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**CONSUMERISM: MANAGEMENT CHALLENGE
OF CONSUMER PROTECTION IN
NATIONAL ENTERPRISES**

**by
AZUBUIKE SONNY A. NWANKWO**

A handwritten signature in black ink, appearing to be a stylized 'S' or 'A' followed by a vertical line.

City University London

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OF CONSUMER PROTECTION IN
NATIONAL ENTERPRISES**

by

AZUBUIKE SONNY A. NWANKWO BSc., MBA, Dip.M, MCIM

**Submitted for the Degree of Doctor of Philosophy (PhD)
of the City University Business School, London.**

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Sonny Nwankwo

Declaration

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Azubuike S. A. Nwankwo

ABSTRACT

Until recently, consumer policy researchers have concentrated almost exclusively on the competitive market, with little attention to the market failure scenario. This study investigates consumer protection behaviour of national enterprises. It does this by exploring the factors which determine or influence consumer policy decisions when the competitive market mechanism is hindered, and the dilemma facing management in such bounded marketing environments.

Fundamentally, two basic approaches to structuring consumer protection have been identified. These relate to, (a) private enforcement, ie. market processes, and (b) public enforcement, ie. political processes. These perspectives were systematically collapsed into Hirschman's Exit/Voice theory and explored using qualitative methodology.

Our findings did not broadly uphold the basic configuration of the Exit/Voice paradigm. It is intellectually flawed to insist that decisions about improving enterprises' performance on consumer protection should be impelled by strategies based on those dichotomous perspectives. Strengthening means for consumer advocacy or introducing and protecting competition in the hope that they will concomitantly protect consumers can not, in themselves, assure genuine consumer protection. Consumer protection came through as a discretionary agenda item. It is neither exclusively located in the political process nor in the market mechanism. It is a dependent variable whose behaviour is shaped by variations in management practices. At the enterprise-consumer interface, consumer protection becomes an explicit challenge of management.

In terms of institutional arrangements for consumer protection, we did not observe any optimal structure. However, we did observe that the differing approaches that management can adopt can be classified and appraised in relation to four variables. These variables are, (i) Sensitivity (pro-active/reactive), (ii) Definition (consumer/company centred), (iii) Measurement (formal/informal) and, (iv) Implementation (tasks/responsibilities). These variables are not independent. Their interrelationships lead to a method for evaluating the different approaches in terms of management response to the challenge of consumer protection.

ABBREVIATIONS

BT	- British Telecommunications.
DGGS	- Director General of Gas Supply.
DGT	- Director General of Telecommunications.
DTI	- Department of Trade and Industry.
ECC	- Electricity Consumers Council.
ECE	- Economic Commission for Europe.
EEC	- European economic commission.
GCC	- Gas Consumers Council.
ITU	- International Telecommunications Union.
MCL	- Mercury Communications Ltd.
NCC	- National Consumer Council.
NEDO	- National Economic Development Office.
NITEL	- Nigerian Telecommunications.
OECD	- Organization for Economic Co-operation and Development.
OFGAS	- Office of Gas Supply.
OFT	- Office of Fair Trading.
OFTEL	- Office of Telecommunications.
PTO	- Public Telecommunications Operator.
TAC	- Telecommunications Advisory Committee.
TMA	- Telecommunications Managers Association.

CHAPTER 1

INTRODUCTION

1.0. BACKGROUND

Consumer policy in general terms and specifically, consumer protection, is not a straight-forward phenomenon to study. The issue becomes more complex when related to the dimension of the national enterprise. This is so because what is usually regarded as the enterprise philosophy on one hand and the realities of the the national enterprise market situation on the other often appear to be at opposite ends. The term, national enterprise, is discussed in detail in chapter 2. Suffice it to say, for now, that it denotes the category of enterprises which operate in less than effectively competitive market environment. They are said to be at the "service of collectivity", (Mazzolini,1978), and operates in such realm where the delineation between public interests and private interests often seem blurred. As a result, the tendency is recourse, or perhaps pay more attention, to the political process in preference to the market process in trying to modify the behaviour of such enterprises.

Conceptually, enterprises in the open market system are presumed to be susceptible to the discipline of the market place. National enterprises, like other economic agents, will ordinarily be expected to behave in the true philosophy of the enterprise concept. That is, to obey the rules of the market place. In real life, the national enterprise appear to take a great deal of exception to those rules. This, perhaps, is because the circumstance of their market position deviates from the conceptual connotations of the enterprise concept. Researchers have been trying to provide answer to why such an aberration do exist. Explanation often given is that those enterprises operate in seller-dominated markets where competition is either absent or weak, in contrast to traditional buyer-dominated markets which are characterized by free and effective competition. When this condition exists, market failure is said to have occurred, (Ramsey, 1985; Bator, 1958; Mendelowitz, 1978; Abell,

1977; Scherer, 1980; Utton, 1986). Ramsey, (1985) argues that market failure occurs when there is a failure of one of the conditions necessary for the optimal operation of a competitive market. Bator, (1958), diagnoses this condition as the central economic rationale for government/public intervention in the market place. Mendelowitz (1978, p.36), identifies market failure with the existence of conditions such as (i) externalities, (ii) interdependence in natural resource use, (iii) destructive competition, (iv) information deficiencies, and (v) natural monopoly.

Abell (1977), argues that the determination of conditions of market failure can be based on three fundamental elements:

- Market structure : referring to the number and size distribution of buyers and sellers, product differentiation and entry barriers.
- Market conduct : refers to the behavioural tendencies of firms as they adjust to the markets in which they participate.
- Behaviour : described in functional terms, eg. pricing behaviour, product policy, cross adaptation of elements of the marketing mix.

Scherer, (1980, ch.2) postulates five possible factors that could lead to market failure. These factors are :

- (a) there may be lack of competition.
- (b) there may be barriers to entry.
- (c) there may exist problems with product differentiation.
- (d) there may be information gaps between buyers and sellers or in certain market signals ,e.g., seller reputation may be imperfect.
- (e) there may be third party effects which are not costed in the market price - e.g., the classic problem of externalities.

Other points have been discussed by Beckerman, (1986), such as merit goods, economies of density, complementarity, contestability, (see also Helm and Yarrow, 1988).

The idea of market failure and consequences wrought by the concept tend to underlie the point that a great proportion of consumer protection models in

national enterprises may either have been developed on not-very-true-to-life premises or implemented out of context. This, to a great extent, has contributed to making consumer protection in such enterprises a more complex issue. It is therefore not surprising that the forces of consumerism have not been vigorously directed towards national enterprises in the manner of other competitive economic agents (Enis & Yarwood, 1986). Major studies in consumer protection have concentrated on the open market situation - where enterprises engage in 'atomistic competition' for consumers' resources (Cunningham & Tinnion, 1980). Fundamentally, these studies have assumed a competitive environment. This is without regard to whether the approach is from a management perspective (Maynes,1979), a consumer perspective (Cave,1985; Sheth & Mammana, 1974;) or from a political/institutional perspective (Dyke & Rosenberg, 1979). Major concerns have centred on issues regarded as contributing to questionable behaviour of enterprises in the open market in a bid to gain advantage over one another. In the process, it has been argued, consumers' interests unwittingly suffer. Most of the studies have therefore focused on how to ensure adequate protection of consumers from the vagaries of the market place, given a competitive environment.

We shall return to this aspect later but for now, suffice it to say that there are two major discernible perspectives upon which major consumer protection theories have been based. We shall briefly look at these perspectives as a lead to developing the theoretical framework at a narrower, definable level.

1.1. PERSPECTIVES ON CONSUMER PROTECTION THEORIES

Basically, two broad perspectives can be identified. They revolve around the efficacy or otherwise of the unhindered market force as a guide to consumer protection.

1.1.1. Market Processes: The first view holds that the competitive market mechanism anchored on consumer choice is adequate to convey and enforce consumers' preferences. This viewpoint takes bearing from the premise that in the open market system, all enterprises are supposedly exposed to competition in such a way that none enjoys any kind of advantage over

another outside adroit manipulation of marketing factors. Enterprises compete for consumers' limited resources and the success of each depends on its ability to obtain a fair share of the consumer's 'vote'. This presumably places the consumer in a position where he dictates, not only the market trend but also becomes the cardinal thrust of all marketing activities. To be able to get the consumer's 'vote', enterprises strive to cultivate his loyalty to their marketing cues. This they do by trying to offer a total package of satisfaction as well as protection from the vagaries of the market place. This viewpoint therefore upholds the sovereignty of the consumer in the market place and the allocative efficiency of the market mechanism.

1.1.2. Political Mechanism: An alternative view, though complementary to an extent, accepts that consumer protection should be an ethical philosophy of business. It goes further to insist that decisions in that sphere should not be left entirely to the market place. The argument is based on the premise that some enterprises operate under imperfect market conditions, which in essence invalidates the basic tenets of the market mechanism. If market conditions are imperfect, then the rules of the competitive mechanism can no longer apply. To ensure that consumers are protected, there would be need for some form of political intervention in the market processes.

It is also argued that even when competition exists, the modern market place has become so complex and confusing that it could make consumers susceptible to willful manipulation through the mechanics of Marketing. There is need therefore for some sort of government intervention to ensure fair and free competition, equal access and opportunities, discourage monopoly practices, and enact rules and regulation to govern enterprise behaviour.

From these broad perspectives, we can go further to introduce six theoretical concepts which are of importance in the study of consumer protection. They are (a) the Marketing Concept, (b) theory of competitive advantage, (c) Exit, Voice and Loyalty, (d) Collective Action, (e) Countervailing power, (f) integrated participation. They are taken from the works of McCarthy,(1984); Porter,(1985); Hirschman,(1971); Olson,(1971); Galbraith,(1956); Heckcher, (1946); and Pestoff,(1984). The concepts will be related to certain basic

properties of markets and politics which can influence consumer protection strategies. At the end, we shall synthesize the concepts to evolve a common theoretical platform which will guide this study.

1.2. THEORETICAL CONCEPTS AND SYSTEMIC CONSIDERATION

1.2.1. MARKETING CONCEPT: The evolution of the Marketing concept has been amply treated in the literature, (McCarthy,1984; Mckay,1972; Kotler,1984,1986; Bell & Emory,1971; Houston,1986; Dickenson,1986).

The essence of the Marketing concept is the conviction that enterprise decisions should begin with rather than end with the consumer. It holds the consumer as the central focus of all business activities, whose needs must be properly identified and addressed as a prelude to achieving success.

The major premise of the Marketing concept is embedded in the notion of consumer sovereignty. According to this notion, the consumer is said to be the ultimate authority in deciding who produces what goods, by what means, and for whose benefit (Wendell,1976). This does not imply that each consumer is individually a sovereign with unchecked sway in the market place, but as a group they collectively guide and control the marketing system. As Galbraith,(1967), puts it, "in response to wants which originate within himself or which are given to him by his environment, the consumer buys goods and services in the market. The opportunities that result from making more or less money are the message of the market to ... firms. They respond to this message of the market and thus, ultimately, to the instructions of the consumer" (p.221).

The supremacy of the consumer in the market place has long been conceptualized, starting from the classical Economists like Adam Smith who in 1776 proposed that "... the interest of the producer ought to be attended to only in so far as it may be necessary for promoting that of the consumer", (Smith,1937,p.625). Smith believed his maxim to be self evident and one of the early Marketing theorists, Charles Parlin , was so enthralled that in 1912, he declared that in the American marketing system, "the consumer is king",

(Bartel, 1962,p.109). Similar views were further echoed by Converse and Huegy,(1946) in their leading post-war treatise in Marketing: " business functions to satisfy the needs of the consumer. The first measure of success of any business is how well it serves the consumer. If an operation is not in the interest of the consumer, it is not justified, no matter how profitable it may be to its owners. He profits most who serves best', (p.21, emphasis mine).

At the present time, the Marketing Concept still enjoy strong support. Eloquent testimonies from the works of eminent scholars bear credence to this, (Drucker,1973; Levitt,1977; Brown,1987). At the operational level , for example, the chief executive of Jaguar cars, the flagship of the British automobile industry, was not too long ago quoted to have declared that , " business is about making money from satisfied customers. Without satisfied customers, there can be no future for any commercial organization, (Brown, 1987).

From the above , it can be seen that the hallmark of the Marketing Concept is customer orientation. This would suggest that consumer interest and protection are inextricable parts of business philosophy. The logic of the concept therefore is the inherent awareness on the part of enterprises that it is in their own self interest to satisfy and protect consumers.

However, in spite of the acclamation of the concept, it is doubtful as to what extent it can be applied to national enterprises. This aspect will be addressed later, suffice it to note that the concept forms the fundamental framework of consumer protection based on the market model approach.

1.2.2. COMPETITIVE ADVANTAGE (PORTER,1985): Porter's theory of competitive advantage is fundamentally oriented towards the market model approach. The core concept of competitive advantage in any industry is that the rules of competition are embodied in five competitive forces:

- entry of new competitors
- the threat of substitutes
- the bargaining power of buyers
- bargaining power of suppliers
- rivalry among existing competitors.

The collective strength of these five competitive forces ensures industry stability and determines each firm's opportunities and profitability. Porter postulates that consumer power influences the prices which the firm can charge and can also influence cost and investment. In other words, each firm's opportunities are invariably dependent on consumers' power. To exploit such opportunities, it is necessary for the firm to ensure that the 'power base' is protected.

Porter's reasoning, in all its detail and sophistication can not be repeated here. What is important is to note that each industry's orientation is shaped by competitive forces. The bottom-line is that each individual firm, desirous of success and aware of the competitive environment, will spare no resources in trying to uphold consumers' interests. If it neglects to do so, it would simply have created a situation of competitive advantage for other existing firms, and opportunities for new or potential entrants who could take advantage of the loophole. Porter argues that competitive strategy must grow out of a sophisticated understanding of industry's basic attractiveness. The ultimate aim is therefore to cope with and, ideally, to change those rules in the firm's favour. Porter believes this principle is self-evident and applies to any industry, domestic or international, which produces a product or a service.

In the context of national enterprises, it would appear that Porter's basic assumptions raise a number of questions, in the manner of other market models. Some of the major flaws of the model have been addressed by Miller (1988), Miller and Friesen (1986), Murray (1988). The model implies that an accurate assessment of the competitive situation is a critical factor in changing or enhancing the enterprise's position. Oliva, Day, and Macmillan (1988), argues that incorrect assessment of the constituent elements may have two negative effects. First, under-response in terms of relative competitive force could result in a deteriorating relative competitive position. Secondly, over-response could result in wasted resources with little gain in advantage, particularly in situations of high inertia with a clear competitive lead. Furthermore, the extent that each of the competitive forces can influence the behaviour of the national enterprise is very doubtful. We shall return to this later.

1.2.3. EXIT, VOICE AND LOYALTY (HIRSCHMAN,1970)

Hirschman looks at exit and voice as crystallization of economics and politics. He asserts that economist, when studying the forces that serve to correct decay in performance of firms in the market place , have focused almost exclusively on economic incentives. Economics posits that declines in sales and market share serve to force firms to correct their imperfections or face going out of business. Hirschman points out some key defects in this economic perspective and proposes that in conditions where suppliers of a product or service hold near monopoly control of supply but where a small amount of competition exists, (Hirschman refers to this as a loose monopoly situation) those suppliers will be largely insulated from the self-policing mechanisms in the market place. In such circumstance, the only avenue left for regulating enterprise behaviour will be recourse to political processes.

Hirschman's work developed out of his observation of the Nigerian Railway Corporation and the United States Post Office, both of which he then described as classic cases of loose monopolies. Paradigmatic exploration and empirical validity of Hirschman's theories have been tested by Barry, (1973); Birch, (1975); Laver, (1976); Andreasen, (1984,1985); Pestoff, (1988); and Singh, (1990). Hirschman's theory has had a great deal of varying interpretations by scholars. Some have sought to explain the theory with economic models,(eg. Laver,1976). Some have provided a political clout, (eg. Barry,1973). Some have used the framework to achieve a synthesis between economics and politics, (eg. Birch,1975). Others have applied it to aspects of organizational behaviour, including consumer satisfaction/dissatisfaction and complaining behaviour, (eg. Andreasen,1985; Spencer,1986; and Singh,1990).

It is pertinent to look at the fundamental configuration of the theory.

(i) EXIT. Exit falls within the realm of market models. Its basic premise is that a consumer who is dissatisfied with the product or service of a firm shifts to that of another and uses the market to defend his welfare as a result of his ability to switch allegiance to a better competitor. This will set in motion market forces which may induce recovery on the part of the firm that

has declined in comparative performance, courtesy of the invisible hand (p.15). Thus, a firm that fails to deliver a total package of satisfaction creates avenues through which consumers can exit by stopping to buy the firm's product. Management in such instance finds out about its failings by low patronage and revenue drop, which ultimately forces it to search for ways and means of correcting whatever faults had led to consumers' exit behaviour. Hirschman concludes that this is the sort of mechanism economics thrives on. The works of eminent economists, mostly the apostles of the free market system, lend credence to this conclusion. For example, Friedman, (1962,ch.2), strongly argues in favour of withdrawal, (exit), as a direct way of expressing ones unfavourable views about an organization instead of resorting to "cumbrous political channels".

(ii) VOICE. Hirschman defines voice as "any attempt at all to change, rather than escape from, an objectionable state of affairs, whether through individual or collective petition to management directly incharge, through appeal to a higher authority with the intention of forcing a change in management, or through various types of activities and protests, including those that are meant to mobilize public opinion", (p.30).

The voice option is an instrument of the political process, a basic function of a political system. This is the phenomenon Almond and Powell,(1966,ch.4), referred to as "interest articulation". Hirschman proposes that " when the management fails to achieve an optimal state, society will, to some extent at least, recognize the gap, and non market social institution will arise attempting to bridge it", (Hirschman, 1963).

Voice acts as an alternative, though in some cases, could as well act as a complement, to exit. Whenever the exit option is not available, voice option becomes the only way in which a dissatisfied consumer can react. Hirschman argues that this is the situation which obtains in basic social institutions such as the family, church, etc. In the realm of economics, the theoretical construct of pure monopoly would spell a no-exit situation. Under this condition, the role of voice would increase as the opportunities for exit decline, up to a point where, "with exit wholly unavailable, voice must carry the entire burden of alerting management of its failings", (p.34).

Putting this theory alongside his observations about the loose monopoly in Nigeria (the Nigerian Railway Corporation) Hirschman further suggests that voice is in a much more commanding position in less developed countries where one simply can not choose between as many commodities, nor between as many ways of traveling as in an advanced economy. Therefore, the atmosphere is more suffused with loud, often politically coloured protests against poor quality of goods and services.

(iii) LOYALTY. Loyalty is a key concept in the battle between exit and voice, and relates to a special attachment to an organization. Hirschman argues that the presence of loyalty makes exit less likely. Loyalty holds exit at bay and activates voice. A dissatisfied consumer simply stays on, in the hope that reform or improvement can be achieved.

Loyalty is explained by the dimensions of the market mechanism, (exit), and the political mechanism, (voice). Organizations in a highly competitive environment can induce loyalty from consumers by offering a total package of satisfaction. If consumers perceive a comparatively better offering from competitors, they are bound to exhibit disloyal behaviour. In the case of monopolies, consumers are 'locked in' and can not exit because there are not many rivals or competitors. It is like a condition of forced loyalty. When this happens, because the consumer has limited or no choice, he undergoes a striking transformation. He begins to be acutely unhappy, begins to make stronger attempts for change, and will intensify the use of voice in its various forms. Thus, under conditions of no-exit possibility, consumer dissatisfaction will be manifested in high complaint behaviour. Loyalty therefore play a key role in the voice/exit configuration. This will be exemplified in chapter 4.

1.2.4. COLLECTIVE ACTION. (OLSON,1971). Olson's theory of collective action has received a lot of attention from scholars and may be paradigmatically related to the Hirschman's theory. Olson notes that large groups which would benefit substantially from organizing to promote their common interest notoriously fail to do so, but small, narrowly defined groups tend to succeed in organizing and promoting their own interests, usually at the expense of the wide-ranging group. Pestoff, (1988), exemplifies the consumers as the broad group and business firms as the narrow group.

The crucial point of Olson's theory is that the rational self-interests of the consumer pose a major obstacle to mass consumer organization. Olson explains this dilemma in terms of individual or personal calculus. He introduces the problem of "free-riding" and its solution through selective incentives. Therefore, to check inequities of the market place, abetted by disorganized consumer focus, new goals corresponding to the broad interests of consumers must be adopted. The role of governments in this regard is crucial because they have to co-opt and synthesize the multiplicity of consumer interests in the formulation of broad consumer policy.

Consumer protection through collective action would become a farce if based on assumptions that consumers would collectively work towards a unified common goal. In Olson's reasoning, collective action can be effective when small consumer organizations are created to promote the wider interests of the generality of consumers facing a common dilemma. Pestoff, (1988) ebulliently tidies up the argument: "individual consumers can only obtain an audible and permanent voice in a seller controlled market by means of collective action. Since the individuals' voices are normally too weak or indistinct to be heard and understood, they drown each other or disappear in the din. Only collective action can provide consumer voice with the necessary amplification to achieve permanent voice in market and politics. Thus, consumer organizations become as essential to the well-being of markets as political parties are to the democratic system".

1.2.4. COUNTERVAILING POWER.(GALBRAITH, 1956). Galbraith has been noted as a classic advocate of the efficacy of the political instrument in consumer protection in today's market place. He advanced the theory of countervailing power as alternative to the 'distorted' market mechanism. He argues that the theory of the free market system based on competition is an unrealistic solution to the monopolistic or oligopolistic tendencies of the advanced capitalist economies. As concentration replaced competition, new restraints on private power are inevitable on the opposite side of the market - among consumers, (p.125). The fact that a seller enjoys a measure of monopoly power means that there is an inducement to those to whom he sells to develop the power with which they can defend themselves against exploitation. The existence of market power creates an incentive to the organization of another position of power that neutralizes it, (p.126).

As Galbraith puts it, " power on one side of the market creates both the need for , and the prospect of reward to, the exercise of countervailing power from the other side... In the market of small number of oligopoly, the practical barrier to entry and the convention against price competition have eliminated the self-generating capacity of competition". Hence, private economic power is held in check by the countervailing power of those who are subject to it. Galbraith therefore sees countervailing power as a necessary imperative for consumer protection. Hence, " if the large retail buying organizations had not developed the countervailing power which they have used, by proxy, on the behalf of the individual consumers, consumers would have been faced with the need to organize the equivalent of the retailers' power (p.140). He illustrates that this formidable task has been achieved by consumer co-operatives in Scandinavia.

Galbraith expresses his awareness of the difficulties involved in organizing and welding countervailing power, and stresses that the assistance of government has been regularly sought in this task. " This in fact, has become a major function of government - perhaps the major domestic function", (p.141). By this statement, Galbraith accepts that the effectiveness of countervailing power depends on active government involvement. This implies that consumer policy, viz-a-viz consumer protection, is an integral part of public policy. This, impliedly, is the thrust of Olson's theory of collective action and will be further explored in chapter 3.

1.2.6. INTEGRATED PARTICIPATION.(PESTOFF,1984). The framework for enterprise participation in public policy, especially in the area of consumer protection, was first initiated by Heckscher, (1946), who distinguished between "totalitarian" and "democratic corporatism". The two concepts give insight into the enterprise's disposition to blend corporate policies with public policy issues, ie., the extent to which the enterprise allows public issue concerns to determine its policy direction.

The idea of integrated participation was further developed by Pestoff, (1984), who suggested that business organizations, particularly those who show a high degree of concentration, could be integrated into public policy processes through formal and informal channels. He argues that " this

participation is often highly visible, formal and permanent owing to the institution of ad hoc parliamentary commissions, the remiss system, and lay representations on the governing boards of central administration agencies". The less visible, formal, and perhaps, less legitimate dimension occurs through co-opting the enterprise in the legislative process by way of prior consultation before initiating a bill or through informal lobby activities.

This theory suggests that there are some limitations on the market as a mechanism for ensuring that business organizations are responsive to consumer protection initiatives. As a result, political processes are invoked to give vent to consumer concerns. Stone, (1976), Williamson, (1984), have argued that the theoretical fall-out of Heckscher's, (1946) work reflects an out-growth of studies on Organizational theory and Corporatism, (see also Carson, 1985). The underlying principle is that all organizations seek to protect their internal technical management decision-making from disruptive external influences like consumerism. This may make it difficult for outside influences to have the desired effect on internal decision making. In a seller dominated market, (oligopoly), management may be relatively slow in signalling consumer preferences to business, and in such a case it might be valuable to complement exit with voice through consultation and representation, (Ramsey, 1985).

The essence of involving enterprises in public policy decisions is to get them properly oriented with consumer concerns. It has been postulated that such a mechanism ensures positive identification and greater co-operation, and eventually narrows the gap between the private interest concerns of the enterprises and public interest (consumer welfare) considerations of the wider society. The focus of consumer protection in highly concentrated enterprises will therefore start with getting the enterprises to allow greater consumer voice, through integrated participation in enterprise policies. This holds sway in a "negotiated economy" where major economic and social relations which fall outside the competitive sphere are governed by political imperatives, more or less, bargaining or negotiation between divergent interests, (see Pestoff, 1989). Shanks, (1983), illustrates that in Britain, for example, the concept of integrated participation became operationalised in the previous decade through the philosophy of "tripartism". During that era, government

decisions in implementing a social contract emphasized bringing the Confederation of British Industries,(CBI), more closely into policy formation, relying heavily on the tripartite National Economic Development Council as the forum for debate.

1.3. THEORETICAL CONCERNS - A SYNTHESIS

Even though various approaches have been postulated, we conclude that there are basically two discernible strands of argument on consumer protection; (a) the market mechanism and (b) the political mechanism. Approaches might be different but they all narrow down to this bi-focal standpoint.

As pointed out earlier, there seems to be a convergence of opinion about the dysfunctionality of the market mechanism, particularly in situations where market failure exists. It is not yet clear, at least not empirically established, whether the market mechanism, as a basis for formulating consumer protection strategies, should be dismissed in totality, or could in any way complement the political mechanism. This aspect will be further explored. What is important, for now, is to note that there is not yet a coherent theoretical framework that has come up with an appropriate balance between public enforcement (political processes), and private enforcement (market processes) of consumer protection, (Ramsey, 1985; Stewart and Sunstein, 1982)

However, a very tempting conclusion, perhaps inescapable, is to affirm that private enforcement via the unhindered market processes can not, on a stand-alone basis, effectively protect the interest of consumers as far as national enterprises are concerned. Extensive research exist to support this conclusion, (National Consumer Council, 1979, 1981; Andreasen, 1984, 1985; Mitchell, 1983). The conclusion is predicated on the ground that the monopoly or partial monopoly position of most of the enterprises means that the competitive market mechanism depending on consumers' choice is often inadequate to convey and enforce consumer preferences. With consumers' choice exercised through buying power either lacking altogether or grossly distorted, alternative ways of providing consumer influence over policies and performance of these enterprises need to be found, (Mitchell, 1983, p.177). In fact, the author was unequivocal in asserting that competition is

sufficiently imperfect for there to be serious doubt about the enterprises' ability - however well intentioned - to use market mechanisms to interpret consumers' preferences. In the absence of the full discipline of the competitive market forces, it is necessary to find effective proxies to safeguard the interest of the consumer. The decision on, and choice of such proxies is ultimately political, (see also Ramsey, 1985; Bourgoignie, 1984; Forbes, 1985; Trebilock, Hartle, Pritchard and Dewees, 1982).

This therefore brings us head-on with the imperatives of the political mechanism - the paradigm of Hirschman's, (1970) voice concept - as the instrument for protecting consumers from the clutches of enterprises insulated from the self-policing mechanism of the market place. It is pertinent to point out that even though the voice option has been approached from varying viewpoints, eg., Galbraith's Countervailing Power, Olson's Collective Action, Pestoff's Integrated Participation; the basic thrust and fundamental orientation remains the same. It does appear that Hirschman's theory encompasses, in principle, the broad perspectives on the political as well as the market mechanisms, and would therefore seem an appropriate framework with which to structure research into the behaviour of national enterprise management on consumer protection issues.

Major concern should therefore centre on how to manage the voice option and determine what structural arrangement it should assume for effective protection of consumers. This would also involve an examination of the conditions under which voice is likely to make an effective substitute for, or complement to exit. The role of voice, Hirschman hypothesized, increases as opportunities for exit decrease. In the absence of exit, voice must assume the responsibility for alerting enterprise management to its shortcomings. In alerting management, voice must assume the posture that gives management some time to respond to the pressures that have been brought to bear on it. Otherwise it could turn out to be so harassing that it hinders, rather than helps whatever recovery or remedial efforts are being undertaken. This makes it incumbent on management to recognize that it is its crucial task to develop an appropriate response process, which accommodates challenges posed by the peculiar nature of their business environment.

1.4. PROBLEM DEFINITION

Consumer protection has been accepted as the cardinal base of consumer policy, (Thorelli, 1978). The other aspects of consumer policy - consumer information and consumer education - are often said to complement and strengthen consumer protection, (Lane, 1983). In spite of the importance of consumer protection, which incidentally is a critical part of public policy, not enough research effort has been directed to this area, particularly from the point of view of the other side of the market place - the enterprise. This lapse should give cause for concern, bearing in mind that enterprises are important and indispensable sources of information on business practices, particularly where the enterprise is one that dominates its market. It may be difficult therefore to design and implement effective consumer strategies without addressing the crucial position of the enterprise.

It could also be reasoned that under a free market system with its inherent 'atomistic' competitive structure, the relationship between the consumer on one hand and the enterprise on the other could be taken as direct and uninhibited, so that consumer protection measures do have unhindered effect on both sides of the market place - on the consumers' side as well as the enterprise. This reasoning may have accounted for the concentration of consumer research efforts on the free market system.

However, the shortfall of the above research orientation has not only opened a gaping research vacuum, but also isolated a very vital portion of the market structure - 'the controlled market system', reminiscent of national enterprises. We use the term, 'controlled market system' to mean the direct opposite or aberration of the open market system. The command or controlled market system exemplifies the market structure of loose monopolies', (Hirschman, 1970). The system is insensitive to market forces and blind to the market mechanism. Under such a structure, competition is virtually non-existent or at best, at a very low ebb. Consumer preferences in this situation can not be taken as the cornerstone of Marketing practices. Hence customer orientation can be stretched and defined along a continuum. As a result of the imprecise definition of customer orientation and consequently consumer protection, it is compelling to suggest that any system for controlling enterprise behaviour

should inevitably give more vent to voice and de-emphasize exit option. But this is not all there is to it. It is only an aspect of the complex web.

The core problem area emanate from the need to determine the possible ways of organizing the voice option so as to optimize its effect. The questions therefore are:

- How can voice be organized and structured for it be heard and respected by management of the loose monopolistic national enterprises ?
- How does management grapple with consumer policy in less than effectively competitive market environments, and with what effect?
- What does consumer protection mean to the national enterprise managers? What relevance do they attach to it and where do they position the consumer in the policy process?
- What are the levels of involvement in consumer protection, changes that have or are taking place in as a result of this involvement, and problems encountered by the enterprises in implementing consumer protection programmes?
- How can the behaviour of those organizations be monitored to ensure that all actions and their consequences are oriented towards consumer protection ?

These are the broad research questions explored in this study.

In addition, another problem with voice in consumer protection policy is that it is usually regarded as a political imperative and, therefore, subsumed in public policy packages. This makes it difficult to determine whether consumer protection in markets under reference should be taken as a political problem, with all the implications, since solutions are normally sought through a system of political processes. For example, total reliance on the political mechanism will likely blur the meaning of the enterprise concept, and thus call into play a performance measurement standard with political interpretation as opposed to economic interpretation. The issue that arises therefore will boarder on determining the appropriate mix of public (political) and private (market) oriented enforcements. This needs to be properly addressed because, as Hirschmann (1970) argues, in the realm of economics, the theoretical construct of pure monopoly would spell a no-exit

situation, but the mixture of monopolistic and competitive elements characteristic of most real market situations should make it possible to observe the voice option in its interaction with the exit option. Therefore, for such organizations whose monopoly powers are less than complete but who are characterized by 'sturdy survival after exit', (p.56); who may welcome a measure of competition (even though at a highly insignificant level) as a release from efforts and criticisms of the vocal consumer for whom an exit loophole have been created, it still need to be identified what complementary role, if at all, the exit option can play in consumer protection package. Furthermore, the colossal stature and role of national enterprises call into play a few more, but yet unaddressed problems. These problem areas revolve around the internal dynamics of the enterprises themselves, viz., what discretionary role should management play to complement the voice/exit mechanism. For instance, should management in a placid, enterprise-controlled market environment content itself with just adapting to situational constraints, viz-a-viz, doing what the regulation says and no more? Addressing this problem is crucially important and central to consumer protection as far as the national enterprise is concerned, taking cognizance of the contention by Zaltman and Jacobs, (1977), that "the greater the felt need among consumers for an organization's product, the less precise marketing practices will tend to be" (p.404). If Zaltman and Jacobs are correct, then problems associated with marketing policies and practices of market-dominant enterprises will have a significant effect in designing consumer protection policies. These problems are the driving force behind this research.

1.5. NEED FOR RESEARCH

The need for and importance of research in consumer protection under circumstances of market failure can not be over emphasized.

Marketing, as a philosophy and function of business has always emphasized consumer satisfaction and consumer orientation as the key to business success, (Kotler, 1984, 1986; Stanton and Futrell, 1987). It is ironic that in spite of this awareness, not enough research efforts have been directed into unveiling the subterranean factors which guide consumer protection policies of the 'loose

monopolistic' national enterprises. Feldman, (1973) unequivocally accused researchers in Marketing of playing shy on issues with public policy implications. He advanced three reasons which are responsible for the apparent 'research lag'. First is that the emergence of public policy issues in Marketing is a relatively recent phenomenon in the sense that major concerns (public policy issues) have related to regulatory laws and their effects on competition and market structure. Secondly, the issues involved usually have some political significance and therefore differ markedly from those with which they are accustomed to dealing. Thirdly, research in Marketing has been primarily concerned with issues addressing basic questions such as "how many people are potential buyers; at what price should the product be sold; ... In contrast, many public policy issues toward which the Marketer might direct his research efforts are concerned with value systems such as those relating to the quality of life". After more than a decade, the substance of Feldman's worry with research directions in Marketing still stands.

A considerable body of research and writing on consumer protection has been published over the years, (eg. Harvey, 1980; Harvey and Parry, 1987; Smith and Swan, 1979; Harland, 1987; Maitland, 1985; McCraw, 1984; Merciai, 1986; Maynes, 1979a, 1979b), but none has addressed the peculiar circumstance of the national enterprise. In the main, research efforts have focused on the 'atomistic' model but not generally tied to market-wide evaluation to accommodate market dominant enterprises. Apart from Feldman (1973), the more recent and eloquent calls by Gist, (1983), Enis and Yarwood, (1986), underscore the need for more research efforts in this direction. It is not at the moment known whether the lapse has been due to lack of adequate theoretical (Marketing) framework to direct the needed research. It is hoped that this work will contribute to opening up that vast, under-explored research field.

Furthermore, if we are to offer concrete suggestions for improving consumer protection behaviour of national enterprises, or evolve viable consumer policy, we must consider what long-run consumer protection should consist of. To say that consumers want optimum protection is to consider only one goal - the super-ordinate goal. There are other sub-goals which, though embodied in the super-ordinate goal, must be identified and properly

addressed before a meaningful consumer protection policy can be evolved. For example, it is necessary to examine (i) the conditions under which voice can be most effectively relied upon either as a complement to exit or substitute for it, (ii) the institutional arrangement in terms of public policy support, and (iii) the desirable but discretionary enterprise behaviour when not directed by enforceable regulation. These are the important parts which must be designed and delivered as a prelude to attaining the overall goal. Marketing must be held accountable for the process whereby these outcomes are delivered, hence the need for research of this nature.

1.6. STATEMENT OF PURPOSE

The purposes of this research are as follows:

- (a) To examine consumer protection policies of national enterprises in broad perspective.
- (b) To arrive at a description of the different conditions and determinants of consumer protection in the national enterprise.
- (c) To determine the relative management approaches to Definition, Measurement, Implementation, and Sensitivity to the concept of consumer protection, and to compare and contrast these approaches.
- (d) To determine the conditions under which a system of political processes is likely to be more effective in protecting the consumer, either as a complement to a system of market processes or as a substitute for it.
- (e) To identify hypotheses which might be used in developing consumer protection policies for national enterprises in developing countries and also for the soon-to-be privatised Electricity supply industry in Britain.
- (f) To evolve a system of evaluative criteria upon which consumer protection efforts of national enterprises can be based.

1.7. SIGNIFICANCE OF THE STUDY

This work is unique in the sense that it approaches the subject matter of consumer protection from a dual standpoint - the consumer watchdogs and management perspectives. One prominent factor which has been hitherto neglected or not adequately highlighted is the important role which management could play in designing and implementing meaningful consumer policy. It stands to reason that a large amount of input, in terms of information system, should be expected from the enterprise management in the design and delivery of effective consumer protection policy. It is hoped that this work will provide valuable insight into the dialectics of managing consumer policy in general, and consumer protection in particular, when market performance in terms of competition is less than satisfactory.

Another significant point for this research lies in expanding the frontiers of knowledge in consumer protection, both conceptually and empirically. Never before has an integrated framework been established for studying the subject matter under conditions that deviate from the traditional market system. Hitherto, the dichotomous approaches have related to the structure of the enterprise, ie., consumer protection packages designed for the private enterprise on one hand and/or public enterprise on the other. This research, rather than taking either of the extreme positions, advances a general framework which considers consumer protection in enterprises that exhibit or face common market characteristics, irrespective of whether they are public or private enterprises. This is more in tune with current developments in organizational studies.

The timing of this study is most apt. Most of the national enterprises have in the recent past been run as utility firms where government stands as the major financier and in most cases, subsidizes their operations. However, with increasing withdrawal by government via privatisation (full commercialization in some third world countries), the enterprises are now faced with a new value system, where the emphasis is presumably more on return on investment than on consumer welfare. This poses a great dilemma to all concerned, consumers, the enterprises and public policy makers. The only way to balance and keep in perspective the multiplicity of conflicting

interests is through a study of this nature. More than providing the elements needed for comparative research, it locates the place and role of consumer protection as a managerial variable in national enterprises.

1.8. POSTULATES

Precise hypotheses will be advanced later but we would like to state some broad postulates upon which the hypotheses will be anchored, and thus constitute the cornerstone of this study.

We postulate that:

(a) The instrument of the political process can induce desirable enterprise behaviour but only when a proper mix in the structural framework has been achieved.

(b) Management of the national enterprise will not ordinarily show 'benevolence' (managerial discretion oriented towards consumer protection) if the instruments of the political process are absent.

(c) The right type of 'benevolence' is a function of the structure of the political process - a perfect instrument will induce pro-active sensitivity and an imperfect instrument will induce apathetic behaviour or reactive sensitivity to consumer protection.

(d) The desired enterprise behaviour can be determined, appraised and expressed using four constructs that bear on consumer protection, viz., concepts of definition, measurement, implementation and sensitivity.

These concepts can be operationalised through positive identification and relationships. For example, management behaviour oriented towards genuine consumer protection will :

- define it in consumer specific terms.
- adopt formal measurement techniques.
- adopt action oriented implementation strategy.
- show pro-active sensitivity.

1.9. THESIS STRUCTURE

Structurally, issues explored in this thesis are not compartmentalized in such a way that they can be decisively and conclusively dealt with in specific sections. Themes introduced are systematically followed through in different sections or chapters, depending on the nature of relationships or linkages and how they bear on the over-all subject matter.

The thesis consists of 8 chapters, viz.:

Chapter 1: Introduces the broad theoretical perspectives and provides a direction for the project. It does this by reviewing a number of concepts which relate to market and non market based models of consumer protection. These were collapsed into Hirschman's, (1970) theory to provide a theoretical platform to guide the study.

Chapter 2: Establishes the contextual base of the study, more or less, providing a mooring. It delineates the boundaries of the national enterprise. Thus, provides a common platform for studying enterprises which face common market characteristics but may differ in terms of ownership structure.

Chapter 3: Explores the broad dimension of consumerism with a view to locating the level at which it can be defined within the context of the national enterprise. Building on the concepts introduced in chapter 1, it provides a framework for unraveling the subject matter of consumer protection.

Chapter 4: Narrows down to the dialectics of consumer protection in national enterprises. It offers a set of dimensions useful for describing management approaches and challenges, as well as exploring the basic taxonomies.

Chapter 5: Looks at the internal dynamics, especially, management processes. Introduces and explains variables (and their inter-relationships) for appraising management orientation. This chapter also deals with the methodology.

Chapter 6: Presents a case study of the telecom industry and subsequently, the field data and analyses thereof.

Chapter 7: Synthesizes the consumer policy framework and evaluates hypotheses.

Chapter 8: Reflects on issues addressed; summary, conclusions and recommendations.

1.10. DEFINITION OF TERMS

We consider it necessary to clarify a few terms used in this study to avoid the temptation of applying them outside the context in which they have been used.

(i) Consumer. We have not treated the consumer as a monolithic group, thereby repeating the mistakes of many a study, (Kroll and Stampfl, 1986). We do recognize the two broad categories of consumers - (a) the individual (final) consumer and (b) the institutional (industrial) consumer. Our concern is not with the category of consumers who find themselves in consumption process for the purpose of furthering the ends of production. By that exception, we exclude institutional consumers who may not feel the direct impact of the vagaries of the market place. Our concern is with the final consumer who bears the direct crunch of market/Marketing mishap; where consumption is personalized. This approach is consistent with the method adopted by the various regulatory agencies/consumer bodies, eg., Of tel, Of gas, Gas Consumers Council, where the two categories of consumers are well delineated.

(ii) National Enterprise. National Enterprise does not refer to public enterprise per se. It is used to denote the class of enterprises, (loose monopolies), which operate where market failure conditions apply and where the dividing line between public and private interests is blurred. Understanding this concept is very important because of its susceptibility to varying interpretations, and because this is the first time the term is used in the context described here. We therefore consider a detailed discussion necessary, thus the subject-matter of the next chapter.

CHAPTER 2

THEORY OF THE NATIONAL ENTERPRISE

2.0. BACKGROUND

The concept of the national enterprise as a normative framework in the study of organizational design and structure is an area unexplored in the business literature. Hitherto, the traditional approach has been to classify enterprise organizations on the basis of ownership, ie. whether they are publicly or privately owned. No reference has, to the best of our knowledge, been made to the national enterprise as a form of enterprise classification in a way that distinguishes it from the dual typology of the public\private enterprise model. However, Perry and Rainey (1988) acknowledges the deficiencies of the public\private classification and opines that some enterprises do overlap, which they refer to as 'mixed or hybrid' types. Instances in the literature where the national enterprise received mention were usually in the form of nomenclatural alternative to the public enterprise ie. using it as another designation or denotation of the public enterprise. For example, just as the British are more disposed to saying nationalized industries instead of public enterprises, parastatals for Nigeria, Government controlled enterprises for Germans, the French would settle for national enterprises (Mazzolini,1979).

Our submission here is that the broad dichotomy of public\private model of enterprise classification could be misleading and may no longer be adequate as a definitive criterion in the study of enterprise structure. This perceived inadequacy leads us to proffer a tripartite model of enterprise classification by extending the public\private sector framework to include the national enterprise. We shall systematically approach the subject through charting a model of an enterprise, the dichotomous relationships of the public and private orientations within the enterprise concept, and consequently, the national enterprise concept. Our objective is to highlight and use some of the discernible factors which may distinguish a group of enterprises from the strictly public\private classification to build a contextual base for our main research study.

2.1. THE ENTERPRISE CONCEPT

The concept of an enterprise could denote so many things; the consideration here is in the business realm. Even at that, it is difficult to be precise on what constitutes the core of an enterprise activity.

Ramanadham (1984), approached the issue from two dimensions; (1) financial viability and (2) cost-price equation (p.23). Financial viability denotes a conscious effort on the part of the enterprise towards net revenue. The goal in theory might be expressed in terms of profit maximization. In practice, several other qualifications or constraints may exist to restrain the profit maximizing objective. The constraining variables include price controls, labour relations, consumer interest articulation, powerful competitive threat, protection of long term financial interests of the organization, etc. From this perspective therefore, the core of an enterprise objective must include element of viability. It may not necessarily mean that the enterprise must show viability at its inception. This may be due to the initial teething problems usually associated with gestation period, bad business conditions or managerial inefficiency, but the long-run picture must look different when most of the odds would have been overcome.

The other aspect of Ramanadham's postulation is the cost-price equation which borders on methods of revenue generation, a point which he maintains, differentiates an enterprise from non-enterprise. The enterprise must generate its own resource needs, identify and exploit market opportunities. In other words, "the enterprise does not operate at a uniform fee like a Park authority. It does not levy a charge in relation to client's income or wealth status like a governmental hospital or house allotment department. It does not seek income through contributions, like museums or art galleries. As an enterprise, it goes by cost considerations in determining the payments that customers are to make".(p.23).

Implicitly, what can be inferred is that there ought to exist a cost-consumption relationship and this may suggest that a product may not be offered if it does not meet the cost of producing it. This may not be a true reflection of the varying shades of enterprise behaviour in the market place.

There may exist, for example, cross subsidization among different markets but what stands out clear is the caveat that an enterprise must be concerned with how it relates prices to costs for the purpose of achieving long-term efficiency.

The element of risk usually associated with enterprise discretionary activities can also be considered a core feature of the enterprise concept. This may appear as a corollary to the viability factor. However, it should be emphasized that subject to internal limitations, and with the desire to maximize returns, the enterprise is characterized by the impulse to take risk as a strategy for containing or gaining advantage over rivals and adapting to the dynamics of the environment. A non-enterprise is characteristically risk-averse and often, do not possess the right kind of decisional flexibility necessary for exploring the risk-return relationships. Argument has also been advanced in the area of legal autonomy which is regarded as essential in charting the enterprise concept. This accords a personality status to the enterprise, which can sue and be sued. Some have argued that it is the notion of legal autonomy that indeed makes an enterprise (Ramanadham, 1984). This view can not be substantive because it is doubtful to what extent it can be helpful in delineating an enterprise from non-enterprise activity. There are many autonomously organized governmental activities\agencies which have lives of their own, could sue and be sued, but not impelled by commercial considerations or by calculation of financial viability (Pozen, 1967). Pellerzi, (1974) put the point very bluntly by asserting that "at common law, a corporation is a legal fiction".

Another inconclusive postulate is that an activity is enterprise when in industry or commerce but not when in social services. This may be a formal view and can draw from wide array of examples. However, care must be taken in pushing the argument because it might be stretched too far as to make the entire concept blurred and incomprehensible. For example, what may relatively appear to be a social service in one country may belong to another category in another country. Even within a country, passage of time can alter the definition of a social service if viewed from the perspective that what constitutes a social service at a time could change at another time. Examples can be drawn from such areas as housing, broadcasting, post and telecommunication services etc.,

where in some countries, events have seen them move from social services to commercial organizations.

Leibenstein (1965), suggested three tests which could establish the identity of a truly independent enterprise: (a) it must have the final decision on the use of profits, (b) the choice of principal activities through decisions on investment, (c) appointment of key management personnel. Agreeing, Thomas (1981), adds that it is the power to take and implement fundamental decisions as to the conduct and future of their activities that explains the whole enterprise concept. These decision areas therefore give inkling to, and reflect the structure and style of the enterprise. The point implied in Leibenstein's postulate is that the enterprise must make profits. If it did not, the question of final decision over profits will not arise. Secondly, for the enterprise to make profits, it must engage in commercial transaction in a buyer-seller relationship. Thirdly, profit will not be possible if costs of operation outstrip the revenue returns. Therefore, revenue must be matched with cost.

Shepherd's (1985) conceptualization of an enterprise is simple but rather confusing. He sees the enterprise as just a term for "any unit where people produce a good or service. The enterprise may consist of one plant (local factory or office) or more, or many hundreds of plants". By this definition, the drug store is an enterprise, the hospital, the colleges, the corporation and multinational. From Shepherd's position therefore, the precise meaning of an enterprise appear blurred and more difficult to separate enterprise activity from non-enterprise. However, he uses the terms, 'firm', and enterprise interchangeably and we would rather agree with his subsequent definition as better suited, viz., "--- an organization with its own independent life, form and powers of decisions. It is embedded in a system of, (1) market processes (2) supply and customer relationships and (3) financial supervision" (p.101).

From the foregoing, even though it is difficult to reach an agreement on what constitutes the core of an enterprise, one can discern some salient points which are self-evident. An enterprise should be gain oriented. We have deliberately avoided the use of the term, 'profit maximization' because of its susceptibility to intellectual bashing. Acceptedly, profit is the main index of an enterprise performance but profitability in itself is a highly subjective concept, and to some extent, a matter of degree, not absolute amounts. The

simple total of money profit may not be enough to show how profitable an enterprise has performed. Notwithstanding the perspectives on profit, what stands out clear is that for any activity to worth the appellation of an enterprise, it must strive to stand on its own feet in terms of resourcefulness. The notion of viability therefore appears inextricably intertwined with the whole enterprise idea. By implication, for the enterprise to be viable, it should be able to relate its cost to revenue. Its products and services must not only be offered at a cost to the consumer but such costs (to the consumer and revenue to the enterprise) should also reflect the value of input requirements in the production of such products and services.

Another implied condition is that trading must be a cardinal thrust of the enterprise activity. We consider this point a major thread running through the entire maze of the enterprise concept. Trading as used here focuses far beyond the traditional exchange theory which underlies direct transfer of tangible entities between two parties, to encompass all activities involving the 'exchange', the cause and effect phenomena associated with it (Bagozzi, 1975). For an undertaking to qualify as an enterprise, it must possess the capability to engage in, put bluntly, buying and selling. The services are offered to the market on commercial consideration. There may be other considerations which may be dictated by environmental factors but commercial objective is paramount. It does appear that it is the element of commercial consideration that truly differentiates the enterprise from non-enterprise activity. Traditionally, enterprises are classified under two broad categories; (a) public enterprise and (b) private enterprise. According to this normative concept, an enterprise is either public or private. This is the bone of contention. Our position is that with a class of enterprises, the dividing line is so blurred that it will be deceptive to group them under the broad categorization without drawing out the necessary caveat. We shall briefly look at the two categories as a lead to developing the necessary framework.

2.2. THE PRIVATE ENTERPRISE:

The case of the private enterprise is self-explanatory and does not need belabouring. However, some crucial points need to be highlighted because they boarder on the distinctive features by which it is characterized. It can

safely be said that the idea of private enterprise revolve around two major factors, (a) ownership and (b) management of benefits (trade surpluses).

2.2.1. Ownership: Liebenstein's (1965) model of a true enterprise, - final decision on the use and application of capital and profits, choice of principal activities through investment decisions, appointment of key staff - aptly describes the private enterprise. Here the capital base is in the hands of private individuals who may be responsible for the day to day running of the enterprise or taking strategic decisions. The private identifiable owners have absolute discretion as to what the enterprise will produce, when to produce, where and how to produce it, subject to macro-economic conditions. Entrepreneurial and other decision making activities rest with the persons who are, in fact and law, the owners. The discretionary decision activities could be reflected in such core areas as investments, size, technology, location etc. The underlying point is that the persons enjoying the decisional role act on expectation that the use of enterprise machinery will accomplish maximization of private interests.

2.2.2. Management of benefits: The net benefits or gains of activities undertaken by the enterprise go to the enrichment of private group of individuals standing as owners. The benefits may be of two kinds, (i) surpluses which represent the net revenues realized in the course of the operation in a given period and are available for distribution as dividends and (ii) capital appreciation which results from accumulation of undistributed profits (reserves) or from issues of bonus shares, sale of assets etc. The benefits go directly to the owners because the risk of investment originated from them, to whom the enterprise is accountable for its performance. The owners of the private enterprise may be one person or group of persons acting as shareholders. The over-riding point of the private enterprise is that the organization and its management are solely answerable to the owners. Management activities, as a consequence, must reflect the interests of shareholders - any other interest is peripheral.

2.3. THE PUBLIC ENTERPRISE: Unlike the private enterprise, the public enterprise presents conceptual difficulties. The difficulties arise from arguments as to whether certain activities should be traditionally consigned

to the public enterprise, viz-a-viz, where its activities ought to end and where the private enterprise ought to start, what level of public involvement should there be before an enterprise is designated a public enterprise, the level of performance and public (consumer) expectations. There is also a great deal of disputation over the generic (universal) applicability of the concept. This is based on the premise that the meaning of public enterprise changes from country to country, from one socio-economic environment to another, and even within an economic system, passage of time could still change the complexion and context of the public enterprise concept.

Above may have contributed immensely to the lack of precise definition of the concept. Views have been as varied as there are writers on the subject. For Ramanadham (1984), public enterprise is simply a matter of natural evolution, more aptly, a question of synthesizing the 'public concept' with the 'enterprise concept'. His public concept, (we have noted the enterprise concept), basically reflects three things : (i) decision making is public with no personal interest. (ii) the enterprise is accountable to the public for its performance . (iii) non private accretion of net benefits. Public enterprise will therefore entail either full ownership by the public through the machinery of government, majority ownership by government or minority ownership by government. Ramanadham's work reflects that of Bohm (1981), who, arguing that public enterprise is a syntheses of both public and enterprise dimensions, advances some key elements which could help in placing the public enterprise in proper perspective. For example, he argues that connotation arising from the public dimension involves an understanding of the concepts of:

- public purpose
- public ownership
- public management
- public control
- public accountability

On the enterprise dimension, the essential elements include:

- the field of activity of a business character
- the concepts of investment and returns
- marketing of goods and services produced.

One issue that remains glaring is the tacit recognition of the presence of government in the market place providing economic goods and services as monopolist or in competition with private economic agents (Coobes,1971; Holland,1972;Musolf,1972;Mokwa&Permut,1981;Enis&Yarwood,1986). Even though the literature is replete with studies of government involvement in the market place, (eg., Posner,1979; Heath,1980; Brech,1981; Redwood & Hatch, 1982; Ramanadham, 1986; Powell, 1987), resolution of the definitional difficulties remains a mirage. It is pertinent at this juncture to take a look at a few of the definitions of public enterprise, or by whatever name it is identified with, eg. state owned enterprises (World Development Report, 1983 & 1987) or Government controlled enterprise (Mazzolini, 1979). Floyd et al, (1984) define the public enterprise as "any government owned or controlled unit that produces and sells industrial, commercial and financial goods and services to the public". While acknowledging that a more rigid definition may be elusive and even seem undesirable in view of the variety of legal and organizational forms encountered in various countries, the authors are of the opinion that it would serve a useful purpose in distinguishing public enterprises from other governmental bodies to require that revenue should be related to output, and day to day operational autonomy should be in the hands of the managers of the enterprise.

Mazzolini,(1979), argues that in the public enterprise, the ultimate formal authority rest in the hands of the state and this power corresponds to that of shareholders in private sector companies. He further argues that for government to have such authority, it must own substantial part of the company's equity - more than 50%. Powell, (1987), concurs but adds that apart from primary economic objective, additional social and political objectives are also important features. While agreeing on the public ownership paradigm, Loveluck and Weinberg (1974), adds that it is not always entirely clear where the public elements ends and the private begins; giving examples of such enterprises as Amtrack, Comsat, and public transit services in the U.S, which are both publicly and privately financed. However, they conclude that where the actual ownership is in the private hands, such enterprises are either closely regulated and/or receiving special tax exemption.

Heath, (1980), approached the issue from managerial perspective. The key to understanding the distinctive behaviour of public and private enterprises, he

argues, is to understand the environment at the top. Behaviour at the top is strongly influenced not only by the specific factors of the enterprise (the market environment) but also by the political, legal and social environments in which managers operate. Therefore, managerial response to these environmental cues provide explanation as to why, and extent to which, public enterprise differs from private enterprise. The guideline adopted by the National Economic Development Office, (NEDO,1976), appear elaborate for the definition of public enterprise, although it contain some structural flaws. It sets out the public enterprise as : (a) whose assets are in public ownership and invested in a corporation. (b) whose boards are appointed by the Minister (c) whose board members and employees are not civil servants. (d) which are primarily engaged in industrial or other trading activities. (e) which are differentiated from other public corporation by the degree to which they are engaged in sale of goods & services and the extent to which revenue is derived directly from their customers.

Benn and Gaus (1983); Perry and Rainey (1988); based on syntheses drawn from general literature advances three criteria rooted in definition for the purpose of differentiating the public from the private enterprise.

(i) Definition based on public interest: This approach distinguishes a category of commonweal organizations whose prime beneficiaries are the public in general from those enterprises whose prime beneficiaries are the owners (private enterprises).

(ii) Definition based on public goods and market failure: It has been argued that enterprises that produce public goods and operate in market failure conditions usually are classified as public enterprises. Proponents of privatisation have also argued that there are some public enterprises that do not fit into the model, and the reasons given for their status can be modified through wider participation and competition (Savas,1982)

(iii) Definition based on ownership\ funding: As we have already noted, ownership has been regarded as a crucial distinction between public and private enterprises. In public enterprises, ownership rights are not vested in individuals. In the private enterprise, management is treated as a productive input and is efficiently valued in the market.

However, no matter how popular this view is, it must be pointed out that ownership per se does not fully capture the dimensionality of the public\private enterprise distinction. The assumption has been that public enterprises are more inclined to the institutional control of government as opposed to economic market and other non governmental control processes of the private enterprise. Herein lies the bone of contention. The fallacy of such an assumption has been amply demonstrated with the situations of British Gas and British Telecom.

From the foregoing, it is clear that public enterprises have three defining characteristics, (a) they are government owned and controlled, (b) they are engaged in business activities, (c) they have socio-political objectives, outside the major economic imperatives. These characteristics are not precise, partly because it is difficult to draw a clear-cut and economically useful boundary around the public enterprise sector, especially as in most countries, virtually all enterprises are subject to some degree of control. These definitional complexities were particularly addressed by Jones,(1975); Bohm,(1981); Ramanadham,(1984), and no satisfactory option has been adopted, both conceptually and operationally. Ownership and control may be taken to mean that government is able to control management decisions by virtue of its ownership stake alone. This will be true if the enterprise is directly operated by a government department or in case of another entity, if government holds a majority of its shares either directly or indirectly through another public enterprise. The fact is, a smaller share-holding may be sufficient to give the government effective control, (see Floyd,et al.,1987). This point was recently illustrated in the take-over saga of Britoil by British Petroleum(BP) and Atlantic Richfield (a foreign oil firm). The Chancellor of Exchequer went to the Parliament to assure members that Government will use its 'golden share' in Britoil to stop its take-over by a foreign firm, as long as it is in the national interest. Every day occurrences such as illustrated above and the indefinable concept of 'national interest' has created a complex dimension to the mechanics of market forces and apparently, exposed the inadequacies of enterprise classification on the basis of public/private model.

Furthermore, the question of ownership seem to be deeply susceptible to speculative meanings, particularly when viewed along the line of a continuum structure. This implies that the level of public involvement stretches from the wholly owned to partially owned. Irrespective of the proportion of public involvement, government has a 'de facto' potential for control if it wants to bring the enterprise under some form of public control. These complexities may have influenced Posner, (1979), to assert that the behaviour of public enterprises in the market place is essentially not different from the behaviour of the private enterprise. The assertion rests on the premise that in both public and private enterprise sectors, the over-riding objective is to maximize output, subject to given constraints. In the private enterprise for example, the constraint may be that the "flow of reported profits does not fall below that minimum level which is necessary to keep the share price above the threshold which staves off take-over threat". This objective is analogous to the required rate of returns usually imposed on public enterprises. It might be argued that private enterprise, in trying to maximize the sum total of profits, might resort to unethical practices, - a behavioral pattern that can not be linked with the public enterprise operators. The market behaviour of public and private enterprise operators may seem to vary in theory because of the way they are likely to react to market cues. This of course depends on the nature of the enterprise in question because some category of private enterprises exhibit the same market characteristics as the public enterprises.

2.4. CONTRADICTIONS IN THE PUBLIC\PRIVATE ENTERPRISE CLASSIFICATION

Contrasts between public and private enterprises have received significant attention as evident by the increasing number of comparative studies published in the literature (Lindblom,1977; Perry and Kraemer,1983; Lachman,1985; Perry and Babitsky,1986; Rainey,1983; Rainey,Beckoff,& Levine,1976; Benn and Gaus,1983). Meyer (1979,1982), argues that inspite of the enormity of published works on private and public enterprises, distinctive characteristics still cause a stir among scholars with the result that there tend to be over-generalization in organization theory.

Primarily, areas of contradictions lie in the expectations and value system associated with the dual typology of enterprise classification. There is the assumption that the "degree of external control by major institutions of the political economy, such as political authorities and economic markets, is a significant distinction for organizations"(Perry and Rainey,1988,p.184). Ownership and sources of funding are organizational properties reflecting these sources of control. For instance, public funded enterprises are hypothesized to be more heavily subject to the institutional control processes of government. Privately owned and funded enterprises are assumed to be more heavily influenced by their economic markets, and more autonomous from government control,(Wamsley and Zald,1973; Perry and Rainey,1988). These traditional views apparently did not take cognizance of the 'hybrid' enterprises, more aptly, national enterprises. The controversies, to a large extent and in the context of structure of some enterprises like the big corporations and utility firms, the dividing line between public and private enterprises appear increasingly blurred. The blurring of the distinctive characteristics imply that the concepts are multidimensional and this, in turn, complicates the definition . Example of multidimensionality was provided by Benn and Gaus (1983), who suggested that the public and private enterprises vary along three dimensions, viz.,

- (i) Interest - whether benefits or losses are communal or restricted to individuals.
- (ii) Access - referring to openness of facilities, resources or information.
- (iii) Agency - referring to whether a person or an organization is acting as individual or as an agent for the community as a whole.

Apart from commercial consideration which appears to characterize the enterprise activity - whether public or private - basically, all other distinguishing features are in some respect, contestable, contradictory and not generally acceptable. For example, most of the commentators use structure of equity-holding and strategic control as the major distinctive feature. We have already noted views to the effect that, as far as the control variable is concerned, government is all pervasive and can extend its controlling arm to any form of enterprise, irrespective of ownership structure. We can stretch this argument a little. In the private sector, enterprises vary in scope of activities, size, structure, level of technology in use, level of market hold,

permissiveness of product offering and some enjoy higher amount of visibility. There are those whose activities are closely controlled and regulated because not only do they play high on the factors mentioned above but also play strategic role in the socio-political system. In a great lot of the issues that effect their operations, it is not the wishes of the equity holders that prevail as the picture of our private enterprise concept would suggest. Example of such enterprises can be found in the utility sector where both the private and public initiatives thrive. Furthermore, in free enterprise economies as the West European model, it will attract more than a passing comment to dismiss, on the face value, the propensity of most governments to retain equity interest in some enterprises, the proportion of such interest notwithstanding. Government's interest implies an additional responsibility and obviously will alter the focus of the enterprise objective which traditionally ought to center on maximization of private interest.

What we can say of the enterprises which fit into the picture above is that their activities extends to the realm where it is difficult to separate public interest from private interest. This class of enterprises are closely monitored by government either through specially tailored regulatory framework (eg. Oftel, Ofgas model) or direct equity participation. We designate this class of enterprises as 'type A'. This is the category that complicates the definition and classification of enterprises on the private/public model. They are, together with public enterprises, candidates for the 'national enterprise'. On the other hand, 'type B' enterprises operate in areas where the dividing line is apparently clear, and therefore not of interest to us here. It was Nigel Lawson,(1981), Chancellor of the Exchequer who in the House of Parliament proclaimed that 'the business of Government is not the government of business'. Perhaps, this perceptual statement aptly suits our 'type B' enterprises but applying it to 'type A' raises some philosophical contradictions, both conceptually and operationally. In the light of our 'type A' enterprises, it is evidently clear, as will be illustrated shortly, that the 'government of business' is also a very important 'business of Government'.

We deem it necessary to draw attention to, and emphasize the element of 'public interest'. In principle, we accept that the term is relative, and therefore open to interpretations. The notion of public interest seem to be notoriously difficult to define and measure. Mitnick (1980), reviewed these

difficulties and presented a typology showing that there are multiple, sometime conflicting conceptions of public interest. For instance, Britain privatised her national oil (petroleum) enterprise on grounds of public interest, while Nigeria nationalized hers also on public interest considerations. In both countries, the different status of the enterprises has not made one or the other more or less 'national enterprise'. In addition, it is commonplace to observe that almost all organizations exert influence on the public interest in some way, (Hall and Quiny, 1983). Enterprise classification on the dual typological model of private\public is blind to this kind of reasoning.

2.5. DEVELOPMENT OF THE NATIONAL ENTERPRISE CONCEPT

Government In The Market Place: Theoretically, all firms in the open market are supposed to compete in such a way that none enjoy any kind of advantage outside the manipulation of the market factors. How successful the firm becomes will depend on how efficiently it applies and manages its resources. The hallmark of every activity is to gain consumer loyalty, usually expressed through the 'monetary voting rights' in the market place (purchase behaviour). One of the cardinal features of our enterprise concept is the issue of viability. Viability is achieved through the ability of the enterprise to offer satisfactory goods and services to the consumer. A satisfied consumer repeatedly endorses the operational mode of the enterprise through his buying pattern. Those enterprises which satisfy him (the consumer) stays in the market while those that do not simply die off as a result of lack of patronage, bearing in mind that expenditure of consumers constitute income of the enterprise. This implies that less efficient enterprises will be forced to leave the market while the efficient ones thrives. Market forces therefore allocates resources through the 'invincible hand' and subjects all enterprises to the discipline of the market place. Much as the above might appear a truism, a number of externalities operate to constrain market forces and impede its discipline. In practice, enterprises do not, in all cases, stay or leave on efficiency criterion alone. Efficiency in this case is not determined by how adroitly the enterprise wades through the vagaries of the market place. That class of enterprise which enjoy a measure of exemption from the rule and discipline of the market place is the substance of this chapter. The State involvement in the market place , to a large extent, explains this phenomenon.

The State determines extra-economic objective which it intends to achieve through the enterprise machineries. As can be seen, the State is no longer limited to its 'historic' function as regulator, referee and facilitator of the private market economy (Walters & Monson, 1981). As elaborately put forward in the World Development Report, (1987), 'Government pervades modern society and industrialization has to be reconciled with other public objectives - economic, political, social and cultural'. The State has played important parts in providing vital economic and social infrastructure. Most governments provide commercial goods and services notably in areas such as energy, transport, communications, etc. For instance, in the World Development Report,(1987) - survey involving a cross-national study of countries both in the developed and developing nations - it was reported that governments' involvement in the provision of telecommunication services was nearly total (100%) for all the countries. Involvement in other areas are, steel 75%, Nitrogenous fertilizer 50%, Mining 25%, Textile and cement 0%. The report referred to above has one obvious implication -the propensity of State involvement in the market system is more in some industrial sectors than in others. Enterprises that operate in such an area where the propensity to intervene is high corresponds to 'type A' as classified earlier on.

The reason for State intervention, (we are not elaborating on this), are many and myriad ,usually reflecting such factors as (a)checking the excesses of the market place, (b) maintaining national presence in some industrial sectors, (c) save threatened jobs, (d) avoid over-dependence on foreign sources of supply in key product areas, particularly those with wide social and political implications, (e) check foreign dominance of the economy, (f) as a welfare criteria. It can reasonably be expected that where the existence of 'type A' enterprises are under threat, government would readily offer rescue packages to stave off liquidation or cushion out the effects of market failure. The result of all these externalities to the market place is the difficulty now posed in trying to establish the status of some enterprises based on the concepts we have examined. Categorization along the line of public\private model apparently appears blurred particularly in 'Type A' enterprises, reminiscent of such sectors as energy, telecommunication, transport, aviation ,mining, petroleum, automobile, etc. For enterprises as classed in 'Type A', public interest can not easily be divorced from private interest, and in some

economies, are open to private initiatives while in some, they are operated as public enterprises. We classify 'Type A' enterprises as national enterprises. We use the term 'national enterprises' in a loose sense, without attempting to establish a rigidly compartmentalized enterprise class. Industries which ordinarily may be classified as private enterprise may qualify for inclusion in the national enterprise class, depending on their nature and role in the socio-economic and political framework of the nation. Their functional relevance could be attested to by the kind of special relationship they enjoy from the seat of government. Some of them are run as public enterprises and those found in the private sector zone may have been public enterprises in the past but privatised as a result of changing political climate. Enterprises in this class may have seen phases and changes in their equity base, from cyclical stints of privatisation, through nationalization to denationalization. It may look like their long term equity structure is determined by the ideological clout of each successive government. However, the crucial point is that government maintains a continued interest in their existence, irrespective of status. To this extent, they enjoy a measure of State protection.

In regard of public enterprises, since government controls their equity and they in turn "rely on the government to act as banker", (Posner, 1979), they are virtually national enterprises. It follows that all public enterprises automatically qualify for classification as national enterprises, but we see a fallacy if the scope of national enterprises is restricted to enterprises that are publicly owned. This is because, besides the intractable controversies over where the public concept ends and private concept begins, and what proportion of equity holding qualifies an enterprise as being publicly owned; we do not see how, for example, Electricity supply in Britain is more suited for public ownership than Gas when both of them are in the same industry and share common market characteristics; or why British Caledonia Airways should 'die' while at the same time, the local routes of the British Airways is protected. In the case of British Gas, Prof. Odell (1987) was emphatic that the change of ownership from public to private can not be viewed significantly because the market behaviour of the privatised British Gas does not seem different from that of the previous State entity. Price (1986) also argues that even though privatisation was supposed to introduce the discipline of the competitive market place, the existing monopoly power of British Gas will

snugly insulate it from the chill winds of competition and contestability. Moreover, government's retention of the 'golden share' ensures that no foreign take-over threat arises. The industry's importance makes the threat of bankruptcy equally implausible, " hence the size of British Gas is enough to ensure that any threats are imagined rather than real", (Price,1986,p.17). Herein manifests the case for the national enterprise as a necessary option and complementary model of enterprise classification. We have in mind those enterprises which are considered or classified as national assets, vital to public service objectives and national security, insulated from take-over threats and bankruptcy,(Whitehead,1983; Price,1986). Examples include such enterprises as British Gas, British Telecom, Nigerian Airways, Nigerian Telecom.

It is pertinent to point out here that a good number enterprises within the national enterprise concept can be found in the utility sector. However, utility per se does not fully explain the national enterprise concept, not only because it is non-encompassing, utility enterprises have functional values and responsibilities, eg. , universal availability, low and affordable prices, which make them better located within the ambit of the public enterprise system. This is not practically the case. Moreover, we agree with Shepherd, (1975), that utility concept is a passing phase. There is no permanent utility industry and this may perhaps explain why the provision of gas and telecommunication services in Britain have, in theory, been shifted to the private sector.

2.6. A MODEL OF THE NATIONAL ENTERPRISE

We can not attempt a precise definition of the national enterprise because, as already indicated, we do not see any clear-cut compartmentalisation for such a concept. However, we apply the term to institutions whose activities in the market system place them on a scale where they could alter the market balance of the relevant industry, and they can not in the light of this, be regarded as mere economic agents. Their relevance usually reflect on the nature of their products/services, ie. where such products are pervasive and touches majority of the people, eg., electricity, gas, water; or their activities bear on the nations political spectrum in the sense of being the national flag

bearer in an industrial sector, eg., Sea vessels, Airlines, etc. Primarily, the concern in most cases is universal availability of their services/products where they operate under condition of natural monopoly, as in the case of most utility enterprises. It is believed that operational framework in such cases is to enhance achievement of economies of scale and for cost-benefit considerations. If the consideration is by the nature of the product they offer, ie., where such products are basic essentials of living, eg., water , electricity etc., they are said to be at the service of collectivity (Mazzolini,1979). The purpose then would be to serve the generality of the public by providing more attractive and cheaper goods or services, without full recourse to the dictates of the free market conditions. Our model of national enterprise is therefore anchored in the following criteria :

- (i) If they are publicly owned (public enterprise).
- (ii) If they were once public enterprises.
- (iii) If they are natural monopolies.
- (iv) If they are national flag bearers.
- (v) If they dominate the sector of their activities (sectorial dominance).
- (vi) If they provide social/political goods.

A typical national enterprise may not necessarily exhibit all six characteristics. We feel that ability to meet any three of the features is enough basis for classification as a national enterprise. We adopt this strategy because we realize that in whatever way any of the three features combine, objectives and interests other than the free market consideration would be called into play, thereby placing the enterprise in a class of its own, with special status, obligations, responsibilities and of course, special constraints. It is pertinent to throw more light on the characteristic features with a view to seeing how some of the enterprises fit into the model.

2.6.1. Public ownership: Enterprises showing this feature are the type Posner,(1979), referred to as 'one who sells and buys in the market place, but who relies on the government to act as banker'. We do not need to belabour this point, but subject to definitional constraints earlier highlighted, such enterprises where the government is the major equity holder are by their own very nature, national enterprises. We have already observed that categorizing enterprises on the basis of government equity involvement is fraught with complications. For example, government equity holding in BT is 48.6%, (see

BT Annual Report 1990). This, overwhelmingly, represent the largest single block-shareholding but it is not enough to change the private enterprise garb of the company. Moreover, inconsistency in government approach leaves further problems to be grappled with. This is because there may be moves to increase government involvement under one administration, only to be followed by a policy of de-involvement under successive administration. For instance, the Labour Party is committed to re-nationalization of both the British Gas and Telecom,(see Labour Party Policy Review of 1989). The key test should therefore be concerned with whether the intention of the organization is to engage in trade and obtain the bulk or all of its resources from trading activities (enterprise concept), as opposed to funds through parliamentary appropriations. This test derives from that adopted by the Select Committee on Nationalized Industries, (1968). Public corporation that meet this test are, by our classification, national enterprises. In Britain, example of such enterprises include the Electricity supply industry, Water supply, British Coal, British Rail and London Regional Transport. In many countries, major utility enterprises fall into this category.

2.6.2. Once Publicly Owned: This class of enterprises presents unique problem in the sense that enduring classification on the basis of their equity structure at any particular point in time may be deceptive. This point was particularly noted in the NEDO,(1976), studies (background paper no. 2), where in the case of France, the report asserted that a great deal of history and politics lie behind public enterprise classification and that it is difficult for any one to grasp the full variety of the forms, organizations and subtleties of all the differences between them. We agree because it appears that the crucial issue in privatisation and nationalization options touches on the question of history and politics. It is therefore no surprise to note that a number of enterprises in Western Europe have in their life span undergone phases of nationalization and de-nationalization. There is no guarantee that history will not run another phase. For example, a privatised enterprise in Britain now operating under the trade name of SEA LINK has a caveat in its charter , affirming that government can take over its operations in emergencies, (Price Waterhouse, 1987). For the fact that an enterprise was once a public corporation creates the impression that such an enterprise may have a particularly relevant and special role in the economy. Price (1986),

opines that the only serious threat any future government could bring to bear on the enterprises would be that of re-nationalization,(see also 1989 conference resolutions of the Trade Union Congress, TUC, reported in the Times newspaper, September 6, 1989).

Moreover, ownership transfers alone have not succeeded in altering the dynamics and market characteristics of some of the enterprises. Enterprises that exhibit this trait are the British Gas and the British Telecommunication. On the Gas industry, Odell, (1987), was emphatic that the manner and form of Gas privatisation in the UK left the Gas industry's rights largely untouched and consequently, there is no change in the market behaviour of the privatised British Gas Plc and the former State enterprise, the British Gas corporation. Kay, (1985), made the point very succinct by insisting that as far as such industries are privatised without major alteration to the status quo, they can not be classified as commercial organizations like the private firm. To him therefore, the substantive change has not been a change in motivation but the freedom to raise capital in the private markets. We accept these views and hold that such enterprises conform more to the national enterprise concept than anything else in terms of classification.

2.6.3. Natural Monopolies: The case of natural monopoly is straight-forward. The term, 'natural monopoly', conveys the feeling of the sole producer or supplier of a product. In relative term, this is true of most of the national enterprises, but in absolute term, the definition has to be qualified. No enterprise operates under a condition of perfect monopoly. What obtains in reality is that some enterprises may have sole monopoly of a product or service line; within that product\service line, there may be no competition but when stretched along the product range, some elements of substitutability begins to appear, and ultimately, some measure of competition. For example, British Gas plc holds monopoly supply of gas through pipe in Britain, but gas is a form of energy and within that energy range, one finds the Electricity and Coal, each of which holds monopoly of supply in the relevant product line, but not in the range. Hence, even though there is no competition in the electricity market for example, but electricity being a form of energy competes with other enterprises in the industry eg. gas and coal.

Natural monopoly features can be found in most utility enterprises like Water, Rail, Coal, Electricity, Gas, etc. In many countries, they are operated as public enterprises. In whatever status they operate, whether as private or public enterprises, the remarkable feature about them is that they are closely monitored and regulated by government. Issues regarding their operations receives attention from the highest level of government and the State's disposition to intervene for reason of market inadequacies can not be in doubt. For reasons of economies of scale, cost-benefit argument, creating place and time utility, enterprises with natural monopoly features have more to grapple with than free market forces. They are required to strike a balance between public interest and private interests.

2.6.4. National Flag Bearer: Most nations of the world, through transport and aviation policies for example, have shipping vessels and airlines that fly the national flag in the international market place and governments do everything to protect the interest of such fleet. It may not so much matter whether the responsibility to fly the national flag is delegated to the public or private initiative. In Europe, for instance, all countries have national airlines and majority of them are operated as public enterprises. Britain is an exception, whose national airline - the British Airways- has been privatised, with the government retaining a 'golden share'. Despite privatisation, the local routes of the airline are protected and it officially bears UK flag in the commercial aviation market place.

The aim of most countries, through the operation of the national fleet, (airlines, shipping vessels, coaches, rails, etc.) may be to promote tourism, boost national image, maintain bilateral air, land and sea agreements and links with the international community. These considerations make it difficult to explain enterprises in this class on the public/private enterprise model. The functions they perform pursuant to public policy objectives are without regard to status in terms of classification.

Cases abound where governments have intervened to save such enterprises from consequences of market collapse, to stave off competition or enhance their credibility relative to competitors. In Nigeria, for example, the national airline, Nigerian Airways, a public enterprise, is the only airline licensed to

operate a scheduled flight on the domestic routes but faces stiff competition on the international front. The situation is not strikingly different in Britain where the national airline operate as a private enterprise. During the recent buy-over saga of the British Caledonia, (Bcal.) , by the Scandinavian Airline (SAS) and British Airways, the later was aided by the powers of the State machinery to take the advantage because it was in the national interest ,(see Financial Times, January 4,1989). The kind of situation as above render public/private enterprise classification model grossly inadequate, thus a better case for the national enterprise concept.

2.6.5. Sectorial Dominance: The extent of dominance associated with an enterprise in a given sector of economic activity constitutes another issue of substantial relevance in our model of the national enterprise. Sectorial dominance, as a factor, may cause some apprehensions or misunderstanding if taken in its ordinary meaning. We would therefore like to distinguish between sectorial dominance and market leadership. A market leader may have an advantage over competitors on the basis of innovativeness and shrewdness in manipulating marketing factors but faces challenge from competitors of comparable status. Its exit from the market may not cause major disruptions in the market equilibrium. In the case of sectorial dominance, the dominant firm simply bestrides the industry in a colossal way. It need not be a monopoly in the theoretical sense of it but certainly controls the market in oligopolistic style. According to Shepherd,(1985), a dominant firm controls over 40% of the market share and is more than twice the size of the next largest firm. The higher the dominant's market share, the closer it moves to being a monopoly. Conceptually, the firm acts like a monopoly even though its power over the market is less than complete. In practice, the market-dominant enterprises do not exercise all discretions in the market place. The more the scale tilts towards dominance, the higher the possibility of encountering regulatory activities which may serve either as a proxy for the market forces or arbiter of national interest. It may well be that, like Ramanadham (1987) pointed out, this accounts for government participation in industrial ownership not only in public utilities but also in several industrial organizations. British Telecom fits well into this picture.

2.6.6. Provision of Social/Political goods: In this context, the focus is on the wider, conventionally economic and non-economic functions, including social costs, environmental and political objectives. The additional functions are concerned with areas where the private and social costs and benefits diverge, or reducing externalities produced by the operation of the market.

Occasion may arise where through public policy options, it may be desirable to extend certain services to certain areas, or deliberate design to make the goods/services easily affordable by the generality of the populace, particularly where such goods/services are the basics of every day life. Example of social goods include Water, Gas, and electricity. It may well be that an aspect of an enterprise operation is vital for the attainment of political objectives of the nation. Example of political goods are the weapon systems, where the automobile industry is active, (eg. the British Aerospace and the nuclear enterprises). From the foregoing, we observe that national enterprises play very crucial role in public policy arena and could be used as tool for achieving strategic objectives which are not totally impelled by market considerations. In such enterprises, equity structure, viz-a-viz, ownership may not so much matter, even if one disagrees with the view expressed by Kay, (1985) that nationalization and de-nationalization options are political imperatives. It is therefore not extremely correct to say, as Yarrow (1987) postulates, that ownership 'matters' simply by assuming that the transfer of a firm from public to private sector (or vice versa) will lead to a change in incentive structure facing the decision makers. The falsity of this assumption has been amply demonstrated in the cases of British Gas and Telecom. The point therefore is that certain categories of enterprises located within the private sector framework can and do exhibit features characteristic of public enterprises and the only way to put them on a common scale is to apply the national enterprise concept. Enterprises in this category are not adequately defined in the realm of public\private enterprise model.

2.7. BEHAVIOUR OF NATIONAL ENTERPRISES

National enterprises exhibit certain behavioral characteristics which may help in distinguishing them from other market oriented enterprises. Such distinctive characteristics include;

2.7.1. Highly regulated behaviour: National enterprises are highly regulated, usually having a purposely structured institutional arrangement monitoring their activities. These institutional arrangements, which may be in the form of a regulator, (eg. Oftel, Ofgas, Electricity Council), act as watch-dog on their target enterprises.

Such structural arrangement is not applicable in the open market system. What obtains is a system of general legal framework to which all persons, individuals and body corporate are subjected. Thus, besides the common law provisions of civil and tortious liability, and perhaps other incidental statutes, no firm, except the national enterprise is statutorily subjected to a regulator or consumer body as in the cases of gas, electricity and telecommunications enterprises.

2.7.2. Control over marketing. In Marketing theory, some elements of the Marketing environment are assumed to come within the controllable realm of marketing management. These elements are classified as the marketing mix (the oft quoted 4p's). Management in a competitive enterprise is at liberty to decide what price to charge for its products, in what market to sell, who to sell to, what distribution network to use, how to inform, educate or influence consumers over its offerings. For the national enterprise, the picture is totally different. Most national enterprises do not enjoy absolute discretion in areas mentioned above, hence the total concept of the marketing mix, viz-a-viz, its controllability by management appear illusive.

2.7.3. Orientation to profit: Under a free market environment, the over-riding objective of individual firms is to optimize profit level. We have to add that all enterprises pursue profit objectives in a generic sense. However, they differ in how the concept of profit is operationalised. In national enterprises, performance is not solely evaluated on the basis of profit levels. It is usually reconciled to other objectives which may not be impelled by profit consideration.

2.7.4. Obligation to supply. Some national enterprises, particularly those that operate under conditions of natural monopoly, usually have injunctions in

their enabling statutes requiring them to ensure security of supply of their products. The atomistic, competitive enterprises are not subjected to such peculiar provisions. Hence each firm can on its own discretion decide to withdraw a product line or withdraw entirely from any market segment without breaching any regulation.

2.7.5. Social responsibility Versus Social obligation

Social obligation appears to be a corollary of social responsibility - the two terms operate under different platforms.

Social responsibility applies to the open market system where such acquired responsibilities are pursued at the firm's discretion. They can not be enforced and can only be attended to by the enterprise only in so far as they aid the enterprise in attaining its objectives. On the other hand, the national enterprise is faced with condition of social obligation to the consumer.

Moreover, national enterprises are highly visible and more susceptible to criticism than the open market business enterprise. All or most of the factors mentioned above add to shape the behaviour of the national enterprise.

2.8. PERSPECTIVES FOR THE FUTURE

Events in today's market place give credence to the concept of national enterprise. The very clear evidence in most advanced economies is that further growth must rest largely with , and based on new technology (Thomas, 1981). In most industrial sectors, there is extensive automation and use of new technical approaches, resulting in massive reductions in labour which can not be regarded as a temporary consequence. At the same time, increased competition not only affect the older industries but extend to new high technological firms. What the picture portends is that there is growing possibility that the State will be over-stretched in trying to cope with the consequences and dynamics of the business environment by directly operating fully State-run enterprises. Chances are that the State will increasingly lessen hold on such enterprises, but without shirking the responsibility of using

such key enterprises in the pursuit of extra-economic objectives. The trend in western Europe is already discernible, following the British example, (Walters & Monson,1981); a pattern that is vigorously being pursued in developing countries as well, (Aylen,1987). Aylen further argues that the paradox of privatisation in developing countries is that the publicly owned enterprises under market control are likely to prove easy to privatise, yet transition to private ownership makes little or no difference to the performance of such commercially minded concern. The devolution is unmistakably towards the concept of national enterprises.

It is obvious that although the evolving trend in some developed economies like Britain, is for government to embark on privatisation scheme, national enterprises will continue to receive keen attention and very unlikely to be left to the vagaries and dictates of the free market forces. United States did it with Chrysler corporation some years ago and has in the last couple of years subsidized two key private enterprises in the aviation industry with over \$10b., because the enterprises were considered vital for the nations armament drive, (Independent newspaper, Jan. 18,1988). In Britain, the cited cases of British Petroleum versus the Richfield corporation over the Britoil; the British Airways Vs. Scandinavian Airways over Bcal amply illustrates the point. For third world countries like Nigeria, the handwriting is conspicuous on the wall. The world economic quagmire has virtually striped the governments of enough liquidity to attend to the public services. The enormous foreign debts of these countries and increasing economic recession does not suggest any likelihood that the governments will be further disposed to invest directly in enterprises, particularly in areas where the private economic agents can be encouraged to explore. In Nigeria , for example, government has completely withdrawn from making subventions to some State enterprises. The budget statements, since the past 5 years have continually but unmistakably stated that public enterprises must be viable not only to the extent of being self financing but must contribute to the public coffers. It is therefore no surprise that for 1988 fiscal year, the Nigerian government has ear-marked 49 parastatals for full privatisation, 20 for partial privatisation, 9 for full commercialization and 18 for partial commercialization, (United Bank For Africa, Monthly Business and Economic

Digest, Jan. 1988). It is worthy of note that most of the enterprises conform to 'Type A' earlier identified.

Notwithstanding whatever structure they assume in terms of equity base, they will continue, for obvious reasons, to reflect the national enterprise status.

By way of recapitulation, we have tried in this chapter to provide the contextual base for the study by delineating the boundaries of the national enterprise. In a way, we have tried to 'root' the study. This will be very helpful in trying to explore the determinants of management orientation and response behaviour towards consumer protection, (we should be dealing with this aspect later). As a prelude to that, we would look at the paradigms of consumerism, taking cognizance of the fact that consumerism by and large is about consumer protection. This is the subject-matter of the next chapter.

CHAPTER 3

CONSUMERISM - A REVIEW

3.0. OVER-VIEW

Consumerism, with its emphasis on the rights of the consumer, has become a topic of immense concern for business, government and consumers. Basically, consumerism expresses itself in efforts to bring pressure on business enterprises, as well as government to correct market imperfections. Its main thrust encompasses a multitude of group actions, concern with problems associated with product and price information, fraudulent and deceptive business practices, product safety, and in fact, the entire gamut of consumer protection laws.

Consumerism has over the years succeeded in asserting itself as a powerful and pervasive influence on business decision making with implications virtually spanning across all types of business organizations. The phenomenal growth and relevance of the concept under-scores the point that issues which it addresses have long been of primary concern to people, be they individuals or groups. The focus have been on the wide area of efforts to redress the perceived inequities of the market place by way of obtaining fair deals for the consumer; fair prices, safety from hazardous products, improved quality of service, adequate and factual product information to enable consumers make informed purchasing decisions. These issues are the fundamental substance of consumer protection, whether in the open competitive or controlled market place. The hall-mark of consumerism is therefore to ensure better consumer protection. As Mann and Thornton,(1978) argues, consumerism, regardless of the plethora of definitions, has always been, and continues to be about consumer protection.

In this chapter, we shall endeavour to explore the realm, ramifications and repercussions of consumerism as a framework for unraveling the subject-matter of consumer protection at a defined level. Thus, analysis of the origin of consumerism, assessment of its nature and scope will provide the foundation for developing an objective perspective of the concept. Such a

perspective will include examination of goals, parties involved, their inter-relationships and identification of emerging issues. This review will therefore not only help to determine the level at which consumerism in national enterprises can be determined, it will offer insight into the dialectics of the present consumerist organizations, efforts made through time by individuals and groups to ameliorate the lot of consumers, pattern of development, changing concerns of people and issues involved. It may be pertinent to note that present consumerist organizations did not just emerge without the benefit of hindsight. Perhaps, better understanding and proper assessment of the past may provide a better framework for appraising the present, and also, vital input for shaping up to the future.

3.1. HISTORICAL PERSPECTIVE

Consumerism, like the concept of Marketing, has evolved over time, reflecting different meanings at various stages, (Keith,1960; Bartel,1962). As a product of economic evolution, consumerism has been construed as an aspect of transition from a producer economy to a consumer economy; from an economy of scarcity to one of plenty; and from a seller's market to a buyer's market (Dameron,1939). Even though the origin and precise meaning of consumerism is shrouded in controversy,(Herrman,1982; Nader,1982; Greyser,1973; Buskirk and Rothe,1970; Kotler,1972), one of the earliest adopters of the term was Vance Packard who in the early sixties linked it with strategies for persuading consumers to expand their needs and wants (Aaker & Day,1971). Some researchers have tried to trace the evolution to the post-war United States, (eg. Hendon,1975; Carlson & Kangun 1988). This can not go unchallenged because consumerism is not a new phenomenon. It dates back to the stormy and historic era of the 'Reformation' when reformers like John Calvin, Martin Luther, St. Thomas Aquinas etc. engaged in consumerist activities by attacking deceptive selling practices of the period and consequently, advanced the concept of 'just price' rather than 'what the market can bear'. To buttress this standpoint, it has been argued that under the medieval economic theory, sellers were not allowed absolute discretion in pricing policies. In order to check possible extortion, economic speculation was frowned at. Consumerism was therefore well under-way even in the

medieval time. Perhaps, its wave possibly led Karl Max to propound the 'labour theory of value', (Garry, 1973). As evidence of consumerism before the modern era, one can point to consumer laws such as the Sale of Goods Act, the English statute of 1893, which incidentally became part of the 'Statute of General Application' extended to erstwhile British colonies and protectorates.

Herrman (1982); Anthony & Haynes(1975), who chronicled the evolution of consumerism notes that there are three distinct epochs marking its historical development. The first era, the pre 1900 era, witnessed a variety of local reform organizations concerned with social problems. The era saw the birth of the first consumer organization in 1891 - the Consumer League of New York - which between 1893 to 1903 metamorphosed into a national consumer organization. The first fruit of consumerist activities of the era was manifested in the passage of the Pure Food Bill and subsequently, Food, Drug & Cosmetic Act of 1906. This was a sequel to the publication of the hell-raising expositions in Upton Sinclair's book in 1904 entitled "the Jungle", (Murray, 1973, p.78).

The second era began in the 1930's, following the publication by Stuart Chase and F.J. Schlink in 1927 of the book entitled "Your Money's Worth", sub-titled, "A Study in the Waste of Consumer Dollars". The book vehemently attacked advertising and high pressure salesmanship, called for scientific testing of product standards to provide the consumer with technical information needed for making purchasing decisions. It gave expression to widely felt concerns of the period, and also proposed a consumer sponsored organization. The acid test was provided by the marketing in 1937 of 'Elixir sulfanilamide', a devastatingly lethal drug. This provided the impetus for the promulgation of a wide-ranging consumer protection regulations. In the Gallup poll, (1940), which was aimed at gauging the impact of consumer organization on public opinion, it was revealed that more than half of the respondents favoured stricter regulation of the market place and establishment of a formal department in government to represent the interest of consumers. Gallup research concluded that consumer movement had made a head-way and likely to continue to grow because of its strength among influential groups.

The term, consumerism, was not widely used until the 1950's and early 1960's, which in essence marked the third and the present phase. In its modern sense, the usage reflects concerns with declining quality and poor services in the saturated consumer goods market, planned obsolescence, externalities, and consumer rights in seller-dominated markets. Consumerism began to be seen as a concept that ought to be operationally defined rather than consumer flair-ups,(Hutt et al,1986; Harris,1978; Preston & Bloom,1983; Bourgeois & Barnes 1979). The present consumerism orientation has been shaped by the works of people like Vance Packard (the Hidden Persuaders); Rachel Carson (Silent spring); Ralph Nader (Unsafe at any Speed); John Kennedy (the Consumer Charter of Rights); etc.

In the opinion of Bloom & Greyser (1981a), consumerism concerns under the present dispensation is different from those of the old in the sense that the primary concern in the old was economic while that of the present is social as well as economic. Cravens & Hill (1970), argues that a pervasive force underlying the social issues that emerged in the sixties, particularly consumerism, was a general atmosphere of questioning on the part of many groups, environment and quality of life became important issues. Much of the criticism directed at big businesses alleged misuse of power, lack of social responsibility, and adherence to questionable goals. Consumerism began to be seen as an inevitable response to the increasing complexity and impersonality of the modern society. Hitherto, the focus has been with obtaining the desired goods and services but when the supply of these became plentiful, other factors began to influence consumer behaviour in the market place, (Craven & Hill,1970; Richardson,1986). Consumers became more aware of their rights, and more than ever before, prepared to assert those rights.

The changing trend in consumer orientation has been attributed to the fact that consumers from the sixties were better educated generally, more affluent, had more leisure time, and faced more complex assortment of goods and services. Mass communication, particularly television, made them more aware of the proliferation of economic goods as well as existence of problems related to products and services, (Weiss 1967; 1968a; 1968b; Herrman 1970). Thus, high level of demand, combined with highly efficient productive processes introduced and established the Mass Marketing Concept. Attention

of firms became focused on increasing production and in moving goods in unprecedented volume. Marketing institutions became less labour intensive and impersonal. Integrated consumer oriented Marketing effort was not implemented. While the consumer was acknowledged as the focal point of Marketing thrust, not enough research was directed at understanding his behaviour as a guide to Marketing strategy,(Craven & Hill,1970). Carlson & Kangun (1988) also argues that demographic changes as a result of greater labour mobility provides the basic rationale for the scale of the latest wave of consumerism, thus adding to the multi-dimensionality of the concept approach.

It should also be mentioned that classical economic thinking contributed to the galvanization of consumerism prior to the present era. Adam Smith, for instance, pictured consumption as the goal of economic activities, an understanding that economic theory should rest upon an analysis of consumption, (see Gill,1978,ch.2; Samuelson,1970,ch.3; Polanyi,1944). The basic assumptions were:

- a. that the consumer guides production.
- b. consumption is the end purpose of production.
- c. Consumers are rational and alive to their own interests.
- d. Competition is an adequate safeguard of the consumer interest.

While these postulates made sense during the early days, the challenges and dynamics of the growing marketplace rendered void the basic assumptions. As Lynd,(1936) puts it, "...the consumer has never been so free to chose as he is today and at the same time so little free, so completely bound as he is upon the wheel of an administered market and a commercially controlled standard of living. The consumer is free to take or leave under a system in which free competition is becoming increasingly unreal". The message therefore was, and perhaps remains for the consumer to find a substitute for the direct action of the marketplace. It is therefore arguable that classical economic theory laid the foundation for present day consumerism. It only remained for consumer advocates to popularize it by dramatizing the weaknesses of consumers in buying, thereby giving impetus to modern consumer movement. For instance, Chase & Schlink - notable consumer advocates - pictured the

consumer as the 'Alice in wonderland' of conflicting claims, bright promises, fancy packages, soaring words and almost impenetrable ignorance. In place of facts about the merchandise, the consumer was showered with meaningless phrases and victimized by the manipulation of demand through the channels of advertising, salesmanship and sales promotion, (Dameron, 1939). Therefore, the stage was set for an assessment of consumer problems. Consumerism developed rapidly and its structures became institutionalized.

3.2. SCOPE

Consumerism has grown tremendously since inception and has continued to show changes in emphasis, focus and orientation. As already stated, emphasis at the early stages were directed at dangerous/unhealthy products and questionable business practices. In the present time, the emphasis is broader, encompassing not only the flaws in the marketing system but also the inequities in the economic environment, and the quality of physical environment. Concerns over inequity in the economic environment have been manifestly expressed through regulations aimed at ensuring competition, price controls, fair income distribution through cross-subsidization between markets, check on restrictive business practices, and also , economic and social role of advertising have been questioned. On the quality of the physical environment, the problems of air, water, and noise pollution , and other forms of externalities are increasingly eliciting sensitive reactions from the public. Further more, such areas as institutional reforms, consumer representation, redress assistance, consumer education and vigorous enforcement of the new consumer protection laws have gained prominence.

In a generalized form, the present day consumerism is moored in the consumer charter of rights as enunciated in the United States by John Kennedy in the famous 1962 presidential address, (see Consumer Advisor Council, *First Report, Executive Office of the President, Oct. 1963*). The consumer charter of rights include:

- a. right to be informed.
- b. right to safety.
- c. right to choose.
- d. right to be heard.

The case for the inclusion of the fifth right to the charter has been made by Preston (1974), - right to redress. This entails the right to fair settlement of just claims. The fifth right as proposed by Preston, appear to be a complement to the fourth right, - the right to be heard. Taken together, they seek to establish that consumers will not only have a right to protest unethical marketing practices, but should be provided with the channel through which such protests can be registered, listened to, and appropriate or satisfactory remedy provided.

In their opinion, Aarker & Day, (1982), feels that the charter has not gone far enough. They argue that the list should be further expanded to include the 'right to a physical environment that will enhance quality of life'. They rest their argument on the premise that consumerism can broadly be seen as an organized expression for improved quality of life. However, Holsworth (1980), thinks that concern for the quality of physical environment should more appropriately be dealt with under the aegis of another facet of social movement known as environmentalism. Failure to draw a proper boundary between consumerism and environmentalism will result to dissipation of consumerism effort and engender a conflict situation between the two movements. Mitchell, (1986) disagrees, arguing that there is no basis to justify a potential conflict situation because the two movements have some basic commonalities such as shared ideology, common constituencies, broad public support, and common enemy. These commonalities will more or less promote co-operation rather than conflict.

Perhaps, the changing orientation of consumerism accounts for the varying perspectives on the part of consumerism researchers. While it could be said that there is some measure of agreement on the philosophy of the movement, there is no such consensus on its definition or mode of operation.

3.3. DEFINITION AND FOCUS

There is no doubting the fact that the term, consumerism, has gained prominence in Marketing literature. However, its definition has been as varied as there are researchers in the subject. Most of the definitions have tried to highlight the various actions and concerns associated with the

concept. These actions and concerns have not shown any constancy, rather, they tend to be reflective of the developmental processes. It therefore appears that concern/action relationship bear on the varying standpoints from which the concept has been defined. Due to the dynamic elements of the relationship, likelihood of further variations is possible because of the changing goals and positions of the forces behind the movement.

Granzin & Grikscheit (1976), in their empirical study, addressed the definitional issues in consumerism, the focus of their study geared towards answering the question, 'what is consumerism '? They conclude that "consumerism emerges as a cluster of issues. However, most salient appear to be the concern for consumer protection. Peripheral are concerns for how this protection may be gained" (p.72). This conclusion positively correlates with the views expressed by many a researcher, (Foxall,1978; Mann & Thornton, 1978; Lazer,1973; Kroll & Stampfl 1986).

It may not be necessary to examine each individual definition, suffice it to say that the variations have been amply represented in the works of Drucker, (1969); Buskirk & Rothe,(1970); Cravens & Hill,(1970); Kotler,(1972); Moss & Richardson,(1984); Forbes,(1985); Sheth & Mammanna.(1974); Greyser & Diamond, (1978). The varied viewpoints expressed by these authors give insight into the phenomenon referred to as consumerism. However, we identify two basic approaches to the definition of the concept. The first approach views consumerism in terms of power relationship between the consumer and the seller. This has its emphasis on power equalization within the marketing system. It sees the consumer as disadvantaged,(Andreasen,1976), cheated, mistreated, a pawn the the chess-board of corporate schemmings, who lacks the power to help himself and therefore must be helped, (Drucker, 1969).

The second approach looks at the dimension of consumer dissatisfaction. For the proponents of this school, consumerism is all about expression of frustration with the marketing system, unrealised expectation ,remedies, restitution, and redress for perceived injustices,(Buskirk & Rothe,1970; Craven & Hill,1970).

A synthesis of the above could be discussed from a three dimensional perspective:

- (a) consumer charter approach, (b) confrontation approach, and
- (c) market failure approach.

3.3.1. Consumer Charter Approach

This approach sees consumerism in terms of trying to ameliorate the lot of the consumer by giving him more power ,viz-a-viz, the seller. The framework is based on the 1962 declaration in the U.S. Generally, there seem to be a measure of consensus over the basic rights of the consumer. However, some proponents have tried to expand the scope of the charter almost to a level of triviality. On the whole, the core issues remain unmistakable, such as those addressed by Peterson,1974; International Labour Organization,1975; National Consumer Council,1977; European Economic Community,1975.

Trying to explain consumerism from the perspective of consumer charter of rights, though this has been the traditional view, tends to under-rate the unfolding complexities of the modern marketing system. For consumerism to be meaningful and alive, it must brace up to the challenges of the market place. Some of these challenges have gone beyond the traditional scope and inevitably, calls for some kind of re-orientation. Morris,(1980), is of the opinion that most of the current debates on consumer protection is not about the basic rights of consumers but rather about the activities which should be undertaken to ensure those rights and how far those rights go. This understanding may have necessitated the emergence of the school of thought which sees consumerism from the point of view of confrontation with business.

3.3.2. The Confrontation Approach

The confrontation approach corresponds to what we earlier identified as the 'power equalization doctrine'. The maxim here is 'caveat venditor' (seller beware), as opposed to the traditional 'caveat emptor', (buyer beware). The adoption of confrontational stance is based in the belief that consumers are impetuously exploited. It has been argued that the enterprise uses its power

over resources to induce the naive and disorganized consumers to buy, often times, on their (sellers) own terms. It has also been argued that business has a virtual monopoly of the resources available for informing and persuading consumers. For instance, Maynes,(1976), posits that in the United States, seller-controlled resources for information and persuasion exceed consumer controlled resources for the same purpose by a ratio of 5000 to 1. The extent of same disparity in the UK has been addressed by Morris,(1980; see also Mayer,1988). These seller controlled resources are paid for by the consumer since they are transferred to the market in the form of costs and prices.

Equally, it is also argued that sellers are relatively few, sharing a common aim which is to exploit all opportunities in the market place, including consumers, for the purpose of maximizing profit returns. On the other hand, consumers are numerically much greater in number, individually weak and poorly informed. Consequently, consumerist activities are seen to centre on reducing the gap between the consumer and the seller, enabling consumer organizations to exert countervailing power, redress the information imbalance, and fight battles on behalf of consumers. The activities of the 'Nader Raiders' in the United States and some consumer advocates like Ralph Nader himself represent the driving force behind the confrontation approach.

3.3.3. The Market Failure Approach:

This approach is based on the fundamental premise that the real market situation diverges from the conceptual norms of the perfect market, hence the consumer can neither signal the direction of market forces nor 'exit', as Hirschman,(1970) postulated.

We have in chapter 1 noted conditions necessitating market failure. Classic issues with which consumerists are concerned include cases of natural or loose monopolies. Consumerism at this level is of immense importance and has great relevance to the management of national enterprises. The philosophy guiding the definition of consumerism based on market failure considerations could serve as a guide in understanding where the movement is directed. This approach sees consumerism more in the political realm than

in economic or social, drawing heavily from such treatise as 'countervailing power' (Galbraith,1956), 'collective action' (Olson,1971), etc. For instance, consumerism has been conceptualized as a movement that builds on collective action of consumers to provide the countervailing power against the market power, in particular of large oligopolistic industries, (Straver,1977).

The three perspectives or levels examined above are reflections of the broad ramifications of consumerism. Jensen (1986), identifies five levels, dichotomized into functional (levels 1-3), and structural (levels 4 & 5); all of which can be accommodated in the tripartite approach we have adopted.

Consumerism at the first level operationally focuses on consumer-seller relationship in terms of the Marketing mix. Straver,(1977), elaborately builds the concerns around the four elements of the marketing mix, the oft quoted 4p's, (price, place, product and promotions), and of course, Packaging, which has been proposed as a candidate for the fifth P,(Jolson ,1978,p.398), (see table 3.0).

At the second level, consumerism expands and focuses on examination of the inter-dependencies between the first level relationships and the social system. The tone of the relationship is more of perceived threat, consumers anxiety is put in total societal context. The drive to even higher levels of consumption is seen as sup-optimization of the quality of life; the imperfections and fraudulent occurrences in the social system are seen as eroding the standard of living,(Straver,1977).

At the third level, consumerist actions becomes a tool for political activism. A system of political processes are invoked, often backed by the machinery of government. This is the level that should be of serious concern to the national enterprise management, and central to this study.

Table 3.0 : CONSUMERIST CONCERNS AT LEVEL 1: ACCUSATION AGAINST THE MARKETING MIX.

<u>I. PRODUCT:</u> -product proliferation. -false innovation -artificial differentiation. -dangerous, defective & marginal.	<u>IV. PROMOTION:</u> -manipulation & subliminal seduction. -promote planned obsolescence. -causes mental pollution. -bad taste and morality. -pushes mass consumption society to excessive materialism. -contributes to inflation. -give false values to society. -lack of adequate information. -increases costs to oligopolistic competitors. -pushes psychology and not performance characteristics of products.
<u>II. PRICE:</u> -profit maximizing. -psychological and fictitious pricing strategies. -bad price/quality relation. -unfair credit terms. false price/quantity relation.	<u>V. PACKAGING:</u> -causes pollution, dangerous and adds to cost. -deceitful and avoids comparison. -lacks adequate information, warranties and service contracts. -inadequate description of ingredients. -product dating.
<u>III. PLACE (DISTRIBUTION):</u> -cross subsidization. -high pressure selling. -little in-store service. -aggressive merchandising techniques. -does not weed out bad products. -high value added for little effort.	

SOURCE: Adapted from Straver, (1977).

3.4. ORGANIZATION

Patterns of consumerism organization are varied, such as those reported by Nelles,(1983), in his study of wide array of groups. The major distinctive features of consumerist organizations are that their main activities are

organized towards lobbying for consumer interests either to or within government, or to business. As watchdog of consumer interests, one would ordinarily presume that they would become active and strong under conditions of real or perceived dissatisfaction among consumers, ie., when consumer interests relapses or perceived to have suffered reverses. Arguments have been advanced to suggest that mass discontent and support for social change do not necessarily produce an active and viable social organization like consumerism,(Bloom & Greyser,1981b; Zald & McCarthy,1979). For such organizations to maintain viability, they must be properly structured to mobilize resources and support,(McCarthy & Zald, 1977). Smith & Bloom,(1989) argues that the existence of discontent can not be denied. "It is a factor that underlies long-term trends and needs, but discontent alone is not enough to bring about change". The argument seem tenable because discontent alone can not explain the cyclical nature of consumerism. Consumer discontent was not substantially greater in the late 1960's and early 1970's than throughout much of the late 1970's and 1980's when consumerism was perceived as having declined, or rather stagnated. What seem obvious therefore is that having consumer discontent and general support for consumerism is one thing, funneling those feelings into actions that will create better deals for consumers is another thing.

Marketing literature is replete with identification and comparison of demographic characteristics of consumer organizations in terms of membership population, activists relative to age, income, education, social class, and consumer activist motivation,(Bourgeois & Barnes,1979; Chandon & Strazzeri,1980; Jolibert & Baumgartner,1981; Thorelli,Becker & Engledow, 1975; Forbes & Punnett,1985). Forbes,(1985), in a separate study has argued that knowledge of why and how interest groups form is fragmentary. This could not be a generalized statement because there is a body of theory which provides insight into the general motivation of such groups. For instance Olson,(1971), developed a compelling set of hypotheses to explain the evolution of interest groups. He observed that small groups of individuals with special 'interest' band together to provide themselves with collective goods ; those goods which individuals not acting collectively are unlikely to obtain. Moe,(1980), and Berry,(1977;1978) built on Olson's hypotheses to establish the basis for non economic as well as economic motivations.

However, Forbes,(1985), identified four patterns of formation, viz., (a) disturbance, (b) entrepreneurship, (c) purposive, (d) historical; all of which could be used to describe the organizational dimensions of consumer pressure groups.

a. Disturbance theory holds that consumer pressure groups form as a direct result of an event or series of events,(Berry,1977,p.23). It could mean an eruption of concern by persons facing common dilemma. Thus early consumerism movements , which organized in response to the vagaries of the market place , accumulated dissatisfaction with market and marketing system could be explained under the ambit of the disturbance theory.

b. Entrepreneurship theory holds that a successful, service oriented consumer organization depends on the drive, dedication, selfless service, and organizational ability of a particular individual or individuals. Raph Nader is widely acclaimed as an entrepreneur,(Berry,1977,p.25). Prof. Carsberg, the Director-General of the Office of Telecom meets substantial parts of the entrepreneur characteristics as enunciated by Moe,(1980), and Berry,(1977).

c. Purposive group, as used by Forbes,(1985), describes a group created by design to represent interests, often the outcome of interaction among consumer groups and governments, the latter being under pressure from the electorate or consumer pressure groups to install an institution to represent consumer interest in the policy process. Examples include the Norwegian consumer council (Rose,1981), the 'Bureau European des Unions de Consommateurs',(B E U C) - an association of consumer groups in the European Community,(Mitchell,1978,pp.272-273; Shanks,1983). We feel that such consumer groups as the Gas Consumer's Council, Electricity Consumer's Council,etc., meet Forbes (1985) criterion and should therefore be classified as such.

d. The historical groups, according to Forbes, applies to those organizations whose existence can not be explained by the theories considered. It has been observed that consumer groups emerge and organize in a variety of ways. It is widely acknowledged that the environment in which the consumer organization functions has a great influence on its structures and operations.

Many consumer organizations have the dual functions of influencing both business and government on behalf of the consumer. In discussing and evaluating consumer organizations and their approaches, Bloom and Greyser, (1981a), builds on the framework of McCarthy and Zald,(1971), to advance eight typologies of consumerist organizations. It should be noted that their work was based on the environment prevalent in the United States, where consumerism is much more pervasive than in most other developed economies of the world. Therefore, some of the typologies identified may not apply to other environments and do, in some instances, overlap. However, the broad categorization accommodates virtually all shades of consumerist organizations, and constitutes a very useful platform for performance appraisal. The classifications are as follows:

i) **The Nationals:** As the name implies, these include broad-based consumer organizations and national special interest groups. Bloom and Greyser,(1981a), identifies as nationals some consumer organizations in the United States such as the Consumer Federation of America, National Consumers' League, Ralph Nader's Public Citizen, etc. In Britain, we can say that consumer organizations like the National Consumers Council, and the Citizen Advice Bureaux belong to this category. Bloom and Greyser also argue that national consumer organizations can be "generally characterized as ranging from moderates to liberals in terms of the amount of social change they seek to achieve". They typically focus on legislative and institutional reforms; consumer representation, enforcement of consumer protection laws and consumer education. It is understandable why the orientation of the 'nationals' should be liberal or moderate. The sheer size, enormity and complexity of interests they represent, and limitations on sources of funds could , to a large extent, be responsible for that.

ii) **The Federals:** This category has, as its major concern, promotion of consumer protection law enforcement, consumer education and redress assistance. They are the central agencies with programmes designed to enhance consumer welfare. Examples of 'federal' consumer organization in the United States include the Federal Trade Commission, Food & Drug Administration, Consumer Safety Commission, Office of Consumer Affairs, Office of Consumer Education, etc. British examples will include such

organizations as Office of Fair Trading, Monopolies & Mergers Commission, Office of Telecommunication, Office of Gas Supplies.

iii) **The Deregulators:** The deregulators are regarded as the most conservative competitors in the consumerism industry because the structural reforms they seek are such that would entail less interference with the market system. The belief here is that regulation, more than adding to costs, constitutes undue hindrance to corporate initiatives, and that consumer interests would be better protected under an atmosphere of free competition.

iv) **The Locals:** This category include public and private organizations that focus on local issues and relatively serve small constituencies or membership. The 'locals' are assumed to be successful in their endeavours because the problems they face are narrow in focus and often, more clearly defined than what obtains in heterogeneous market. In Britain, we proffer as example of 'local' such consumer organizations as Electricity Consultative Councils, Regional Gas Consumers' Council, London Regional Passengers Committee, etc.

v) **The Co-operatives:** The co-operatives, notwithstanding their legal status, generally serve to provide the framework through which consumers can pull their resources together to enhance their bargaining position in the inter-play of market power. While some co-operatives are actively concerned with improving the competitive environment, such as those involved in retail selling activities, others promote it as a vehicle for circumventing or challenging the powers of big businesses. This is the type of consumer organization which Galbraith,(1956,p.140) says could have organized the equivalent of retailers power had large retail buying organizations not developed the countervailing power which they have used , by proxy, on the behalf of the individual consumers. Telecommunications Advisory Committees, which are voluntary consumer associations in Britain whose aim is to provide collective voice for the purpose of obtaining better deals in telecom services fit well into this category.

vi) **The Corporates:** The corporates reflect a new impetus in the consumerism phenomenon. Under the aegies of the corporates, the forces of consumerist

activities emanate from within business enterprises. Marketing literature is gorged with indictment of corporate behaviour as the source of consumer dissatisfaction and consequently, consumerism. In this light, there have been research results urging business not only to respond thoughtfully to consumerism but also affirming that consumerism could, after all, be beneficial and pro-Marketing,(Kotler,1972). The efforts of the 'corporates' therefore appear to indicate business preparedness to compete in the consumerism industry. Thus, it is no surprise to note that most big businesses now have Consumer Affairs Departments with employees working within the enterprise on behalf of consumers. Of interest in such strategy is the desire to provide a form of internal self-regulation, resolve consumer complaints, conduct consumer education and represent consumers' interests to the company and vice versa.

vii) Anti-Industrialists: The interest of this group centre on obtaining more than lower prices ; safe products, increased consumer information, representation, and sometimes, challenging the basic premise of the industrial or economic system, and seeking to change the basic structural elements of government and economy,(Bloom & Stern,1978). However, notwithstanding the approach usually adopted by the group, the name, 'anti industrialist', may be a misnomer, contestable, more or less, a matter of value judgment. For instance, the consumerist instinct of Raph Nader, during the early stages was a subject of abject misrepresentation and was even referred to as a Communist,(Evers,1983). It therefore becomes a matter of subjective judgment to draw a line between genuine consumerist actions and anti business activities.

viii) Re-Industrialists: Cardinal emphasis of this group is the deregulation of business and advanced production facilities. The formation and organization is based on the 'entrepreneurship' theory already examined.

From the above classification, irrespective of whether or not one agrees with the nomenclature, a very important inference can be drawn. That is, consumerist activities can be formed, organized, and directed from three cardinal standpoints. The tripartite structure are, (a) government, (b) consumer, and (c) business.

3.4.1. Government-led Consumerism: In this realm, consumerism manifests as a political attempt by government to effectuate the doctrine of the 'social contract', (the 'nationals' and 'federals' typologies feature prominently at this level). Government recognizes that it owes a duty of care to the citizens who are, one way or the other, the consumers. This forms the philosophical premise of a system of political processes in the consumer protection strategy, as highlighted in chapter 1. The political machinery therefore aims at initiating, formulating and implementing rules and regulations for an ordered, disciplined, and responsible market place. Efficacy here lies with the use of paraphernalia of government to achieve results.

3.4.2. Consumer-led Consumerism: This is exemplified by such organizational types as the 'co-operatives' and the 'locals'. A hybrid of factors lie behind their formation, which could either be, or a combination of the 'disturbance' and 'purposive' theories. The driving force is the recognition by the consumer that he can do something to help himself, or complement other initiatives taken on his behalf for the purpose of giving him a voice in the operation of the market system. More often, the organizations rely on the ancillary support from government in the areas of funding and infrastructural facilities. Much as they tend to have very audible voice, they lack the teeth to bite, and ultimately, make referrals or rely on the first realm for effective and affirmative actions. This trend does not in any way obliterate the potency of their collective voice on consumer policy matters. Some of them do in fact exert considerable pressure on business as well as government, particularly when they have the staying power. Together with the first realm, organizational types in this category manifest the 'voice' paradigm in the consumer protection strategy.

3.4.3. Business-led Consumerism: In the third realm, we identify business-directed consumerist activities. Such activities are manifested in the operations of organizations like the 'corporates', the 'deregulators', and the 're-industrialists'. The sole aim is to compete in the consumerism industry. The genuineness inherent in such competition, in terms of protecting the consumer interest has been an object of disputation by researchers, (Fornell, 1976; Hise et al, 1978). Central to the bone of contention is the lack of clarity as to whose interests are being protected - the consumers' or those of business.

A number of studies have indicated that consumers do not trust business to engage in genuine consumer protection efforts on their own,(eg. Louis Harris Survey,1983), and has been accused of 'cosmetic consumerism',(Bloom & Greyser, 1981b), to underplay the real issues. It is pertinent to elaborate on the strategies which businesses have adopted to cope with consumerism. Three broad strategic options can be identified, viz.,(i) actions directed at reducing demand for consumerism, (ii) competing in the consumerism industry, and (iii) co-operating with the forces of consumerism. The first option is consistent with the philosophy of the Marketing concept because such actions are aimed at improving the total package of offerings, taking all necessary measures to reduce the causes of consumer dissatisfaction. In that regard, business relies on the good intentions and efforts of its marketing programme. The second option sees business adopting active consumer affairs department to offer redress assistance and consumer education, or, it can embark on funding and co-ordinating activities designed to promote deregulation of business and other pro-business programmes. If business chooses the third option, it embarks on unrelenting assistance to regulatory/consumer agencies in promoting consumerist offerings. In spite of doubts over business-directed consumerist organizations, it must be acknowledged that such initiatives have become inevitable in today's marketplace. This understanding makes the role of business in consumerism efforts very crucial . Besides reflecting business sensitivity to the forces of consumerism, viz-a-viz consumer protection, it indicates the pattern and extent of discretionary management orientation when not statutorily directed. It also reflects the effectiveness of the moderating impact of the political processes and consumers' collective voice , as evidenced through corporate behaviour. The interrelationships between the three levels of consumerist activities identified are central to this study and will therefore constitute the substance of the next chapter.

3.5. CONSUMERISM IN MULTIPLE ENVIRONMENT

A number of research studies have addressed the subject matter of consumerism in different political and socio-economic environments, (Kaynak & Wikstrom,1985; Barnhill,Barksdale & Perreaut,1981; Gaedeke &

Udo-Aka, 1974; Peterson, 1986; Barksdale et al, 1982; Perreaut & Rodner,1978; Stanton,Chandran & Lowenhar,1986). These studies have contributed substantially to the empirical information about consumers, marketing practices and consumerism in multiple environment. Some of the studies, (eg. Kaynak & Wikstrom,1985; Barnhill et al,1981; Barksdale et al,1982), have described the relationships of members of the marketing system with consumers, consumer representatives or government agencies seeking to protect consumers. Strong opinions have been expressed with regard to the divergence in Marketing practices and consumerism between developed and developing nations. This aspect is of interest to us because our study spans across the two divides, the developed and developing nations.

In the developed economies of Britain, United States, etc., consumerism is seen as a challenge in the marketing system. In the developing countries of Africa, Asia and Latin America, there is lack of solid research of direct relevance to the needs of those countries. There can not be any meaningful consumer policy without adequate research.

One question that has not been comprehensively answered is determining the relevance of consumerism to developing countries. While some scholars say that the development of consumerism is slow in such countries,(Kaynak & Wikstrom,1985), some say it is non existent,(Sheth & Mammana,1974). For example, Sheth & Mammana, aligns consumerism to the promotion of consumption welfare in a mass-consumption technological society. They hold that consumerism is less applicable to agrarian and less developed economies. Consequently, the type of threats from which consumers need protection is largely a function of mass production and mass consumption, which is only possible in an industrial society. Straver,(1977), in like manner links consumerism to factors such as the level of economic development or variations in economic activity, psychological variables in terms of higher order/lower order needs, education, political/legal climate, and variables relating to the country's marketing system.

The approach adopted by Straver undoubtedly supports the notion that consumerism is a non issue in developing countries. Traditional assumptions have been that such countries are still enmeshed with basic needs, low level

of economic development, volatile political/legal environment, and under-developed marketing system. This picture provided the impetus to Barksdale et al studies,(1982), - a joint research study by seven Professors, with data collected from six countries in the developed and developing regions. They anticipated that opinions expressed by consumers in each country would reflect , in a general way, the stage of development of consumer movement. Empirical findings did not support the hypothesis. While it appears that some countries are generally less critical of business, there was close agreement, across board, on many other issues. They conclude that " no clear patterns of opinion emerge that would suggest that any particular nation would fit neatly into a particular stage of the consumer movement life cycle. Consumers in all countries express similar opinions on all topics", (p.85). However, they note that even though consumers in all countries studied show similar concerns, and no clear-cut compartmentalization in the consumerism life cycle, some countries have over the years developed more elaborate consumerist organizations. Kaynak & Wikstrom study,(1985), supports this conclusion. Maynes,(1979) emphasized that no country is exempt from the forces giving rise to the demand for consumer protection such as the monopoly problem, informationally imperfect markets, consumer grievances, under-representation of consumers, etc. In response, all countries have taken steps to assure consumer protection, thus, " the world may be viewed as a 'laboratory' in which national experiments are taking place as various countries test the effectiveness of their particular approaches", (p.208).

What should be borne in mind is that , as Greyser and Diamond study (1974) unveils, there is need to recognise that socio-economic conditions could be favourable to the development of consumerism. Developed countries with improved conditions are naturally expected to experience a more concerted consumerist activities. But, lack of comparable socio-economic environment in the third world does not indicate that consumerism in those countries is disoriented and consequently, a non issue. The force of consumerism can vary with the stage of economic development but to suggest that consumerism and consumer protection are luxuries which developing countries can not afford (Gaedeke & Udo-Aka,1974) simply misrepresents the substantial issues. For example, Hendon,(1975), adduces evidence to suggest that recent

consumerism movements actually began in under-developed nations which have endured more consumer injustices. Disagreeing with the generally peddled notion that consumerism started in the United States, he argues that " the foreign beginning was not publicized because of the disproportionate amount of publicity the United States receives. The U.S movement focuses on more sophisticated issues, and sophistication can not be confused with leadership", (p.23). Joining issues with those who argue that developing nations are still enmeshed with basic needs, hence less relevance of consumerism, Hendon posits that it is actually those basic needs that constitute potential catalyst to consumerism,- " under-developed nations, with their traditions of violent protests, have focused on different kind of consumer issues, not the sophisticated bait-and-switch that concern the more affluent U S movement, but instead, on the most basic aspects of consumer concern", (p.23).

On a macro level, a lot of developments at the international arena have added impetus towards the globalisation of consumerism. The United Nations addressed the issues, and the result led to the adoption in April, 1985, of a general guideline for consumer protection, (U.N.O, 1985). The guidelines represents an internationally recognized set of minimum standards, taking particular account of the needs of the developing nations, (Harland, 1987; Mericai, 1986). Maynes, (1979), identifies four cardinal roles which the U N plays in the globalisation of consumerism. They are:

- i) acts as agency for the collection and sharing of consumer protection experience - by maintaining a complete central library of consumer protection measures in force in various countries of the world, publications and research articles relating to consumerism and similar topics.
 - ii) sponsors conferences on consumer protection for legislators and government officials involved in consumer protection and consumer organized groups.
 - iii) sponsors research on consumer protection with special emphasis on comparative research, drawing on the differential experience of different countries, research important to consumer interest that is not being undertaken in particular countries, or research that would benefit many countries, eg., less developed countries as a whole.
 - iv) sponsors product testing, especially those of multinational corporations.
- Other organizations active in the internationalisation of consumerism include

the International Organization for Standardisation,(ISO); International Co-Operative Alliance, (ICA); International Organization of Consumer Unions,(IOCU). Through the efforts of these and many other international consumerist organizations, grassroot consumer groups have been formed in developing countries, and they are burgeoning, placing political pressure on national governments for more aggressive consumer protection,(Post,1986).

What these developments portend is that consumer policy makers in developing countries are looking across national frontiers, to the developed nations which they regard as role models for the development of consumerist activities in the home countries. Of significance also is the extent to which the precursor policy is transferable to the emergent environment. Typically, one would expect varying degrees of adaptation in the transfer process , even among developed nations. The level of adaptation can be explained with the 'life cycle' concept as enunciated in the works of Bloom & Greyser,(1981a); Downs,(1972); Mauss,(1975); Hendon,(1975); and Kotler,(1971); - (see table 3.1 below). Bloom & Greyser adopted the product-life-cycle model to explore the dimensions of consumerism growth, from the introduction stage, through growth and maturity, to the decline stage. They are of the opinion that consumerism in the U S is at the maturity stage.

Table 3.1: CONSUMERISM LIFE CYCLE MODELS

STAGE	DOWN'S Model (1972)	MAUSS' Model (1975)	HENDON'S Model (1975)	KOTLER'S Model (1971)	BLOOM & GREYSER (1981)
1.	Pre-problem stage	Incipieny	The Seller market phase	Crusading	Introduc- tion
2.	Alarmed discovery, Euphoric enthusiasm	Coalesce	The repeat business phase	Popular movement	Growth
3.	Realizing the cost of significant progress	Institution- alization	The reaction phase	Managerial	Maturity
4.	Gradual decline of intense public interest	Fragmenta- tion	-	Bureaucracy	Decline
5.	Post problem stage	Demise	-	-	-

Straver, (1977) and Barksdale et al (1982) adopted Kotler's (1971) model in their respective studies. Straver placed France and Germany in the first phase, (crusading stage); U K in the second; U S A in the third; and Sweden in the fourth. Barksdale et al,(1982), placed Israel in phase one, England and Australia in phase two, United States and Canada in phase three, and Norway in phase four. Recognizing the realities in economic and social environments, it does not appear that the models, as applied by Straver , Barksdale & co., are adequately global in orientation. We have noted that consumer concerns are basically the same everywhere, though with variations in emphasis and the means available to articulate those concerns. This understanding would necessitate that most of the developing countries, particularly Africa, Latin America, and South East Asia would be placed at the first phase, (crusading, incipieny or introductory stage). Using Kotler's

model for instance, which appears to be very popular among researchers, it would make no sense placing developing countries from regions mentioned above in the same level with France and Germany which Barksdale & co. grouped in the first phase. This is a major handicap in the model's application and to correct this anomaly, we proffer a phase to be known as the 'emergent stage'. This phase will reflect the realities of consumerism in-road in developing countries. Our revised chain will look like this : stage 1,(emergent); stage 2,(crusading); stage 3,(maturity); stage 4,(fragmentation); stage 5,(stagnation & rejuvenation).

The emergent stage relate to those environments in which consumerism may not yet be institutionalised, but nevertheless, operational. This is reminiscent of most of the under-developed economies. At the 'crusading' stage, the movement grows rapidly to change business focus from 'buyer beware' orientation to 'seller beware'. Third world countries belonging here are the rapidly growing ones such as Israel, Brazil, Nigeria, Egypt. At 'maturity', the movement becomes institutionalised with business developing elaborate structures to compete in the consumerism industry. Countries which in our opinion belong here are Britain, France, Germany, Italy. At 'fragmentation', the movement dissipates into smaller interest groups, with sharper focus, reminiscent of the situation in the United States, and the Scandinavian countries which are reported to experience high level of consumerist activities. The final phase, according to our model, sees the movement showing apparent lull, which may lead some researchers to conclude that it is at the declining stage. Decline does not occur in the right sense of it. Stagnation might appear imminent but will ultimately lead to rejuvenation. At 'stagnation', business will either start to take a lot of things for granted or the complex wave of technological developments may yet again evoke the trappings of product-oriented mass marketing, or new information and better intelligence from the marketplace could re-activate a new cycle of consumerism. Ultimately, consumerism tends to grow in sophistication over time , accelerating as a nation becomes more economically developed. This view might be repugnant to some researchers who believe that consumerism is generally on a steady , slow process of decline. Hendon,(1975), for instance argues that " too much economic development tends to decelerate the movement to some degree",(p.21). We disagree with this view for reasons afore-mentioned.

The popularity of Kotler's model perhaps hinges on the fact that it reflects current thinking in the literature and research in consumerism. While other models talked about decline or demise, Kotler did not foresee any such trend because in another paper, he argues that consumerism is inevitable, beneficial, pro-marketing, profitable and enduring, (Kotler, 1972). A good number of works have adduced evidence to support parts of the propositions, (McGuire, 1982; Molitor, 1982; Smith & Bloom, 1986; Metzen, 1986; Richardson, 1986). Some have argued that the general lull in consumerist activities being experienced in developed countries could not indicate decline but fragmentation or stagnation because of the multiplicity of consumerist interests.

Greyser and Diamond, (1983), adduces four reasons responsible for the apparent lull of consumerism in the United States:

i) government and business alike have worked and implemented consumer protection laws. ii) many companies have established consumer affairs departments, and some have added consumer perspectives to their decision making process. Over time, these have had an impact on both processes and policies. iii) manufacturers, retailers and service firms have made great strides in their complaint handling and redress practices. iv) company guarantee and warranty provisions have been expanded and clarified for a wide range of product and services.

Whatever the contention, it has to be recognized that consumerism movement has not maintained a steady tempo. While it is seen as waxing stronger in the developing countries, it is no longer on the offensive in the developed economies. The reasons could be that it has become institutionalised within government and within business, (Greyser & Diamond, 1983), and business is not only adapting to it, (Greyser & Diamond, 1974), but have developed structures to compete, co-operate, or seek to reduce its force through the mechanics of Marketing, (Bloom & Greyser, 1981b).

The controversy surrounding the state of consumerism has managed to focus attention of researchers on the 'why' and 'wheretofores' of the movement. Research efforts have been directed towards unveiling whether consumerism is indicative that Marketing concept did falter, (Bell & Emory, 1971). There are still so many unanswered questions, revolving around whether Marketing

did betray its basic philosophy. If it not, some have argued, why was there consumerism? Are the two concepts compatible or opposing forces?

3.6. CONSUMERISM VERSUS MARKETING CONCEPT

As indicated above, there is a great deal of controversy in the marketing literature as to whether the existence of consumerism implies an indictment of the marketing concept or whether the two concepts bear no relationship,(Kotler,1972,1982; Shruptrin & Osmanski,1975; Sheth & Mammana,1974; Houston,1986; Benett & Cooper,1979,1981).

The philosophical basis of the marketing concept has been discussed in chapter 1. For years, the concept has become so popular and heralded by researchers as well as practitioners that its acceptance as the optimal marketing management philosophy is almost universal. However, the emergence of consumerism has raised doubts over its operationality. For instance, while Jolson,(1978,p.81), mildly casts doubts by arguing that "marketing concept is so ubiquitous in the marketing classroom that the naive student of marketing is generally led to believe that firms who fail to employ this philosophy are business criminals", Sachs and Benson,(1978,p.74), put the question more unequivocal," is it not yet time to discard the marketing concept"? What is not yet clear is whether the changing focus could be accepted as part of the process of marketing revolution,(Keith,1960), or a reflection of a desire for new value system in the market place, (Sandbach,1971).

In the class of the dysfunctional proponents, Drucker,(1973), posits that after twenty years of marketing rhetorics and consumerism could become a very powerful popular movement, there is reason to suggest that not enough marketing has been practiced. He conclude that consumerism is indeed the "shame of marketing". Earlier, Business Week had argued that in a very broad sense, consumerism can be defined as the bankruptcy of the marketing concept. Indicators that the concept has faltered to the point where it is no longer an adequate statement were exemplified by the organizational stress, excessive costs, and high product failure rate which some companies incurred as a result of trying to implement it,(Berg,1970). Taking Drucker's position,

Sheth and Mammana,(1974), argue that if marketing is considered as " the process of identifying and satisfying customer needs and wants, and the desire to make profit, consumerism can exist only if the marketing concept has either not worked or, more probably, not been fully utilized by management". Buskirk and Rothe,(1971), opines that marketing concept and consumerism are incompatible and that if consumerism existed, then marketing concept has not worked. However, they caution about the danger of over-generalization, suggesting that consumerism may actually be a result of the prostitution of the marketing concept rather than a malfunction of it. Kaldor,(1971,p.19), was a bit philosophical by arguing that marketing concept is not an adequate prescription for marketing strategy because it virtually ignores a vital input of marketing strategy - the creative abilities of the firm. Kaldor's opinion is not critical as such, rather he appears to be making a case for those who believe that if the concept has faltered, it must have been applied out of context.

Bell and Emory,(1971), claim that the concept is entirely operational, although the statement on customer orientation touches on elements that are philosophical in a different context. In their view, the purpose of customer orientation is to improve the firm's selling effectiveness, " providing customer satisfaction is a means to achieving a company profit objective and does not imply protection of the consumer's welfare". Houston,(1986), whose research effort was aimed at restating marketing concept in a way that more clearly shows what it is and what it is not, provides the following comprehensive statement of what he concludes the concept is, its purpose and how it is bounded: " the marketing concept is a managerial prescription relating to an entity's goals. For certain well defined but restrictive market conditions, and for exchange determined goals which are not product related, the marketing concept is a prescription showing how an entity can achieve these goals most effectively. The marketing concept states that an entity achieves its exchange determined goals most effectively through a thorough understanding of potential exchange partners and their needs and wants, through a thorough understanding of the costs associated with satisfying those needs and wants, and then designing, producing and offering products in light of this understanding", (p.85).

Notice that Houston emphasizes an understanding of the market, but does not suggest that products be designed to satisfy market needs. Therefore, satisfaction of market demand is important only when doing so yields profit. The author concludes that many Marketers have taken marketing concept to mean that they should take their lead from the expressed needs and wants of consumers. Consequently, when the limitations of doing so are recognized, the marketing concept is criticized, when it would be more appropriate to criticize the way in which the concept has been implemented. The author's views are consistent with those of Kaldor,(1971); Kotler,(1972,1982); Kerby,(1972).

Kotler's view on this is important because of its centrality to the whole atmosphere of questioning regarding the orientation and focus of Marketing as a field of study. He argues that even if the Marketing Concept, understood from philosophical standpoint of consumer orientation, were widely implemented, there would still be consumerist movement. His conclusion is that "consumerism is a clarion call for a revised marketing concept" because catering to consumer satisfaction does not necessarily create satisfied consumers,(Kotler,1972). This understanding guided his restatement of the conventional marketing axioms to societal marketing axioms, emphasizing that the objectives of the marketing system is not to maximize consumption, consumer satisfaction, or consumer choice, but to maximize the quality of life. "Life quality is made up of a person's satisfaction of his basic natural needs, his satisfaction with the average quality and availability of goods, his satisfaction with his physical environment and surroundings, and his satisfaction with his cultural environment", (Kotler,1982,p.85). Kaldor,(1972), had earlier opined that the consumer in many instances does not know what is 'needed'. He gave an example of doctor/patient relationship, where the patient is highly constrained by his knowledge horizon and consequently, dependent on the doctor for expert information and sometimes, decision making. Kotler,(1972), agrees to some extent because the dilemma of the marketer, forced into the open by consumerism, is that he can not go on giving the consumer what pleases him without considering the effect on the consumer and the society's well-being. The problem therefore centres on how

to reconcile corporate profitability, consumer desire, and consumer's long-run interests. The panacea was to broaden the original marketing concept to societal marketing concept, which "calls for a customer orientation backed by integrated marketing aimed at generating customer satisfaction and long-run consumer welfare as the key to attaining long-run profit volume". Therefore, the message of consumerism can not be seen as a setback for marketing, but rather, acts as a pointer to the next phase in the evolution of enlightened marketing. " Just as the sales concept said that sales were all important, and the original marketing concept said that consumer satisfaction was also important, the societal marketing concept has emerged to say that long-run consumer welfare is also important,(Kotler,1972).

Those views, being revolutionary, have not gone without challenge as well as support. The Societal Marketing axiom is a result of collaborative efforts,(eg., Kotler & Levy,1969a; Kotler & Zaltman,1971). The most vigorous challenge, particularly to the broadened marketing concept,(Kotler & Levy,1969a), was launched by Luck,(1969), - whose disagreement prompted a rejoinder from the authors accusing their critic of relishing in what they referred to as 'a new form of marketing myopia,(Kotler & Levy,1969b). Prominent works which have contributed in shaping up the controversy include those of Lazer,(1969); Dawson,(1971); Feldman,(1971); Kelly,(1971).

A casual observer may pass the whole maze of the controversy as mere academic rhetorics. The fundamental issues go far more than that, with wide ranging implications for Marketing. Central to the controversy is the whole question of consumer protection, a question which decades of research and writing in Marketing have not been able to resolve convincingly, and therefore, remains as valid today as it has ever been. The strands of argument examined can be put in perspective from three dimensional standpoint. The first, hereby referred to as the 'fundamentalists', are the believers in the marketing concept, whose basic orientation centre on integrated approach with consumer satisfaction as the guiding philosophy. The assumption is that marketing programme which is based on promoting consumer satisfaction invariably promotes consumer welfare, and consequently, consumer protection.

The second school of thought, hereby classified as the 'moderates', tries to reconcile the objectives of structuring marketing programmes to provide consumer satisfaction, with the objective of meeting other of the society's implicit demands. The question is not just what will satisfy the consumer but also, whether it will be socially desirable. The third class, hereby referred to as the 'iconoclasts', relate marketing to consumer satisfaction as well as the entire gamut of social and environmental factors. Here the issue is, if it will satisfy the consumer, and it is socially desirable, will it be compatible with corporate objectives? To what extent does it accommodate environmental interests which will help the enterprise to achieve stability and therefore better able to serve the consumer and company's interests, as well as those of the wider society?

From all of the above, it could be seen that the issue of consumer protection is far from settled in terms of adequate theoretical or philosophical framework. If marketing concept, for instance, is accepted to have been extended to deal with dissatisfactions in the marketing system and consequent consumerism, events indicate that there might be some flaws. While the perspectives may have provided a somewhat philosophical foundation for structuring consumer protection under a competitive market environment, there is lack of consideration to the monopolistic environment. Herein lies the real deficiency of the marketing concept. Apparently, marketing literature has failed to give any indication about the relevance of the marketing concept to enterprises that operate in market failure environments.

One startling discovery made while foraging the literature is that most of the serious papers on the philosophy of Marketing were written before or during the 1970's. It would seem as if researchers are giving up on exploring the philosophical directions of the discipline, particularly as they relate to the application of basic concepts beyond the traditional framework. This aspect is outside the scope of our present study. At issue here is determination of the extent to which marketing concept can be extended or applied to national enterprises. It may well be that lack of desired guideline hinge on difficulties in defining what constitutes consumer interests. The question is, do we define consumer interests on individual's specific terms, relate it to the individual in society, or the totality of his macro environment? The

literature at the moment appear unable to provide an answer, hence we re-examine the fundamental premise of the concept.

The marketing concept has its base in the concept of consumer sovereignty, which in essence is the bedrock of all market-oriented models of consumer protection. As a market based model, it is built on a number of assumptions,(Rothenberg,1973; Birmingham,1973).It signifies that production in a market economy is ultimately oriented towards meeting the wants of consumers, production is the mean and consumption the end. More particularly, market performance is responsive to consumer demand, and performance of the economy is evaluated on the basis of the degree to which it fulfills the wants of consumers,(Rothenberg,1973). Despite the fact that consumer sovereignty has been associated with a belief in the optimality of the free market, its responsiveness to market demands have been found to be less than ideal, especially where monopolistic practices exist. Rothenberg therefore argues that the concept is " highly ambiguous, incomplete, lacks independence, and in order to apply it with precision, a variety of decisions must be made which are ultimately complicated",(p.11). These decisions may seem to be the bone of contention in all market-based models of consumer protection, the marketing concept inclusive. Also, if we recall Porter's, (1985), competitive advantage, for example, more decisions would need to be taken on the five competitive elements if they should apply to national enterprises. In the market structure of the monopolistic national enterprise, competition or rivalry among enterprises, if it exists, is at the lowest ebb. Entry into the market is highly restricted. Bargaining powers of consumers are structured not on the basis of consumer sovereignty imperatives but on collective/countervailing actions embedded in political processes,(Olson,1971; Galbraith,1956; Hirschman,1970).

It is therefore becoming clear that in the market situation of the national enterprise, political mechanism, (Voice), will become more crucial than the market mechanism, (exit). This is a restatement of the Hirschman theory as truism. However, a caveat must be drawn at this juncture. To completely accept the above line of reasoning, in all its entirety might be fraught with danger, because that tends to suggest that the enterprise per se would have no role in consumer policy arena, other than reliance on directives through the

political system. Enterprise discretionary roles, when not directed or manipulated through political processes, are as important as the institutionalised collective voice or other regulatory instruments in the design and delivery of consumer protection policies. This is a major thesis which should be explored in the next chapter.

3.7. CONSUMERISM : CHALLENGE FOR THE NATIONAL ENTERPRISE

The scope of consumerism is widening, focusing on spheres where hitherto less attention has been paid. As already noted, inattention of the full force of consumerism phenomenon to the national enterprise is understandable. At different points in time during which consumer upheavals occurred, most of the national enterprises were operated as government corporations or utility enterprises in virtually all countries of the world with possible exception of the United States in some respects. For the fact that these enterprises came under the ambit of the State machinery, they were seen as partners in progress because of the collective ownership structure. Impressions were that the services which they provide can not be provided more cheaply or viably without government support. Little attention was paid to the fact that these enterprises were propped up on consumers taxes, though impressions about their excessive bureaucracy and inefficiency were widespread, (Hirschman,1970, referred to them as 'lazy monopolies'). As consumerism grew, and matured,(Bloom & Greyser,1981a), and of course became fragmented,(Kotler,1972), people started to question a number of practices associated with the enterprises. The resulting effects are the tight regulatory framework in which most of them now operate.

While the argument rages on as to whether consumerism is declining or growing, it is clear that as far as national enterprises are concerned, consumerism is only beginning and the signs are ominous. With steady disinvestment by governments, a phenomenon that is following a worldwide pattern including hitherto Communist states, consumers are likely to get more wary, and consequently be on guard more than ever before. A new realization will dawn on them that the enterprises are no longer symbols of collective investment, but now attuned towards serving narrow interests. A

new standard of judgment will emerge which will set consumers expecting more in terms of efficiency and quality of service. Monopolistic powers of the enterprises will also become major issues. Consumers may be driven to expect that services can improve if offered on competitive basis, hence more pressure and more regulation could become possibilities. For example, in the Union Carbide study,(1979), it was revealed that American consumers see the market place as dominantly 'buyer beware', and expressed great concern about corporate powers. They believe these will have important implications for the future of consumerism. The views were complimented and upheld in the Greyser and Diamond study,(1983); Louis Harris survey,(1983), - all of which contradicted the conclusions reached by Straver (1977) who, basing his analysis on the works of Diamond, Ward & Faber,(1976); Greyser & Diamonds,(1974); Kangun, Cox & Higginbotham,(1975), ironically inferred that :

- i) consumerist organizations operating at the political level are of little practical interest to the consumer.
- ii) if consumerists and businessmen are to arrive at concertation and action programme,they must agree to define consumerism in a non political level,(p.95).

Straver's conclusions show lack of proper appreciation of consumerism dimensions and market realities in terms of monopolistic characteristics of national enterprises. It can also be said that his conclusions were drawn from a wrong premise because the studies referred to merely came up with a basket of issues which are of concern to consumerists, eg., consumer information, health and safety, repairs and servicing, product quality, etc. These issues are as pertinent to the highly competitive market environment as they are to the less competitive national enterprise. Besides, the stature, market position, and over all circumstances of the national enterprise will make it imperative that consumerism at that level should primarily have a political definition. As Kotler,(1972), rightly pointed out, " while consumers buy as consumers, they increasingly express their discontent as voters. They use the political system to correct the abuses that they can not resist through the economic system". Even in the atomistic market structure, major milestones in consumerism have been achieved through political machineries as evident by the celebrated "consumer charter of rights". Therefore, public policy connotations and possible consequences of wide consumer discontent poses enormous challenge

to the management of national enterprises. The creative, marketing oriented management will have to develop programmes or a set of solutions and approaches which are salable in the public policy marketplace.

Consumerism in the national enterprise market place will exert considerable force because of some factors which are deeply rooted and very crucial for its success. These factors are:

- a. widespread attention or awareness.
- b. media access.
- c. salable ideas in the public policy arena. That is, shared perception that the issues are an appropriate concern for the government and falls within the bounds of its authority.
- d. a believable claim to consumer authenticity, ie., consumer representation and support.

These factors will make it easier for consumerists to muster enormous pressure on target enterprises. The result could manifest through public policy initiatives and reviews or more regulation for the enterprises.

We would not have done justice to this aspect of the discussion if we tidy up without reminiscing and casting a retrospective glance at the 'charter of rights'. We feel that a lacuna exist, which can be filled by addressing the need to ensure steady and continuous availability of the products/services of the enterprises in question. We therefore propose that the 'right to security of supply' be added to the existing charter of rights. This injunction might not be entirely new because some of the enterprises have got such requirement in their enabling statutes, eg., Gas Act,(1986); Telecommunication Act,(1984), as applicable in Britain.

3.8. CONSUMERISM: CONSUME SATISFACTION/DISSATISFACTION AND COMPLAINING BEHAVIOUR

3.8.1. Over-view: The dimensions of consumer satisfaction/dissatisfaction and complaining behaviour are certainly intricate aspects of consumerism. The first two concepts, consumer satisfaction and dissatisfaction, refer to consumers' post consumption evaluation and the third refer to the

behavioural or action tendencies associated with the process. They belong to relatively new and emerging field of research in Marketing. Interfaces with consumerism, though at present under critical scrutiny, have not been fully established. What is known at the moment is that consumer dissatisfaction instigates consumerism, hence research evidence suggests a positive correlation between consumer dissatisfaction and consumerism,(Kaynak & Wikstrom,1985; Wikstrom,1979; Barksdale & Perreault,1980).

Conceptually, an exchange relationship which exists between business and consumer leads to a post consumption state of either satisfaction or dissatisfaction on the part of the consumer. Where the consumer is dissatisfied, he expresses his dissatisfaction through a myriad of behavioural patterns such as personal persuasion by way of claims, threats of unfavourable word-of mouth, termination of patronage, collective pressure as in consumer action groups or institutional coercion involving government agency investigation. Consumers who can not obtain redress through any of these means pushes further into the realm of political process by invoking the intervention of some type of legislative body. As a consumer voter, he will be quite willing to support any legislative initiatives designed to correct those factors perceived as causing dissatisfaction. Consumers' recourse to political activism can result to regulatory intervention, increased satisfaction based on improved corporate behaviour, or it can fail to accomplish anything, thereby adding to his dissatisfaction particularly if business chooses to mount a counter attack through 'cosmetic consumerism',(Bloom & Greyser,1981a; Renoux,1983).

From the above , we can see that consumerism has two dimensions, marketing challenge dimension and political activism dimension. Both are oriented towards reducing sources of dissatisfaction. It should also be noted that these two dimensions are in keeping with the premise developed in chapter 1 - the broad theoretical framework guiding marketing decisions on consumer protection policies. It would therefore appear that enterprise management which is desirous of avoiding confrontation with consumer groups must take steps to either diminish consumer dissatisfaction or promote consumer satisfaction, using the elements of the marketing mix. The difficulty, as pointed out, is that some dissatisfactions have their origin from outside the

marketing system - such as those arising from conditions involving the economy, social problems, ecology, politics, philosophy, etc.,(Renoux,1983). Bearing in mind that these are uncontrollable factors of the marketing mix, the question that arises is whether enterprise management should target consumer protection strategies at reducing consumer dissatisfaction or promoting consumer satisfaction. Could the pursuit of one objective,(eg. reducing dissatisfaction) lead to the attainment of the other,(promoting satisfaction) ? Answer to this question is important because the concepts are much entangled with the concept of consumer protection. This is true because whatever strategy management comes up with, it must be result-oriented communicated and felt as such by consumers. Moreover, management must be sure that it goes about it the right way hence the need to make a determination as to whether it is dissatisfaction minimization or satisfaction maximization that could optimize management efforts.

What is not in doubt among researchers is a recognition that recent interest in measuring consumer satisfaction and dissatisfaction appear to be largely a direct result of the dramatic growth in consumerism movement. The increased militancy and yearnings for better consumer protection have made all the parties in the market place more aware of the existence of wide spread dissatisfaction with goods and services. The enormity of data reflecting specific consumer concerns have provided major input to policy initiatives and programme design by governmental agencies involved with consumer protection.

3.8.2. CONCEPTUALISATION: From available literature on consumer satisfaction/dissatisfaction, we notice that major approaches have been to view the concepts as two extremes on the consumer evaluation scale, ie., consumption experience evaluated on the basis of whether the consumer is satisfied or not satisfied,(Hunt,1977; Aillo,Czepiel & Rosenberg,1977; Singh,1988; Warland,Herman,& Willits,1975; Gilly,1987; Jacoby & Jaccard, 1981; Fornell & Westbrook,1984). There is one major flaw in adopting such an approach. Catering to consumer satisfaction may not necessarily create a satisfied consumer, if satisfaction is taken to mean the direct opposite of dissatisfaction. We have noted earlier that there could exist possibilities of dissatisfaction arising from factors outside the marketing mix and some of

these factors may not readily be under the control of management, at least in the short-run. While advancing the axioms of societal marketing concept, Kotler,(1982,p85), argues that the objective of the marketing system is not to maximize consumption, consumer choice or consumer satisfaction, but to maximize quality of life. By this reasoning, quality of life is maximized when those factors militating against it are minimized. By implication, 'quality of life is value-laden, much as consumer satisfaction and dissatisfaction.

To explore this strand of argument, we can relate consumer satisfaction and dissatisfaction to aspects of organizational theory, particularly, the Herzberg et al (1959) 'two factor' theories. Applied in the manner of the two factor theories - satisfaction and dissatisfaction,(hygiene factors) - it could be argued that the two concepts are mutually exclusive, ie., somewhat independent of each other. Those factors that cause dissatisfaction would be regarded as different from those that result to satisfaction. Hence, satisfaction may not mean absence of dissatisfaction - one can feel no dissatisfaction and yet not satisfied. This is the basis of our second thesis.

Herzberg's model is basically a motivational one, applied to job satisfaction and job enrichment. Even though research efforts in consumer satisfaction/dissatisfaction and complaining behaviour are still in their infancy stage, it would be interesting to see how appropriately the model can apply in consumer research. For instance, Herzberg,(pp.143-146), identifies two group of factors which could contribute to employee dissatisfaction and those that are satisfiers. They include such factors as company policy, pay, working conditions, relation with supervisors and peers (for dissatisfiers - the hygiene factors); and achievement, recognition, the work itself, responsibility (for satisfiers - motivators). The argument is that while it is possible that the hygiene factors may not directly motivate, they must be present otherwise a state of tension leading to dissatisfaction will arise. It is conceivable that within the marketing system, such measures could apply. The groundwork has been initiated with the conceptualisation of the index of consumer satisfaction/dissatisfaction measures developed by Pfaff,(1972). The author acknowledged that consumerism could be a manifestation of consumer dissatisfaction and that the index will therefore serve as a monitor of 'consumer restlessness or outright revolt',(p.713).

In the context of the national enterprise marketplace, we can think of the index of consumer dissatisfaction to include such factors as complaint handling, consumer representation, consumer information, consumer education, corporate accessibility, redress assistance. Satisfaction index will basically include elements of the marketing mix such as product quality, availability, price and those elements that go into the creation of place and time utility.

3.8.3. CONSUMER SATISFACTION/DISSATISFACTION AS CORRELATES OF EXPECTATION CONFIRMATION/DISCONFIRMATION

A considerable amount of empirical research on consumer satisfaction and dissatisfaction have dealt with the two concepts in terms of confirmation and disconfirmation of expectations,(Cardozo,1965; Olshavsky & Miller,1972; Anderson,1973; Andreassen,1977; Westbrook,Newman,& Taylor,1978; Bearden & Teel,1983; Day,1976,1984). Consumer's level of satisfaction or dissatisfaction is related to the extent to which he feels that his prior expectations have been confirmed or disconfirmed in the consumption process. The strength of those feelings relate to the magnitude of the difference between perceived performance of the product and the level of expectation with which the consumer entered the consumption process. Thus, the outcome of evaluation process could be one of a three dimensional possibility, that is :

- i) the performance of the product is exactly as expected.
- ii) better than expected.
- iii) worse than expected.

Performance may not only be evaluated on the basis of the core product alone, but the total product concept, including the delivery process. If result of the evaluation process tilts in favour of (i) or (ii) above, it indicates a favourable feeling but if the experience leads towards (iii), it indicates unfavourable feeling or dissatisfaction,(Day & Landon,1977).

Howard and Sheth,(1969), suggest that the costs or sacrifices provide a frame of reference for evaluating any gap between expectation and perceived performance, and therefore defines consumer satisfaction as the " state of

being adequately or inadequately rewarded in a buying situation for the sacrifices he has undergone", (p.145). Conceptualizing consumer satisfaction in terms of confirmation or disconfirmation of expectation leaves unanswered a number of questions, particularly in regard of expectation levels. Cardozo, (1965), one of the leading researchers in the field, contends that effort is a key determinant in predicting consumer's reaction to differences between expectation and performance. If effort expended in a consumption process is low, evaluation of possible reward will be low, i.e., low expectation and vice versa. This view does not appear to be very helpful in designing corporate strategies. Measures of expectation could vary with time and environmental factors. For instance, expectation measured or gauged retrospectively will draw a lot from consumer's subconscious and such variables that may not have much to do with the present purchase than expectation measured post-purchase. Precisely how expectation influence the evaluation process is not yet well articulated as efforts so far made, (Cardozo, 1965; Anderson, 1973; Day & Landon, 1977), have tended to draw more from Psychological realm.

One of the most comprehensive approaches have been advanced by Day & Landon, (1973), drawing from the Psychological theories of (i) cognitive dissonance, (ii) contrast, and (iii) assimilation contrast. Cognitive dissonance predicts that when expectations are disconfirmed, a state of psychological tension will arise which leads the consumer to adjust his perception to conform with his expectation. The 'contrast' theory suggest that a discrepancy between expectation and performance will be magnified such that deviation from expectation level will tend to show greater intensity on the positive or negative side, depending on the actual level of performance. The 'contrast' theory is at the opposite end of cognitive dissonance. The third, 'assimilation contrast' stirs a middle course between the two contrasting theories. It predicts that at moderate levels of disconfirmation of expectation, the difference will be assimilated, but at higher levels the difference will be magnified, (Day & Landon, 1977, p.427). This brings into focus the notion of 'latitude of acceptance' and 'latitude of rejection'. The difference between expectation and performance could be assimilated only when it falls within the consumer's latitude of acceptance, outside of which the consumer is more likely to magnify it, thus leading to intense dissatisfaction. Once a negative,

disconfirmation of expectation falls below the consumer's latitude of acceptance and consequently a feeling of dissatisfaction, some kind of behavioural patterns may be observable,(complaint behaviour).

Before delving into aspects of complaining behaviour, we would like to point out an alternative paradigm for explaining consumer satisfaction/dissatisfaction paradox, based on utility theory and welfare economics, (Anderson,1973; Warland et al,1975; Pfaff,1972). The consumer is viewed as a rational decision maker whose objective is to maximize his total utility or overall satisfaction. This approach accepts the consumer's own perception of his degree of satisfaction as the appropriate measure of his utility. " Since no convenient aggregate measure of utility exists that provides an easy and reasonably unambiguous measure of satisfaction, consumer's opinion had to be pursued on the subject. An index or a profile of indices has to be based on their own avowed satisfaction", (Pfaff,1972,p.715). The approach proposes a basket of indices which may be used in monitoring and evaluating the dynamics of consumer satisfaction and dissatisfaction. For studies utilizing this approach, the difficulties in operationalising and assessing 'utility' have been avoided by measuring the subjective surrogates of consumers avowed satisfaction, (Day & Landon,1977). Warland et al,(1975) argues that " neither verbal expression nor complaint actions by themselves are sufficient as measures of consumer satisfaction. It is important to know not only who has negative attitude towards business practices, but also whether they take any action as a result of their displeasure", (p.150). They conclude that consumers who are dissatisfied may not complain, and even those who complain are probably not the only ones who are dissatisfied. Therefore, consideration of both attitude and behaviour are necessary to provide a more complete profile of dissatisfied consumers, which of course will also expand the scope of consumerism. What emerges so far is the realization that the causes, cure or alleviation of consumer dissatisfaction on one hand, and credible, empirically validated strategies for attainment of optimum satisfaction on the other hand have remained issues far from settled. The trend among consumer satisfaction/dissatisfaction researchers is to work from outside the market place for plausible solutions. Following the tradition of Cardozo,(1965), and Anderson,(1973); Sherf,(1977) advances the 'need hierarchies' perspective - a

combination of Maslow's,(1943), theory of needs and Alderfer's,(1969), E.R.G. theory, (ie., Existence, Relatedness, and Growth), to propose that a dissatisfied need remains a powerful motivator for both desire and behaviour. Thus, the less the need is satisfied, the stronger will be the desire or greater craving in terms of means for its gratification. Therefore, an anchoring point for very practical and concrete counter-actions to halt the otherwise growing movement of dissatisfaction is to approach the issue from consumer's need level because " a dissatisfied person is a symbol of a dissatisfied society", (Scherf, 1977, p.107). Scherf concludes that consumerism's past concern with economic welfare have been somewhat successful in providing 'better deals' but none of the present endeavours have yet had any noticeable impact on the general level of satisfaction among consumers. The panacea therefore will be to "expand the activities of various consumer oriented institutions and organizations into new, hitherto unexplored areas of interpersonal relationships", (p.107).

Scherf's propositions have not gone without challenge. Imkamp,(1977), for example, argues that Scherf presents as a paradoxical fact what is so far nothing more than a general assumption; and that there is no basis for empirical tests because of inherent methodological difficulties. There have been objections also regarding the idea that higher level of consumer satisfaction should be the main goal of consumer policy. This perspective would tempt one to ask what should be the primary goal of consumer policy. If it is not higher consumer satisfaction, then it should be diminished consumer dissatisfaction. Perhaps, a clearer perspective could be obtained when considered alongside the aspect of consumer complaining behaviour. Understanding what happens after consumption experience is as fundamental as understanding the process that leads to satisfaction or dissatisfaction, all of which are vital ingredients in the design and delivery of appropriate consumer policy.

3.8.4. INTER-RELATIONSHIP WITH CONSUMER COMPLAINING BEHAVIOUR

The study of consumer complaint and complaining behaviour have in the recent past emerged as a very crucial field of research in Marketing, and

have been receiving increasing attention from both researchers as well as practitioners, (Bearden & Teel,1983; Business Week,1984; Resnik & Harmond,1983; Richins,1983; Day,1984). A wide array of topics have elaborately been researched, such as those who complain,(Barnhardt,1981; Fornell & Westbrook,1979; Liefeld,Edgecomb & Wolfe,1975), what they complain about,(Day & Ash,1979; Kelly,1979), how they express their dissatisfaction,(Best & Andreasen,1977; Mason & Himes,1973; Warland & Others,1975), what factors cause consumers to complain,(Landon,1977; Granbois,Summers & Frazier,1977; Langmeyer & Langmeyer,1980); what happens after complaint, how organizations respond to complaints and how complainant's subsequent attitude and behaviour are affected, (Gilly, 1979,1987; Kendall & Russ,1975).

Inspite of the amount of literature available on consumer complaining behaviour, its definition is still shrouded in controversy. We shall not concern ourself with the definitional or taxonomical issues. They have been elaborately addressed in the works of Day,(1980); Landon,(1980); Day & Landon,(1979); Jacoby & Jaccard,(1981). There is however across-the-board consensus that consumer complaining behaviour is triggered off by some feelings or emotions of perceived dissatisfaction, (Day,1984; Landon,1980; Singh,1988). Without perceived sense of dissatisfaction, consumer's response can not qualify as complaint,(Jacoby & Jaccard,1981). It is common place for people to assume that defects associated with products are the main sources of complaints. Jacoby and Jaccard,(1981), explains that complaining behaviour is a function of more than just perceived product defect. It is a complex function of many variables, including product dissatisfaction, reputation of the manufacturer or retailer, ease of access, willingness to provide redress , perceived intensionality , personality characteristics of the consumer, consumers attitude and motives, value of item, consumers level of information, socio-demographic factors, importance of the situation and prevailing social norms,(p.18). Ultimately, if consumer complaining behaviour conveys an expression of dissatisfaction, it is a manifestation of consumerism.

Complaint behaviour enables the organization to assess its consumer policy package and provide the opportunity to satisfy unhappy consumers. To be

able to provide solution to consumer problems, the organization will bear in mind that complaint actions by themselves may not be an adequate gauge of the extent of dissatisfaction. It is important that the types of action consumers take as a result of displeasure be kept in perspective. Warland et al,(1975), delineates three consumer dissatisfaction-action groups: (a) upset - action group, (b) upset no - action group, and, (c) not upset group. Groups (a) and (b) are of great relevance to an organization because they constitute the driving force behind consumerism.

The distinctive characteristics of consumer action groups have been profiled by Miller,(1970); Liefeld et al,(1975); Anderson et al,(1972). Thus, by classifying consumers on the basis of negative reactions to treatment in the market place and their subsequent actions, a new profile of dissatisfied consumers emerges: the dissatisfied consumer-activists and dissatisfied passive consumers. They differ in methods employed to express consumption displeasure. For instance, while the dissatisfied activist consumer will engage in pervasive consumerism, the dissatisfied passive consumers will adopt a fatalistic attitude towards their plight, and in frustration, they direct their anger towards the system, viewing both the business and government in very negative terms. However, despite variations in strategies for expressing dissatisfaction, the groups are similar in their perception of consumers' problems and needs. " Both of these groups are significantly more interested in consumerism, are more likely to believe that consumers need more protection and are more negative about business,(Warland et al,1975,p.155). Thus, the negative perception appear to be part of the broader pattern of dissatisfaction with the marketing system and interest in consumerism.

Of importance therefore is a determination of what business should do to show that it is genuinely concerned with consumer protection, particularly in the not-too-competitive market environment where the consumer is deemed incapable of protecting himself as an individual. Should it be more appropriate for the enterprises to promote consumer interest by pursuing maximization of consumer satisfaction objective or alternatively, minimizing consumer dissatisfaction objective?

3.8.5. SATISFACTION MAXIMIZATION OR DISSATISFACTION MINIMIZATION

From what has been said about consumer satisfaction, it does appear that satisfaction maximization strategy concentrates on dealing with consumer complaints, particularly the voiced complaints communicated to business. There is a lot of pessimism regarding how much business knows about variations in consumer complaints and techniques for handling them, in spite of the fact that in Kendall and Russ study,(1975); Resnik et al ,(1977), it was revealed that very high proportion of complaints communicated to business were responded to. Strategies that promote maximization of consumer satisfaction objective deals with manifested problems. On the other hand, dissatisfaction minimization strategies tend to look at the subterranean sources of the problem and tries to nick them in the bud. This is the substance of our third thesis which should be explored further.

One important finding of Warland et al study,(1975), is that the volume of complaints received by the enterprise can not be regarded as a true measure of consumer dissatisfaction. A good number of research findings have also provided empirical evidence suggesting that the proportion of voiced complaint, particularly those communicated to business is just a tip of the iceberg because overwhelming majority of consumers belong to the upset-no-action group,(Gilly,1987; Jacoby & Jaccard,1981; Singh,1988; Day & Landon,1977; Furnel & Westbrook,1984). As pointed out earlier, this group tend to carry their dissatisfaction from a particular situation to a general. Hence Scherf,(1977) conclude that a dissatisfied consumer is, more or less, a reflection of a dissatisfied society. This has wide implication for business, especially the national enterprise because such feeling call into play so many factors with public policy under-pinnings. This is a truism if the role of government is construed primarily as the promotion of the citizens' welfare, who are in another word, the consumers. The situation gets more glaring where the market structure is such that consumer's choice is highly restricted. As Robin and Reidenback,(1987) argues, business is a subset of a wider social activity and depends on prevailing social morality in order to exist. "Society created the concept of the corporation and has the capacity, and apparently the will, to change it in any way it deems suitable. If moral consideration do

not become a greater part of business practice, society, through its legislations, is likely to continue to impose corrective measures", (p.48). Thus, the issue of consumer dissatisfaction has to be of great concern to the management of national enterprises, otherwise, the price will be too high in terms of consumerist legislations. It would seem appropriate therefore for the enterprises to develop methods to make themselves more accessible to consumers, and encourage them to register their complaints, especially the passive consumers who are potentially untapped source of support for those involved in consumer activism, (Warland & Others, 1975).

Andreasen, (1977), argues that the choice between maximization of satisfaction and minimization of dissatisfaction depends on philosophical issues, particularly where government agencies are involved. In such a case, the objective of consumer policy may be to carry out a role that minimizes abuses in the marketplace, and protect consumers who can not realistically protect themselves. Minimization objective may be chosen for the practical reason that consumer satisfaction objective is an elusive goal because individual aspiration and expectations vary and constantly changing, hence it may be difficult to try to conceive making all consumers fully satisfied.

Another set of problems associated with the maximization objective lies with measurement of what consumer satisfaction consists or should consist of. It is not settled whether the measures should be targeted at consumers subjective appraisal of their state of 'well off', or develop measures of purchase performance, which in any case may still largely rest on personal idiosyncrasies. Judgment is affected by individual standards and expectations, which are too personal to each individual.

As opposed to the concept of satisfaction, dissatisfaction occur because the consumer believes that there could be flaws with the design or delivery of the offerings. Anderson, (1977), demonstrates that this initial reaction could be scaled. This therefore suggest that measures of dissatisfaction may be more objective than those of satisfaction. However, the choice between the strategies involve some philosophical and practical issues which each enterprise is at best to assess. For enterprises that are at the 'service of collectivity', (Mazzolini, 1979), it would appear that genuine consumer

protection could be anchored on the objective of minimizing dissatisfactions, rather than maximizing satisfaction. This strand of argument will be further explored.

In summary, this chapter explored the broad ramifications of consumerism and tried to locate the level at which it can be defined in the national enterprise. By and large, it was clear that the hall-mark of consumerism is to ensure better consumer protection, whether in the competitive or monopolistic market situations. Pursuant to achieving better protection for consumers in less than effectively competitive market environment, a number of decisions have to be made, such as strategies to adopt, framework upon which the strategies can be based, objectives guiding those strategies, etc. These decision areas need to be more closely examined in order to evolve an action oriented model of consumer protection - this is the focus of the next chapter.

CHAPTER 4

THEORY OF CONSUMER PROTECTION IN NATIONAL ENTERPRISES

4.0. OVER-VIEW

In this chapter, we shall attempt to develop a model that captures the fundamental configuration of Hirschman's (1970) theory. The model will be used to explore more succinctly the taxonomy of consumer protection in the national enterprise and inter-relationships between market and political processes. The purpose is to explain how they bear on management decisions. Ostensibly, research studies of this nature should aim at improving managerial practices and consequently, management effectiveness. Incidentally, researchers who have studied the subject matter of consumer protection have not provided any guide for management, particularly in the realm of the national enterprise. Therefore, action oriented theory of consumer protection is not only long over-due but will provide the vital framework upon which management decisions can be based.

Our concern here is to look at consumer protection as a management variable. It is a variable that, if properly understood, management could manipulate to achieve different goals such as establishing corporate credibility, mold consumer confidence in the enterprise objectives, achieve stability, attract less regulation, etc. From earlier discussions, it would be inferred that consumer protection is a dependent variable, whose behaviour is affected by variations in management practices and a myriad of other factors external to the organization. This makes it imperative that in order to design or evolve a viable consumer policy, certain decisional areas must be addressed, such as ascertaining what the concept means to managers, how it is measured, their level of sensitivity to it, and what managerial actions demonstrate such sensitivity.

4.1 DEFINITION

A sound consumer protection policy, given the circumstances of the national enterprise, will evolve from proper evaluation of what it should comprise of and what it should seek to achieve. This is necessary because, as attested to by Harvey and Parry,(1987), consumer protection is a vast field, much wider perhaps than is generally realized.

The starting point would require placing the consumer in proper perspective. Consumers can be variously categorized, such as those explained in chapter 1. It follows therefore that determination of the relevant consumer class is absolutely vital for an operational definition of consumer protection. The issues that will need to be addressed will hinge on providing answers to such questions as 'what protection, for whom, why, how, and with what effect'.

If one adopts the definition of the consumer as proposed by the Moloney Committee on consumer protection,(1963), we regard the consumer as one who purchases goods for private use or consumption. The private consumer of services is equally a consumer as the Committee admitted. Recently, it has been argued that the definition of 'the consumer' should be broadened to include any one who consumes goods or services at the end of the chain of production, (Harvey and Parry,1987). If one accepts the definition as proposed by Harvey and Parry, it might be difficult to target consumers more precisely with integrated marketing strategies. They seem to assume that consumers can be classified as homogeneous and unsegmented unit. Such perspective may not be very helpful in the design and application of purposeful consumer policy, which is why consumer organizations and regulatory institutions usually make distinctions between private and institutional consumers. This is more in line with the classification adopted in the opening chapter, with all the exclusions thereto.

Having determined the relevant class of consumers, we venture into aspects of what protection should consist of. We have in the previous chapter elaborated on some of the irksome issues often raised for demanding protection for consumers. Consumer protection, broadly defined , would include an examination of consumers' civil rights with respect to quality of

goods and services, and also , a large number of statutes imposing liability on the producers or sellers for conduct detrimental to consumers. According to Maynes,(1979a), consumer protection should consist of policies and actions, usually involving government intervention, designed to ensure that all consumers obtain what they really want, subject to the limitations of their income. Government intervention, as implied in the above definition underscores the inadequacies of the national enterprise market place. In the competitive market, it may be enough to rely on the civil rights of the consumer. Direct government intervention may be unnecessary because of the market's inherent regulatory controls, vide the market mechanism. Under this setting, consumer protection could be achieved to a large extent without direct intervention by the government, other than structuring the general legal system. As Henderson and Quant (1980,pp.287-304) argues, the micro-economic model requires an omniscient, rational, sovereign consumer with perfect information, costless transactions, frictionless and perfectly competitive markets with no externalities in production or consumption. If these assumptions hold, the authors argue, it would be difficult to provide justification for government intervention to protect consumers.

While it may be said that Henderson and Quant have largely built their argument on the theoretical constructs of the Economist's notion of perfect market, which may not be very useful or of practical relevance in explaining enterprise behaviour even under competitive market environments, the case of the national enterprise comes out more glaring. This is because consumers act less in accord with the Economist's axioms of preference; they are far from being sovereign, sellers/producers influence what they buy, how they buy it and determine what is available to the market at any particular time. Therefore, the quantity of consumer protection deemed requisite for social welfare can not be provided by the model. The case for government intervention largely rests on the lack of realism of the model's assumptions.

Lane,(1983), appear to have captured the public policy dimensions of the national enterprise marketplace by arguing that consumer protection is a public good, and like many other public goods, it can not be provided in socially optimal quantities in the absence of government intervention. The

author goes further,(p.420), to outline requirements which could create the boundaries for public goods, eg.:

- i) it be considered by those acting on behalf of the public,(eg. legislators, regulators etc.),as requisite to the public welfare.
- ii) it is jointly supplied to the community through legislation and one individual availing himself of this commodity in no way diminishes the supply available to others.
- iii) it can not be appropriated by an individual.
- iv) it can not be feasibly packaged in individual units, bought or sold by individual firm.
- v) it is not in the private interest of producers to provide it so as to make it available to all.

In Lane's view, consumer protection meet these requirements and therefore must be provided by government if optimum quantity is to be available.

Box (1979), opines that consumer protection consists of measures made by others, for instance by government or by consumer organizations in co-operation with business to ensure the rights of the consumer. By this definition, consumer protection covers a vast field such as all measures that seek to promote competition, price regulation, regulation for products and supply conditions, mandatory information, improvement in the legal position of the consumer, handling of complaints, etc. By inference, a common thread running right through all the viewpoints focus on public policy involvement. This is understandable because, as pointed out earlier, consumer protection in the national enterprise marketplace is not the exclusive preserve of management or market processes. Public interest connotations make it a public good. Merciai (1986), tidies up by arguing that over the years, consumer protection has been regarded by a growing number of governments and interest groups as central to the promotion of qualitative development based on collective and individual well-being. The author concludes that "the synergy among so many issues has identified consumer protection as a focal point in international programmes towards economic and social developments",(p.206).

Some have taken a generalized view of consumer protection. For example, the International Labour Organization,(1975), sees it as efforts to ensure that "consumers are not exposed to safety and health risks or unfair commercial practices against which they have no defense". This more traditional definition emphasizes the negative aspects of the marketplace. It is felt that even though the issues addressed are the rallying point of consumerism, they are more complex than that especially with the national enterprise market place. Of course, it should be borne in mind that due to operational reasons, governments and such bodies as the ILO normally adopt a broad-based platform in addressing consumer issues. This perhaps rationalizes the position taken by the Moloney Report which says that consumer protection consists of "those measures which contribute, directly or indirectly, to the consumer's assurance that he will buy goods of suitable quality, appropriate to his purpose, that they will give him reasonable use, and that if he has just complaint there will be means of redress", (p.8).

It should be noted that the concept of consumer protection involves a great deal of value judgment. The national enterprise dimension makes it more imprecise. It is possible to come up with a basket of issues over which consumer do show a lot of worry, but the extent and intensity of such worry varies among consumers. For instance, because of the peculiar circumstance of the national enterprise marketplace, most consumers ,as well as consumer organizations have the impression that consumer interests do not receive the genuine emphasis they deserves in the formulation and implementation of corporate strategies. This may explain the pervasive feeling of threat and suspicion which the enterprises are associated with. The implication is that the definition of consumer protection, not what constitutes consumer protection, is normally imprecise and less than succinct. Consequently, efforts to define the concept have centred on appraising key aspects of consumer interest, which in itself is as ambiguous and amorphous as the concept it seeks to explain. Although Richardson,(1977), identified some basic characteristics of consumer interest, it was confirmed that the concept defies objective definition. The reasoning is that while all persons are consumers, their individual values, resources and environmental circumstances vary greatly. Therefore, " the problems of defining general consumer interest on a

particular issue can be resolved by a combination of science and/or political processes in addition to the market place mechanisms", (Richardson, 1977, p.417). The author concludes that the responsibility of government extends to balancing consumer interests against other interests. This is the basic premise of Lane's (1983) hypothesis.

It is pertinent to point out that the recurrent contention in the national enterprise market-place is that market mechanism can not be divorced from political mechanism, hence the crucial role of consumer protection as a public policy instrument. It will therefore be interesting, and important too, to see how management grapples with the issue. The premise is that the pattern of definition underlies management orientation and sensitivity to the concept and also very crucial in the formulation and implementation of consumer policy.

4.2. BASIS FOR CONSUMER PROTECTION

Studies in consumer protection, over the years, have been able to identify a number of issues over which consumers have shown considerable concern. They include the quality of products/services, quantity, rigged prices, deceptive or misleading advertising, quality of physical environment, corporate insensitivity to general consumer welfare, and other aspects of perceived fraudulent practices associated with business.

Much as the relevance of these issues would seem all encompassing, they apply to the national enterprise in a very different dimension - the dimension that has not been properly and succinctly brought into research focus. For example, in the national enterprise market place, management has no absolute control over the basic elements of the marketing mix, (ie., those traditionally controllable variables, typified by the 4p's), as the case under the competitive market. The duty to ensure continuity in the provision of product/service is often statutory, usually accompanied with price regulation which leaves management with little room for maneuvering. Furthermore, as a result of the sheer size of the enterprises, they enjoy a large amount of visibility, and therefore, perpetually under public purview. Thus, because the

enterprises operate under circumstances that keep them continually under journalistic inquisitions, those of the professional and consumer bodies, politicians and specialized government agencies, they are not likely to get away with most of the market slips which may be unnoticeable or disregarded if associated with the open market enterprise.

Above picture may tend to suggest that with the existence of such enormous public and private appurtenances acting on behalf the consumer, the need for consumer protection would be less than essential. On the contrary, they only add to show how complex the issue is, more or less, reinforcing the proposition that consumer protection is an inescapable necessity. The picture could be clearer if we highlight the variations and bases upon which the policies are anchored.

4.2.1. POLITICAL BASIS

Theoretically, political processes have been accepted as providing the principal corner-stone for structuring consumer protection policy in less than effectively competitive markets. This aspect should be elaborated upon because of its attraction in the consumer policy arena. Consumer protection claims political support on the basis of democratic ideals. An effectively competitive market provides means for representation and participation of consumers through their decision processes in the market place. When the market is not completely effective, then democratic ideals calls for representation of consumers through effective advocacy before legislature, regulatory and administrative agencies.

Retrospectively, political under-pinnings of consumer protection could be traced to the doctrine of the 'social contract'. According to Diamond, (1951), any responsible government owes a duty to its citizens who have surrendered their individual sovereignty in return for corporate and individual protection which the state offers. This binding relationship between the individual and the state is what has been known as the 'social contract'. It is originally applied to the theory of the origin of society, and associated with the works of philosophers like John Lock, (Treatise on Government); Thomas Hobbes, (Leviathan); Jean Rousseau, (social Contract), - (see Schumpeter, 1950,

part 1; Heilbroner, 1980, ch.3; Jeaning, 1959, ch.3; Fitzgerald, 1966). According to these accounts, man originally lived under a condition governed by the laws of nature, with no recognized criteria for judging what was wrong or right. Each man took to himself all that he could, (survival of the fittest), and "life was solitary, poor, nasty, brutish, and short", (Hobbes' Leviathan). That state of nature was ended by man agreeing to put his individual liberties into the hands of a sovereign, (formation of nation states), who thenceforward became obligated to providing individual protection. After the emergence of the civil state, the laws of nature became supplemented by the civil laws whose maintenance fell on the force of the organized community, (Locke's Treatise On Government). This marked an important epoch in constitutional development and consequently, the political imperatives of consumer protection. The primary purpose of providing mutual protection became the central focus of government.

In the modern time, the political basis of consumer protection has received added impetus because of the awareness that consumers' interest will suffer if they are not represented, particularly where they can not influence the market processes. As Maynes, (1979a), argues, "the consumer interest lacks obvious political constituency " because of its dispersed nature and public good connotations. It is therefore incumbent on the State's political institution, ie., the government, to act as the custodian of consumers' interest.

4.2.2. ECONOMIC BASIS

Economic rationale for consumer protection in the national enterprise has been based on the notion of market failure, some of which arise from the natural monopoly position of the enterprises. It has been argued that what are usually regarded as consumer protection measures, eg. utility regulation, public ownership, independent watch-dogs, are corrective measures against natural monopoly powers. As long as there is effective competition, there will be no need for elaborate consumer protection measures as the competition's 'invisible hand' will safeguard consumers' interest, (Maynes, 1979a). But as long as the market is not effectively competitive, the need for consumer protection will remain a topical issue. Aspects of market failure and the dilemma of the

national enterprise economic environment have been amply discussed in the preceding chapter.

4.2.3. MORAL/SOCIAL BASIS

While it has been held that the direct result of market imperfections and the consequent political fall-outs have provided the cardinal thrust for consumer protection in the national enterprise market-place, the widespread feelings associated with these factors provides the emotional steam behind consumer movement and drive for protection. These feelings have led to the assertions of basic consumer rights which in essence constitute the moral foundation for consumer protection, especially since they are statutorily non enforceable rights. They,(consumer rights), have been repeatedly and widely invoked as justification for various consumer protection measures.

Furthermore, there is growing recognition that regulation, no matter how well intentioned, could prove to be antithetical and therefore fail to achieve the desired result,(Stigler,1971). Although emphasis on regulatory measures differs from country to country, it is widely recognized that governments have over- estimated the ability of legislative instrument to solve many a social problem,(Koopman,1986). There is therefore increasing expectation that business should come out with discretionary strategies which could promote consumer protection objective rather than relying on statutory injunctions. They could do this by tampering business values with social values, recognizing that business derives life from the society and must therefore live up to the values which the society cherishes. Moreover, because of the 'public good' nature of some of the products of the national enterprises, their provision and efficiency constitute very important index for gauging a society's developmental stage and standard of living. Well-being of business must also reflect the well-being of the consumer, hence the moral/social rationale for consumer protection. In the effectively competitive market environment, the clarion call is corporate social responsibility while as in the national enterprise market environment, the strategy is corporate social obligation. Management dimension highlighted here obviously require that it should be accommodated in any meaningful framework for structuring consumer protection over-view.

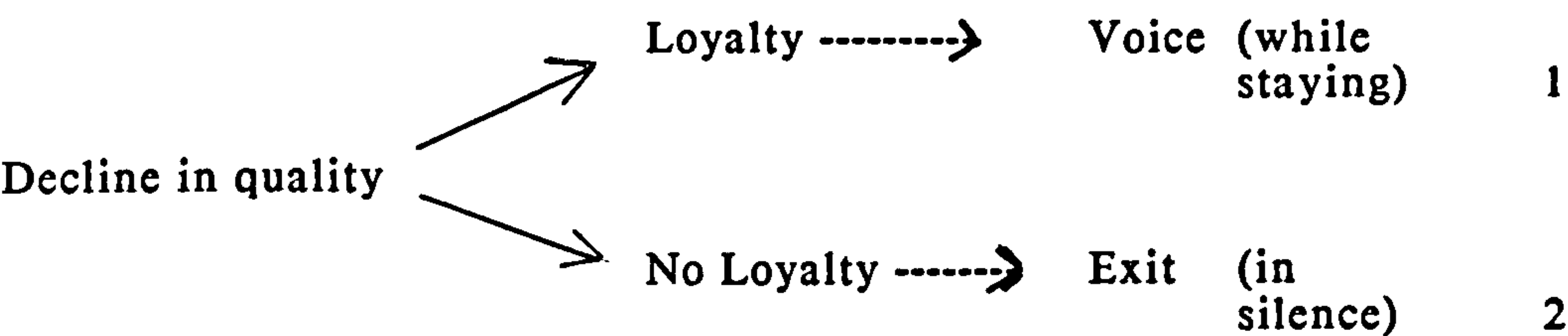
4.3. HIRSCHMAN.(1970) REVISITED

It is necessary to attention a sign-post to warn about the draw-backs inherent in the Hirschman's constructs. This is important as we venture to structure a management based approach, using the framework.

Hirschman's theory is simple but at the same time has an unlimited range of application. In a nut-shell, the theory states that there are two alternative responses to the decline in organizations' performance, namely exit and voice. Exit simply means leaving. Voice means trying to get the managers to reverse the decline by complaining or protesting. Loyalty affects the individual calculus by making voice, as against exit, more probable than it would otherwise have been. Hirschman says that exit and voice, ie., economic and political mechanisms (market and non market forces) are two principal actors of equal importance in shaping organizations' behaviour. This also implies that exit and voice are alternatives. This can not be an absolute statement as will be illustrated shortly. Barry,(1974) on a general note, accuses Hirschman of drawing together a number of apparently disparate phenomena. The theory therefore is as "useful for what it fails to explain as for what it explains successfully, since such failures point to phenomena which requires explanation of a different kind". Barry takes exception to the "development of economic approach to political analysis". There does not seem to be any axe to grind in that because the era of any discipline having a core intellectual possessions is gone. For example, Marketing as a field of study has been greatly enriched by inroad made through the application of a wide array of concepts borrowed from Psychology, Sociology, Mathematics, etc.

However, on the voice exit interface, approach to the modification of enterprise behaviour may not be as straightforward as given by Hirschman. In market situation where competition is less than effective, usually characterized by no or low exit behaviour, conception of voice may begin to show other manifestations. A great majority of consumers who are dissatisfied do not complain,(voice). They keep their misfortunes to themselves,(silence). This therefore go beyond the dichotomy identified by Hirschman and introduces a third option, silent non-exit,(Barry,1974). The basic model is presented below; fig.4.0.

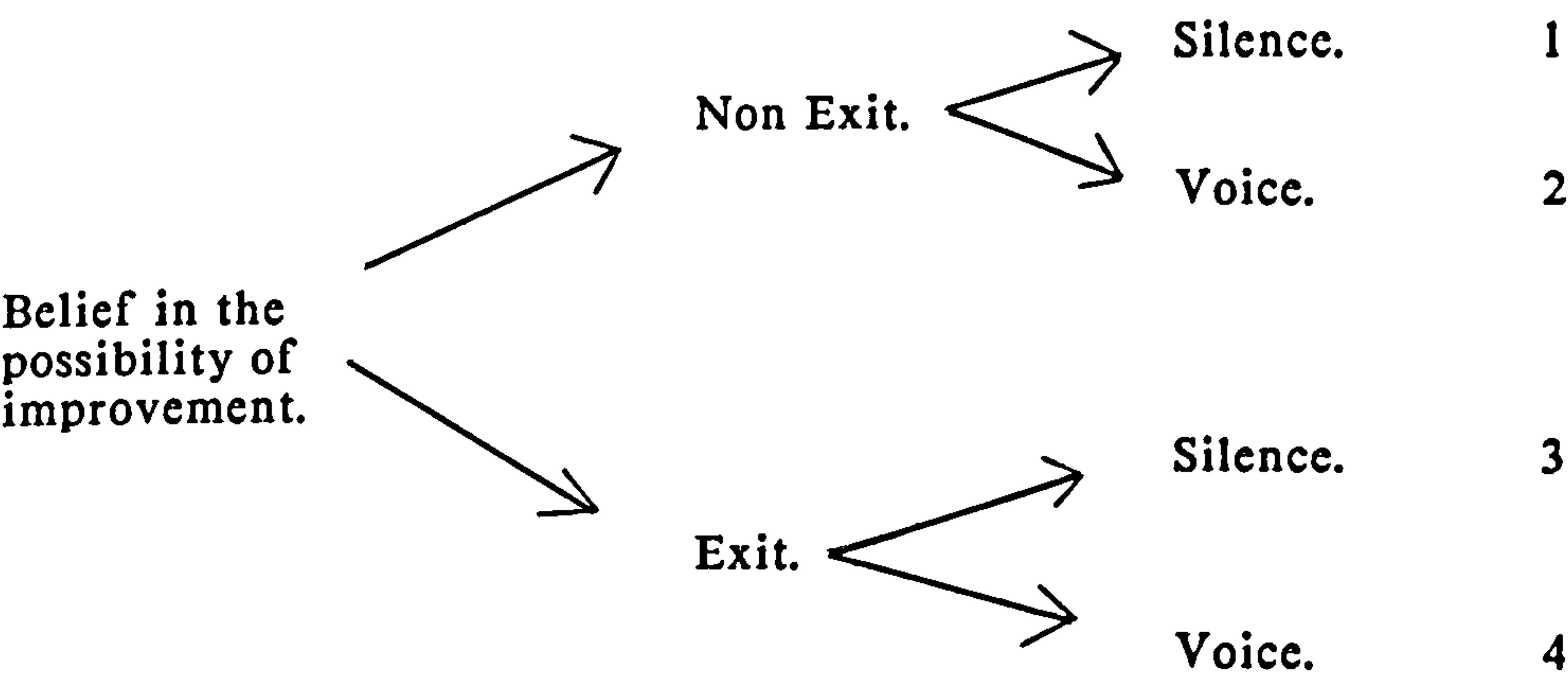
Fig.4.0: Basic Voice/Exit Model



Source: Birch,1975.

Barry's criticisms, if accepted, will modify the above model. First, Barry criticizes the concept of loyalty on the ground that it is an "ad hoc equation filler" and therefore not a significant phenomenon. It can not be recognized in itself but is merely invoked as an assumed explanation of why some people who could be expected to exit do not in fact do so. Secondly, Barry points out that a decline in in the quality of performance is not a necessary condition to believe that the organization might do better , but only one of the reasons why people might form this belief. The crucial factor should not be decline but belief in the possibility of improvement. Thirdly, Barry observes that Hirschman has collapsed two separate choices into one. There is a choice between exit and non-exit and a further choice between voice and silence. It follows that Barry offers us an amended version fig.4.0 which is depicted in fig.4.1 below.

Fig.4.1: Modified Voice/Exit Model



Above model can be illustrated. In the case of telecom, consumers who are not satisfied with the status-quo (which is dominated by BT) may decide to try

Mercury in the hope they will get better services. They might opt for Mercury's services and yet remain critical of BT because of past dissatisfactions or may decide to let by-gone be by-gone. However, for the generality of telecom users, there are a few decisions to gnaw at. Is an alternative available to them, (ie. can they be linked to Mercury's circuit)? If an alternative is available? What about transfer costs involved in switching? These constraints may restrain exit behaviour so that the majority who can not exit (because of limited exit opportunities and constraints) will intensify effort for improvement or remain silent (paternalism). The no-exit behaviour will not therefore be confused with loyalty. What this means is that it would be preposterous for British Gas, for example, to regard its over 17 million customers as loyal. This obviously has a lot of implications for customer management.

Another important area in the Hirschman's logic is the effect of voice. There is a 'so what' question to be addressed, ie. do organizations respond, can voice give effective signal to management when decline in performance is observed given the ineffective competitive environment? Hirschman did not offer any insight in this area. He seems to have accepted the criticism that his logic was developed from the point of view of consumers as victims of deteriorating quality, and not "treated from the point of view of top management", (Hirschman, 1973). In his own words, "I admit that I had not addressed myself directly and systematically to the possible manipulation of exit and voice as management tool", (P.15).

The unresolved issue is the type of response to voice which occurs in situations where management actions are not totally impelled by the discipline of the marketplace. Has voice a hope? The consumer can of course use his voice to threaten exit, but this would lead to an inverse of Olson's, (1971) hypothesis - theory of collective action already cited. Such threat will only be heeded if the consumer can inflict losses on the organization by ceasing patronage. Voice in the circumstance of market failure may be of little use to the individual consumer, but can be effective if it is collectively organized, can scare, embarrass or elicit public policy response to correct the firm's failings. This is where the role of consumer organizations, crusaders, or pressure groups are important. Once, we admit

the existence of consumer watch-dogs in the model's assumption. Consumer watch-dogs are very important to an understanding of voice because they can make firms wary of quality decline and more responsive to weak voice since they can alert consumers to previously unnoticed deterioration. They work as alarm bells which amplify consumers' voice, being both highly responsive to it and in possession of sufficient resources to make it effective. As Laver,(1976) argues, "they move the collectivity of atomized consumers (whom they service) closer towards being a single, important consumer". The net effect of consumer watch-dog provides additional positive feedback subsystems which produces a further 'heating up' of the overall system. We present the overall configuration below, from the point of view of how management actions are directed.

4.4. A MODEL OF CONSUMER PROTECTION

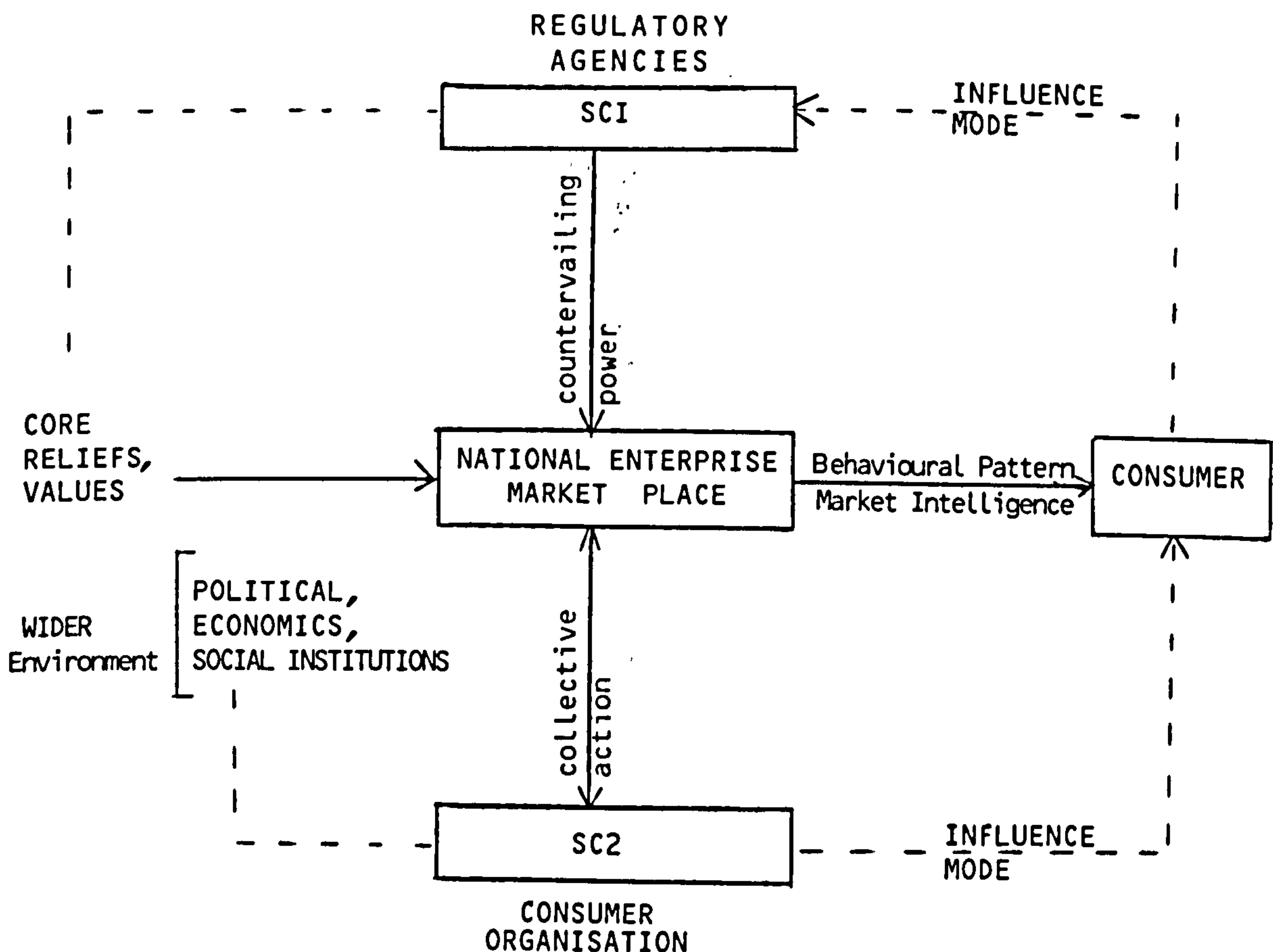


Fig. 4.2: A MODEL FOR THE CONTEXTUAL ANALYSIS OF MANAGEMENT APPROACH TO CONSUMER PROTECTION IN THE NATIONAL ENTERPRISE MARKET PLACE.

The model above offers a set of dimensions useful for broadly describing the management challenge of consumer protection in the national enterprise market place, from its fundamental orientation to market behaviour. The model builds on the basic premise of Hirschman's theories,(1970), - the voice/exit configuration - which has been accepted as capturing and reflective of major approaches to consumer protection.

Ordinarily, enterprise behaviour in the market place is shaped and directed by a system of core beliefs. The core beliefs are manifestations of basic enterprise values, those values which guide the rudimentary orientation of the enterprise such as protection of invested capital, viability, price-cost equation, protection of internal decision making processes. These values are as pertinent to the effectively competitive enterprise as they are to the 'loose monopolistic' national enterprises, though in varying degrees. Therefore, management attitude to consumer protection will be dictated by the values which it holds central to the survival of the enterprise. Where free competition exists, there are normally no eye-brows raised as the market would exhibit in-built system of protecting the consumer through the 'exit' behaviour. Under a market failure situation, a number of questions are raised. Some of these boarder on the assumption that enterprises' core beliefs and value systems, if unchecked, will work against consumers' interests, who may lack the means for self protection. Therefore, management initiatives based on such value systems are likely to relegate consumers' interest to the background. Hence the emphasis on political as opposed to market processes.

As depicted in fig. 4.2, consumers can not directly guide managerial actions on consumer policy because of structural deficiencies already examined. Consumer influence is exerted through an institutionalized framework for ,(i) collective action,(consumer organization), and (ii) countervailing power, (the regulatory agencies). These intervening structures are designated the 'situational constraints'(SC2 and SC3) facing the enterprise and they constitute the fundamental premise of the voice paradigm. Widely held notions are that management can not be entrusted with the responsibility for consumer protection on the basis of orientation to market values. Protection can only be achieved through intervention vide political processes. Thus,

voice option must play a dominant role in shaping management approach to consumer protection, viz-a-viz, marketing decisions. Ultimately, the structure of the situational constraints,(SC2 and SC3), which ramifies the voice concept, not only influence but as well determine Management approach to the definition, measurement, implementation, and sensitivity to consumer protection. This is the foundation of our fourth thesis.

It must be pointed out however, that the relationship between the consumer and the enterprise is not a strictly one-way affair. As the model shows, the enterprise is open to a measure of input from the consumer, usually in the form of market intelligence, hence the dropping arrow which indicate weak influence. It is assumed that where there are flaws in the situational constraints, either functional or structural, such could be remedied by recourse to the elements of the wider environment, eg., the political, economic and social institutions. These elements of the wider environment are the basic institutions of the society which could exert pressure on behalf of the consumer by either restructuring and strengthening the constraining variables, or altering the enterprise values in such a way that they are brought under effective purview of the constraining factors. These should be discussed further when we re-define the theses in the subsequent chapter.

4.5. TAXONOMY OF CONSUMER PROTECTION

We have along the line, unwittingly though, dealt with the basic taxonomies of consumer protection in national enterprises. What we shall be dealing with in this section is to delineate and discuss the principal structures based on those taxonomical issues.

Structural framework for consumer protection can be based on one or combination of the following:

- a. the political processes.
- b. the market processes.
- c. Management benevolence
- d. extra organizational discipline.

4.5.1. Protection through the political mechanism

The rationale for consumer protection based on political imperatives have been examined. Once such a base is obvious, one of a number of options, sometimes complementary, can be used as framework for operationalization. Possible options are:

(i) Government Direct Intervention

This is the most fundamental, more aptly, rudimentary form of consumer protection. Unlike the open market where the government may simply invoke the general legal system to govern enterprise behaviour, the national enterprise offers a set of dimensions different from this. Government recognizes that civil laws alone, even in their wide ramifications, can not effectively protect consumers because enterprises from which consumers seek protection are big national institutions which in most instances enjoy a measure of statutory protection. What the government does in such a case is to mediate on behalf of the consumer through formal use of the State machinery.

This type of regulation is more pronounced in developing countries. In most developed nations, particularly Western Europe and America, governments, because of ideological reasons, try to distance themselves from direct intervention in the market place, hence less recourse to this form of protection strategy. However, in many third world countries, government ministries/departments are the major regulators of the national enterprise marketplace. For example, the Nigerian Telecom Limited is effectively under the supervision of the Federal Ministry of Communication, just in the same way the Nigerian Airways and Railways are under the Transport Ministry. The same pattern applies to most developing nations. What is involved is that government directly acts as the consumer watch-dog by periodically reviewing the activities of the enterprises, handing down specific regulations as to price, distribution or manner of provision of products/services, and oftentimes, appoint key executives to the directorate level to ensure effective implementation of government directives.

(ii) Regulatory Framework Independent of Formal State Control

Another dimension of consumer protection under the aegis of the political mechanism is effectuated through a regulatory framework which is not subject to or part of the formal machinery of government. Even though the government may try to divorce itself from the day to day intervention as evident from the example in (i) above, it sets up regulatory institutions in addition to the State's legal system, to direct the activities as well as provide countervailing power to the domineering powers of the national enterprise. Each regulatory institution is specifically structured according to the exigencies of the particular enterprise market environment. The regulatory institution then assume direct responsibility for monitoring and regulating the activities of its captive enterprise.

This form of protection is most versatile in developed economies, examples include the Office of Telecom, Office of Gas Supply in Britain; Public Utilities Commission in the United States of America.

Structurally, the regulatory institutions show discernible patterns of organization. They could be aggregative or disaggregative in structure. Both terms refer to the management and the nature of relationship between the regulatory authority and the consumer representative organization. For instance, some regulatory institutions are structured in such a way that the regulatory functions as well as those of representing consumers' interests are delineated and carried out independently. In some, they are seen as one end purpose and function of the regulatory authority. Where the two activities are carried out independently, the structure is designated disaggregative. Aggregative structure refer to those situations where the two functions are jointly carried out by one body, (eg. OFTEL). Office of Gas Supply,(OFGAS), in its relationship with Gas Consumers' Council,(GCC), typifies a structurally disaggregative regulatory institution.

(iii) Institutionalised Collective Voice

This pattern of consumer protection materializes in the form of consumer representative body, either acting in conjunction with the regulatory body or acting alone to further the ends of defined consumer interests. Its purpose is to present a unified, purposeful and articulate collective voice of consumers

in such a way that it should not only be heard by the captive enterprise but also respected as such.

It must be pointed out that this type of organization is highly partisan because of its well defined focus - which is guarding against possible infringements of consumers' interest. As in the case of regulatory institution considered in (ii) above, the domain of the consumer body is characteristically narrow, usually structured to protect the interests of a class of consumers in their consumption experience related to a product category eg., telecom, Gas, Water, Electricity, Rail services, etc. In order to exert meaningful pressure and uphold its credibility, consumer organizations try to abstain from having too close ties with both government and the business. It is normally felt that having very close ties with the government or the enterprise would be incompatible with the independence needed to perform the function of an effective pressure group. Each consumer body tends to have a specialist knowledge of the activities of its captive enterprise just like the regulatory institutions, but quite unlike the regulatory agencies, they do not possess the enforcement powers. This means that their purpose is to closely monitor the activities of their captive enterprises as they relate to consumer interests and make organized representation to the enterprise or make referrals to other facets of the political mechanism if breaches of consumer interests are felt or perceived.

4.5.2. Protection Through Market Processes

Paradoxically, there seems to be a consensus of opinion to the effect that consumer rights are highly susceptible to violation under any market structure that does not guarantee free and effective competition. It has been argued that where market failure exists, such as the case with the national enterprise, market processes become less effective as a guide to consumer protection. This is based on the presumption that market forces under such circumstances can not be responsive to consumer wishes, and the norms of the market mechanism can not therefore be invoked to guard against violations of consumer interests. Ultimately, consumer protection has to be sought from outside the market place.

Theoretical under-pinnings of the market system have been earlier addressed, and the philosophical basis of its dysfunctionism explored. However, opinions have started to emerge in the recent times to contend that in spite of the denigrations of the market mechanism, it still remain a vital tool for consumer protection, and should not therefore be jettisoned for the 'cumbrous political process', (Friedman, 1962). Undoubtedly, the efficacy of competitive forces to induce behavioural modifications in the market-place is not the issue. Doubts arises over whether the level of competition, real or potential, can be developed to such an appreciable level where management actions will be cued to it, and consequently, consumer protection.

It should be mentioned that notwithstanding the controversies over the market mechanism, there is still the recognition that enterprises can rise beyond the handicap of both market and political processes to evolve some discretionary strategies for consumer protection. Standing up to this type of challenge is an integral part of management process - reconciling the enterprise to its environment. Identifiable dimensions for the pursuit of this objective are considered below.

4.5.3. Protection Through 'Management Benevolence'

By the above, we refer to consumer protection packages which are rooted in managerial discretion or initiatives. These initiatives are such that can not be directly induced by legislation and/or independent of any enforceable injunctions. As a result of problems associated with both market and political processes, eg., where consumers' market powers are ineffective and an uncanny management can sabotage political maneuvers, it can be argued that the key to genuine consumer protection lies with what management can come up with when not overtly directed. This option has not been given due consideration because of general feeling of skepticism and distrust with which the market powers of national enterprises are viewed by consumers as well as public policy makers. Perhaps, much of the skepticism could be attributed to the tendency to adjudge management initiated packages under the platform of the much maligned notion of self regulation, which critics have argued does not work effectively in the open market environment, much less under imperfect conditions. This is basically why we have opted for a

change in nomenclature - 'management benevolence' as against self-regulation.

Arguments urging management intervention through a system of discretionary strategies have been built on the basis that there are limits to which socially desirable behaviour can be ordered by law. Maitland,(1985), has argued that beyond a certain point, the cost of expanding the apparatus of political control becomes prohibitive in terms of abridged liberties, bureaucratic hypertrophy and sheer inefficiency. This fact probably accounts for the appeal of management self-regulatory behaviour - ie., the idea that consumers may be better off if they rely on the promptings of a 'corporate conscience' to regulate corporate behaviour instead of the heavy hands of government regulation.

While this approach may entail a radical break with the way managers have hitherto conceived their roles, it is simply a clarion call for enterprises to behave, in their own enlightened self interest. It is a call for moral reconstruction of the enterprise value system. Expectations are that such a strategy will give managers the confidence they deserve to prove or disprove the good intentions of the enterprise to the society. The task would therefore be that of proselytizing managers into a broader definition of their roles and carve a blue-print for a consumer oriented and obligated enterprise values. Critics would argue that managers can not be trusted with the task of consumer protection as that would entail an impossible and contradictory demand on them. More so, they have been heaped with a wide array of accusations such as nurturing the enterprise that dictates to consumers rather than being dictated to, insularity, failure to keep up with changing values, inability to see their role in a system-wide perspective, and an attachment to an outmoded ideology which defines public interest as the unintended outcome of the pursuit of self interest,(Maitland,1985; Garvin,1983; Molitor,1982). They argue that enterprise behaviour is traditionally a function of market imperatives, real or proxy, rather than of managers values. The crux of this is a recognition that the core interests of the enterprise, even as a competitor, more often diverge from its interests as part of the wider society. Maitland,(1985), exemplifies that the enterprise may likely welcome a cleaner environment but as a competitor in the market place,

it has an interest in minimizing its own pollution abatement costs. " It may philosophically favour a free market but will probably lobby in favour of protection for itself", (p.133). Olson, (1971), also demonstrates that in a rational world, " it is certain that a collective good will not be provided unless there is coercion or some outside inducement". Of course, Lane, (1983), has postulated that consumer protection is a public good.

4.6. LEVELS OF MANAGEMENT DISCRETIONARY STRATEGIES

The reason why there are doubts about good intentions and genuineness of management self regulation may lie in inadequate appreciation of the dimensions and how they can be applied. Many researchers have adopted a somewhat blanket platform in the study of business self regulation strategies. The result is that often, the fall-outs from such an analytical framework based on a false premise tend to be over generalized and over dramatized. To present a clearer perspective, and consequently, build an appropriate platform on which management discretionary activities for consumer protection can be based, we identify three level of self regulation: (i) business level, (ii) industry-wide level, and (iii) the enterprise level.

(i) Business Level

At this level, self regulatory activities are all encompassing, bringing all enterprises under a common umbrella. Strategies based on this platform could be advantageous because enterprises will be less vulnerable to charges of collusion since strategies are evolved by a common management which cuts across board. Also, because of diversity of its membership, there could be inhibitions against the encompassing management aligning itself with sectional interests of a particular market or industry. This type of arrangement conform with what Maitland, (1985), referred to as 'peak organization'; the type Olson, (1982), suggested would be constrained to adopt a pro-competitive posture.

Example of structures conforming to our idea of encompassing management are offered by the Confederation of British Industries, (CBI), Nigerian Chambers of Commerce and Industry. The encompassing management serve as the decision making unit - making ethical judgments, setting common

standards and codes which will enable co-ordination of enterprise behaviour. A common code which would serve as a standard against which enterprise behaviour could be judged on individual basis, even if only morally binding, could exert a powerful constraining influence. It is assumed that where there is a multiplicity of standards, there is effectively no standards.

An encompassing management could also help diffuse some contentious issues in top management relations with enterprise stakeholders. A very sophisticated attempt has been made by Preston and Post,(1975), to supply an objective, external standards, located in the public policy process. They argue that management would be greatly relieved of the task of making subjective judgments about enterprise obligations to various stakeholders, permit them to heed society's demands that enterprise behave responsibly, and at the same time protect them from the charge that their generosity or benevolence may jeopardize the enterprise competitive position.

The glowing advantages of this framework also provide its greatest setbacks. It assumes that all enterprises would submit to the encompassing management. This in practice may be far off the mark. It also assumes the presence of multiplicity of enterprises in a given market, thereby rendering itself oblivious of the fact that the national enterprise market place may consist of just one or two firms who may not face any threat from competition. Furthermore, the constitution of the encompassing management may be too bogus to effectively monitor market place compliance behaviour. It is not likely that this type of arrangement can adequately take cognizance of the peculiarities of the national enterprise market environment, and therefore, may not be suitable for structuring management discretionary strategies for consumer protection.

(ii) Industry Level

The attraction in structuring management response to consumer protection on industry-wide basis lies in the understanding that market environment of the national enterprise is highly restricted, often, with limited number of enterprises in contrast to the atomistic markets. It is therefore hoped that co-operation within the industry, with a view to evolving, upholding and implementing strategies which cut across the industry would be lot more

easier because of the highly limited numerical strength of firms in the industry. For instance, public gas supply through pipe in Britain is under the effective control of one enterprise, British Gas Plc. The same applies to the electricity market, while the telecom industry can boast of one firm with over 90% of the market share and two other public operators with a collective strength of less than 10%. The underlying belief is that if management in a given industry could work together on consumer policy, viz-a-viz, consumer protection as it relates to the specific industry instead of the whole business environment as in (i) above, they could go a long way in evolving sound policies that are genuinely consumer oriented. They will be better placed to address core consumer problems and provide solutions to them. This is so because the intricacies technicalities and complexities of the industry (the areas where consumer centred initiatives are considered necessary and how best to approach them to ameliorate the lot of consumers, devoid of cosmetic consumerism) would have been better appreciated.

This framework also address the public good aspect of consumer protection. Schelling, (1974, p.104), has argued that the reason why most enterprises are not forthcoming with genuine and sustained efforts for consumer protection is the fear that they might be incurring costs which are avoidable to others in the industry. This strategy therefore imposes mutual coercion, mutually agreed upon, and preparedness to act because the line of action is common to all.

The major shortcoming is its anti-competitive implications. It is generally held that anti competitive tendencies are by and large anti-consumers. This level, because it could be open to charges of collusive behaviour holds little promise of being transformed into an effective vehicle for structuring management discretionary approach to consumer protection. Fears may be deeply entrenched that industry based management approach, however plausible its initial rationale, will eventually degenerate into industry protectionism - thereby sacrificing consumer protectionism which ought to be the cardinal thrust.

(iii) Enterprise Level

At this level, management discretion is a matter for each enterprise and its conscience. This level may be considered appropriate for the national

enterprise market market place. It is dictated by the unavoidable fact that most national enterprises are themselves the industry, some of them controlling anything from 70% to 100% share of the market. Those without overwhelming control of their market have the potentials to dictate the trend of events in such markets. Therefore, in consideration of the size, visibility, and the grip on the market, management under such a setting is more appropriately positioned to influence the cause-effect equation in consumer protection. The tighter the grip of an enterprise on its market, the better the management is disposed to under-take self-induced consumer protection strategies without consideration to any external, impeding influences. For the enterprises in question, it is a matter of self interest that they should come up with socially acceptable packages of consumer policy. The more successful they are in achieving this objective, the more room management will have to attend to core functions of the enterprise. Signs of failure will only help to speed up more regulation and other forms of political control.

As elaborately put forward by Maitland,(1985), the larger the fraction of public interest an enterprise serves, the higher the probability that it will be expected to oppose self-serving behaviour that inflicts external costs on the society. By virtue of its circumstance, viz-a-viz, market realities, it will necessarily internalize many of the resulting external costs, eg., cost of pollution, bad product policy, faulty and inarticulate consumer policy. According to Olson,(1982), organizations of this type own so much of the society that they have an important incentive to be actually concerned about how productive the society is, the effect of its policies on the efficiency of the society and also an incentive to bargain with other substantial organized groups in the interest of more productive society,(p.47-48). If Olson is correct, then it is not out of place to expect management of national enterprises to promote, when not directed by regulation, convergence between enterprise interests and those of the societal institutions so as to lessen the need for coercive regulations. In the atomistic market, management can afford to take a partial or parochial view of its behaviour and consequences. In the national enterprise market place, such consequences could be fatal and far reaching.

In consequence therefore, it seems that consumer protection based on management discretionary behaviour is a veritable and assured form of

protection. This dimension has not been accommodated in known consumer protection theories. This is the foundation of our fifth thesis. Responsible conduct of the national enterprise can not only be willed or exhorted by appeals to the political processes, it could also depend on the creation and maintenance of appropriate institutional conditions under which the enterprise can behave responsibly - as a matter of self interest in particular, and those of consumers in general.

Summarily, this chapter has tried to relate theoretical concepts broadly discussed in preceding chapters to the national enterprise framework. It presents a macro perspective of the subject-matter, taking particular interest in the taxonomy, external factors influencing or likely to influence consumer policy processes. In the next chapter, the internal dynamics will be considered, concentrating on management processes.

CHAPTER 5

MANAGEMENT VARIABLES AND METHODS

5.0. OVER-VIEW

This chapter addresses the critical variables - definition, sensitivity, measurement, and implementation. They provide the basis for appraising management orientation to the concept of consumer protection. In the absence of any known normative framework to guide the analysis of managerial behaviour towards consumer protection, it is hoped that the variables will provide a platform for appraising and answering such questions as: what does consumer protection mean to the national enterprise managers? How sensitive are they to the concept? What managerial actions demonstrate the level of sensitivity? Is it measured, and if so, how? Based on the variables, we would attempt to build a management response model.

In the second part of the chapter, a number of issues relating to the methodological framework will be explored. In a nut-shell, the aim is to provide an insight into what methods we shall apply in the analysis of field data.

5.1. THE MANAGEMENT VARIABLES

Variables considered relate to the concepts of definition, sensitivity, measurement and implementation. They can be influenced, determined and controlled by management. They, in turn, can guide the determination of managerial stance and perspectives on consumer protection as relates to the specific enterprise. These controllable elements constitute an important framework in the analysis of managerial approach. When behaviour is guided regulations, the genuineness of intentions are obfuscated and this will make it difficult to discern what obtains in practice from what could have

been. In such circumstances, management reaction to specific cues will be obscured by the conformity syndrome or 'band-wagon effect' since enforced behaviour will not provide wide enough room for assessing managerial actions in terms of policy inadequacies.

5.1.1. DEFINITION

In the preceding chapter, we explored the basis for defining the concept of consumer protection, which proved inconclusive. Its complex nature within the domain of the national enterprise rendered it more of a matter for value judgment. Taken on the face value, it could mean that the concept can be defined and stretched along a continuum. The task of an observer will therefore be to determine where the enterprise management is positioned along that continuum. This task will not be easy unless there is a kind of guide or parameter - which is why an exploratory research of this nature is very timely. In terms of both consumer input to, and feedback on marketing activities, managers should ask and provide answer to such question as ; where is the consumer on the organization chart? This could be ascertained through managerial orientation, efforts to reach and be reached by consumers. Genuineness and seriousness required in this regard can not be over-emphasized because cosmetic consumerism could be worse than none.

To provide the necessary guide, we proffer a bi-polar standpoint on which to base the definition. These are (a) consumer specific factors and, (b) corporate specific factors.

(a) Consumer Specific Factors: This, in essence, connotes consumer centered definition, ie., using consumer factors and characteristics as guide to defining consumer protection. Enterprises that are likely to adopt a consumer centered definition will likely have clear ideas about their conception and meaning of consumer protection. It is therefore possible to define consumer protection from the standpoint of the consumer, in which case, the definition will recognize the behavioural nature and consequences of consumption. The question that may arise will boarder on what aspects of the consequences of consumption are to be included. Assuming that consumers' needs are

determined by the enterprise, how does one conclude that those needs have been adequately met? Satisfaction in this sense could be generic - not just satisfaction with the core product but such that take a bird's-eye-view of the complex position of the consumer. Given this situation, fulfillment can be divided into two broad categories, functional and subjective fulfillment.

Functional fulfillment is basic and central to a consumption situation. It might involve choice among competing brands. Since choice element is not so crucial and highly constrained in the national enterprise marketplace, functional fulfillment could be achieved through effective creation of time and place utility - the right product is made available to the consumer at the right time and place, and at affordable price. It also means that consumers are protected from the functional hazards of products they are exposed to. This type of fulfillment, to a great extent, is taken as given because of the peculiar regulatory regimes faced by the national enterprise. Often, the duty to ensure place and time utility is statutorily guaranteed, usually complemented with price ceiling.

Subjective fulfillment on the other hand harps on consumers' own perceptive judgment. It tries to explore the extent to which the consumer feels that his interests are protected, either from personal standpoint or from that of those who are the watch-dog of his interests. There are some inherent complications in this line of reasoning. Problems associated with measuring subjective surrogates have been highlighted in the preceding chapter, as well as difficulties in using them as a generalized reference frame. In spite of these odds, subjective fulfillment remains crucial as a framework for defining consumer protection on grounds of consumer specific factors.

(b) Corporate Specific Factors: Many corporate entities tend to think that by emphasizing the objective needs of consumers and perhaps, functional fulfillment, they are in essence being consumer oriented. Functional fulfillment could be less crucial because they are predictive, determinable, universal and ascertainable without much difficulty. The national enterprise which adopts above approach is simply relying on corporate specific factors in its definition of consumer protection. This is so because the parameters are

forced down through the regulatory institutions, over which the enterprises do not have much control.

Therefore, defining consumer protection on the basis of company perspective tend to take bearing from the end of the behaviour chain. The presumptions could be that consumers may not be too sure about their needs, sometimes irrational in the expression and means to gratify those needs. Therefore, the company has a duty to protect them. On this basis, formal definition of consumer protection is not necessary, and if required, must reflect such surrogate variables that are more or less self-serving to the company.

Enterprises that are genuinely interested in consumer protection should not only define it in consumer specific terms but should also pay more attention to subjective fulfillment rather than functional fulfillment. This does not suggest that the later is not important. Rather, it is so fundamental that it is the minimum requirement which would have been catered for by the regulatory regime. Consumer centered definition aimed at subjective fulfillment will address the following objectives:

i) Set specific consumer objectives: ie., objectives in regard of consumer and management aspirations and their inter-relationships should be probed.

ii) Consumer information and education: This will entail increased knowledge of consumer behaviour. There should be careful delineation between consumer education and consumer indoctrination. Consumer information/education may be thought of in terms of what Thorelli,(1978), referred to as "Consumer Civics". This will provide the foundation knowledge necessary to develop citizens into intelligent consumers or at least make their self development into informed consumers possible, generating fact based data about markets and offerings in terms of product and consumer characteristics.

iii) Consumer Feedback: ie., listening to consumers themselves. Consumers' voice need not be solely transmitted through consumer organizations, which act as pressure group more often than as consumer representatives. In terms of both the importance of certain issues and the postures on those issues, more

input directly from consumers themselves could be vital and needed ingredient in defining and formulating consumer policy.

iv) **Genuine concern for marketplace pluralism:** Maintenance and enhancement of pluralism in the market place should be a strong criterion in considering, assessing and defining consumer policy proposals. Interest and concern in preserving pluralism among the consuming public have a tinge of public service obligation which enterprises must identify with. Consumer centered definition must recognize and provide expression for the variations in terms of classes and needs of the heterogeneous marketplace.

5.1.2. SENSITIVITY

If an organization is to address the fundamental issues in consumer protection instead of the symptoms, it must identify and analyze them. Such a task is most formidable for two reasons:

First, the basic issues are inherently complex and difficult to understand. They tend to be dynamic and inter-related. The real problems are frequently not very visible. Even significant symptoms often lie dormant until a startling report, usually journalistic expositions, highlights the unwholesome situation and consequently serve to focus on consumer predicament.

Secondly, information systems of most enterprises are neither oriented to nor effective in obtaining information that will enable the organization to detect and predict underlying consumer issues. Management efforts are usually directed at short term projects with relatively limited objectives. They essentially research symptoms.

Level of sensitivity could therefore determine management orientation and company's attitude to consumer protection. Ordinarily, most companies would claim that the consumer is the focal thrust of their activities. Therefore, the question of sensitivity to consumer protection should not arise. Even on the face value, it has to be accepted that it may not be possible to have a common stance, hence dispositions of enterprises varies amongst one

another. To show that sensitivity could be expressed in various forms, some symptomatic and self-serving to the organization while some are genuinely attuned to consumer plights; we provide a two-state schema for categorizing levels of sensitivity, viz. *pro-active and reactive sensitivity*.

A company that exhibits reactive sensitivity will define consumer protection in corporate specific terms, addressing functional fulfillment and symptomatic factors rather than the underlying issues, reacts to occurrences rather than being anticipative and preventative. Being reactive describes the more mechanical approach to consumer policy, reacting backward from the market place in response to the requirements of the market. Organizations with reactive sensitivity may be characterized by the following:

- reaction to consumer issues is often passive, confused and misguided.
- defensive responses to consumer problems.
- consumer problems are identified by those outside the organization.
- management attention/action is coerced, ie. forced to act under pressure.
- management is guided by 'band-wagon effect', desire to do just what others are doing or what the regulation enjoins and more often, counting the negative effects of consumerism.

Pro-active sensitivity arise from genuine concern of the organization for consumer protection and emphasizes the subjective fulfillment. It is based on the recognition that in the absence of effectively competitive system, the need arises to integrate consumer interests into the decision mechanisms of the organization. Pro-active sensitivity could be discerned through the following:

- management makes effort to identify consumer problems.
- management adopts anticipative and preventative behaviour.
- views consumers as marketing opportunities, not just market opportunities.
- create monitoring departments which define tasks, responsibilities with corresponding authorities.
- consumer departments assumes the role of representatives and advocates of consumers' interests, and actively involved in corporate policy making process.

- being pro-active involves developing consumer policy based on perceptive marketing research.

5.1.3. MEASUREMENT

Most organizations have well developed planning processes that involve both short and long time horizons, but the extent to which they explicitly include consumer goals in their planning efforts, and corresponding programmes to measure them can not be taken for granted. There is a clear need for consumer programmes to be guided by operational objectives with accompanying short and long term measures. The questions which comes to mind and which management should gnaw at are : what is the level of the company's consumer protection performance? What should be used as standards for corporate performance measures? Is the present performance acceptable, to whom, in what ways and what are the deviations from target?

An organization may embark on measuring its consumer policy performance in response to the following influences:

- Legal requirement, eg., regulation by government or any body/agency statutorily empowered so to do.
- Public pressure, eg., government agency hearing, increasing public concern as expressed in attitude/opinion surveys, publicity in the media, reports by consumer organizations, etc.
- management initiative, ie., management motivated to improve a particular situation, strong feelings of consumer concern by the executive cadre.

Management initiative is very crucial. As argued in the preceding chapter, genuine measurement should be predicated on management initiative because it expresses consumer centered definition and pro-active sensitivity. Measurement can therefore be effectuated through the use of formal or informal technique.

(a) Formal Measurement Technique: The importance of measuring consumer protection must be seen not just in its symbolic meaning but in terms of what it seeks to achieve. Naturally, the genuinely sensitive enterprise which

defines the concept on consumer specific factors will also be concerned with monitoring the shifts in consumer perceptions on the amount of protection they can expect to enjoy from the enterprise.

Formal measurement technique requires careful planning. It might involve attitudinal studies and aspects of consumer research. Consumer perception should be ascertained and the measures should be able to reveal the true perception as well as uncover those aspects of corporate practices which might be objectionable to the consumer. Future measures would indicate the success or failure of any corrective actions hitherto taken.

The problem with formal measurement technique is that very often, organizations concentrate on measuring consumer satisfaction with the core offerings, emphasizing the surrogate variables such as complaint behaviour. We have already dealt with the theoretical under-pinnings. However, what is important is that a set of parameter exist to guide and gauge corporate actions, alerting management when performance diverges from standards. Formality in measurement techniques implies that those parameter must be verifiable, standardized, and capable of replication.

(b) Informal Measurement Technique: Reactively sensitive organizations rely on corporate specific factors and hazy measurement standards. Very often, mere existence of complaint analysis is taken as evidence of consumer orientation. When measurement techniques are informal, standards for performance appraisal becomes very fluid, blurred and lacking in objectivity.

Informal techniques, when they show any discernible direction, are oriented towards explicit market behaviour, thereby over-looking a lot of critical issues which should be considered in order to evolve a balanced consumer policy. For example, informal measurement disregards many imperfections in the market system. The result is that periodic business statistics are used as measurement parameter, eg., profit/sales volume, new accounts/services, volume of complaints.

5.1.4. IMPLEMENTATION

What is becoming apparent in our discussion so far is that there tend to exist a dichotomous relationship among the components of management variables considered. Pro-active sensitivity, definition based on consumer specific factors and formal measurement techniques are directly correlated.

Implementation is also related in a similar way. More than any other area, implementation strategy should be more revealing of corporate philosophy. Policy statements could proclaim sensitivity, consumer oriented definition and elaborate measurement techniques, but it is actually company practices, what the company does in practical setting that really reflect true values and beliefs of corporate decision makers.

Of course, most organizations have learnt that it is not enough to have a well defined corporate strategy in place or have it eloquently articulated on paper. Equally important is the ability to translate those ideals into practicality by way of implementation. The study conducted by Murphy,(1988) is revealing in this respect. It was discovered that companies, in practice, only implement about 10% of items enunciated in the policy proposals. Therefore, if there should be any meaningful attitude towards implementation in such a way that the company can achieve greater proportion of what it sets out to accomplish, the entire organization should be committed to the strategy and even the minutest details should not be over-looked. The same is true with respect to other aspects of consumer protection strategies. It is not enough for a company to over-emphasize those aspects that are self-serving to the organization. More so, implementing consumer protection programmes should not be the exclusive preserve of managers. Senior managers may set the over-all strategic direction but when it comes to the delivery, which is what implementation strives to achieve, all level of the organization should be effectively involved.

Interest in corporate sensitivity to the concept of consumer protection, its definition and measurement are incomplete without an examination of the consequences on corporate policies and practices. An appropriate orientation

towards basic problem is necessary but not sufficient condition for an effective response programme. Moreover, programme development requires a compatible decision-making process with a sympathetic organizational structure. Public pronouncements and policy statements may give a false impression of management concern for consumer protection. Elegant definitions and sophisticated measurement techniques may not be a sufficient evidence for genuine concern for consumer protection, nor is there absence enough evidence of reactive awareness. Taken together, they may indicate a level of awareness, but the most conclusive evidence is in managerial practices. It is possible for an organization to believe that it is genuinely sensitive to consumer protection and yet fail to reflect such sensitivity in practical terms. It is equally possible for an organization to have very lackadaisical views on consumer protection but exhibit practices that are attuned to consumers' interests.

There is therefore a clear need for consumer programmes to have operational measures which will serve to reflect long-run and indirect benefits. Without such measures, chances for real impact are slim, and resources devoted to such response programmes can not be held accountable for any short-comings, as some managers are wont to. Implementation and performance measurement could provide four benefits:

- Organizational efforts will become more integrated and focused.
- Greater possibility that programmes would be targeted to core problem areas instead of symptoms.
- Potentials of providing rational means of allocating resources to alternative programmes are created.
- Development of performance bench-mark and targets are stimulated.

It is pertinent to mention that implementation, like other components, have two broad categorization. As alluded to earlier, it is not enough to have the structure and culture that support consumer protection initiatives. They must combine with (a) implementation responsibilities and (b) tasks to ensure that the enterprise is truly consumer oriented in policy execution.

Implementation Responsibilities: Consideration here is on such factors as the quality of leadership, delegation, communication and motivation. Leadership is important in all aspects of business operations and very crucial in the implementation of consumer protection responsibilities. Effective involvement and integrity of line managers are indispensable ingredients.

Delegation follows from leadership as an essential responsibility for effective implementation. Middle and lower managers are sometimes placed in difficult situation because high level executives are unclear in their delegation of consumer policy responsibilities. In recognition of the role of middle management in policy implementation, delegation of responsibility should be dispatched properly and made very explicit in regard of what are acceptable practices and standards.

Communication is also an essential part of implementation responsibility. Formal communication dealing with consumer issues can be effectuated in many ways such as through codes, seminars, training programmes, etc.

Motivation is also important because if companies are to be successful in executing consumer policies, individual staff will be motivated to do the right thing. This means that those in the high echelon must look closely at how performance is measured.

Implementation Tasks: These relate to specific functional areas within the enterprise. One area that is conspicuous is Marketing. The posture of an organization on consumer protection could be inferred from the importance it attaches to Marketing, not Sales department. Marketing functions to relate the organization to its clientele. The department therefore serves to direct research and developments in consumer policy, breaking through scientific and technical barriers. Implementation tasks in this realm are effectuated through the marketing mix variables. In reactively sensitive organizations, marketing departments are installed as misnomer of traditional Sales department, with little or no role in consumer policy.

There are other aspects of business practices which could help explain management orientation on consumer protection . These include:

Consumer Research: Any company interested in consumer protection must know its customers. The irony is that because of lack of effective competition in the national enterprise market place, some people may be tempted to argue that consumer research can not be very essential. Consumer research programmes enables an organization to evaluate and refine its consumer policy, and increase the possibility that such policy and corporate position will be more defensible in future both to internal and external challenges. It can also help to test overtly optimistic predictions of public interest. Therefore, for an enterprise that engages in consumer research, indications are that on the balance of probability, it will also adopt pro-active sensitivity, consumer centered definition and formal measurement techniques in developing consumer programmes.

Consumer Affairs Department: This type of organizational design will only have meaning when its efforts are reinforced with top management commitment. General belief has been that organizations create such structures to gain public relations advantage or to present an aura of concern for consumer interest. To be able to provide the needed impetus, there should be clearly defined set of responsibilities and corresponding authority. Specific functions will depend on a number of factors but should be generally defined to incorporate these four related actions:

1. Receive consumer complaints and problems, and have sufficient authority to resolve them.
2. Develop and operate an information system with such functions as :
 - monitoring the extent to which consumers are satisfied or dissatisfied with each element of the marketing system.
 - detecting and predicting areas of basic consumer discontent which may possibly have negative impact on the company or to which the company may be uniquely qualified to respond to.
3. Be a representative and advocate of consumer interest during policy making process. Be able to provide independent appraisal of company's marketing programme. The basic principle here is that monitoring and

control functions should be distinct from operating management. This suggest that consumer affairs department or by whatever name it is designated, ought to report to the chief executive officer who is ultimately responsible for company's performance . It has been argued that above functions tend to be generally compromised when carried out by operating groups.

4. Contribute to the development of corporate consumer programme objectives, programmes to implement those objectives, and operational measures by which the programmes can be evaluated.

5.2. MANAGEMENT RESPONSE MODEL

From the foregoing, there emerges a consistent pattern of relationship amongst corporate sensitivity levels to the concept of consumer protection, its definition, measurement and implementation as reflected by corporate policies and practices. The type of sensitivity associated with an enterprise is likely to be directly correlated with the type of definition, measurement techniques and implementation strategies which the enterprise will adopt. Pro-active sensitivity to the concept of consumer protection will of necessity require that the concept be defined on consumer specific terms, and because of the underlying orientation, it becomes imperative that formal measurement techniques will be applied. Pattern of behaviour regarding implementation strategies will also be consistent with the posture of other elements in the mix. This is the rudimentary premise of our sixth thesis - it is an advancement on the fourth. Taken together, they imply that (a) situational constraints to facing the enterprise will determine how management defines, implements, measures, and the level of sensitivity it shows towards consumer protection and (b), that the dichotomous dimension of management approach exhibit a functional/correlative relationship.

The figure below is an attempt to present the model in a tabular form.

Table 5.0: A DICHOTOMIZED MODEL OF MANAGEMENT RESPONSE BEHAVIOUR.

MANAGEMENT VARIABLE.	<u>RESPONSE BEHAVIOUR</u>	
	A:	B:
SENSITIVITY>	<u>PRO-ACTIVE:</u> Anticipates & identifies consumer problems; sees consumers as marketing opportunities; creates monitoring depts, with defined tasks, responsibilities and corresponding authority; opens up to consumer advocates/organizations.	<u>REACTUVE:</u> -defensive, passive responses -relies on regulation as guide to action -acts mainly under external pressure. -aims to counter effects of consumerism, and suspicious of consumer advocates.
DEFINITION >	<u>CONSUMER FACTORS:</u> Distinguishes between functional & subjective fulfillment; identifies expectation & importance; concern for market pluralism; consumer education, information and foals are specified.	<u>COMPANY FACTORS:</u> Relies on surrogate variables eg. technical efficiency, sales volume, production and profits; unclear consumer goals but clear on company feedback.
MEASUREMENT >	<u>FORMAL:</u> Careful planning, attitudinal studies, integrated consumer studies, measurable and verifiable parameters.	<u>INFORMAL :</u> Relies on overt market behaviour, complaint and ordinary business statistics.
IMPLEMENTATION >	<u>ACTION ORIENTATED:</u> Actionable programmes, appoints specialists, involvement of CEO and entire organizational apparatus, institutionalizes consumer policy by working it into the whole process of resource allocation and career decisions.	<u>STATEMENT OF INTENT</u> -Commitments are unclear -Score cards lacking.

5.3. METHODS

This section describes the research design and procedure. The methodological framework is exploratory and therefore, qualitatively based. It involved small number of subjects who were not sampled on probabilistic basis. It may have been expected that this section should have come in the introductory chapter. The reason for not addressing it earlier than now is quite obvious. As eloquently stated by Glaser and Strauss,(1967), qualitative studies begin with minimal commitment to a priori assumptions and theory. It was not therefore possible to start describing procedures and designs at a stage when none was obvious.

5.3.1. Why Qualitative Method

At the inception, we had thought about developing a self- completion questionnaire as a primary source of data collection. The method would have lent itself susceptible to quantitative evaluation, perhaps applying more rigorous statistical techniques. This would have also meant that respondents could take a definite stand on most of the issues by being outwardly positive, negative or neutral in such a way that respondents' attitudes can be scaled statistically.

However, in the preliminary phase, during which the method was used to obtain responses from members of the Gas and Electricity Consumers' Councils who could not be reached physically for preliminary interviews, most of them wrote in the 'general comment' column of the questionnaire that the issues being explored were such that could not be adequately addressed by a yes or no response. It therefore became obvious to us that if we are to get meaningful responses, we should have to design the main research instrument to allow full participation of respondents by removing most of the restrictions inherent in the highly structured processes.

Although the approach has its fair share of criticisms, particularly from quantitative researchers, there is enormous stack of literature urging that when some research are carried out even by the most rigorous methods of the

prevailing conception of science, the results have been known to bear remote or no relevance to the real world or actual issues. As an example, Nicosia and Rosenberg,(1972), have expressed great concern for attempts to quantify what may best be left qualitative: "... blind research for quantifiable regularities in society can lead to ignorance of those aspects of man - the most important ones - that are intrinsically non-quantitative", (p.246; see also Robin,1971,p.25; Gopal,1970,p.205). Suaman and Evered,(1978) identify this phenomenon as a crisis in organizational science and argue that the principal symptom is that as research methods and techniques become more sophisticated, they tend to become increasingly less useful for solving the practical problems that face the organization and its clientele. These considerations impelled us to consider and adopt qualitative approach.

5.3.2. PRELIMINARY PHASE

In contrast to most methods in which the researcher's hypotheses and procedure are determined before-hand, we followed a general research interest, specifics of the approach evolved as we proceeded. There was less certainty as to what questions to ask or how to ask them, what specific issues to explore etc. Moreover, there was a bit of naivety, more aptly, misconception in the initial categorization of enterprises of interest. A dichotomized approach of public versus private monopolies was considered but eventually dropped when it was discovered, during the preliminary phase, that there are no remarkable differences in their market characteristics. A common platform was therefore evolved vide the theory of the national enterprise.

The preliminary survey phase was a kind of 'snowballing' strategy to get a feel of the research area. In order to have a concrete grasp of major and subterranean issues, preliminary contacts were made with consumer organizations and regulatory agencies for the captive enterprises. Besides brochures sent by those bodies to explain their functions and responsibilities, interviews were held with their principal officers, eg., GCC, ECC, OFGAS and OFTEL. Interviews were conducted between the months of June and September of 1988. Self-completion questionnaire , (see appendix 2A), were sent to council members of GCC and ECC because it was not possible to get

personal interview appointments. Insights gain from these immensely helped to shape the course of the research.

5.3.3. THE CONTEXT

British Gas, British Telecom and Nigerian Telecommunications were chosen as the contextual base for the study. It was not considered necessary to expand the scope because virtually all shades of enterprises within the category face somewhat similar socio-political and economic environment. What was needed was to identify those which presented some-kind of variation in the structure of environmental factors facing them. The three enterprises chosen satisfy this criterion. Further inclusions would have meant re-inventing the wheel or re-stating a scenario already accommodated in one of the three state schema. Apart from variations in the structure of the regulatory institutions, the enterprises present basic commonalities in terms of market characteristics and public policy orientations.

As a result, a single case study approach was decided upon, using the telecom industry. Multiple case study, targeted at each enterprise would appear repetitive because of reasons already stated. However, even though a single case study is considered appropriate, attention would be drawn to areas where variations occur or where certain issues are considered peculiar to an enterprise. In deciding on the single case study approach, we recognize that an organization could be legitimate object of scientific inquiry only as single cases without considering whether such individual cases are subsumable under general laws. " Knowledge about what actions are appropriate for problem-solving need not be derived by reference to a general category of similar organizations from which we know what the best action to take is on average", (Susman & Evered, 1978, p.585).

5.3.4. DATA COLLECTION

Data for the study was collected primarily through unstructured, in-depth interview, complimented with soft data from anecdotal materials, observations and ephemeral materials.

Interview guide, comprising of 43 items was designed to provide insight into managerial approaches to a number of issues with consequences for consumer protection, focusing on areas such as management attitude toward the philosophy of business, consumer responsibilities, consumer satisfaction and dissatisfaction, regulation, philosophy on consumer protection, responsiveness, and reaction to market processes.

Even though interview questions were standardized, open-ended, carefully worded, and arranged to take each respondent through the same sequence, (see appendix 1A), there was need for flexibility because some questions had to be adapted to the realities of the specific enterprise. By this method, we aimed to achieve appreciable degree of particularization.

To ensure accuracy in data recording, as well as necessary interaction with respondents which will help make the interview decidedly conversational, tape recorder was used - all the respondents but two obliged. Notes were taken in the process of interviews and they helped a great deal to formulate new questions, particularly where it was felt necessary to check out something that was said earlier. Average of two sessions were held with each respondent, each session lasting about an hour and a half. Normally, after the first interview session, appreciable level of rapport would have been established between the interviewer and interviewee so that it was possible to arrange or conduct subsequent interviews on telephone. For example, during or after transcription of initial interviews, the need arose to call some of the respondents to clarify some statements or respond to issues that emanated from earlier responses. Interviews were held from the month of June to September of 1989.

5.3.5. SAMPLE SELECTION (RESPONDENTS)

Technique for selecting respondents was not probabilistically determined and therefore, judgmental . Respondents were chosen in consideration of their official positions in the organizations, knowledge and involvement in the area being studied. Mayor and Brown,(1966), remark that " in a judgmental sample, the researcher's judgment is used in selecting items from the frame which are

in some sense representative of the population than a randomly selected sample".

It was difficult to determine how many people to interview, no literature on methodology could offer any guide on this. What stood out among researchers is a consensus that actual number of cases is relatively unimportant. " What is important is the potential of each case to aid the researcher in developing theoretical insights into the area of social life being studied", (Taylor and Bogdan, 1984, p.83; see also Cannell and Kahn, 1966).

What we did was to identify two managerial levels within each captive enterprise, the first level representing policy formulation stratum and the second, policy implementation echelon. This implied that we were able to interview respondents at the directorate cadre, (ie. those who are functional directors of the enterprise, eg. Director of Corporate Affairs, usually second or third stratum of line managers in the organization), and also middle managers who are more accessible to consumers. By so doing, we were able to follow consumer policy processes from formulation stage right through to the implementation stage. Since respondents were carefully chosen, random sampling error is reduced to a minimum.

5.3.6. PILOT TEST

Research instrument was tested using subjects drawn from British Telecom and Electricity Consumers Council. Two managers from British Telecom (both alumni of the City University Business School), obliged to assist in the pilot test. The third subject is a sectional head in the Electricity Consumers Council.

The essence of the pilot test was not to appraise interviewer's competence or skill as those teething problems had been over-come during the preliminary stage. At issue was to determine the suitability of interview guide, its preciseness, smoothness and to ensure that confusion likely to arise from interpretation of questions are reduced to a minimum. At the end of the exercise, five questions were discarded; three were considered too bogus and

difficult to tackle given the limitation of time; remaining two were considered trivial, ie. re-stating what was obvious or substantially accommodated in other questions.

Originally, interview duration for each case was estimated to last one hour. The pilot test revealed the flaw inherent in this estimation because it turned out that average duration was two and half hours. In real setting, not many people would be happy to talk for that length of time. This was the reason why we entreated the respondents to make allowance for a follow up session.

5.3.7. METHOD OF ANALYSIS

There is tacit agreement among researchers that there are no formal and universal rules to follow in analyzing, interpreting and evaluating qualitative data, (Paton,1980; Tynan and Drayton,1988; Bellenger,Bernhardt & Goldstucker,1976; Calder,1977; Cartwright,1966; Vidich & Beusman,1960; Becker & Geer,1960).

Our approach is directed toward developing an in-depth understanding of the subject matter. This approach has many parallels with the grounded theory method of Glaser and Strauss,(1967). As preceding discussions indicate, insights are grounded in, and developed from data; propositions (theses) developed within the context of their application. In contrast to Glaser and Strauss, though, we are less concerned with emphasis on development of elaborate concepts and theories than with understanding the settings of the subject under research. We do this through description and building up theses to guide the study. At the beginning, general of postulates were advanced to provide boundaries for the study, from which a number of theses were developed and subsequently re-defined as working hypotheses.

Responses are inferred to be indicative of respondents attitude and opinion. Analysis of data is, of course, predicated on the validity of this inference. Information resulting from sample data is presumed to be an insight into the behaviour of managers and consequently, the organization. Recorded interviews were transcribed and since raw data are quotations, content

analysis was applied - to analyze not just the verbal responses but also the manifest content of other forms of secondary data. Analysis thereof aimed at converting interview notes and observations into systematic categories so that it could be possible to figure out what things fit together. This was achieved by looking at recurring regularities in the information obtained. Those regularities were taken to represent patterns judged by two criteria: (a) internal homogeneity and, (b) external heterogeneity. The first concerns the extent to which data belonging to a certain category hold together in a meaningful way, ie. consistency of relationship in responses given by subjects in a subject category, (eg. managers interviewed in BT). The second criterion concern the extent to which differences among categories are bold and clear in such a way that no consistency could be inferred, (eg. OFTEL/BT; BT/British Gas; OFTEL/OFGAS; OFGAS/GCC).

Preliminary interview data were coded and scored, based on the adaptation of 'Marketing Effectiveness Audit', (Kotler, 1977). Responses were classified according to themes, so that each had to be placed in one of three categories, viz. high attitude (favourable); low attitude (unfavourable); neutral attitude (unclassified). There are no hard and fast rules about this categorization. It all depends on the nature of the question and its ramifications. Hence, it may be possible to use 5, 6 or even 7 scale categorization, eg. (1) unqualified confidence; (2) confidence; (3) confidence and mistrust equally balanced; (4) qualified mistrust; (5) unqualified mistrust; (6) question not asked; (7) question asked but not answered eg. no comment responses.

5.3.8. STATEMENT OF FORMAL HYPOTHESES

In the introductory chapter, a number of postulations were made which in essence became the bed-rock of theses subsequently enunciated. Although it is generally accepted that qualitative research should primarily aim at generating hypotheses and not the proof per se; it is equally important that whatever the intention, whether generating hypotheses or providing proof, such hypotheses should be sharp and succinct. This would make it easier for their boundaries to be delineated and limitations better appreciated.

Based on the concepts explored and postulations/theses enunciated, the following hypotheses have been developed.

1. The determinants of consumer protection will vary depending on the dimension of management interpretation.
2. A set of evaluative variables can be identified which will relate in characteristically the same pattern to the dimension of management interpretation.
3. Pattern of management response, (management response behaviour) is shaped by the structure of situational constraints; such that the aggregative, rather than the disaggregative structure, will more likely induce pro-active management response behaviour.
4. Cross adoption of consumer policy frameworks between industries or across countries will more likely prove counter-productive in real terms.
5. The greater the effect of the national enterprise policy on protecting consumers' interests, the greater the managerial emphasis on minimizing consumer dissatisfaction rather than maximizing consumer satisfaction.

5.3.9. LIMITATIONS

It is difficult trying to enumerate all the problems encountered in the course of the research or meticulously itemize all the limitations. Nonetheless, a number of them stand out very glaringly and one can not escape giving them a mention.

In the first place, providing a framework in which to assemble and discuss the literature from the wide range of sources and disciplines utilized in this research has been particularly difficult. No framework was obvious, since there is not yet a comprehensive theory of consumer policy under the circumstances we studied. It is therefore possible that in the discussion and application of some of the concepts and theories, particularly those borrowed

from other disciplines, we may not have gone into the depth expected of specialists in those areas. However, we are confident that the much we did in those areas are enough to established whatever principles were explored.

There are also general limitations associated with qualitative research methodology. It has been said that since it is non-quantitative, it could as well be non scientific, non objective, judgmental, and therefore value-laden. These give immense deal of jitters to a researcher using qualitative methodology because even though he may be quite convinced about what he is doing, he will need to pass on the same level of conviction to others. This may not be easy, particularly for non qualitative researchers, but the option are not that much. As Smith and Bloom, (1989) emphasized, some phenomena are not easy to study using empirical approaches, "and the result has been that much of the writing about the consumer movement has been either conceptual or journalistic". The approach of this study did not deviate much from that observation. Whether it should be considered a limitation or not may not be easy to settle. The issue of 'value-laden' has been variously addressed in research fora and the consensus is that no research methodology is value-free.

On the subjective aspect, questions regarding reliability and validity have been raised. Lack of ramdomness in sample selection also raises questions regarding representativeness of the sample. We feel that if important characteristics regarding the subjects are known and readily discernible, the question of validity would have been greatly over-come. However, we do accept the possibility that interviewer's role may have some inherent limitations in the gathering and interpretation of data. Since raw data are quotations obtained from transcription of interviews, some may have been unwittingly lost in editing. Transcription is a highly frustrating job and time guzzling as well. It took more than ten hours to transcribe a case tape. For highly experienced researchers or professionals, the ratio according to a study is about 4:1 (see Paton,1980,p.248). Moreover, because the sample is characteristically small, there might be some limitations if precise inferences are to be made from the sample to a larger, more diverse population.

Not all organizations are studied easily and the upper echelon are notoriously difficult to infiltrate. It was not possible to gain the audience of chief executives of British Telecom and British Gas - we had intended to use them to present a bird's-eye-view of the organization in consumer policy arena. Furthermore, all the respondents acted on the basis of their positions in the enterprises, experience and knowledge. It may never be known to what extent their personal values were brought to bear on their official values.

However, all the limitations mentioned must be put alongside the general perspectives of qualitative research and should be evaluated in view of the purpose and type of research under-taken. In view of this role, most of the limitations described here appear to be at least as acceptable as those inherent in any research methodology.