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Published in:
Journal of Marketing Management

DOI:
[10.1080/0267257X.2013.812134](https://doi.org/10.1080/0267257X.2013.812134)

2013

Document Version:
Förlagets slutgiltiga version

[Link to publication](#)

Citation for published version (APA):
Gromark, J., & Melin, F. (2013). From market orientation to brand orientation in the public sector. *Journal of Marketing Management*, 29(9-10), 1099-1123. <https://doi.org/10.1080/0267257X.2013.812134>

Total number of authors:
2

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To cite this article: Johan Gromark & Frans Melin (2013) From market orientation to brand orientation in the public sector, Journal of Marketing Management, 29:9-10, 1099-1123, DOI: [10.1080/0267257X.2013.812134](https://doi.org/10.1080/0267257X.2013.812134)

To link to this article: <http://dx.doi.org/10.1080/0267257X.2013.812134>



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Published online: 02 Sep 2013.



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From market orientation to brand orientation in the public sector

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Abstract This conceptual article examines brand orientation as an alternative to market orientation in the public sector. The problem with market orientation is that the focus on customers is too great; it is myopic, and lacks true interaction; it is mechanistic, and the emphasis on economic values is too strong. In this light, brand orientation becomes an interesting alternative. Brand orientation is more powerful, since it provides a holistic and balanced perspective on an organisation, diminishing the risk of too much focus on customers, which leads to myopia. Brand orientation is more robust because it emphasises continuity coupled with dynamics and interaction, diminishing the risk of short-sightedness and reactivity. Brand orientation also facilitates prioritisation of democratic values, diminishing the risk of too much focus on economic values.

Keywords brand orientation; corporate branding; market orientation; new public management; non-profit marketing; public-sector branding

Introduction

Over the past thirty years, New Public Management (NPM) has been the dominant paradigm in the public sector. A basic assumption of this paradigm has been the idea that the public sector can be improved by importing management principles and techniques from the private sector (C. Hood, 1991; Pollitt, 2007b). NPM has subsequently become characterised by a great emphasis on ‘performance’, the implementation of market mechanisms and customer orientation (Pollitt, 2007b). In line with this paradigm’s foundations, many organisations in the public sector today are subject to strong pressures to change. According to the prevailing economic doctrine, public spending should be kept low – a mantra that has been repeated so often that it has nearly become a goal in itself. Subsequently, organisations in the public sector are questioned, subjected to competition, phased out or merged with other organisations. This development has given rise to great organisational challenges in the public sector. In many cases, the very existence of the organisation is at stake. In other cases, it is a question of drastically reducing the organisation’s size in order to adapt itself to a liberalisation that was implemented or substantially reduced funding. Regardless of the reason, it is important for the individual organisation to

continually justify its existence through high legitimacy and trust, which is often expressed in terms of a strong brand (Dahlqvist & Melin, 2010).

Alongside the growth of demands that are placed on organisations in the public sector, the strategic orientation that forms the basis of NPM has been increasingly questioned. NPM rests heavily on market orientation (Walker, Brewer, Boyne, & Avellaneda, 2011), which is the totally dominant management paradigm in the private sector. Since a lively debate about the advantages and disadvantages concerning the implementation of NPM and market orientation has prevailed for quite some time, it is relevant to research what other strategic orientations, such as brand orientation, can possibly contribute. The reason why we have chosen to focus on brand orientation is that, in recent years, there has been an increasing interest in brands – not only in the private sector, but in the non-profit and public sectors as well. When brands become the focal point not only for products, but for companies, other organisations, people, cities, regions, nations, religions and political parties as well, this could be seen as the ultimate triumph of commercialism and capitalism. Or it could be that brands have an important role to play beyond markets, customers and competitors. This suggested role of brands is well suited as the subject of study for the public sector. A relevant question is therefore whether brand orientation in the public sector is an extension of NPM and market orientation, or if it represents an alternative approach.

This article aims to explore brand orientation as a new and alternative approach. By exploring a sector where the concepts of markets, customers and competitors are not always perceived as particularly relevant, we will also respond to the need to clarify the difference between market orientation and brand orientation on a general level. We will argue that brand orientation is a more adequate, robust and powerful orientation than market orientation in different types of public-sector organisations. We believe these characteristics are important, not only from the organisation's perspective, but from a democratic point of view as well. We believe this because market orientation focuses primarily on the benefits to individuals, and therefore does not fulfil a public-sector organisation's common *raison d'être*: its contribution to the common good.

Research design

In order to understand whether brand orientation in the public sector is an extension of market orientation and NPM or whether it represents an alternative orientation, we have let ourselves be inspired by a metatheoretical approach. This means that, in our analysis, we have chosen to focus on deconstructing and reconstructing theory, and on sorting the theories' components into categories in order to ultimately develop dimensions that capture the core of these theories, given the context that we have chosen to study (Wallace, 1992). On the basis of this approach, we carried out a comprehensive literature review that took its point of departure at the start of the 1990s, when both market orientation and brand orientation were introduced. In this review, we have applied a two-step purposive sample (Cooper, 1998) in our search for relevant literature. To be able to understand the similarities and differences between market orientation and brand orientation, we initially focused on a general level to map how these strategic orientations have developed and been critiqued. After that, we investigated how market orientation and brand orientation have been adopted by

and translated into a public-sector context. Of special interest in this regard has been comparing and contrasting the challenges that are associated with adopting market orientation versus brand orientation in the public sector.

When the literature review showed that relatively little had been written about brand orientation in the public sector, we chose – with the help of action research – to investigate how various organisations in the Swedish public sector work with brands. Sweden is very appropriate for conducting this type of research because this nation has a very ambitious and diversified public sector that, moreover, across a broad front, has adopted NPM (Skållén, 2004). Action research is a rather common research method in marketing research (Gummesson, 2008). By adopting this research method, we obtained access to relevant research objects. By working as process consultants in the public sector, we have, over the past four years, come into contact with an extensive series of organisations representing governmental agencies, county councils and municipalities. In conjunction with these consulting assignments, we have, with the help of an iterative process that has moved between a theoretical and a practical level (Ballantyne, 2004; Gummesson & Perry, 2004), together with our clients, been able to develop a typology for different forms of organisations in the public sector based on differences in competition and on types of benefits that the individual organisation gives rise to. On the basis of the categorisation that the typology resulted in, we have moreover been able to identify the foremost reasons for developing strong brands depending on which type of organisation it is a question of, in each specific case.

The results of the action research thus originate in Sweden and the specific conditions that exist in that country. As a result, we can naturally only assert analytical generalisability, which means that the results can only be generalised against the theoretical framework (Gummesson, 2008). Even if our research results cannot immediately be transferred from the Swedish context to other contexts, we are convinced that our findings can be both interesting and relevant even in countries that have chosen to organise the public sector in ways different from those in Sweden. The reason for this is that a common denominator for the public sector in the majority of industrialised nations is the fact that this sector is in a state of change, where increased competition is a natural part of everyday life.

Market orientation – a brief overview

Market orientation is the dominant paradigm in management research, attracting a great deal of interest among practitioners and scholars since the mid-1950s when Drucker (1954) proposed a business philosophy that made marketing the heart of an organisation. Research around the concept intensified at the beginning of the 1990s when Kohli and Jaworski (1990) along with Narver and Slater (1990) published their very influential articles. Two conceptualisations of market orientation emerged from these two articles. Kohli and Jaworski base their conceptualisation on *market information* and suggest that

market orientation entails (1) one or more departments engaging in activities geared toward developing an understanding of customers' current and future needs and the factors affecting them, (2) sharing of this understanding across departments, and (3) the various departments engaging in activities designed

to meet select customer needs. In other words, a market orientation refers to the organization-wide generation, dissemination, and responsiveness to market intelligence.

[Kohli & Jaworski, 1990, p. 3]

Narver and Slater's (1990) conceptualisation was based on *company culture* and claims that if market orientation only consisted for a number of behaviours then any organisation could, at any time, easily implement market orientation in their organisation. Narver and Slater's operationalisation is divided into three categories: customer orientation, competitor orientation and interfunctional coordination. Cadogan and Diamantopoulos (1995) have convincingly shown that these two conceptualisations are very similar in their operationalisation. The common denominator is a strong emphasis on focusing operations on customers and their current and future needs. Deshpandé, Farley, and Webster (1993, p. 27) perceive customer orientation and market orientation as *synonymous* and define customer orientation as 'the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise'. When examining other definitions of market orientation, the customer concept is also very central (Day, 1994; Deshpandé & Farley, 1997; Hunt & Morgan, 1995; Ruekert, 1992). In all of these definitions, the customer is the only stakeholder mentioned.

Market orientation as it was originally conceptualised is associated with a number of problems. Tarnovskaya (2007) highlights three main aspects that have been criticised over the years: 1) *reactive*, since the essence of the orientation is satisfying current customer's expressed demands; 2) *narrow-minded*, because too much consideration is given to the customer at the cost of other important stakeholders; and 3) *tactical*, since market orientation has become synonymous with a number of behaviours and activities in the organisation. In a later article, Slater and Narver (1996) state that customer-led and market-oriented should not be confused with each other, since market orientation is *proactive* and *long-term* while customer-led is reactive and short-term. Jaworski, Kohli, and Sahay (2000) also responded to the criticism by differentiating between *market-driven* and *market-driving*. The concept of 'market-driven' means to learn, understand and respond to *stakeholders'* views and behaviours within a given market structure. The concept of 'market-driving' means *changing* the composition of and/or the actor's roles in a market and/or the behaviour of the market's actors. Hence a market-driving perspective supposedly gives an organisation a better platform for innovation. Tarnovskaya (2007), however, still criticises market-driving research for its one-sided external focus and the fact that it concentrates attention on 'shaping behaviours' and 'shaping market structure'. In addition to not paying enough attention to the internal perspective, the external and internal perspective are not interlinked. Tarnovskaya (2007) sees corporate branding as a philosophy and concept that can supplement and counter the shortcomings in market-driving.

Market orientation in the public sector

In striving to achieve the best possible performance, the public sector in a number of countries has gone through a metamorphosis labelled New Public Management

(NPM). NPM, in its simplest form, postulates that the public sector should be looked upon from a market and customer perspective, which means that the public sector should use knowledge and methods from the private sector (Denhardt & Denhardt, 2000). This also implies treating citizens as if they are customers *who have needs that must be met as effectively as possible*. This means that NPM has an intimate and close connection to market orientation, since one of its core sub-constructs – customer orientation – has been described as a cornerstone of NPM (Wherli, 1996), and since the guiding metaphor deployed for the reorientation of this sector is the *market*.

The effects of embracing market orientation have been thoroughly studied in the private sector, and meta-analyses by Rodriguez Cano, Carrillat, and Jaramillo (2004) show a positive correlation between market orientation and business performance. Regarding the non-profit sector, Rodriguez Cano et al. (2004) and Shoham, Ruvio, Vigoda-Gadot, and Schwabsky (2006) have particularly analysed the impact of market orientation in the non-profit sector vis-à-vis the private sector. In both of these meta-analyses, market orientation has a greater impact on business performance in the non-profit sector. The conclusion of Rodriguez Cano et al. (2004) was that these organisations can achieve comparative advantages because market orientation is not particularly widespread in the non-profit sector. Furthermore, employee–customer interaction is usually more extensive in non-profit organisations, which makes it possible to get better leverage from market orientation in non-profit organisations.

Just as market orientation can be described as the dominant paradigm in the private sector, NPM has had a dominating, almost monopolising position in the public sector over the past thirty years. It has been suggested that there is ‘no other show in town’ (Pollitt, 2007a, p. 25). This, however, does not mean that NPM and market orientation in the public sector have gone without criticism – quite the opposite; criticism has been massive and loud.

C. Hood (1995), a major critic of NPM, argues that economic values have the upper hand in NPM, threatening other central values related to trust, legitimacy, justice, rule of law, equality, security, safety and continuity. Another common criticism is directed at the problem of considering citizens as customers (Mintzberg, 1996). In Brewer’s (2007) opinion, the consumerist model has far too limited a perspective in terms of public accountability. Other important values risk being undermined by the emphasis on customer satisfaction, values such as fairness and due process, which are essential to good governance and the role of individuals as citizens. In addition, Brewer (2007) believes that the public sector must consider citizens not only as customers but in all their stakeholder roles. Emphasising democratic values when engaging citizens makes it possible to implement more wide-ranging, systematic changes in policies and processes instead of just prioritising customer satisfaction and service quality.

Applying market orientation outside of the private sector is, however, not without its problems. A central difference is that non-profit organisations and public-sector organisations seldom perceive customer satisfaction as a value, per se. These organisations are more concerned with how to create long-term value for society. Another problem is that the concept of ‘market orientation’ implies an orientation toward markets (Liao, Foreman, & Sargeant, 2001), which makes it inappropriate for many organisations that do not see themselves as existing in a ‘market’.

There have been several attempts at translating market orientation to a non-profit setting under the concept of societal orientation (Duque & Schneider, 2008;

Liao et al., 2001). In this orientation, the emphasis is shifted towards stakeholders instead of customers. There is also a recognition of the importance of goals other than profit (e.g., the mission). However, the conceptualisation of societal orientation fails to acknowledge the potential value of strong brands and, subsequently, of brand orientation.

Brand orientation – a brief overview

The term ‘brand orientation’ was coined at the beginning of the 1990s by Frans Melin and Mats Urde (Urde, 1994). The main reasons for introducing this concept were, first, to create a better understanding of how brands are a strategic resource at a time when many still considered them an ‘add-on’ to a product, and, second, to spread knowledge about how to successfully manage a brand, at a time when brands were primarily handled by marketing departments. The emergence of the theory behind brand orientation should therefore be seen in the perspective of the role which brands were given and how they were perceived in the existing paradigm of market orientation.

The initial critique against the traditional way of managing brands voiced by Urde (1997) and Melin (1997) was that a brand needs to be given *integrity*, not only in relation to customers’ needs and wants and actions by the competition, but also in relation to internal strategic processes. Instead of a tactical marketing tool, brands should be an expression of an organisation’s *strategic intent*. Reducing brands to an unconditional response to customers’ desires or actions by the competition narrows the prospect of building long-term, consistent and valuable brands. Inspired by the resource-based view (Barney, 1991, 1997; Grant, 1991, 1995; Wernerfelt, 1984), Urde (1997) states that a different approach to brands than that in market orientation is required – one that has consequences for how an organisation perceives, prioritises, organises, develops and protects its resource base. Urde (1997) places great importance on a brand’s symbolic meaning, not only for customers but internally as well. In a brand-oriented organisation, brand identity takes precedence over customers’ needs and actions by the competition, whereas in a market-oriented organisation these are focal points. Instead, satisfying customers’ needs and wants takes place within the framework of the brand (Urde, Baumgarth, & Merrilees, 2013). A brand-oriented approach entails a passion for brands and becomes a way of expressing a conscious desire to create and communicate an identity. In this way, a brand takes precedence over the product, and emotional values and symbolic meaning become central to management in an organisation (Urde, 1997).

Brand orientation puts considerable focus on the corporate brand (Gromark & Melin, 2005, 2011; Melin, 1997; Urde, 1994, 1997, 1999, 2003, 2009) while, traditionally, brand focus in market orientation has been on product brands (Louro & Cunha, 2001; Noble, Sinha, & Kumar, 2002; Tarnovskaya, 2007). As a result of the focus on the corporate brand, the following differences between market and brand orientation can be identified: 1) the *philosophical foundation* in the form of mission, vision and core values is a cornerstone of brand orientation compared to market orientation (Urde, 1999); 2) an extended *stakeholder perspective* where the customer does not have the same special status he or she does in market orientation (Deshpandé et al., 1993); 3) an *integrity* that creates balance between the external and internal perspectives (Gromark & Melin, 2011; M’zungu, Merrilees, & Miller, 2010; Urde,

1997, 1999); 4) brand orientation also has a broad *spectrum of objectives* where profit is not the only goal but is accompanied by other goals more connected with survival, and the organisation's role in a social and or societal context plays a vital role – market orientation, unlike brand orientation, has a very strict and pronounced profit focus (Caruana, Ramaseshan, & Ewing, 1999; Narver & Slater, 1990); 5) a closely associated and underlying dimension which separates the two orientations is a *temporal dimension* – since brand orientation has a survival focus,¹ an organisation's view of its brands is radically different from a more short-sighted focus on profits that characterises market orientation.

A number of definitions of brand orientation have been proposed over the years. These definitions have been synthesised by Gromark and Melin (2011). We have in this context adjusted this definition in order to be applicable to all sectors: *Brand orientation is a deliberate approach to brand building where brand equity is created through interaction between internal and external stakeholders, where brand management is perceived as a core competence, and where brand building is intimately associated with organisational development and superior performance.*

Brand orientation in the public sector

In recent years, there has been a growing interest in brand orientation outside of the private sector. There has been a strong focus in non-profit marketing research on how non-profit organisations with the help of marketing can improve their resource acquisition (Bennett & Sargeant, 2005). As described in the previous section, researchers studying brand orientation in the non-profit sector have also been interested in performance. Up until now, however, both theoretical and empirical research have been lacking regarding brand orientation in the public sector. The public sector, to the degree it has been examined, has been treated as an integral part of the broad non-profit sector (Ewing & Napoli, 2005; Napoli, 2006). This amalgamation means that brand orientation in the public sector has only been studied on a general and aggregated level, which in turn means that the public sector's heterogeneity has not been taken into account. Although there are similarities between non-profit organisations and public-sector organisations, such as not being driven by profit goals and having complex stakeholder models, there are also significant differences, not least when it comes to governance, transparency and accountability. Nonetheless, the public sector is not easily defined, since the way in which different countries have chosen to organise services outside the private sector varies greatly. The transition of the public sector towards more of a private-sector orientation and quasi-markets has made the border between the public and private sectors even more diffuse. In this context, we have used ownership to draw the line and use the following definition by Wegrich (2012, p. 777): 'The public sector is defined as the portion of the economy composed of all levels of government and government controlled enterprises'. Therefore, it does not include private companies, voluntary organisations, or households. Subsequently, we have not included companies and non-profit organisations which only perform services

¹Note that the title of Urde's first article on brand orientation (1994) is 'Brand Orientation – A Strategy for Survival'.

for the public sector. With this definition of the public sector, we can conclude that nothing has been written on brand orientation and the public sector. There are, however, a few articles regarding corporate branding and the public sector specifically (Wæraas, 2008, 2010; Whelan, Davies, Walsh, & Bourke, 2010). In addition to this, brands as phenomena have attracted considerable interest in certain specific sectors that often, but far from always, are financed completely or partially through public funding, for example, higher education, health care and museums. Nonetheless, brands and brand orientation in the public sector have barely been researched. This seems odd because, in the first place, the sector is so important: in many countries, the public sector constitutes about half the GDP. Second, *all* organisations in the public sector have de facto brands in the form of names and logos that people recognise, and also identities and images. Third, this is a sector going through a tremendous transition, and identity therefore becomes a crucial issue for many organisations (Brunsson & Sahlin-Andersson, 2000). One reason why brands and brand orientation have not been studied specifically could be that brands are rarely perceived as strategic resources in the public sector, and that brand orientation is considered equal to or an extension of market orientation and NPM. We believe this is unfortunate because it reduces the importance of a brand's and brand orientation's potential to bridge some of the shortcomings of market orientation in the public sector.

A crucial difference between a market-oriented approach and a brand-oriented approach is the strategic significance one ascribes to the environment's perceptions of the organisation, that is, its image and its reputation. These concepts are in no way unimportant in the market-oriented organisation, but – in comparison to the brand-oriented organisation – they are handled instrumentally and tactically. Besides the brand's contribution to achieving an organisation's goals, there are also researchers who place great faith in a brand's ability to also contribute to democratic gains for society (Ind, 2003, 2009). One of a brand's most important tasks is creating trust (Delgado-Ballester & Munuera-Alemán, 2005); today there exists a broad consensus among social scientists that, for society's institutions, trust is an important point of departure for well-functioning democracies (Rothstein & Uslander, 2005). If public-sector organisations can contribute to increased trust, they thereby contribute to a stronger democracy. Visible, distinct and transparent institutions are easier to interact with, and it is even easier to evaluate and criticise them. Public-sector organisations' striving for stronger brands shall therefore not be instinctively dismissed as a narcissistic and unnecessary self-mirroring that is being financed using public funds.

Market orientation versus brand orientation

Brand orientation emerged as a response to market orientation. Within brand-orientation research, market orientation is also widely thought of as an antecedent to brand orientation. Urde's (1999) article contains a quotation from a Senior Vice President of Marketing at Nestlé, who describes brand orientation as 'market orientation plus' (p. 118). This description can often be seen in brand-orientation literature as pointing out the connection between the concepts, but also the difference as well. A number of researchers have conceptually (Reid, Luxton, & Mavondo, 2005) and empirically (Bridson & Evans, 2004; Laukkanen, Hirvonen, Reijonen, & Tuominen, 2011; Mulyanegara, 2011; O'Cass & Voola, 2011) studied the

relationship between the concepts. The empirical studies confirm the connection between market orientation and brand orientation. The most common argument for why market orientation and brand orientation are interlinked is that customer orientation is central in both orientations (Reid et al., 2005) based on the fact that a brand cannot be developed without an adequate understanding of customers' preferences (Laukkanen et al., 2011). A number of articles in the brand orientation literature have, however, also dealt with brand orientation on its own as an independent orientation. Simões and Dibb (2001) believe that in highly competitive trades, market orientation can be a hygiene factor, and further sophistication in the form of brand orientation is required to attain a competitive advantage. This statement has been given some empirical support by Evans, Bridson, Byrom, and Medway (2004). This is also in line with the results from two different meta-analyses on market orientation in private versus non-profit and public-sector contexts, which found that market orientation has a greater effect in the non-profit and public sectors compared to the private sector, where market orientation has been used more and for much longer, and therefore become a kind of hygiene factor (Rodriguez Cano et al., 2004; Shoham et al., 2006). Nonetheless, these researchers do not explicitly highlight brand orientation as a method for achieving better performance, but this view is expressed in the general brand management literature (Heding, Knutsen, & Bjerre, 2009; Louro & Cunha, 2001; McEnally & de Chernatony, 1999), reflecting how the brand's role has changed as organisations *and* consumers have become increasingly sophisticated. Another way of looking at the relationship between market and brand orientation is to see it as a dynamic interaction, which can lead to different kinds of hybrid forms (Urde et al., 2013). From this perspective, brand orientation is seen as an internal orientation, as opposed to market orientation, which is seen as an external orientation.

In conclusion, three views on the relationship between market orientation and brand orientation can be distinguished:

1. Brand orientation and market orientation as coexisting, where the former is seen as a variant of the latter (Baumgarth, 2009; O'Cass & Voola, 2011; Reid et al., 2005);
2. Market orientation and brand orientation as two alternative approaches that can be used together, on their own, or in hybrid forms (Urde et al., 2013);
3. Brand orientation as an independent concept that solves the problems that market orientation generates (Melin, 1997; M'zungu et al., 2010; Urde 1994, 1999).

This third view is of key interest in the current research context since one of the problems in the public sector *is* market orientation. In addition, however, we believe that brand orientation is an independent approach even outside the public sector, its roots in market orientation notwithstanding. In our opinion, brand orientation could be discussed using a sediment metaphor, where different orientations develop over time to fit the environmental factors that influence organisations. With this sediment metaphor, the advantages and achievements of market orientation form a layer under brand orientation. We believe that this is of great importance if brand orientation is to be developed into a meaningful and distinct concept, clearly differentiated from market orientation.

Understanding the role of brands and brand orientation in the public sector

Since brand orientation in the public sector is still in its infancy as a research area, there is a need to develop a conceptual framework that reflects the breadth and diversity that characterises the public sector. This is a prerequisite for truly understanding the role of brands and brand orientation in the public sector. We have based the framework we present in the following sections mainly on the results of four years of action research in the public sector in Sweden, a country that has a large public sector with ambitious healthcare, educational and childcare systems. The public sector in Sweden can be divided into three major parts: government agencies, municipalities and county councils. These different types of organisations have distinct areas of responsibility and their operations represent 50% of Sweden's GNP ('Sweden today', 2012).

Our conceptual framework consists of two parts. The first part of the framework is founded on different forms of organisational directives, categorised on the basis of different kinds of benefits and different kinds of competitive situations. In the second part of the framework, we discuss how the outcome of brand orientation, that is, strong and powerful brands, can contribute to creating value for organisations in the public sector, depending on which area they operate in.

Changes in the public sector's directives

After the expansion in the public sector slowed at the beginning of the 1980s, focus has been on developing existing operations. Most of the major changes that have taken place in the public sector in the last decades have been aimed at increasing efficiency. However if efficiency were the sole goal of the public sector, it would not be enough to justify an operation's existence. Even private companies that operate in the public sector and make a profit can be cost-effective. Therefore, it is essential to clarify why, except for pure efficiency reasons, operations should be run by an organisation in the public sector. Some of the most important reasons usually presented in this context are equal treatment, democratic transparency and rule of law.

During the past few years, the debate about which operations should be run by the public sector and which could just as well be run by private companies has raged in many countries (Pollitt & Bouckaert, 2004). The forces driving this discussion are in part the growing individualism in society and in part the effort to achieve better effectiveness by exposing more operations to competition (C. Hood, 1991). The fact that individualism is on the rise affects people's values and attitudes. One consequence of this can be a changed view of who an organisation in the public sector actually exists for. The fact that there is a more positive attitude toward competition can obviously affect the monopoly position currently held by many government agencies.

Benefits perspective and value shifts

Research by Zemke, Raines, and Filipczak (2000) shows that values are often common to a generation. People who grow up under similar conditions often share

the same experiences and therefore form similar values. These values often remain the same over one's lifetime, but might be expressed differently depending on a person's age. In other words, the values held by today's youth will probably stay with them for their entire lives and will be hard to change. With this in mind, it is easy to see that, in order to successfully build strong brands in the public sector, understanding the values of the various stakeholders and communicating them in a way that suits the times must come first.

Today there is a general consensus that during the past decades a significant change has taken place in the perspective on the relationship between the individual and society (Oscarsson, 2012). For people born during and after the 1960s, the individual has a much stronger position than before. These people have grown up during a period when institutions have come under fire and in some cases eroded, and they are not steered by a hierarchy, which means legitimacy is primarily founded on how the competence and cooperation of an organisation is perceived (Zemke et al., 2000).

As a result of growing individualism, it is very probable that citizens will increasingly evaluate a public sector's operations based on how they benefit them personally, rather than based on a collective-benefits perspective. This relationship affects their view of the public sector's purpose and benefits.

Demands on competitiveness and change

Whereas the public sector was previously dominated by operations with a monopoly position, today there are few operations not affected directly or indirectly by competition. The transition from monopoly to competition has become a natural part of operational development in many organisations, and this in turn has led to a need to differentiate and develop strong brands. However, this transition often creates a great deal of friction. It is not unusual that various problems are exposed and fears run high when an approaching (or ongoing) shift towards greater competition is questioned and criticised.

Four different types of organisations in the public sector

The external and internal view of the directive of an organisation is vital for the brand-orientation process, since it is the basis of the organisation's operations. The mission, vision and core values that a brand is supposed to help communicate are in all probability rather different depending on whether an organisation is intent on maintaining its current level of operations or expanding its domain. This means that if the organisation's directive is not defined and anchored, there is a substantial risk that the brand-building process will create uncertainty externally and identity problems internally. In this case, the resources invested in the brand-building process will become a sunk cost.

As a starting point for a discussion about different types of organisations in the public sector, we present a model based on the benefits of an operation and the degree to which these operations are exposed to competition (Dahlqvist & Melin, 2010). Generally speaking, four different kinds of organisations can be identified and defined, which we call *society-keeper institutions*, *society-developer institutions*, *non-competitive service providers*, and *competitive service providers* (see Figure 1).

Figure 1 Four different types of organisations in the public sector.

		Degree of competition	
		Low	High
Perceived benefit	Collective	Society-keeper institutions	Society-developer institutions
	Individual	Non-competitive service providers	Competitive service providers

Society-keeper institutions

A society-keeper institution is usually an organisation with a monopoly, and is focused on creating collective benefits. These kinds of operations are normally fenced in by a number of laws and regulations. Some examples are the courts, police and national defence. The diversification of the directives for many government agencies of this type has led to a reduction in their control and supervisory operations, and more emphasis on working to develop society. Part of the responsibility placed on municipalities and county councils means being a society-keeper by, for example, issuing permits and maintaining zoning regulations.

Society-developer institutions

A society-developer institution is in general an organisation that is in some way exposed to competition and is primarily aimed at creating collective benefits. Organisations with these kinds of operations usually have directives that encourage the development of society for the purpose of advancing citizens' common interests. The competitive situation of society-developer institutions is characterised in part by the establishment of more and more government agencies with overlapping directives, and in part by the fact that, in principle, their operations could be carried out by an organisation outside the public sector. The fact that various government agencies' directives intersect is clearly illustrated in the sphere of innovation and regional development. There are a number of operations run by municipalities and county councils that can be characterised as society-developer tasks, and their responsibilities comprise business development, tourism, culture and leisure.

Non-competitive service providers

An organisation that offers non-competitive services usually has a monopoly, and primarily provides services for individuals. Until relatively recently, this described most of the services provided by municipalities and county councils, such as schools and care for the elderly. There are several reasons why organisations that offer these types of services are not exposed to competition. It might be because other actors are not interested or lack the necessary competence to engage in these operations, or perhaps citizens do not see the need for other actors. In light of the above discussion about generational values, it is most likely that the monopoly position of non-competitive service providers will change when they begin to provide services for people born after 1960. Differences in demands and expectations between different generations may explain why the shift towards greater competition has not come as far in care for the elderly as it has in childcare and education.

Competitive service providers

Competitive service providers offer services to individuals in free competition. This means that organisations in the public sector compete on the same terms as private entrepreneurs. Competitive service providers are usually found in municipalities where there are already many alternatives to municipal childcare and schools. Developments in areas presided over by county councils are clearly going in the same direction as they are in municipalities. Many county councils have in the past few years taken decisions that increasingly allow citizens to choose among different service providers. The most current example is in health care, where several county councils have made it possible for citizens to choose between public and private primary-care organisations.

Benefits of strong brands in the public sector

An organisation that embraces brand orientation and develops a cohesive brand strategy creates a solid platform for becoming more visible, distinct and relevant. This is fundamental to increasing awareness and acceptance of the operations in question. A *high level of awareness and acceptance* has proven invaluable for many organisations. Companies in the private sector realised early on that this value could be clearly discerned in improved financial performance. They also realised that the value of being well known and liked gave them a stronger position to negotiate from, and led to greater legitimacy and credibility in their contact with investors, politicians and other important stakeholders.

What values then can be created in the public sector, where focus is not always on the bottom line, and how can an organisation's performance be improved? What the major benefit of a strong brand will be depends on the individual organisation and its directives. Based on the four general types of organisations in the public sector that we defined in the previous section, we can identify a number of principally different reasons for building a strong brand. These reasons, which are illustrated in [Figure 2](#) and which we will further develop in the coming sections, are associated with *competence supply*, *legitimacy development*, *effectiveness improvement* and *revenue generation* (Dahlqvist & Melin, 2010).

Figure 2 The benefits of strong brands in the public sector.

		Degree of competition	
		Low	High
Perceived benefit	Collective	Competence supply Society-keeper institutions	Legitimacy development Society-developer institutions
	Individual	Effectiveness improvement Non-competitive service providers	Revenue generation Competitive service providers

Strong brands and competence supply

In society-keeper institutions – primarily government agencies with a monopoly – the need for *powerful internal development* is the main reason for prioritising brand building. However, those who work in this kind of government agency might find it very hard to understand the value of initiating a brand-building process aimed at increasing awareness and acceptance of their operations. Is this truly meaningful when there is no real alternative to the agency and therefore no other organisation to be positioned against? This is a common question among employees who feel that investing in strengthening the government agency's brand is just a passing fad and therefore a waste of time.

The answer is that there are very good reasons for prioritising and determinedly working with brands in this kind of organisation as well, because it reinforces the capacity for development in the agency. Powerful internal development is built on access to competent and highly motivated employees who are deeply engaged. This is crucial, since so many public-sector organisations are extremely specialised, which means that they have a particular responsibility for driving professional development within their own area of expertise. Developing benefits for society therefore goes hand in hand with developing organisational competence. In light of this, it is essential that a government agency be well known, liked and considered trustworthy and competent. If not, the agency runs the risk of having difficulty recruiting the necessary competence.

Since the competition for talent is tough in today's labour market, it is important that the public sector be perceived as an attractive employer compared to the private sector. Successfully attracting knowledgeable and motivated personnel is a matter of survival for the public sector. Nowadays, the importance of a strong *employer brand* is considered essential for keeping competent personnel and attracting new employees (Cable & Graham, 2000; Herrbach & Mignonac, 2004).

The purpose of a strong employer brand is to portray the organisation as an attractive employer, where the target group is primarily existing and potential employees. In order to achieve this, it is necessary to create a distinct identity for the employer brand, an identity that reflects an organisation's culture and also highlights the organisation's brand promise in terms of professional development.

Developing a strong employer brand is not only important for external reasons, but for internal reasons as well. Investing in developing well-known brands has been shown to have a positive influence on an organisation. Strong brands often function like organisational glue, with the ability to bolster employees' confidence and improve the way in which they perceive themselves, while contributing to creating a feeling of pride in their own organisation (Anselmsson & Melin, 2009).

Strong brands and legitimacy development

For society-developer institutions – that is, mainly government agencies with a social responsibility which are either directly or indirectly exposed to competition – the major benefit of developing a strong brand is greater *legitimacy*. Legitimacy is originally a legal concept but, over time, it has come to mean much more. Today, the concept also includes – in addition to an authorisation based on laws and morals – acceptance according to current norms and values (Massey, 2001).

Most government agencies already work intuitively to increase awareness and acceptance of their organisation's operations, conscious of the fact that their existence may ride on their legitimacy.

Why then are not all government agencies successful in creating acceptance for their operations? The answer to this question is found in the factors that are fundamental to acceptance. Somewhat simplified, there are two factors that contribute to creating acceptance for an organisation: *attraction* and *trust* (Dahlqvist & Melin, 2010).

Attraction is generated when a brand is considered interesting and relevant for an individual or society in general. Therefore, to be accepted, an organisation must be active and powerful, and be perceived as special in some way (Button & Dukerich, 1991; Suchman, 1995). *Action* and *strength* create an image of a visionary organisation which is forward looking and which leads developments in a specific field. Unique *characteristics* are vital in this context since distinctiveness and relevance are fundamental to positioning an organisation effectively (e.g., Melin, 1997; Urde, 1997).

The *trust* placed in an organisation is normally reflected in its *esteem* and *reputation* (Brunsson & Sahlin-Andersson, 2000). Trust is something which develops over time and which is affected by an organisation's stability, leadership, competence and ability to solve problems, and – increasingly – the degree of social responsibility it takes (Argenti & Druckenmiller, 2004; Greyser, 2009).

A great deal of research is currently being carried out on attraction and trust (Dahlqvist & Melin, 2010). However, in this context, we will not further delve into the definitions of these concepts – we will instead confine ourselves to noting that an organisation's mission and vision, along with the way these overriding goals are communicated, play a large part in the perception of attraction and trust, which in turn affects the organisation's legitimacy.

Strong brands and effectiveness improvement

For non-competitive service providers, *greater effectiveness* is the most important reason for developing a strong brand. Those organisations that provide a service that has not been exposed to competition often struggle with problems associated with low awareness and a blurred image. Naturally, this is unfortunate since activities and communication meant to establish and develop relations may not have any effect.

In order to avoid this, it is important to develop a common approach to brands. For a government agency, which is sometimes guided by directives that are vague or far too extensive, it is crucial to formulate a concrete mission and an inspiring vision that can be used as a platform for the brand-building process.

The quality of the brand-building process is usually intimately associated with the clarity of the mission and vision of an organisation (Gromark & Melin, 2005, 2011). However, in order to successfully develop a distinct mission and vision, an organisation must have clearly defined directives. Blurred directives are probably an underlying reason for a common criticism of the public sector – that it is far too introverted and places too much focus on organisational matters. Nonetheless, in most cases, it is relatively easy, based on the organisation's directives, to develop a strong mission and vision, because the public sector usually operates in areas that are absolutely vital to both individuals and society.

It is crucial to carefully crystallise effective core values based on the mission and vision of an organisation (Melin, 1997; Urde, 1997, 1999). This is essential because core values and positioning are the most important lodestars in daily brand building, both internally and externally.

Strong brands and revenue generation

For competitive service providers, *greater revenue generation* is the primary reason for developing a strong brand. The motive of these organisations for working with brands is therefore very similar to that of the private sector (D. Hood & Henderson, 2005). Competitive service providers are both government agencies and municipal and county council organisations. Lately, this type of organisation has become more common because the shift to competition in the public sector has increased dramatically. This is particularly true in municipalities and county councils, where significant parts of core operations in health care, schools and other public care now go through a procurement process. This development has been expedited by political reforms, such as the introduction of a school voucher and free primary healthcare choice.

Revenue generation in the public sector has not been prioritised for a long time. A major factor in this is that revenue levels are often already given at the beginning of the year. This means that many believe the primary duty of management is to distribute the predetermined revenue through a budget to the various cost centres. This means that individual organisations must largely focus on costs in general and cost deviations in particular. The consequence of this is that the budget, and not reality, becomes the basis for determining how well an organisation is performing. A great deal of energy is therefore ploughed into evaluating how well operations follow plans, and rather little energy is spent on increasing revenues.

One consequence of developments in recent years is that more organisations in the public sector operate on market terms. These operations must therefore adapt to

the way the competitive market works. In many cases, the transition process, which has been likened to a cultural revolution, has resulted in identity problems for both executive management and employees (Skålen, 2004).

Due to the identity problems created by the shift to greater competition, many public schools and hospitals, for instance, are hesitant to work with marketing. As a result, schools and hospitals in the public sector rarely work with brands in a structured and systematic manner, and this puts them at a competitive disadvantage. This disadvantage can prove fatal in the long run, since the ability to build strong brands that can generate higher revenue will be crucial to long-term survival (Dahlqvist & Melin, 2010).

Market orientation versus brand orientation in the public sector

On the basis of our empiric experiences from action research and the results of our theoretical review, we will highlight the shortcomings of market orientation in the public-sector context, its consequences, how brand orientation handles these problems, and the resulting advantages for a public-sector organisation. This discussion about market orientation versus brand orientation in the public sector is summarised under the five headings presented below.

Customer focus versus stakeholder focus

Market orientation has a strong customer focus, which risks creating an imbalance because the interests of other central stakeholders consciously or unconsciously are given lower priority. This is particularly problematic in the public sector, where customer satisfaction is not always the primary objective and citizens have other roles and interests beyond being customers. Hence, there is a risk that the role of customer takes over and this can undermine the democratic process as well as sub-optimising organisational performance. Brand orientation has a very strong stakeholder focus, particularly since the corporate brand always plays a central role in brand-oriented organisations. For a brand-oriented organisation, *balancing* the interests of different stakeholders against its organisational mission, vision and core values is fundamental. By embracing brand orientation, a public-sector organisation will have a balanced approach and methods that create the prerequisites for developing a strong brand in order to be visible, distinct and relevant for *all key stakeholders*.

Myopic perspective versus holistic perspective

By focusing so strongly on customers, market orientation emphasises the external perspective. This means that certain functions of the organisation and some of their external processes receive too great a focus. The risk with this rather myopic approach is that goals, plans and measures also become narrow-minded and limited, which in turn affects quality and effectiveness. Brand orientation is based on the fact that a brand is defined outside-in but developed inside-out. This intrinsic ability to bridge the internal and external perspective is a major factor behind the great interest in brand orientation. By embracing brand orientation as an approach, a public-sector organisation can address strategic issues and its operations from a *holistic perspective*.

This gives a brand-oriented organisation a better platform to focus on *collective benefits* along with individual benefits, and thereby create greater *effectiveness*.

Reactive and proactive approaches versus interactive approach

Market orientation can be described using two main conceptualisations: market-driven and market-driving. Market-driven is fundamentally a *reactive* approach based on current customers' explicit needs. Market-driving assumes the opposite: a *proactive* approach that tries to change market structures and consumer needs. Both of these approaches are problematic because their perspective is purely external and therefore does not take into consideration the fact that the brand-building process is an *interactive* process. Brand orientation, however, focuses on a process based on the interplay between internal and external stakeholders, a process characterised by reciprocal influence and interdependence. By embracing a brand-oriented approach, a public-sector organisation creates interaction between its own organisation and all of its prioritised stakeholders. However, from the organisation's perspective, this interaction will not be directionless; since it is grounded in the organisation's mission, vision and core values, it creates goals and values that serve both as catalysts and filters for this interaction. Consequently, this approach seems better suited to democratic organisations that should be characterised by dialogue, not monologue. This approach is also therefore the starting point of greater *effectiveness*.

Mechanical approach versus dynamic approach

Market orientation is characterised by an instrumental and mechanistic view of people and organisations. Market orientation is therefore not capable of handling organisational dynamics effectively. Market orientation pays too little attention to what drives an organisation and its core values, and above all the interplay between the organisation's core values and external stakeholders. In other words, it lacks an integrated approach. Market orientation puts more emphasis on various tools and behaviours than it does on values, norms and beliefs, which can make market orientation seem *meaningless* in public-sector organisations. Brand orientation is to a large extent process-oriented, and stresses the importance of organisational dynamics. By strongly emphasising an organisation's mission, vision and core values, the formulation and interplay of meaning is a very central part of the brand-oriented organisation's existence. This is also an essential factor in creating attraction in the labour market and thereby contributing to *competence supply*.

Economic values versus democratic values

Perhaps the most serious criticism of market orientation in a public-sector context comes from the fact that economic values are prioritised over democratic values. Market orientation's intense focus on profit and effectiveness can result in the loss of other, more important values. The consumerist model in the public sector stresses individual benefits, in many cases at the cost of collective benefits – for example, in quasi-markets, where consumers maximise benefits for themselves without considering the collective benefit. Public-sector organisations that emphasise economic values risk making themselves replaceable and dispensable,

since their operations can just as easily be performed by another, profit-maximising, organisation. From this perspective, market orientation is a short-term orientation. Brand orientation also highlights performance, but this is connected to a long-term survival goal, which is also normal for public-sector organisations. In addition to contributing to revenue generation, with its emphasis on mission or *raison d'être*, brand orientation can better formulate standpoints that are in line with the democratic ideals that characterise public-sector organisations. This is an important prerequisite for maintaining the organisation's *legitimacy* in the long run.

Conclusions, contributions and further research

Market orientation, in the name of new public management (NPM), has long been the dominant discourse in the public sector. Despite market orientation's impact and popularity, the adoption of this approach has generated a number of problems. The problems with market orientation in the public sector can be summarised as follows: its focus on customers is too great, it is myopic, it lacks true interaction, it is too mechanistic, and its emphasis on economic values is too strong. Because of market orientation's shortcomings, it is important to identify and discuss other, more relevant concepts. In light of this, brand orientation is an interesting candidate since it seems to be a more powerful, robust and adequate concept than market orientation. Brand orientation is more powerful since it provides a holistic and balanced perspective on an organisation, diminishing the risk of too much focus on customers, which might lead to myopia. Brand orientation is more robust because it emphasises continuity coupled with dynamics and interaction, diminishing the risk of short-sightedness and reactivity. Brand orientation also provides a large arena for prioritising democratic values, diminishing the risk of too much focus on economic values. A brand also has inherent qualities that are crucial from a democratic perspective – namely, the ability to create legitimacy and trust – but also in terms of the brand's implicit promise, which provides citizens with a tool for evaluation of democratic institutions, and in turn makes it easier to demand accountability. From this, however, one should not conclude that the adoption of brand orientation brings with it some sort of miraculous democratic cure.

An important contribution of this paper is that we have compared market and brand orientation with a focus on the public sector, and shown that brand orientation is an independent orientation that addresses the shortcomings of market orientation in the public sector. In addition to this, we have also synthesised and contextualised the disadvantages and threats that come with market orientation, along with the advantages and opportunities that come with brand orientation in the public sector. Another contribution is that we have shown that there are benefits that come with brand orientation, no matter the degree of competition, which is not the case with market orientation. In relation to this, we have also identified and characterised different types of benefits that are crucial for specific types of organisations in the public sector. Yet another contribution is that, by studying the public sector, we have clarified some general differences between market orientation and brand orientation that can otherwise be difficult to perceive (see [Table 1](#)). It is important to differentiate between market and brand orientation not only from a theoretical perspective, but also from a managerial point of view, as managers might otherwise dismiss a powerful tool as irrelevant.

Table 1 Market orientation versus brand orientation in the public sector.

	Market orientation	Brand orientation
Organisational focus	Customers	Stakeholders
Strategic perspective	Myopic	Holistic
Organisational approach	Reactive or proactive	Interactive
Humanistic view	Mechanic	Dynamic
Guiding principle	Economic	Democratic

Brand orientation in the public sector is, as pointed out above, an unexplored area, and there are many reasons for researching it, particularly since the public sector is a large and significant sector in most countries, and also because many organisations in the public sector have shown an interest in brands and brand building. Against the background of the fact that conditions for building brands in the public sector and the private sector differ in many regards, there is an obvious need for developing a theoretical framework for brand management that is specifically adapted to the public sector. We believe that the results of this study can contribute to such a framework. To further develop this framework, however, research is required in an extensive series of different areas. On the basis of the results of this study, we would therefore like to propose five prioritised areas for future research. The first area is operationalising and comparing the effects of brand orientation and market orientation on democratic and organisational performance in the public sector. The second area is analysing the effects of brand and market orientation from a citizen's perspective with a focus on legitimacy and trust. The third area is examining the process of how public-sector organisations go from being market-oriented to brand-oriented using case studies. The fourth area is to explore different brand-management challenges related to the typology of public-sector organisations developed in this research. A fifth area is to compare market and brand orientation in a public-sector context in other countries, in order to be able to compare them with the results that have emerged in this study.

Acknowledgments

The authors would like to thank the Torsten Söderberg Foundation for making this research possible. The authors also would like to thank the three anonymous *Journal of Marketing Management* reviewers for helpful comments.

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