Journal of Economics Library
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Volume 12 June 2025 Issue 2

Triadic explanation of public services marketing

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Abstract. Although the concept of public service marketing was initially criticized in the marketing literature as confusing, it eventually became widely embraced by marketing scholars. Marketing scholars agreed that by the end of the 1970s there was no longer any serious controversy among marketing scholars about public service marketing concept. However, despite this apparent agreement among marketing academics, public administrators and academics in public administration areas have not unanimously embraced the utility of the concept of public services marketing. Two objectives formed the framework for this study: What are the assumptions, conceptualizations and disciplinary perspectives underlying the public services marketing concept? Can a superior conceptualization(s) be developed which is likely to be acceptable to a larger proportion of public services providers? Paper suggests three alternative conceptualizations of public services marketing.
Keywords. Service marketing, Public service, Exchange, Redistribution, Reciprocity.
JEL. L30, L31, L33, M30, V31.

1. Introduction

Shapiro (1973) and Kotler & Levy (1969a) introduced nonprofit marketing in the business literature. Kotler & Murray (1975) introduced marketing as a concept into public administration literature in theleading North American public administration journal. Since that time the word public services marketinghas become an established term in the public manager's lexicon. Although the concept of public service marketing was initially criticized in the marketing literature as confusing (Luck, 1969; 1974), it eventually became widely embraced by marketing scholars (Nickels, 1974). Lovelock & Weinberg (1978) noted that by the end of the 1970s there was no longer any serious controversy among marketing scholars about public service marketing. However, despite this apparent agreement among marketing academics, public administrators and academics in public administration areas have not unanimously embraced the utility of the concept of public services marketing. Leading philosopher of marketing Hunt (1976) observed the reluctance of some more than four decades ago:

> Until administrators of nonprofit organizations perceive that they have marketing problems, their marketing decision making will inevitably suffer. Thus, the major *substantive* problem concerning broadening the concept of marketing lies in the area of *marketing* to nonmarketers. (italics original) (pp.24-25).

During the subsequent decades, the "marketing to nonmarketers" problem in the context of the public services marketing, has split public services providers into two camps comprised of its eloquent supporters and rigid opponents. Roberto (1991, p.81) was first who clearly stated that "marketing to nonmarketers" problem has received "a bipolar love-hate evaluation."

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Those public service providers, who are critical of marketing, do partially recognize the need of public administrators to adopt new management techniques to deal with the prevailing environment of less-government-more-user-fees. However, they refer to the application of marketing principles within the nonprofit and public administration fields as "confusion compounded", "an inappropriate model", "intellectualization", "absurd", "the megalomaniac marketing supremacy syndrome", and "a dramatic imitation" of social relationships (Arndt, 1978; Capon & Mauser, 1982; Luck, 1974; Loveday, 1991; Monieson, 1988; VandenHeede & Pelican, 1995). The opponents' position was perhaps best articulated by Walsh (1994, p.68) who suggested the need to redefine public services marketing "...if it is to be specifically public service marketing rather a pale imitation of a private sector approach within the public sector."

In contrast to the position of marketing opponents, supportive commentators refer to its use as "a comprehensive strategy for effecting social change" with "unique concepts and techniques" which are "coming of age" and are merely "misunderstood" (Leathar & Hastings, 1987; Lovelock & Weinberg, 1978; Hastings & Haywood, 1991; Roberto, 1991). Ironically, the ultimate goal of marketing proponents was essentially the same as that of its opponents--to increase the effectiveness and responsiveness of public organizations in a changed financial environment. The essence of the difference in opinions appears to relate to the *means* by which this commonly recognized goal should be achieved.

The midterm status of the public services marketing was perhaps best summarized by Kerin (1996, p.6). In his comprehensive review of outstanding contributions published during the last 60 yearsin the *Journal of Marketing*, Kerin characterized the works of Kotler, Levy, and associates (Kotler, 1972; Kotler & Levy, 1969a; 1969b; Kotler & Zaltman, 1971) as "controversial."

The overall status of the public services marketing was perhaps best summarized byauthors themselves. Three decades later, after introducing the broadening idea, authors of the broadeningmarketing proposition confessed:

> The broadening idea created a stir. It was criticized by some people as obvious, wrongheaded, and even as evil. One piece (Laczniak & Michie, 1979) in the *Journal ofthe Academy of Marketing Science* accused us of creating social disorder by distorting thedefinition of marketing. (Levy, 2003, p.5).

The following objectives formed the framework for this study: What are the assumptions, conceptualizations and disciplinary perspectives underlying the public services marketing concept? Can a superior conceptualization(s) be developed which is likely to be acceptable to a larger proportion of public services providers?

2. Method

The method of *investigative research* was undertaken because the concept of public services marketing is accepted by a majority of marketing scholars but, at the same time, rejected by many public service providers. The notions of investigative research (Douglas, 1976) and an underlying adversary research paradigm (Levine, 1974), emerged in response to limitations identified in the statistical analysis and cooperative research paradigm. Levine (1974, p.669) noted:

> By an adversary model, I mean that we are dealing with a situation in which there are claims and counterclaims, and arguments and counterarguments, each side advanced by an advocate who attempts to make the best possible case for his position. The scientific community, in the form of an editor, a referee, or a program committee, acts as a judge does in a preliminary hearing, deciding whether there is a sufficient case made in the particular study to take it to trial before the scientific community.

Douglas (1976, p.57) maintains that the work of researchers who use the adversary model is similar to the work of detectives, investigative journalists, judges, and prosecutors. All of them are confronted with the same type of problems: misinformation, evasions, lies, fronts, taken-for-granted meanings, problematic meanings, and self-deceptions.

The rationale for choosing investigative research included a need to test the extent to which the current concept of public services marketing is objective and values free. Morrow & Brown (1994) contend that circumstances of theory production (e. g., contract research) or characteristics of the theory producer (e. g., political party associations, sexual orientation) may affect the conclusive arguments of research. Similarly, Harvey (1990) argues that researchers may experience "pressures" from such sources as research funders, academic administrators, and the business or political establishments during the research process.

Because several opponents of public sector marketing have persistently identified additional conceptual data that has been ignored in discussion of the public services marketing concept, the *negative case analysis* was chosen. Kidder (1981, p.244) compares procedures of negative case analysis with statistical tests of significance. A goal of both methods is “to handle error variance." During negative case analysis, all existing propositions, null hypotheses, or assumptions underlying theories or concepts, are tested and refined against alternative explanations until no or a minimum possible number of alternative explanations are left. Kidder (1981, p.241) notes: "negative case analysis requires that the researcher look for disconfirming data in both past and future observations. A single negative case is enough to require the investigator to revise a hypothesis." This method is consistent with the Hegelian method of dialectic, which suggests that any proposed thesis should be countered by an antithetical proposition in order to achieve synthesis.

Application of negative case analysis in this study included two major elements. The first element dealt with results of the investigative research and included a search for alternative concepts or disconfirming data. For example, if investigative research found that some concepts from the social science disciplines were borrowed to develop the public sector marketing concept (e. g. the concept of formal organizations from organizational theory, or the concept of social exchange from sociology), then these concepts (the concepts of formal organization and social exchange in our example) were analyzed and the existence of alternative conceptualizations was investigated in the organizational theory or sociological literatures. If alternative conceptualizations were found, then they were studied and analyzed in the context of their usefulness for the public services marketing discussion.

The second step in negative case analyses was to investigate the potential for conceptual consistency among and between the existing and the revealed

alternative concepts. For example, if alternative conceptualizations of both social exchange theory and formal organizations were found, they could be compared with each other looking for possible consistency, connections, or links among them. For instance, were they developed by the same authors, in the same university, at the same period of time? Do they share something in common, for example, the same fundamental premises? If links were found, they could be recorded and analyzed. In summary, the investigative research procedures were focused on "vertical" search and identification of disciplinary and conceptual sources, and the negative case analysis supplemented this analysis by investigating a "horizontal" search of alternative conceptualizations within a particular social science discipline.

Supplemented by investigative research, the negative case analysis attempts to find out if researchers who developed the concept of public sector marketing suppressed evidence. Kahane (1973, p.233) contends that such actions can occur when a researcher "conceals evidence unfavorable to his own position." It does not necessarily mean that a researcher on purpose hid or omitted evidence or alternative concepts. As suggested by Douglas (1976) a researcher may have a diversity of reasons for suppressing evidence. Negative case analysis assists in avoiding the suppression of evidence by checking if alternative conceptualizations were considered and consequentially incorporated.

Maxwell (1996, p.90) noted that: "the most serious threat to the theoretical validity of an account is not collecting or paying attention to discrepant data, or not considering alternative explanations or understandings of the phenomena you are studying." The conceptualization of public sector marketing cannot be generic and universal if its originators purposefully or mistakenly ignored alternative explanations. The issue is analogous to public hearings and legal proceedings, where both offensive and defensive parties are given the right to be heard. In order to be fair, the negative case analysis focused on the evidence available and reported *prior* to, and not *after*, development of the concept of public sector marketing.

Because some researchers have challenged the appropriateness of the marketing concept based on the voluntary exchange paradigm in the public services context, the method of *theoretical triangulation* was adopted. Triangulation involves validating conclusions by using multiple observers, theories, methods and data sources in order to overcome biases associated with a single method, observer, theory, or data source (Patton, 1990). Triangulation is closely associated with the *modus operandi* of detectives, and it partly overlaps investigative research and negative case analysis procedures (Scriven, 1974). Implementation of this method is, in the words of Miles & Huberman (1996, p.267), mere "analytic induction"--seeing or hearing multiple instances from different sources and reconciling the findings of the different approaches.

Levine (1974, p.669) suggested that theoretical triangulation could be compared with a cross-examination test:

> ... the particular position asserted in a paper is subject to cross-examination or further probing. Attempts by others at replication, new experiments, and inclusive logical critiques of experiments, or of an area of study, may all be viewed as attacks on a particular position by advocates of another position. In legal proceedings, the cross-examination is considered the essential safeguard to the accuracy and

> completeness of testimony. The cross-examination tests the credibility of the direct testimony, or it brings out additional related facts that may modify the inference one draws from some bit of testimony.

In this study, theoretical triangulation was undertaken in the form of cross-examination of findings identified by investigative research and negative case analysis. One of the goals of theory triangulation, according to Patton (1990), is to understand how different assumptions and fundamental premises held by various stakeholders affect conclusions. Therefore, implementation of theoretical triangulation in this study included not only reconciling, cross-examination, and evaluation of existing null assumptions of public services marketing with alternative assumptions; but also, included an attempt to understand how premises held by the originators of public services marketing affected their final conclusions, and why some concepts (negative cases) were neglected or significantly reworked. The reason behind choosing theoretical triangulation was an attempt to find out if alternative concepts (negative cases) had potential and usefulness for the conceptualization of public service marketing.

3. Results

3.1. Results of the investigative research

The results of the investigative research reported here suggested that the emergence of public services marketing was influenced by the introduction of the nonprofit marketing concept to the marketing and public administration literatures. In its turn, the assumptions underlying nonprofit marketing were influenced by such logically and conceptually coherent concepts as: broadening the scope of marketing and of consumer behavior (Kotler & Levy, 1969a; Zaltman & Sternthal, 1975); generic and social concepts of marketing (Kotler, 1972); and the marketing-as-exchange paradigm (Bagozzi, 1975). These non-empirical and mostly propositional works, often were justified by references to social science disciplines including economics, economic history, cultural anthropology, sociology, and organizational theory (Belshaw, 1965; Blau & Scott, 1962; Boulding, 1970; Homans, 1969).

Investigative research of public sources, such as those available on the world wide web which include universities' home pages that list biographies and the affiliations of marketing scholars who introduced the nonprofit marketing concept, found that the most active of them (Kotler; Bagozzi; Levy; & Zaltman) were affiliated with the J.L. Kellogg Graduate School of Management at Northwestern University. Sheth *et al.*'s (1988, p.28) review of twelve schools of marketing identified these scholars with *the social exchange school of marketing* which as they noted was: "destined to be labeled as the most controversial school in the history of marketing."

Further, investigative research suggested that the philosophical and methodological roots of the social exchange school of marketing were derived from the Chicago school of thought in economics. Analysis of biographies of the originators of public and nonprofit sector marketing available on the Internet found that the most prominent of them (Kotler; Zaltman; and Levy) were trained at different times at the University of Chicago. For example, at the University of Chicago, Kotler received a master's degree in economics, Zaltman received a master's degree in business administration, and Levy received both masters and doctoral degrees in behavioral psychology.

Academic traditions of the Chicago school occupy a special niche in social science. Chicago University is a private institution established by John D. Rockefeller in 1892. During its century of existence, it has become one of the most influential universities in America. Dozens of its faculty have been recognized as Nobel laureates including 16 Nobel laureates in the field of economics. The Chicago school occupies a central niche in the social sciences so it has been influential in forming US public policies, stimulating intellectual dialogs and debates, and underpinning social and political philosophies. It promotes a utilitarian-based version of radical individualism and extreme market doctrine, which is widely known as the neoclassical, libertarian, or laissez-faire economic paradigm.

The Chicago school is usually associated with Milton Friedman, and broadly refers "to those who would marketize most of the public sector and who see government as the problem, not the solution, to most economic ills" (Lindeen, 1994, p.24). Milton Friedman was influenced by a defender and promoter of the laissez-faire school of economics and classical libertarian principles, Frederick A. Hayek (1899-1992). Hayek (1944) in his manifesto, *The Road to Serfdom*, formulated the main principle of the laissez-faire doctrine. This principle suggests that any parties in a market place should be free to produce, buy and sell anything that can be produced or sold at any price at which they can find a partner to the transaction. The negative attitude toward government's intervention stems from this premise.

Another historical root of the laissez-faire doctrine is the extreme social philosophy of Herbert Spencer (1820-1903), who extrapolating from Charles Darwin, coined the term "survival of the fittest" in his book *Social Statics* (1851):

> It seems hard that a laborer incapacitated by sickness from competing with his stronger fellows, should have to bear the resulting privations. It seems hard that widows and orphans should be left to struggle for life or death. Nevertheless, when regarded not separately, but in connection with the interests of universal humanity, these harsh fatalities are seen to be full of the highest beneficence--the same beneficence which brings to early graves the children of deceased parents, and singles out the low-spirited, the intemperate, and debilitated as the victims of an epidemic. (Cited in Schrems, 1986, p.132).

Modern overtones of the "survival of the fittest" philosophy advocated by the Chicago school can be found in the work of those Chicago school graduates who attempted to introduce marketing in the public sector. Kumcu & Firat (1987, p.83) noted the commitment of Kotler and his associates to promotion of the Chicago school laissez-faire paradigm and identified overtones of the Spencerian philosophy in their works. They noted, for example, at an international conference on the marketing and development of less developed countries (LDC): "Philip Kotler invited heated arguments from the floor when he suggested that LDCs ought to first let marketing energy come out, and later worry about the problems free markets create." Kumcu and Firat note that such a pro-Spencerian approach to economic development and marketing was not readily accepted by conference participants and Kotler "... was confronted with questions regarding who reaped the benefits and who carried the burdens of such an approach."

The Chicago school, which is the philosophical fundament of the Social exchange school of marketing, broadly assumes that: (1) society and other social collectivities are mere aggregates of individuals and not the structures

that integrate social, political, and cultural factors; (2) the individual is the prime decision-making unit and not social collectives such as ethnic and racial groups, peer groups at work, and neighborhood groups or communities; (3) people are cost minimizers and benefit maximizers motivated by personal self-interest on the basis of fully available information; and (4) the market economy can be studied as a separate self-contained system relatively independent from society, polity, and culture (Etzioni, 1988).

Given these assumptions, Chicago economists advocate decentralization, deregulation, privatization, and unlimited individual choice as policy in the search for social prosperity. They argue that limiting individual choice, regulation, and centralization of power and decision making in government hands, creates political and economical shortcomings. These include: lack of responsiveness toward consumers and political institutions, ineffectiveness, poor decisions, lack of coordination, delay, unfair procedures, price-fixing, subsidies and cross-subsidies that create inefficiencies, limiting competition, restricting choice, retarding technology, and acting as a drag on productivity (Smith, 1995).

Although Chicago economists partially agree with mainstream economists that markets can fail because of externalities involved and a need for common public goods such as national defense, they still use the criterion of individual utility as a starting point for understanding the theory of market failure. Thus, the Chicago school suggests that government intervention is needed, only if the benefits of intervention into voluntary exchanges among individuals expressing individual choice exceed the disadvantages of lost freedom (Smith, 1995). As a result of this philosophy, the Chicago school suggests the use of cost-benefit analysis before any government decision to intervene. Armed with a reductionist and intellectualist methodology, the representatives of Chicago school seriously discuss such intangible and symbolic costs and benefits as "warm feelings inside," "gratitude," "clean conscience," and the like, to support arguments against government regulation (Bagozzi, 1975; Kotler & Levy, 1969a).

The social exchange school of marketing, consistent with Chicago school traditions, advocates interjecting the Chicago school assumptions, although with some variations, into the public sector. Marketers are interested in "understanding what the organization exchanges with each public; i.e., what each party gives and gets ...[and what are]... the motivations underlying their transactions and satisfaction received" (Kotler, 1975a, p.17). Therefore, the social exchange school of thought postulates three major assumptions underlying the concept of public sector marketing: (1) an open-system model of formal organizations borrowed from organizational theory; (2) the concept of social exchange adapted from sociology; and (3) self-interest motivation advocated by "formalist" economic anthropologists (Table 1). These assumptions and their sources are discussed in the following sub-sections.

The social exchange school of marketing assumes that an organization is "a purposeful coalescence of people, materials, and facilities seeking to accomplish some purpose in the outside world" (Kotler 1975a, p.5). Primary functions of such an organization are: (1) input--attraction of sufficient resources; (2) throughput--conversion of these resources into various products; and (3) output--distribution of these throughputs to the public. This conceptualization of a formal organization as a resource conversion machine,

is consistent with the precepts of an open-system model of organization whose primary goal is to respond to external and internal pressures.

The open-system model of formal organizations views a park and recreation agency as being at the center of a system that responds directly and quickly to the needs of an array of different publics. The agency has substantial independence to respond quickly to changes in the environment in which it operates.

Table 1. *Results of investigative research*

Social Science Disciplines	Concepts Borrowed to Develop Public Services Marketing
Organizational Behavior	Open-System Model of Formal Organizations
Sociology	Individualistic Social Exchange Theory
Economic Anthropology	"Formalist" History of Marketing Exchange

The open-system model encourages decentralized decision-making, because success is perceived to depend on being able to respond quickly and adapt to dynamic external and internal pressures. This perspective is not pre-occupied with following pre-established goals. It puts emphasis on efforts to attract additional resources from the external environment beyond those regularly provided by the agency's governing body, to convert these resources into park and recreation programs and services, and to efficiently distribute these services. The agency is viewed as the primary decision-maker, it does not have to constantly see authority from a higher authority for its actions.

The social exchange school of marketing recognizes four types of formal organizations which are differentiated by the primary beneficiaries of an organization's activities (the *cui bono* criterion). Mutual-benefit associations benefit their members: political parties, unions, fraternal associations, clubs, veterans' organizations, professional associations, and religious sects. Business concerns benefit their owners: industrial firms, mail-order houses, wholesale and retail stores, banks, insurance companies, and similar private for profit organizations. Service organizations benefit those categories of publics who are in direct contact with these organizations: social work agencies, hospitals, schools, legal aid societies, and mental health clinics. Finally, commonweal organizations benefit the public at large: The State Department, Bureau of Internal Revenue, military services, and police and fire departments (Kotler, 1975a, p.30). Park and recreation agencies would be classified either as service or commonweal organizations, depending on the type of services that were offered by a particular agency.

However, the social exchange school of marketing assumes that in spite of differences among beneficiaries, the primary goal of all types of organizations is to survive through responding to external and internal pressures by attracting, converting, and distributing scare resources in a competitive environment. Since the goals and functions of all formal organizations are generic, then the social exchange school believes that management of all types of formal organizations should be generic (Kotler & Murray, 1975). This school assumes that management of organizations can be differentiated only to the extent that an organization effectively or non-effectively deals with external pressures, performs its basic "resource machine" functions, and achieves the survival goal. Thus, the social exchange school of marketing distinguishes between effective (*responsive* organization) and non-effective (*unresponsive* organization) styles of management.

The conceptualization of an "unresponsive organization" suggests an organization is a bureaucratic organization (in the negative sense of that word) which routinizes operations, replaces personal judgement with impersonal policies, specializes the job of employees, and follows a rigid hierarchy of command. A bureaucratic organization is maladapted to the external environment and, thus, is relatively unresponsive to public needs. It resists change, responds poorly to external pressures, and is ineffective in performing resource converting functions. In contrast, a "fully responsive organization" implies that the organization effectively responds to external and internal pressures, successfully performs resource converting functions, and achieves the survival goal. Fully responsive organizations are sensitive to public needs, willing to change and adjust their offerings, and seek to survive through providing full satisfaction to their stakeholders.

The concept of a fully responsive organization is synonymous with a "doctrine known as 'the marketing concept'" (Kotler, 1975a, p.43). The marketing concept is positioned as an alternative to a production or sales orientation and implies "a consumer's needs orientation backed by integrated marketing aimed at generating consumer satisfaction as the key to satisfying organizational goals" (Kotler, 1975a, p.46). The major thesis advocated by the social exchange school of marketing is that all formal organizations should be fully responsive. That is, they should employ, or at least strive toward adaptation of the marketing concept as the basis for their operations (Kotler, 1975a).

The social exchange school of marketing contends that pursuit of personal self-interest is the only motivation for exchange between all formal organizations and their publics. Although Kotler (1975a) avoided the term "self-interest," Bagozzi (1975, p.34), who acknowledged receiving Kotler's advice, openly recognized self-interest motivation in the context of public sector marketing:

> ... many individuals, groups, and firms pursue their own self-interest. This is what Adam Smith meant by his reference to an "invisible hand." Similarly, in his analysis of primitive societies and marketing systems, Frazer has shown that ... the pursuit of self-interest can be the foundation for the web of kinship, economic, and social institutions. The recent exchange theories of Homans and Blau are also based on this individualistic assumption of self-interest.

This philosophy proscribes the mechanics of quid pro quo motivation between individuals and groups or collectives. Adam Smith (1850, p.7) specified the quid pro quo principle that underlies his philosophy of the invisible hand in the following terms: "whoever offers to another a bargain of any kind, proposes to do this: give me that what I want, and you shall have this which you want."

Although Bagozzi made reference to alternative collectivistic assumptions underlying the exchange mechanism, he did not clearly state these assumptions. Shapiro (1973, p.124) similarly believed that this central role of self-interest in the context of nonprofit marketing was sufficiently self-evident that there was no need to discuss it: "I shall not bother discussing the concept of self-interest; it can be taken for granted." In summary, the self-interest motivation assumption adopted by the social exchange school of thought in the context of public sector marketing suggests one major conclusion: all

relationships between formal organizations and their clienteles are based on self-interest.

A central tenet of the social exchange school is that all formal organizations seek to attain their goals through the voluntary exchange mechanism. They perceive voluntary exchange to be the only alternative to theft, force, and beggary (Kotler, 1975a). Since a formal organization is defined as a resource converting machine which does not resort to force, theft, or selfless giving to attract resources, then the voluntary exchange mechanism is considered to be the most plausible option for formal organizations to attract, convert, and distribute resources.

Kotler (1972) believes that the voluntary exchange of values should be conceptualized as a transaction that, in turn, is the central generic concept of marketing. Such an exchange requires existence of at least two conditions: availability of two parties, and each party possessing some resource that is valued by another party (Kotler 1975a, p.23). Voluntary exchanges of values are not limited to such conventional resources as "goods, services, and money ... [and] include other resources such as time, energy, and feelings" (Kotler, 1972, p.49).

Kotler (1975a) contends that all formal organizations are involved in at least three types of exchange. First, business concerns and service organizations are involved in voluntary exchange of resources between three parties. Graphically this type of exchange can be shown as sequence A ⇔ B ⇔ C, where "⇔" signifies "gives to and receives from" (Bagozzi 1975, p. 32), A is an owner or donor, B is business concern or service organization, and C is a customer or client depending on business concern or whether the example relates to a service organization. Second, mutual benefit associations and commonweal organizations are involved in voluntary exchange between two parties. Graphically this type of exchange can be shown as sequence A ⇔ B, where A is a mutual benefit association or commonweal organization and B is a member or citizen depending on whether the example is a mutual benefit association or a commonweal organization. However, when he examined exchange in commonweal organizations such as a police or fire department in more detail, Kotler (1975a, p.25-28) recognized that: "there is a question of how voluntary this transaction is"; exchange "seems more like a one-way flow of value"; and dyadic exchange "fails to depict the full sequence of exchange relationships."

Despite these observations, Kotler insisted that commonweal organizations were involved in exchange relationships. Kotler (1975a, p.25-29): "a social contract is voluntary entered into"; exchange cannot take place "if one of the parties has nothing that is valued by the other party," that is, one-way flow is not an exchange; and "there is a third party, the local government, that enters into exchange relations."

In summary, using these assumptions and a fire department as an example, Kotler offered a diagram of a third type of exchange relationships in commonweal organizations. Graphically this exchange is represented as a closed sequence of relationships A ⇔ B ⇔ C ⇔ A, where A is a fire department, B is local government, and C is citizens.

Bagozzi (1975), who was doing graduate work under Kotler's supervision, extended this typology of exchanges further by drawing upon anthropological and sociological literature. Bagozzi was more specific and identified three types of voluntary exchange (restricted, generalized, and complex) which

exhibited three classes of meanings (utilitarian, symbolic, and mixed). Types of exchange refer to the number of parties involved in a transaction and the direction(s) of the exchange. Classes of meanings relate to the reasons or, more broadly, motivations for the occurring exchanges.

First, Bagozzi (1975) distinguishes between utilitarian, symbolic, and mixed meanings of exchange. A utilitarian or purely economic exchange is "an interaction whereby goods are given in return for money or other goods and the motivation behind the action lies in the anticipated use or tangible characteristics commonly associated with the objects of exchange" (p.36). Symbolic exchange refers to "the mutual transfer of psychological, social, or other intangible entities between two or more parties" (p.36). Mixed exchange involves "both utilitarian and symbolic aspects, and it is difficult to separate the two" (p.36).

Further, Bagozzi distinguishes three types of exchange. Similar to Kotler's position, he identifies a restricted type of exchange as a voluntary exchange between any two parties, A and B. Parties A and B could be consumers, retailers, salesmen, organizations, park and recreation agencies or collectives. Diagrammatically this type of exchange is represented as A ⇔ B, where "⇔" signifies "gives to and receives from." (Bagozzi, 1975, p.32). Often this type of exchange is referred to as direct, dyadic, or economic exchange. Restricted exchange is characterized by the notion of quid-pro-quo, free price-making mechanism, and self-interest motivation. Examples of this exchange included customer-salesman or wholesaler-retailer relationships. In the marketing literature, fundamental rules of this exchange were discussed by Alderson (1965).

Generalized type of exchange involves univocal reciprocal relationships among at least three actors. The actors do not benefit each other directly, only indirectly. Diagrammatically this type of exchange among three actors A, B, and C is represented as A⇨B ⇨C ⇨A, where "⇨" signifies "gives to." (Bagozzi 1975, p.3). This type of exchange sometimes is referred to as indirect or multiparty exchange. Bagozzi gives an example of a generalized exchange transaction between a local department store A, a public bus company B, and riders C. A local department store (A) donates a number of benches to bus company (B); the bus company (B) places the benches at bus stops for the convenience of its riders (C); riders (C) are exposed to store's (A) advertisement placed on the benches and patronize the store (A).

Bagozzi also combined these two types of exchange and introduced a third type of marketing exchange which he titled "complex." Complex exchange is a "system of mutual relationships between at least three parties [where] each social actor is involved in at least one direct exchange, while the entire system is organized by an interconnecting web of relationships" (Bagozzi, 1975, p.33). Bagozzi distinguishes between two subtypes of complex exchange: *complex chain exchange* which has open-ended sequences of direct exchanges A ⇔ B ⇔C; and *complex circular exchange* with closed-ended sequences of direct exchanges A ⇔ B ⇔ C ⇔ A.

Bagozzi provided examples of complex exchange subtypes. Complex chain exchange could be a typical channel of distribution where a manufacturer (A), a retailer (B), and a consumer (C) depict the distribution channel A ⇔ B ⇔ C. Complex circular exchange can be an exchange between a person A, a television B, an advertising agency C, and a book publisher (D). Bagozzi (1975) saw the essence of public sector marketing as being in the complex type of

exchange where government, disadvantaged citizens, public administrators, and the rest of society are all involved in a complex sequence of restricted and generalized exchanges with mixed symbolic and economic resources.

3.2. Results of negative case analysis

Negative case analysis found that alternative assumptions (negative cases) were available to those who introduced the public services marketing concept. A search for negative cases and rival hypothesis revealed that those available were: (1) open-system and closed-system perspectives on formal organizations that could be operationalized using microeconomic or political system paradigms; (2) individualistic and collectivistic versions of social exchange theory; and (3) "formalist" and "substantivist" perspectives in economic anthropology with distinct views on the history of marketing exchange and types of economic analysis. Concepts that have been adopted by the social exchange school and concepts that have been overlooked or ignored are summarized in Table 2.

A search for rival hypotheses in the organizational theory literature suggests that formal organizations can be conceptualized not only from an open-system model perspective but also from a *closed-system model perspective*. Hall (1972, p.49) summarized major differences between these two approaches:

> The closed-system model views organizations as instruments designed for the pursuit of clearly specified goals, and thus directing organizational arrangements and decisions toward goal achievement and toward making the organization more and more rational in the pursuit of its goal. The open-system model views organizations as not only concerned with goals, but also responding to external and internal pressures. In some cases, the open perspective virtually ignores the issue of goals.

Table 2. *Results of negative case analysis*

Social Science Discipline	Concepts Borrowed to Develop Public Sector Marketing	Ignored Concepts
Organizational Behavior	Open-System Model of Formal Organizations	Closed-System Model of Formal Organizations
Sociology	Individualistic Social Exchange Theory	Collectivistic Social Exchange Theory
Economic Anthropology	"Formalist" History of Marketing Exchange	"Substantivist" History of Marketing Exchange

The closed-system conceptualization of organizations is an older perspective which stems from Weber's classical analysis of bureaucracy. Weber (1946, p.151) defined an organization as "a system of continuous purposive activity of a specified kind." This perspective suggests that an organization has a clear and explicit goal which determines its internal structure and the tasks undertaken to achieve this goal (Figure 4). Tasks are divided among members of the organization so that each member has responsibility for an area of activity that matches his/her competence.

Decision-making in a closed-system organization is based on an established normative order and is manifested by clearly specified rules and a chain of command. Selection of members is based on an individual's skills and technical competence. The person's membership with the organization is documented in the form of a written contract that delineates the individual's duties and level of remuneration (Weber, 1946).

The open-ended, or "natural-system" perspective on organizations emanates from a critique of the closed-ended system (Katz & Kahn, 1966, p.26) and is based on the conventional microeconomic paradigm. This perspective puts lesser emphasis on an organization's concern with goals and greater emphasis on its responsiveness to external pressures:

> The major misconception [of the closed-system model] is the failure to recognize fully that the organization is continually dependent upon inputs from the environment and that the inflow of materials and human energy is not constant.

This perspective is based on assumption of scarce energy and resources. The main goal of the organization is perceived to be survival in a competitive surrounding environment that consists of other organizations which compete for the same resources. A need to survive, forces the organization to adapt to both controllable internal and non-controllable external forces. Therefore, it is conceptualized as a "natural system" which imports energy in the form of people and materials (input) from its external environment, alters it in some way (the throughput), and distributes it back to the environment (output). Survival dictates a "broadening of organizational goals" because the organization is dependent on what is imported to it, how it transforms inputs, and how the environment accepts the organization's output.

Finally, there has been an attempt in the organizational literature to develop a balanced model of formal organizations that encompasses elements of the both the open-system and closed-system perspectives. The major assumption of this perspective is that organizations have multiple conflicting goals and thus have to make strategic choices in response to internal and external threats. This perspective tries to control three major factors: individuals within an organization; the environment of the organization; and form of the organization. Individuals within the organization are seen as the mechanism through which environmental and organizational characteristics are shaped. The environment is considered as being unstable and varying from predictable to non-predictable. By choosing the best strategic choice-response to a changed environment, the organization attempts to fit itself to the changed environment and accordingly changes its form. That is why contingency and choice are major elements of this perspective (Hall, 1972).

The negative case analysis suggests that the open-system definition of an organization, in contrast to the closed-system definition, invites an organization-environment approach, which implies that an organization is engaged in exchange relationships with the competitive environment. (Yuchtman & Seashore, 1967). In such an approach, differences between the goals of formal organizations become less apparent since all types of organizations are concerned with the issue of survival through efficiently attracting and distributing scarce and valued resources, and ensuring there is a difference between accrued revenues and expenditures. An open-system model interpretation of the four types of formal organizations classified by Blau & Scott (1962) suggests the generic nature of operational goals (Katz & Kahn, 1966), management functions (Kotler & Murray, 1975), and marketing applications (Kotler & Levy, 1969a) for both public and private types of organizations.

The alternative Weberian closed-system definition of organizations emphasizes the critical role of clearly specified organizational goals that will result in different, not generic, operational tasks; management functions; and

internal and external arrangements of organizations. From the Weberian perspective, it is important to distinguish between profit organizations concerning with goal of survival and budget organizations concerning with bureaucratic goals. For example, a goal to maximize profit institutionalizes the existence of business organizations that are concerned with profit management. In the internal arrangements, subparts or units are accountable for the success or failure to attain this goal as well the whole organization. Therefore, management and accountability are decentralized, and responsibility is divided among the organization's parts without jeopardizing the unity of the total operation's achievement of the profit goal. Subordinates are empowered and have discretion to amend rules or regulations in order to keep their operations profitable (Von Mises, 1944). In the external arrangements, the profit goal directs decision-making relating to selection of the most profitable market segments for an organization.

However, similar to the Weberian separation of profit and bureaucratic organizations Von Mises (1944. p.v) notes that: "There are areas of man's activities in which there cannot be any questions of profit management and where bureaucratic management must prevail." Bureaucratic management is bound by law and budget and concerned with those areas where profit management cannot operate. Bureaucratic management means management in strict accordance with the law and budget, so bureaucratic organizations do what the law and the budget order them to do. Accordingly, as Von Mises notes (1944, p.45): "bureaucratic management is bound to comply with detailed rules and regulations fixed by the authority of a superior body. The task of a bureaucrat is to perform what these rules and regulations order him to do. His discretion to act according to his own best conviction is seriously restricted by them." Bureaucratic management requires very rigid internal and external arrangements. Internally, it implies detailed discretion based on bureaucratic procedures and codes of ethics such as, for example, the American Society for Public Administration (ASPA) Code of Ethics (Van Wart, 1996). Externally, the law and budget requires bureaucratic managers to serve members of the community equally, and without showing preference to one client over another.

The open-system model assumption about formal organizations fits well with the activities of business agencies and profit management. Business concerns are encouraged to compete for scarce financial resources with other business concerns in a competitive environment that is boosted by this economic development. However, the social exchange school by ignoring the closed-system model of formal organizations, fails to acknowledge the difference between profit oriented and bureaucratic oriented management. Profit and bureaucratic organizations are situated in different economic and political environments. Public agencies often enjoy the status of monopolists with no need to compete and with relatively stable funding in the form of tax-support from the public-at-large who own these organizations. Von Mises (1944, p.47) noted: "In public administration there is no connection between revenue and expenditure. The public services are spending money only; the insignificant income derived from special sources is more or less accidental." The main general goal common to most public agencies is effective implementation of the tasks established by the public at large, on the basis of rigid compliance with detailed rules and regulations established by the authority or superior body that politically represents the public at large.

However, the open-system interpretation of public agencies distorts the pursuit of such a goal and inevitably arouses conflict between the requirement to comply with detailed regulations and the need to generate revenue.

Negative case analysis suggests that the term "bureaucracy" does not necessarily have negative connotations, and the term "overbureaucratized" when used to characterize an organization does not necessarily imply an unresponsive organization as was suggested by the social exchange school (Kotler, 1975a). Blau & Scott (1962, p.45) in an introduction to their classification of formal organizations cautioned about this fallacy:

> Note also that the criticism that an organization is "overbureaucratized" means quite different things in the four types of organizations. In the case of mutual-benefit associations, such as unions, overbureaucratization implies centralization of power in the hands of officials. Here it does not refer to inefficiency; indeed, bureaucratized unions are often ruthlessly efficient. But in the case of business concerns overbureaucratizion implies an elaboration of rules and procedures that impairs operation efficiency, and here the term is not used in reference to the power of management officials to decide on policies, since such managerial direction is expected and legitimate.

In other words, if business concerns are bureaucratized it means that they are unresponsive and there is an authentic need to move towards a de-bureaucratization process and higher responsiveness through application of the marketing concept, as the social exchange school suggests. However, if commonweal organizations are bureaucratized it does not necessarily mean that they are unresponsive and that there is an urgent need to implement the marketing concept. On the contrary, Blau & Scott (1962, p.55) argue that "the maintenance of efficient bureaucratic mechanisms that effectively implement the objectives of the community" is the major task of commonweal organizations. According to Blau & Scott (1962) the de-bureaucratization of commonweal organizations (or Kotler's suggestion to apply the marketing concept to make them more responsive) may lead to commonweal organizations jeopardizing their ability to effectively implement community objectives.

Negative case analysis revealed the existence of alternative conceptualizations of *motivation*. The limitation of self-interest motivation in the context of commonly held resources (commons) was formulated by Hardin (1968) in his essay "*The Tragedy of Commons*." Hardin (1968) illustrated the tragedy of the commons by using the example with of a pasture fixed in size, that is accessible to all the residents of a village. Motivated by self-interest all the villagers sought to maximize their own use of the pasture by grazing as many cattle as possible and expanding the size of their own herds. Since each villager followed the same logic the tragedy occurs. Receiving personal benefits, villagers fail to recognize that the costs of the increased grazing will be shared by all villagers. In other words, they fail to recognize that in the long run the cumulative effect of their short run independent pursuit of self-interest will harm their collective interest. Without adequate and timely collective measures the pasture will be destroyed.

The example demonstrated that increasing demand on limited resources and a philosophy of unlimited access to commonly held resources eventually may lead to mutual destruction and harm. Hardin (1968) argued that education efforts to prevent the tragedy of commons are not enough since

there can be free riders who will take advantage of others' voluntary self-restrained actions. The solution suggested by Hardin to this type of problem is "mutually agreed upon coercion," a coercion agreed upon by a majority of the people affected through democratic voting procedures. Mutually agreed upon coercion may takes the form of a law, rule, regulation, fine, or a graduated tax. Such an approach, however, requires people and agencies that will be responsible for enforcement of these procedures: that is, bureaus and bureaucrats.

The limits of self-interest motivation in different non-economic contexts have been articulated conceptually and supported empirically in the social science literature. For example, the sociological literature introduced game The Prisoners Dilemma when two captured suspects are confronted with several alternatives for confession/non-confession and different types of punishments. A usual result of this game suggests that both suspects could receive minimum punishment if they co-operate with each other. However, each of them by following personal self-interest to minimize personal punishment inevitably harms each other's' personal self-interest.

Nevertheless, Hardin's position was debated by libertarians who associate the word "coercion" with the word "anathema" and by representatives of the public choice solution in the public administration literature. Representatives of this school questioned if "the mutually agreed upon coercion" is really democratic and voluntarily agreed upon by a majority of citizens. Representatives of the public choice solution coined the term "free rider," arguing that there would be members of a community who would prefer to use common resources while others were paying for them. Public choice school advocates of the "user pays system" and "vouchers" seek to increase the discretion of individuals by compelling them to "vote with their feet" for levels of taxation and a need for certain government services.

The social science literature seems to give a balanced consideration of the self-interest and the coercion perspectives. The self-interest motivation was recognized in sociology, anthropology, and social psychology (Belshaw, 1965; Frazer, 1919; Homans, 1969; Thibaut & Kelley, 1959). The "coercion mutually agreed upon" perspective was also recognized by many as a legitimate principle for doing things appropriate for a democratic country. Writers, whose studies were cited by the social exchange school, characterized it either as a "visible hand," "quid pro without quo," "pure gift," "one-way transfer," "grant economy," "bureaucratic management" or simply "government" and "public administration." For example, the philosopher Berdyaev (1948, p.185) distinguished two motivational principles in regard to economic life: "One of them says: In economic life follow up your own personal interest and this will promote the economic development of the whole, it will be good for the community, for the nation, for the state... The other principle says: In economic life serve others, serve the whole community and then you will receive everything which you need for your life." Similarly, the economist Von Mises (1944) referred to the same distinction as "two contrary methods of doing things" in a democratic society: "the private citizens' way and the way in which the offices of the government and the municipalities are operated." Von Mises termed them, "profit management" and "bureaucratic management." Another economist Boulding (1970), adapting from the philosopher Sorokin (1964) the distinction between compulsory and familistic types of social relationships, discussed the malevolence and benevolence types

of motivation that underlie the threat and love integrative forces. The anthropologist Sahlins (1965) distinguished between altruistically motivated transaction and subordination to central authority, as did Polanyi (1944) and Dalton (1971) who differentiated between politically or socially defined obligations and self-interest motivation. Finally, one of the definitions of government articulated by Abraham Lincoln recognized the limits of invisible hand and a need for bureaucratic management: "a legitimate object of government, ... to do for a community of people, whatever they need to have done, but cannot do, at all, or cannot, so well do, for themselves—in their separate, and individual capacities" (cited in Shafritz & Russell, 1997).

Negative case analysis suggests that self-interest motivation fits well with the activities of business organizations or profit management. However, negative case analysis also suggests that there is a contradiction in the social exchange school's conceptualization of public sector marketing between self-interest motivation and the code of ethic practiced by public administrators. Contrary to the social exchange school interpretations, Blau & Scott (1962) argued that self-interest plays a limited role in the governance of nonbusiness formal organizations such as mutual-benefit associations, service organizations, and commonweal organizations. They contended that in the case, for example, of a mutual benefit association such as a labor union, self-interest condemns the organization: "If union leaders usurp the role of prime beneficiary and run the union as if they owned it for their personal benefit, the organization is condemned for no longer serving the proper functions of a labor union." (p.44).

Service organizations are in a similar case. In service organizations, such as social work agencies, hospitals, some park and recreation agencies, schools and universities, the welfare of clients, participants, patients, and students is presumed to be the chief concern. This concern usually is cemented in codes of ethics adopted by professions as, for example, oaths, rules, or codes of ethic in the medical, military, law enforcement, and jurisprudence professions. These regulations are based on an assumption that while customers are able to look after their own self-interest in a store, the same customers often do not know what will best serve their own interest in relationships with professional service organizations. For example, patients in a hospital may or may not want surgery intervention in their bodies. However, it is a doctor or medical professional who determines and decides for patients what is in their best interest and what is the best treatment for a particular health problem on the basis of professional and ethical considerations. Similarly, clients who pay lawyers for legal advice may guess what is good in their case, but it is the lawyers who decide what is in the client's best legal interest on the basis of professional and ethical standards, and not considerations of personal gain at the expense of the client. Lawyers who personally gain at the expense of client interests are usually condemned by the bar association and deprived of their practice. Finally, in the example of a university used by Kotler (1975a), Blau & Scott (1962, pp.52-53) argue that "students are best served when professional educators determine what and how they are to be taught" and not when students themselves decide what and how they need to study. Blau & Scott (1962, p.51) identified clear differences between the motivations of business and public decision-makers:

> ... while the businessman's decisions are expected to be governed by his self-interest--as epitomized in the phrase "caveat emptor" – the

> professional's decisions are expected to be governed not by his own self-interest but by his judgement of what will serve the client's interest best. The professions are institutionalized to assure, in the ideal case, that the practitioner's self-interest suffers if he seeks to promote it at the expense of optimum service to clients.

In the Code of Ethics developed by the American Society for Public Administration (ASPA) (Van Wart, 1996) employees of public sector organizations are seen to "serve the public interest beyond serving oneself." The ASPA's guidelines are consistent with Blau's (1964) contention that public servants must "abstain from exchange relationships" with clients and serve the public interest in "detached manner" with personal "disinterest."

The presence of self-interest in the relation of clients with commonweal organizations inevitably leads to ethical and even legal conflicts. For example, Locke & Woicenshyn (1995) argue that the cynical egoism code that is commonly taught in business schools as the subjective expected utility (SEU) model is inappropriate for the character of social service because it advocates dishonesty "... if one feels like it, if it helps gratify one's immediate desires, and if the cost (likelihood of getting caught) is low" (p.406). In the like vein, Blau & Scott (1962, p.44-45) note:

> Commonweal organizations, in sharp contrast, are not expected to be oriented to the interests of their "clients," that is, those persons with whom they are in direct contact. A police department, for example, that enters into collusion with racketeers fails to discharge its responsibility to the public-at-large and is no longer the protective organization it is assumed to be. Likewise, if policemen solicit bribes instead of enforcing the law, or the police commissioner runs the department to further his political ambitions, the public's position as prime beneficiary of the organization suffers.

Thus, application of self-interest motivation in the context of public organizations, as was suggested by the social exchange school of marketing is contradictory. Negative case analysis suggests that arrangement of formal organizations with environments can be explained not only from an exchange perspective, as suggested by the social exchange school, but also from the *redistribution*and/or *reciprocity* perspectives. The concept of redistribution, as well as the concept of reciprocity, was developed by those adapting a substantivist perspective in economic anthropology and collectivistic sociology (Dalton, 1971; Ekeh, 1974; Levi-Strauss, 1969; Polanyi, *et al.*, 1957; Polanyi, 1944; Sahlins, 1965). This perspective attempts to analyze economic life in primitive and modern societies from three different approaches: reciprocal arrangements based on the symmetry principle; redistributive arrangements based on the centricity principle; and marketing exchange arrangements based on price-making markets.

Reciprocity implies a symmetrical sequence (AB/ BA) among just two partners or (AB/BC/CA/AC) among more than two fixed partners. Redistribution is centripetal movement of resources among many actors within a group upon one central figure followed by the action of that central figure upon the actors within the group in unison and repartition (BA/CA/DA/ and then A/BCD). Finally, marketing exchange is chaotic movements (A/BCD, B/ACD, and C/ABD) (Polanyi, *et al.*, 1957, pp. vii-viii). This "sunbstantivist" perspective is different from the "formalist" perspective which recognizes only marketing exchange arrangements (Belshaw, 1965).

Substantivists theorize that redistribution is payment to, and disbursement by, a central political authority. It implies a hierarchically structured group and that there is a center of the group. The primary mechanism of redistribution is sharing. Members of a group pool their resources at a center, and this pooled or common resource is then shared among the group members according to commonly accepted distributive rule. The tax systems of industrial countries or payments to the chief in primitive societies are typical examples of redistributive arrangements. Sahlins (1965, p.141) referred to redistribution as "pooling." Pooling is "centralized movements: collection from members of a group, often under one hand, and redivision within this group... This is "pooling" or "redistribution" ...pooling is socially a within relation, the collective action of a group." The most important principles that characterize redistribution arrangements are centricity and the group membership rules. Sahlins (1965, 1972) contrasted redistribution as a "within relation" with reciprocity as a "between relation". Reciprocity is obligatory gift-giving among kin and friends. Sahlins (1965) maintained that on a very general view "pooling" and "reciprocity" can merge. However, he believed that the course of analytic wisdom is to separate the array of economic transactions in the ethnographic record into two types because their social organization is very different. Sahlins (1965) noted that there is a popular tendency to consider between relations (reciprocity) as a balanced unconditional one-for-one exchange. However, referring to abundant ethnographic records, he recognized that reciprocity is rather a "a whole class of exchanges, a continuum of forms." This continuum ranges from "the assistance freely given" or "pure gift" at one end of the spectrum and "self-interested seizure" or "appropriation by chicanery or force" at the other pole.

Accordingly, Sahlins classified diverse forms of reciprocities as ranging from the "generalized reciprocity, the solidarity extreme," through the "balanced reciprocity, the midpoint;" to the "negative reciprocity, the unsociable extreme." By generalized reciprocity, Sahlins understood "transactions that are putatively altruistic, transactions on the line of assistance given and, if possible and necessary, assistance returned." Ethnographic examples of such relationships include "sharing," "help," "free gift," and "generosity." By balanced reciprocity he understood "the simultaneous exchange of the same types of goods to the same amount." Balanced reciprocity is more economic and less personal and ethnographic examples include "trade" and "buying-selling" that involve "primitive money." Finally, negative reciprocity is "the attempt to get something for nothing with impunity, the several forms of appropriation, transactions opened and conducted toward net utilitarian advantage." Ethnographic examples include such relationships as "haggling," "barter," "gambling," "chicanery," and "theft." Sahlins (1965) suggested that in most societies "generalized reciprocity" is the norm within family relationships and "negative reciprocity" predominates in economic relationships outside the family in modern industrial societies. To explain other economic activities in society, such as payment of taxes and public services, Sahlins argued that a different analytical category and analysis was needed. While Sahlins (1965) believed that it was wise to separate the array of economic transactions in the ethnographic record into two types (reciprocity and redistribution) because their social organizations are very different, Ekeh (1974), whose study was adopted by the social exchange school, used a different approach. Referring to Levi-Strauss's (1969) studies of kinship,

Ekeh (1974) distinguished between direct reciprocity and generalized reciprocity.

Direct reciprocity characterizes relationships where actor A expects to be benefited directly by actor B, whenever A benefits B. Ekeh refers to this type of reciprocity as *restricted exchange* and notes that restricted exchange can take two major forms. Given only two parties, A and B, restricted exchange has the form A ⇔ B, and this is referred to as *exclusive restricted exchange*. Given several parties, for example, three individuals A, B, and C, restricted exchange has the form A ⇔ B ⇔ C and this is referred to as *inclusive restricted exchange*. Both types of restricted exchange based on direct reciprocity are characterized by the notion of quid-pro-quo, emotional load, attempts to maintain equality, tensions, distrust, frequent conflicts over fairness, instability, mechanical solidarity, and brittle relationships (Ekeh, 1974; Gillmore, 1987; Uehara, 1990; Yamagishi & Cook, 1993). Restricted or dyadic exchange is traditional economical exchange motivated by self-interest motivation and profit considerations. This exchange is characterized by Adam Smith's quid-pro-quo notion: "whoever offers to another a bargain of any kind, proposes to do this: give me that what I want, and you shall have this which you want" (Smith, 1850, p. 7).

Univocal reciprocity characterizes relationships that involve at least three actors and where actors do not benefit each other directly, but only indirectly. Ekeh refers to this type of relationship as generalized exchange that also has two forms. *Chain generalized exchange* has the form A ⇨ B ⇨ C ⇨A, where, "⇨" signifies "gives to." It is operated by *chain univocal reciprocity* when actors in the system are so positioned that they operate a chain of univocal reciprocations to each other as individual units. *Net generalized exchange* operated by *net univocal reciprocity*. Net univocal reciprocity denotes empirically observed situations where relationships can be individual-focused or group-focused. In individual-focused exchange relationships, the group as a whole benefits each member consecutively until all members have each received the same amount of benefits and attention (ABC ⇨D; ABD ⇨ C; ACD ⇨B; BDC ⇨A). In a group-focused exchanges, individuals give to the group as a unit and then gain back as part of the group from each of the unit members (A ⇨BCD; B ⇨ACD; C ⇨ABD; D ⇨ABC). Generalized exchange produces a high degree of social solidarity among parties, and establishes trust and commitment. Ekeh (1974) believed that generalized exchange and univocal reciprocity generate collective rights and lead to concepts such as "payment of taxes" and "citizenship".

Although Ekeh clearly formulated different assumptions underlying each type of reciprocity, serious limitations of his study were the focus on kinship relationships, and the failure to distinguish between "pooling" and "reciprocity." Discussing individual and group-focused net-univocal reciprocities, Ekeh (1974) recognized:

> Sahlins... makes a distinction between 'pooling' and 'reciprocity'. What he refers to as pooling seems to be a combination of the two types of net reciprocity that I identify here... Although Sahlins' conception of pooling appears insightful, it is doubtful that it is separate from reciprocity as conceived in net generalized exchange.

Recent studies, however, emphasize crucial differences between reciprocity and redistribution in the context of social policy (e.g. Brody, 1985). Thus, in the context of public policy and the public sector it is important to follow

Sahlins' type of analysis and to distinguish between reciprocity and redistribution.

This negative case analysis suggests that interpreting of a formal organization's interaction with its environment as a voluntary exchange of values, fits well with business organizations and the profit management philosophy. This law of exchange has been commonly accepted by business and marketing scholars. However, negative case analysis and a review of original sources (Blau, 1964; Blau & Scott, 1962) used by the social exchange school (Kotler, 1975a; Kotler & Murray, 1975) suggests some contradictions in the interpreting public agencies' interaction with their environment in terms of voluntary exchange. For example, contrary to the assertions of the social exchange school which adopted the Blau & Scott (1962) taxonomy of organizations, Blau (1964) denied that voluntary exchange was applicable to public organizations. The reason for his denial was the inherent conflict between bureaucratic rules of conduct and exchange relationships in these types of organizations. For example, when discussing service organizations, Blau (1964, p.261) noted:

> Professionals are expected to be governed in their work exclusively by professional standards of performance and conduct and not by considerations of exchange with clients. Although free professionals depend on fees from clients for their livelihood, the professional code of ethics demands that they do not let this fact influence their decisions and that these economic transactions do not affect the social interaction in which professional services are rendered to clients. The professional must refrain from engaging in reciprocal social exchange with clients lest his decisions be influenced by the exchange instead of being based only on his best judgement in terms of professional standards.

Discussing commonweal organizations, Blau (1964, p.263) noted the existence of the same conflict between bureaucratic rules and exchange transactions citing the empirical studies that he and Scott used in their work on classification of formal organizations in 1962:

> The situation of bureaucratic officials who provide services to clients is similar to that of professionals. Officials in a bureaucracy are expected to treat clients in a detached manner in accordance with official rules, and this requires that officials abstain from exchange relationships with clients, because exchange transactions would make them obligated to and dependent for rewards on clients. Even if it is only the gratitude and approval of clients an official wants to earn, his concern with doing so can hardly fail to influence his decisions and lead him to depart from official procedures. If officials become dependent on clients either for rewards they personally seek or for services of clients the organization needs, they must enter into exchange transactions with clients, which means that they cannot strictly follow bureaucratic procedures in their relations with client.

The absence of direct exchange relationships between nonbusiness organizations and their clients based on the *quid pro quo* notion was a principal argument used by Luck (1969; 1974) against acceptance of the broadened marketing proposition and the social marketing concept. Luck (1969, p.54) noted the existence of exchange relations of public organizations with their clients as a process of "corruptly committing illegal acts," which is consistent with Blau's (1964) position of a "departure from official procedures."

In response to its critics, the social exchange school attempted to use the notion of an indirect quid pro quo and to introduce concepts of indirect,

restricted, generalized, and complex exchanges (Kotler & Levy, 1969b; Bagozzi, 1975). However, a closer analysis of these concepts revealed that this school still relies heavily on an exchange paradigm which ignores the "absence of exchange relations with clients" requirement as a fundamental condition in the functioning of public agencies. The results of negative case analysis suggest that consciously or unconsciously the social exchange school of marketing overlooked the main condition for governing the functioning of public organizations suggested by Blau (1964, p.263):

> An essential element of professional and bureaucratic detachment is the absence of exchange relations with clients. Exchange transactions create obligations that make it impossible to conform undeviatingly to professional or bureaucratic standards.

Thus, the complex exchange concept has limited adequacy for conceptualization and explanation of public agencies' interaction with their environment. It appears, that the concepts of redistribution or reciprocity might be superior conceptual constructs for operationalizing and accounting for such interactions, because they recognize the "absence of exchange relations with clients" requirement to be crucial for bureaucratic management.

3.3. The results of theoretical triangulation

The existence of alternative assumptions and the contradictions found in the social exchange school's interpretation of public sector marketing during the negative case analysis permits theoretical triangulation. The results of the theoretical triangulation are summarized in Figure 1.

The figure derived by cross-tabulating marketing categories (column) with types of organizations (rows) and graphical examples. It includes the social exchange school's assumptions about organization, motivation, and arrangements, and the alternative assumptions about the same categories that were revealed in the negative case analysis. The types of organizations are categorized under the headings of profit, bureaucratic, and non-profit organizations. This recognizes Von Misses' distinction between profit management and bureaucratic management, or more simply between profit and government organizations. This distinction has been recognized in the public administration literature (Allison, 1992; Rainey, *et al.*, 1976). Non-profit management and nonprofit organizations are added to this dichotomy, as occupying the middle ground between government and private profit organizations. Non-profit organizations are those organizations that according to law are excluded from an obligation to pay taxes on profits provided that the profit is reinvested in their operations (Rados, 1981).

Three categories of marketing are recognized in the figure: organization, motivation, and arrangement modes. There is agreement that these major categories constitute minimum areas of interests for the marketing discipline (Kotler, 1975a). Finally, the bottom horizontal row graphically illustrates the alternative assumptions. The triangulation of organization types with marketing categories suggests three possible conceptualizations of public park and recreation marketing: the exchange perspective; the redistribution perspective; and the reciprocity perspective.

Types of Organizations

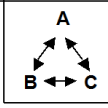
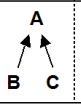
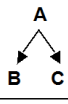
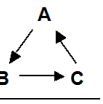
Marketing Categories		*Profit Management*	*Bureaucratic Management*	*Non-Profit Management*
	Organization	Open-System Model	Closed-System Model	Contingency-Choice System
	Motivation	Public Interest through pursuit of self-interest, based on quid-pro-quo	Public Interest through "coercion mutually agreed upon"	Public Interest through altruism
	Arrangement	Voluntary exchange	Redistribution	Reciprocity
	Examples		 	

Figure 1. *The Results of Theoretical Triangulation*

4. Discussion

The first column in Figure 1 represents the social exchange school's controversial conceptualization of generic marketing based on the major assumptions about organization, motivation, and arrangement that were discussed earlier in the chapter. It is based on an interpretation of formal organizations as open-systems; motivated by pursuit of self-interest; and using voluntary exchange to interact with the environment.

This perspective attempts to view a public agency as being a profit management organization which is the center of a system that responds directly and quickly to an array of different interest groups. It reflects a department that has been delegated wide discretion to interact with, and which responds directly to the needs of, its various external interest groups including central government in its jurisdiction. The agency is given broad sideboards, defined by financial boundaries and general goals, but within those sideboards it has substantial independence to respond quickly to changes in the environment in which it operates.

This perspective encourages decentralized decision-making, because success is perceived to depend on being able to respond quickly and adapt to dynamic external and internal pressures. According to this perspective the organization is not pre-occupied with following pre-established goals. It puts emphasis on efforts to attract additional resources from its external environment beyond those regularly provided by the agency's governing body, to convert these resources into public services, and to efficiently distribute these services. The organization is viewed as the primary decision-maker.

This perspective emphasizes voluntary exchange rather than coercion or selfless giving to attract, convert, and distribute resources. Voluntary exchange requires two conditions: (1) there are at least two parties who are free to enter into an exchange; and (2) each party has something that might be valued by the other party. This perspective is based on the assumption that the collective need for public service is served best when the managers of an agency, its employees, and its users pursue their own self-interests. From this perspective, an agency's interaction with its interest groups diagrammatically can be represented as$A \Leftrightarrow B \Leftrightarrow C \Leftrightarrow A$, where "⇔" signifies "gives to and

receives from," and where "A" is a city council or the city manager's office, "B" is a public agency, and "C" is a group of citizens.

The middle column in Figure 1represents a conceptualization of marketing based on a closed-system model of formal organizations; "coercion mutually agreed upon" motivation; and a redistribution arrangement mode. This perspective attempts to view a public agency as a bureaucratic organization. The agency is viewed as a substantively constrained subsystem of a larger political system having relatively little freedom for responsive action without approval from a dominant political center that governs the system. A public agency is subject to tight central control enforced by the city manager's office and /or by a city council. Almost all decisions have to "go through channels" and be authorized by the central authorities before actions can be taken. This perspective stresses pursuit of clearly specified goals and procedures, and a pyramidal hierarchy of positions and regulations. They are designed in accordance with the philosophy that says, "If this is the goal, then these are the most rational procedures for achieving it." The tasks, sphere of activities, and authority to make decisions are clearly delineated, tightly defined and proscribed. They are assigned to members of the agency based on their position in the hierarchical pyramid. All decisions are centralized and employees in the middle and lower echelons of the pyramid have very limited discrete decision-making authority.

This perspective implies that a public agency achieves its goals through the notion of redistribution. Redistribution entails obligatory payments of money objects (taxes) by community members to a democratically elected government. The government uses the receipts for its own maintenance, as emergency stock in case of individual or community disaster, and for the provision of needed different community services. Redistribution payments (taxes) to a government (socially recognized center) are an expression of politically and democratically defined obligations, and redistribution disbursements (public services) by government are determined democratically by political and legislative decisions and voting procedures. This perspective postulates that the collective need for public services in the community is best met when the managers and it employees of a public agency serve the public interest rather than their own self-interest. From this perspective, a public agency's interaction with its interest groups diagrammatically can be represented as: CB ⇨ A 🕘 CB ⇦ A, where: "⇨" signifies "redistributive payments"; "⇦" signifies "redistribution disbursements;" "🕘" signifies "a period of time"; and "A" is a city council or the city manager's office with a subservient public agency, and "B" and "C" are groups of citizens.

The third column in Figure 1is an attempt to view a public agency as a non-profit management organization. It is based on the contingency-choice model of formal organization characterized by altruistic motivation and a reciprocal arrangement mode. This type of organization has a flat hierarchy, decentralized decision-making, and makes efforts to attract additional resources from external sources and to quickly respond to interest groups. However, it has clearly specified goals and mission that is tightly defined by law and which cannot be changed. The organization tries to balance two conflicting goals: not to change its clearly specified mission, and to attract additional resources by responding quickly to interest groups.

The reciprocity perspective believes that the collective need for public service in a community is served best when the managers and employees and interest groups rely on altruism and benevolence attitudes. According to this philosophy, managers and employees, and community members, sacrifice their own self-interests for the collective interests and also offer for generous help and assistance to preserve public wealth.

Interaction of this type of organization with its environment is based on generalized reciprocity which is characterized by there being at least three parties involved which do not benefit each other directly, only indirectly. From this perspective, a public agency's interaction with its interest groups diagrammatically can be represented as A ⇨ B ⇨ C ⇨ A, where "⇨" signifies "gives to" and where "A" is a city council or city manager's office, "B" is a public agency, and "C" is a group of citizens.

5. Conclusion

The results of this study contribute to existent critical studies in several important ways. First, they link assumptions underlying the social exchange school of marketing with the assumptions of the Chicago school. Few attempts have been done in previous studies to trace the intellectual roots of the school and to identify this connection.

Second, the non-empirical results of this study show that the social exchange school of marketing is loyal to the methodological and epistemological traditions of the Chicago school. The social exchange school employed a reductionist methodology with minimal reliance on empirical testing. As a result of such a methodological approach, the diversity of social concepts that can be found in the social science literature was reduced to fit the assumptions of the Chicago school.

Third, the results of qualitative research demonstrated that the concepts adopted from social science were misinterpreted and biased, and were significantly adapted to fit the assumptions of the Chicago school. Analysis showed that most of these adaptations conflict with, and conceptually contradict, mainstream conceptualizations of public agencies in the organizational behavior and general public administration literatures.

Fourth, the results documented the consistent efforts of the social exchange school to spread their confusing conceptualization of public sector marketing into different disciplines and academic publications where they found some support.

Finally, the results introduce alternative concepts from the social science literature that have significant potential for explaining the organization, motivation, and internal and external arrangements of public agencies with employees and communities.

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