

# Chapter 19

## Should Corporate Political Lobbying Come under Scanner by Regulatory Mechanism?

### Vaishnavi Corporate Communication and 2G Spectrum Scam: A Political Lobbying Case

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#### **EXECUTIVE SUMMARY**

*Marketing is more political in the free market economy today than ever and firms need to apply social power and public relations either to enter into a new market or to operate more successfully in the existing market. Often, they apply reward power and political lobbying as marketing strategic tools. The Indian telecom market is booming fast and becoming highly competitive. Accordingly, there is an aggressively, rushed bid for 2G spectrum license. In the mean time, the telecom ministry's decision of, "First come, First serve," instead of an auction method, paved the way for political lobbying. At the end of 2G spectrum allocation, there was widespread allegation that the cellular operators fraudulently secured licenses from the telecom ministry by using power and public relations and in doing so played an important role on behalf of its clients. The apex court monitored the investigation of 2G scam*

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*and ordered cancelling of all licenses granted in 2008. This case raises four vital points for discussion as the backdrop of the changing marketing environment: 1.) Should marketing facilitating agents bother with the ideals of morality? 2.) Is it wrong that Vaishnavi Corporate Communication exploited weak and corrupt system of governance in favor of its clients? 3.) Are the actions of government watchdog agents justifiable, when an issue is concerned with public interest? 4.) Should political lobbying come under scanner by a regulatory mechanism to contain adverse implications of firms' marketing strategy? If so, what should be the modus operandi of the regulatory mechanism?*

## **TODAY'S MARKETING IS A POLITICAL EXERCISE**

In the current competitive environment, marketing is increasingly becoming a political exercise. A firm has to manage different stakeholders in order to market successfully and it seems sometimes a tough task. Often, there is a need for applying power and public relations skills either to enter a new market or to operate more successfully in the existing market. It becomes obvious that the traditional assembling of marketing mix strategy is not sufficient when there is a certain extraordinary market situation and marketing executives may be lacking skills of handling such market forces, which warrant application of power and public relations. So, corporate houses seek the services of facilitators who include agents, brokers, market research firms, advertising agencies, public relations consultants, event organizers, freelancers, experts, professionals, and so forth. The facilitating agents charge commission for the service they render.

One significant development in the post liberalization era is the tremendous boom in the services sector, which includes banking and financial services, telecom services, tourism and hospitality services, health services, retailing services, and more. All of these service providers need the services of some professionals/specialists/experts/consultants in one way or other and most often the service providers are clients of these facilitators for successful marketing of their services.

The facilitators often use *power* and public relation skills to achieve the desired result on behalf of their clients. Generally, they apply a power base appropriate to the situation in order to influence the party involved in a buying-selling relationship. Such power bases have been identified as reward power, coercion power, legitimate power, referent power, and expert power (French & Raven, 1959).

*Reward power* is most often used in marketing of products/services and this may be in the form of fabulous gifts including kickbacks, valuable items, and so on. *Coercion power* involves intimidating the other party for compliance and this includes social boycotting, financial harming, and physical threatening. *Legitimate power*

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