisation’ has been defined in many different ways. Peacock (1984) stresses transfer of ownership, whereas Beesley and Littlechild (1983) state that 50% of the shares must be sold to the private sector. The underlying idea is to improve industry performance by increasing the role of market forces. Kay and Thompson (1986) state that the alternative method of changing the relationship between Government and the private sector is through de-nationalisation, de-regulation and the introduction of competition into statutory owned monopolies. Clementi (1985) emphasises liberalisation, lowering costs and charging for services currently provided free of charge. Pirie (1985) states:

“It means having done privately that which was done publicly, it is not a policy but an approach. It is an approach that recognises that the regulation the market imposes on economic activity is superior to any regulation that men can devise and operate by law. There is no commonly agreed definition of the concept even within the UK”.

Albeit that Wiltshire (1987) contends that the word ‘privatisation’ has never appeared in any legislation that has implemented such programmes, nor in any prospectus of enterprises share sales, or any subsequent memorandum or articles of association.
The Objectives of Privatisation

Drucker (1969) raised two germane questions, firstly, how can political and social objectives be formulated and organised in such a manner as to become opportunities for performance of these institutions? Secondly, what opportunities for accomplishment of political objectives do the abilities and capabilities of these institutions offer to Government? Many authors have stated their beliefs or interpretation of the Government’s objectives for privatisation, but Veljanovski (1987) acknowledges that the goals of privatisation evolved gradually as the programme gained momentum. The positive and negative experiences were used to apply the goals to each privatisation programme. This made the objectives of each privatisation slightly different. For example, the objectives for Amersham International (Public Accounts Committee of the House of Commons 1981-1982), were:

- to preserve the firm as an independent British company
- to maintain staff commitment to the company
- to ensure the widest possible spread of share ownership
- to achieve a good return for the Exchequer

The objectives for the British Telecom sale were slightly different (Public Accounts Committee 1985-1986) being:

- to secure successful transfer of the company to the private sector
- the maximisation of sale proceeds
- the achievement of widespread share ownership with a substantial take up of shares by the employees of British Telecom

Wiltshire (1987) summarised the many different broad and explicit interpretations by authors of the Government’s overall objectives of privatisation as:

- to clarify Government and industry relationships
- to smash Trade Unions
- to be elected into Government

However he cited also a hidden agenda in that the Conservatives’ intention was to change peoples voting habits and convert them into capitalists; to fragment and dissolve Trade Unions; to allow lower taxes; to reduce public sector borrowing requirements, and to prevent Labour from reversing the changes should the Conservatives lose office Vickers and Yarrow (1988) state that the original objective of the British Government was to reduce Government involvement in industry, to improve efficiency in privatised industries and reduce PSBR. This would ease the problems in public sector
pay determination by weakening the public sector unions; widen share ownership; encourage employee share ownership, and to gain political advantage.

According to Sir Keith Joseph, the former UK Secretary of State for Industry, another feature of the British privatisation programme was “to create a prospering social market economy - that is, a mainly free market economy”. (Her Majesty’s Treasury, 1989). The ideology of the new right - the Conservative view was:

“We want a reduction of the Public Sector to allow the market to perform and inhibit Government interference, we wish to ensure maximum efficiency by adopting a management approach as that of the private sector and to re-alter the power balance in society so that the customer is sovereign and competition is the driving force”. (Conservative Office, 1985).

There were, however, official objectives stated by the British Government in the White Paper of 1986 and the official Treasury statement (1986). These objectives evolved over time and are inherent within normal strategic planning. They are as follows (but not in any particular order), to:

- shift the balance between the public and private sector
- change attitudes
- open up opportunities for the consumer
- create better pay and conditions for employees
- create freedom for managers
- promote domestic investment
- promote competition
- increase efficiency
- increase share ownership for the public and employees
- give the people a stake in British industry, removing barriers between owners and workers
- ensure a return on investment by shareholders including customers, suppliers, managers and employees
- encourage the pursuit of overseas markets and technical innovation
- free Government funds so that they can be used in sectors of the economy other than state owned business
- generate new tax revenues from privatised firms
- provide consumers with improved service, better quality, more choices, new products and lower prices
- lessen political interference in management decisions, allowing managers to separate commercial from social objectives
- decrease Government control of business
- reduce the size and scope of Government
- enable managers to set organisational goals which are independent of the goals of Government (Miller, 1995; Marsh, 1991; Her Majesty’s Treasury 1993 and 1989; Moore, 1992)
Despite the preceding arguments and listing of objectives, Kay and Thompson (1986) felt able to argue that Government policy had a variety of objectives with sophisticated rationale but was lacking in a clear analysis of purpose or effects with any opportunity seized as a justification. Yet the most important objective, that of economic efficiency, had been subordinated to other goals, with the outcome that no objectives had been attained.

**The Process of Privatisation**

The Government in the UK has spent thirteen years privatising nationalised industries. This has given it extensive experience in developing a process that works extraordinarily well. The process itself is a complex and lengthy issue, taking up to several years to complete. Privatisation has three sides, the Government as the seller, the company being privatised and investors as buyers. (Miller, 1994; Her Majesty’s Treasury, 1989; Brown and Ridley, 1994)

There are four elements of privatisation:

1. Privatisation of financing a service that continues to be produced by the public sector
2. Privatisation of a service that continues to be financed by the public sector (contracting out)
3. Denationalisation, or selling of those that were state functions into the private sector
4. Liberalisation; relaxing of any statutory monopolies or licensing arrangements that prevent private sector firms from entering markets previously exclusively supplied by the public sector (Wiltshire, 1987).

Very few major public enterprises remain. One of the most important contributors to the success of Privatisation has been the freedom of British constitutional arrangements conferred on Ministers intent on making privatisation work. In London there was also a concentration of commercial legal skills, underwriting and market making resources which was unmatched anywhere outside the USA. Government managed to undertake the privatisation process with such speed because of the absence of political and legal constrains on it, in particular the property rights (only two legal cases reached the courts and both were dismissed). Parliamentary sovereignty in Britain has allowed any enterprise to be privatised in the same way, be it a public monopoly like a utility, or an enterprise operating in competitive markets like British Steel.
It would be natural to assume de-regulation meant a retreat by the State. In practice, in many sectors, the decade of deregulation actually meant an increase in State control over markets e.g. in the financial services sector the Government passed legislation to increase control over the conduct of business in the financial markets (Moran and Prosser, 1994).

**The Rise of Privatisation**

“Nationalised industry have done themselves no favours - strikes, legislative constraints, antipathy between management and worker and the Conservative Party used this as a target for attack.” (Wiltshire, 1987)

The rise of privatisation courted remarks like: “The sale of assets common with individuals and states when they ran into financial difficulties constitutes the selling of the family silver” (MacMillan, 1985). Another description was: “selling the silver to pay for the groceries” (Lord Diamond, 1985). The concept of privatisation gradually appeared and was spearheaded by Margaret Thatcher. Some individuals commented that it was no surprise that the first cabinet consisted of privatisation enthusiasts (Wiltshire, 1987). Prior to the election, the concept of privatisation was not widely agreed within the Conservative Party. However, a Conservative Party declaration stated a long-term aim to reduce the preponderance of state ownership and to widen the basis of ownership in the community. The emphasis was on protecting the management of nationalised industries from constant Whitehall interference giving managers a chance to make their industries as efficient as possible (Taylor, 1978).

In 1979 when the Conservative Party was elected, the UK economy was in serious trouble. Annual state owned industry borrowing was £3 billion in 1989-1990. The privatised companies gave the Exchequer two billion pound in tax receipts; one and a half billion pound in Corporation Tax; and the remaining half billion pound from dividends and interest. Additionally the £34 billion pound received from the sales dramatically improved the economy as a whole. This made it possible to transform the public sector borrowing requirement into a public debt, from which future generations would come to benefit. (Moore, 1992)

In reality the mechanics of privatisation required that the Government take account of the different views of stakeholders. The industries themselves were resistant and the public sometimes bewildered. Views such as Chapman (1990) showed the inherent tensions in the public debate:
“The State is different. The state owned industries were bought for our benefit, they used our money to appropriate them from their private owners. Politicians ran the businesses as if they belonged to them rather than us. They created funds as gilts in order to run at a loss. We lost money through lending our money to the Government. The Tories moved in handed us back the businesses we were already meant to own. They did not give it back but made us pay. We spent our savings to buy back businesses from ourselves. The Government then decided to give us some of this money back through tax cuts”.

In order to overcome these barriers, the Government used promotional marketing in the form of seminars, speeches, meetings and briefings to financiers, businesspeople and journalists. The Minister at the time, John Moore, in his book ‘Privatisation Everywhere’ (1992), remembers one particularly acrimonious meeting about the way to sell the enormous number of shares of BT shares, during which he had been extolling the virtue of wider share ownership. One City figure (the head of a major brokerage) suddenly realised that these shares were to be targeted at the public at large. Upon that realisation, he commented to Moore in a shocked voice: “We don’t want all those kind of people owning shares - do we?”

Many politicians and financiers seriously doubted whether ordinary people would ever be able to understand equity share ownership or whether it was ‘right’ to allow them to take risks with their money. This argument persisted well into the 1990s. Misguided and patronising attitudes like these were rarely influenced by verbal arguments. The British Telecom sale proved to be a wonderful persuader (Moore, 1992). In 1984 the Government claimed a total of one third of a million new investors on the Stock Exchange and in 1986 adults owning shares had risen by 14%. Many sold shares immediately, but a significant number retained them and continued to invest in the stock market.

In the past, large subscribers would be given preference at the expense of smaller subscribers. This was not the Government’s policy or objective in the case of all major privatisations (with the exception of the first part of the British Petroleum privatisation). Those who asked for the minimum of shares got priority and received all they asked for. In fact, the large request subscribers received nothing. Credit flexibility was given as an incentive to the smaller shareholder in the shape of paying a deposit for the shares and the balance later. This was frowned upon by City financiers at the time of the British Telecommunication sale, but nowadays High Street banks and Building Societies offer financial services for the small investor in shares.
It would have been possible to privatise State owned industries in the UK without extending direct equity ownership to the millions of people who bought shares. The industries could have been sold off to the big institutional investors who formerly made up almost the whole of the British equity market. Yet spreading ownership as widely as possible was an integral part of British privatisation policy for the Government believed that wider share ownership would bring about a dramatic transformation in attitudes throughout the country ….. and it did.

“When people have a personal stake in something they think about it, care about it, work to make it grow and prosper. Ownership means the exercise of responsibility and the possibility of choice. It increases independence and empowers” (Moore, 1992).

Trade Unions tried to dissuade their members from buying shares in the companies in which they worked, but without exception employees of nationalised industries responded to the offer of shares with enthusiasm. At British Aerospace 89% of the eligible workforce took up shares. At Associated British Ports it was ninety percent. At British Telecom it was 96%. At Amersham and Cable & Wireless it was 99%. In 1979 barely 7% of the population owned shares, but in 1992 this had grown to over 25%, equating to one in five people in Britain.

The power of privatisation is as a teacher of the responsibilities and rewards of a free society (Moore, 1992). In order for the far-ranging benefits of individual ownership to be achieved by owners, companies and countries, individual people had to make the actual decision to buy and commit some of their own resources to the choice. Privatisation has forced everyone to focus on the State’s proper role as the regulator rather than the owner of industries. In this role the politician can become a better protector of the public interest and this shift in attitude throughout Government has been of extreme importance. The position of watchdog/regulator has meant that politicians can act to protect their constituents, parliamentary debates are about service to customers, not the need of industries. This created the ‘Citizen’s Charter’ which focused on the users of public services by improving services for the individual by increasing competition and choice wherever possible whilst giving management greater freedom to manage.

By the mid to late 1990’s more than 450 companies had been subject to privatisation by one method or another within Britain. The world-wide collapse of state socialism has focused new attention on the workings of a
Emerging Marketing Culture: The Transition of Change

The past two decades have brought about fundamental changes in the business environment such as more demanding and value-conscious customers; a technological revolution in information and telecommunication technology; the emerging global market; de-regulation; increased environmental awareness; and, the pressure of market forces. Without pressure, change will not occur, but undoubtedly the most forced change in the past two decades has been that of the UK privatisation programme. As a result a large number of companies have seen the need to fundamentally change the way they conduct business.

“Although the economic dimension a change is added - a political and constitutional dimension, the Thatcherite revolution made the UK emerge as leaders and innovators, the British became modern pioneers” (Moran and Prosser, 1994)

Today’s organisations operate in an environment that is continually changing. The ability to adapt to changes in this environment has become a fundamental condition of success in business. Businesses and other...
organisations also generate changes in their external environment, for example, by developing and marketing new products and technology that has become dominant and widely adopted.

In coping with organisational change, people have to change too: they must acquire new knowledge, absorb more information, tackle new tasks, upgrade their skills and very often modify their work habits, values and attitudes to the way of doing things within the organisation. Changes in attitude and values are essential. It is important to recognise that in an organisation this requirement relates to everyone, starting with the top manager. Those who want their subordinates and colleagues to change must be prepared to analyse and change their own behaviour, work methods and attitudes. This is a golden rule of organisational change (Kubr, 1986). Thatcher, in fact, changed and evolved the organisation of the Government, in particular the Cabinet in order to meet the values and ethos of the privatisation programme. In this case change certainly started with the ‘top manager’.

Organisations and people alike must be prepared and be able to change in order to survive and prosper in an environment that is constantly changing. Change is a means to adjusting to new conditions and sustaining or increasing competitiveness, performance and effectiveness. If an organisation can achieve it’s objective without disturbing the established product and service lines, procedures and relationships there may be no need for change. Privatised industry, however, had to change beyond all recognition.

There are five types of change: unplanned change, planned change, imposed change, participative change and negotiated change. The Conservative Government used a combination of all of these change methods during the privatisation programme, but as they gained in knowledge and experience of the most successful approach they tended towards mainly planned and participative change. These issues are now discussed.

1. Unplanned change is evolutionary or natural change and is inherently more reactive to the organisation’s internal circumstances as it is to the macro environmental change. This type of change is adaptive and reactive and is outside management’s vision, but when the necessity is seen to make the change or respond to some events that may prove to be a threat or an opportunity, the company reacts. It is a poor sign if an organisation confines its change effort to making unplanned changes. It demonstrates an inability or unwillingness to look ahead.
Although individuals in the Cabinet at the time when the Conservatives gained power, and of course the leader, had strong intentions regarding a privatisation programme, there was no White Paper or Green Paper or evidence of any firm objectives. This, however, is not to say that there was no documentation. There were certainly agreed, even if evolutionary, objectives started by 1983 and documented evidence of intention in the mid-1970s.

2. Planned change helps the organisation to prepare itself properly for changes that can be anticipated and minimises the number of situations where hasty changes have to be made in an atmosphere of panic. The planning of ‘change’ enables the organisation to create a future and establish and attain challenging objectives. Therefore planned change is proactive.

The Conservative Government became increasingly proactive over time, highlighting their objectives and finding the right ingredients for processes and procedures. One result of the planned change was the formalisation of twelve steps of the privatisation process.

3. Imposed change from management frequently this causes resentment. If change is initiated from a position of power and when imposed it can lead to a volatile situation, but not all imposed change is bad. There are emergency situations where discussion is impossible and delaying a decision would be counter-productive. Imposed change is considered to be more effective when dealing with dependent rather than independent persons. In general, attitudes to imposed change are very much influenced by culture, education and access to information.

Some authors have mentioned a hidden agenda by the Government at the time (Wiltshire, 1987) to crush the Trade Unions and impose significant change on our national, industrial and cultural heritage. This imposed change and conflict with the Trade Unions that ultimately worked in favour of the Government as employees were offered equity in their future.

4. Participative change is ever more pronounced. People want to know what changes are being prepared and be able to influence changes that affect them. Managers are becoming more aware of this fundamental demand and react to it by adopting a participative approach to change that is slower, more time-consuming, and costly than imposed change, but has greater longevity. It helps management draw on people’s experience and creativity. As the privatisation programme gained momentum, it became increasingly clear to the Government that
participation engineered support. Support emerged very quickly from the financial institutions closely followed by the general public who soon realised there were lucrative investment opportunities. The most notable participation was in the right to buy council houses when ¾ million former tenants became owners.

5. Negotiated change takes place when individuals discuss together the measures to be introduced. This may lead to a compromise that neither party feels is an ideal solution. However, the probability of support by those concerned, and hence the probability of implementing the agreement reached, is enhanced.

There are changes that require negotiation between management and Trade Unions. This type of change might be determined by law. During privatisation this was a very sensitive area. In the instance of Thames Water, and the caution applied by the Government as to whether to privatise, it took Roy Watts, then chairman of Thames Water Authority, to confront, and finally negotiate, the release of Thames Water to the private sector as a pioneering move for the water industry.

Change requires leadership, and it is natural that this should be provided by those (managers) who have responsibility in managing their organisations. Managing change involves decisions on the use of various approaches and intervention techniques that help make a good start, proceed systematically, cope with resistance, gain support and get change implemented.

There must also be people who have critical and innovative minds, enjoy experimenting, can visualise the future, believe that change is possible and influence others not by talking about change, but by demonstrating what can be achieved. These “innovators”, “prime movers”, “champions” or “intrapreneurs” may be managers, marketing specialists, project coordinators, skilled workers or indeed other pro-active or positive members of staff.

Organisations that need to change must encourage innovation, experiment and entrepreneurship. To manage this means a departure from routine and tradition. This is never possible without risk, but taking chances is an opportunity for an organisation to achieve and succeed. Innovative and entrepreneurial individuals or teams play a prominent role in successful strategies for organisational change - they are the organisation’s principal change agents. Cultures dominated by traditionalism value the status quo, stability, and reverence for the past (Kubr, 1986).
The Pattern of Change in Privatisation

When John Major took over as leader of the Conservative Government in the 1990s the Government had already taken steps to maintain the momentum of privatisation. As a consequence the programme switched into a new direction. In a speech in 1992, Major referred to the evolving initiative as privatising choice (Curwen, 1994). These new directions encompassed:

- The contracting-out of services previously performed by central and local Government agencies
- The imposition of user charges and fees (for example – prescription charges and museum entry) in respect of services previously supplied at zero cost to their consumers.
- The introduction of consumer driven initiatives such as the Citizen’s Charter in order to stimulate market controls on state-owned bodies.
- The introduction of performance measurement and payment-by-results systems into public sector bodies such as the civil service.

Major defined the meaning of the term ‘privatising choice’ as: ‘where there was once socialism, nationalised, or municipalised personal choice, taking it away from the individual and the family, we will give choice back to them and extend it further’.

‘Contracting-out’ means that an activity previously undertaken in-house is transferred to some other organisation. This dates back a decade within local authorities. Competitive tendering differs and involves inviting competing offers to supply in accordance with a tender document. The Local Government Act of 1988 requires that all tiers of local Government adopt competitive tendering for a wide range of services previously supplied by the monopoly direct service organisation. The Act did not, however, forbid the use of a direct service organisation, but required them to compete with private companies and operate commercially.

In 1992 the Government extended compulsory competitive tendering to local authority white-collar services. In 1993 the EC Public Service Contracts directive obliged local authorities to put their larger contracts out to tender across the EC. This process was not so successful in 1993 when it was introduced to the National Health Service, as they were allowed to reject low private sector bids on the grounds that an acceptable quality of provision could not be delivered at the tender price.
Privatisation Today

The Private Finance Initiative (PFI) has been referred to as today’s back door privatisation (Percy, 1998). Under Prime Minister Tony Blair, Labour has dropped the notion of privatisation, but PFI is moving strongly forward in the form of public/private partnerships. Since Labour’s victory in the 1997 elections, the Conservative’s record of privatisation has been treated by ministers as regrettable, albeit irreversible, acts of short sighted greed (Prescott, 1998). John Prescott (current deputy Prime Minister) singled out the way British Rail was privatised, accusing the rolling stock companies of having grown fat at the taxpayers’ expense.

Private prisons came under attack by Labour Home Secretary, Jack Straw, who saw them as “morally repugnant” and stated in 1997 that the Labour Party was fundamentally opposed to their continued existence. No relationship has soured faster under New Labour than that between the Home Secretary and the prison officers (The Economist, 1998). Before the Labour Party came to power they stated that they would not break current private contracts, but that they would certainly not make new ones and would take back into the public service, privatised prisons as soon as contractually possible (Straw, 1997). The Chief Inspector of prisons issued a report in 1998 of a prison run by a private firm, Group 4 Security. His report stated that the treatment of prisoners was “better and more imaginative” than most public sector prisons. It was acknowledged that most of the improvements were as a result of the freedom of its director to introduce innovative ideas “free from the bureaucratic restrictions that I wish I could remove from others” (Sir David Ramsbotham, 1998). A subsequent Home Office review found that the average operational cost savings compared with the similar publicly run prisons was 15%. It concluded that inmates were better trained and spent less time locked in their cells.

In 1998 Straw ‘unlocked the door’ to further private finance. Not only did he give the go-ahead for the construction of several more private prisons, but he signalled that no new publicly run prisons would ever again be built.

“What is more important than new buildings or the building itself has been the change in culture that private prisons have allowed. Staff were deliberately recruited with no previous experience of the prison service. The smooth working of private prisons depends on a large extent on the relationship between the prison’s director and the controller appointed by the Home Office” (Walter Macgowan, Director, Altcourse Prison).
“Overall the introduction of private prisons has gone much more smoothly than had been predicted by critics. The challenge to the public sector is plain - smarten up or there will be many more private prisons” (The Economist, 1998).

This has left Labour with the issue of what to do with remaining state assets that might benefit from private sector methods and investment. For example, in opposition, Labour attacked plans to privatise Air Traffic Control as “crazy”. The Government now sees the advantage of using private money for the expensive capital investment needed by the service. The solution is to search for a “third way” - some form of public-private partnership in which private money is brought into services whilst outright privatisation is avoided.

Recent strikes and unrest at London Underground, reminiscent of the 1980s, illustrate that public-private partnerships may not be the politically saleable alternative to PFI for which the Government is looking. Indeed, they risk angering both sides of the debate. It has not been just the Unions that are disgruntled. Peter Ford, the dismissed former chairman of London Transport told a Parliamentary committee that the breaking up of the service would be both costly and inefficient. Keeping the Tube as a single integrated business in either public or private ownership would be much more economical. Other potential privatisations have been shelved including the Forestry Commission, the Crown Prosecution Services, the Meteorological Office and others (Economist, 1998).

The most successful areas are those where procurement has been in the hands of a centralised Government agency, a good example being prisons. By contrast, the area that has caused most difficulties has been health. One of the major growth areas for the PFI is likely to be in the field of Local Authority projects. In particular there is a backlog of repair and refurbishment needed for the local authority schools for which private finance is deemed to be the only option.

Edwin Godfrey, deputy chief executive of the Private Finance panel, an advisory body of private sector professionals, comments that the PFI has already achieved more than the British Government’s campaign of privatisation at the equivalent stage (Privatisation International, 1997).

“With the arrival of the Labour Government has come the benefit of a simpler process for PFI along with a dedicated task force within the Treasury to promote the PFI programme” (Percy, 1998).
CONCLUSIONS

A reoccurring theme in discussion and evaluation of privatised enterprises has been the role of corporate culture. The culture regarded as prevalent in the public enterprise sector has been seen as inappropriate to ensuring efficient performance. Cultural change was seen as a necessary prerequisite for improving performance, and also a powerful explanatory factor in shaping changes to performance that have been observed (Bishop and Kay, 1987).

“One of the most important changes brought about by privatisation is a change in objectives. Public sector firms rarely pursue profits exclusively as do private firms. If there is good management then it does not matter whether or not a company is in the Government or private sector, but bad management will not be salvaged by privatisation” (Horton, Chairman BP, 1990).

“The stronger the culture, the more it is directed into the market place, the less need there is for policy manuals, organisational charts, detailed procedures and rules. In excellent companies people way down the line know what they are supposed to do in most situations because the handful of guiding values is crystal clear” (Peters and Waterman, 1986).

Culture and shared values are important in unifying the social dimensions of an organisation. Management evolution is important in keeping a company adaptive. A customer driven focused organisation needs to have a ‘people’ orientation in its organisational structure, controlling its destiny and meaning for people. They talk about workers; why not talk of people? Privatisation is about people.

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