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The need for non-profit organisations (NPOs) to adopt a 'market orientation' has been promoted widely in the academic literature. To date, research in this area has focussed on either measuring the degree of market orientation within an NPO or detailing the financial and other benefits that accrue from a market orientation. Although this body of research acknowledges there are barriers to the adoption of a market orientation no study has identified the nature of these barriers. This study contributes to our knowledge by identifying what managers of small locally based NPOs perceive as the main barriers to the adoption of a market orientation.

Barriers to the adoption of a market orientation were identified through a qualitative study that included the development of eight case studies. In the cases studied the greatest barrier to the adoption of a market orientation by an NPO was its size (as measured by staff numbers). The larger the NPO the less difficulty it has adopting a market orientation. However, two other factors can also influence the adoption of a market orientation. These are: organisational dynamics and individual leadership. This paper discusses each of these factors and concludes by suggesting avenues for further research.

### **Keywords**

Barriers, Adoption, Market, Orientation, Locally, Based, Non, Profit, Organisations, NPOs

### **Disciplines**

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# **Barriers In The Adoption Of A Market Orientation By Locally Based Non-Profit Organisations (Npos).**

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The need for non-profit organisations (NPOs) to adopt a 'market orientation' has been promoted widely in the academic literature. To date, research in this area has focussed on either measuring the degree of market orientation within an NPO or detailing the financial and other benefits that accrue from a market orientation. Although this body of research acknowledges there are barriers to the adoption of a market orientation no study has identified the nature of these barriers. This study contributes to our knowledge by identifying what managers of small locally based NPOs perceive as the main barriers to the adoption of a market orientation.

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Keywords: market orientation, non-profit organisations, multiple case study

## **Introduction**

Kotler and Levy (1969) were the first to suggest that a marketing philosophy could be extended to non-profit organisations (NPOs). In the 36 years since, the need for NPOs to embrace a marketing philosophy and adopt a market orientation has been promoted widely in the academic literature (e.g., Kotler and Andreasen, 1991; Wood and Bhuian, 1993).

The use of the term 'market orientation' is problematic with no consensus of what the term means (Dreher, 1994). Some academics conceptualise market orientation as a guiding organisational philosophy (e.g., Evans, James and Tomes, 1996). In contrast, market orientation has been described as a set of activities that organisations need to undertake to be successful (e.g., Mayfield and Crompton, 1995; Wrenn, 1996). Consequently, there have been many attempts to define the term market orientation in the extant literature (e.g., Kohli and Jaworski, 1990, Narver and Slater, 1990; Shapiro, 1988). Despite the lack of agreement on a formal definition, there is consistency in the literature that a market orientation involves at least three main elements. These are: a customer/market focus, the co-ordination of marketing effort and the goal of long term profitability.

## **A Customer/market Focus**

Shapiro (1973) suggests that NPOs deal with two groups of customers/markets. That is, donors who support the NPO and beneficiaries who receive assistance from the NPO. Of

these two markets most focus within the extant literature on market orientation has been on the donor market.

The nature of relationships between NPOs and business donors has changed significantly over the years. Some writers (e.g., Mescon and Tilson, 1987) have identified a shift in attitude by business donors away from traditional philanthropic giving towards 'dual agenda giving'. In dual agenda giving businesses decide to donate on the basis of the strategic fit between the NPO and their own organisational objectives. In this environment, for an NPO to adopt a market orientation, they must be able to understand the nature of the business donor – NPO relationship (i.e., how they 'fit' with a donor organisation's objectives).

### **Co-ordination of Marketing Effort**

A second element of market orientation is co-ordination of marketing effort. Kohli and Jaworski (1990) emphasise the importance of this aspect of market orientation suggesting it involves the adoption of a co-ordinated marketing approach across all functional units in an organisation. They go further to suggest that it involves an organisation's ability to 1) gather, 2) disseminate, and 3) act on market intelligence. Accordingly, any barriers to these three activities are likely to prevent an NPO from adopting a market orientation.

### **Long-term Profitability**

Some (e.g. Balabanis, Stables and Phillips, 1997) have suggested that profitability is not an appropriate concept for use with NPOs. They suggest that this concept be replaced with what they label as 'survival'. That is, the generation of sufficient funds to achieve organisational goals. However, studies of market orientation in both for-profit and non-profit organisations suggest profitability/survival is a consequence, not an antecedent, of an organisation's adoption of a market orientation (Balabanis, Stables and Phillips, 1997; Narver and Slater, 1990). Therefore, any barriers to the first two elements of a market orientation will prevent this element from being achieved.

Although a considerable body of literature has built up around the concept of market orientation there is little empirical research into its adoption by NPOs (Brady, 2005). What literature there is can be divided into two main groups. The first group includes researchers who concern themselves with measuring the degree of market orientation within NPOs (e.g., Bennett, 1998; Caruana, 1995). The second group includes researchers who have focussed their attention on demonstrating the financial or other benefits that can accrue when an NPO successfully adopts a market orientation (e.g., Balabanis, Stables and Phillips, 1997). Although both groups of researchers promote the adoption of a market orientation and report that NPOs face barriers to adopting a market orientation no study this author could find explicitly identifies what the nature of these barriers are. This is a significant gap in our understanding of the application of a market orientation in the context of NPOs.

This study contributes to the existing literature on market orientation by identifying and exploring barriers to the adoption of a market orientation from the perspective of managers and staff of NPOs. In particular, this study focuses on the barriers to the adoption of a market orientation by small local stand alone NPOs and local branches of national NPOs. At a time of increasing competition and decreasing funding from traditional sources (Polonsky, 2003) these smaller NPOs may have little option but to consider, and/or improve their level of market orientation and may benefit most from this study's findings.

## The Use of a Multiple Case Study Research Design

As this was an exploratory study a qualitative research strategy was considered the most appropriate (Sarantakos, 1998). Specifically, a multiple case study design was adopted as this method is appropriate in exploring the ‘how’ or ‘what’ of any social phenomenon such as what barriers prevent the adoption of a market orientation (Yin, 1994). Cases were selected on a number of criteria designed to maximise case differences. Table 1 shows the criteria used and the differences between the eight cases.

**Table 1: Contrasting Organisational Differences of the Eight Cases.**

Case #	Annual fundraising (\$)	Local branch of NPO or stand alone local NPO	Size (Volunteers and full time (F/T) staff)	Years in operation
1	<\$50,000	Local branch of a national NPO	220 volunteers 15 F/T	36
2	<\$500,000	Local branch of national NPO	650 volunteers 14 F/T	80
3	<\$1,000,000	Local branch of state based NPO	300 volunteers 5 F/T	10
4	<\$750,000	Local branch of national NPO	400 volunteers 20 F/T	40
5	<\$500,000	Local NPO	15 volunteers 2 F/T	3
6	<\$500,000	Local NPO	Committee of 15 volunteers	7
7	<\$1,000,000	Local NPO	130 volunteers 25 F/T	100
8	<\$500,000	Local NPO	40 volunteers 10 F/T	30

Data was collected in the form of in-depth, semi-structured interviews with staff and volunteers across a range of organisational levels within each NPO. As the extant literature suggests that understanding the nature of the business donor relationship as well as the ability of the NPO to gather, disseminate and act on market intelligence are key elements of any market orientation in-depth interviews focussed on identifying what respondents considered were barriers to these processes.

Respondents were not prepared to discuss their organisation’s activities in an open forum. Subsequently, personal interviews rather than focus groups were used to collect data. For this same reason anonymity was a condition of reporting the in-depth interviews. In total, interviews were conducted with 37 different individuals (several more than once). Interviews were tape-recorded and transcribed, with an average length of approximately 90 minutes.

For the purpose of this paper the concept of “conceptual ordering” (Strauss and Corbin, 1998, p. 19) has been adopted. This concept refers to the organisation of data into discrete categories according to their properties and dimensions, and then using description to elucidate those categories. Data was collected, coded and analysed simultaneously using the constant comparative method (Strauss and Corbin, 1998; Glaser and Strauss, 1967). In its

most elementary form this method involves fracturing the data into coded units then systematically grouping data units into categories that show similarities and relationships.

## **Research Findings and Discussion**

In this study, an organisation's size emerged as the most significant barrier to the adoption of a market orientation. However, the influence of organisational size can be impacted on by two other factors, that is, 1) organisational dynamics, and 2) organisational leadership. The nature of each of these barriers, as well as their relationship to one another, is elaborated in detail below.

### **Organisational Size: A Capacity for Market Research**

Organisational size emerged as the major barrier to market orientation. Managers of larger NPOs (as measured by size of workforce) acknowledged that they had the resources necessary to gather essential market research, including research related to understanding the needs of their business donors. For example, Case 3 this organisation had undertaken research that allowed them to recognise that business donors act for a combination of reasons including commercial reasons. As one manager in this case stated "our research shows that they (local business donors) support us because we have an excellent brand nationally and they can use this in their advertising...understanding our donors is critical to our fund raising success".

In contrast, respondents from small stand alone local NPOs (Cases 5 to 8) exhibited a poor understanding of the needs of their business donors and attributed this to their lack of ability to gather, disseminate and act appropriately on any market research. In turn, respondents pointed towards their limited financial and human resources as the major reason for this inability. For example, in Case 5 the most senior manager interviewed made constant reference to the impact of limited resources; "...we do not have the staff or the time to do the necessary market research...even if we did we do not have the funds to do much with it".

### **Organisational Dynamics: Co-ordination and Information Sharing**

The benefits of a large organisational size can be mitigated by dynamics within an NPO. Specifically two aspects of organisational dynamics emerged as important. That is, 1) the capacity of different functional units to co-ordinate their activities with one another, and 2) the ability of functional units and individuals to communicate and share information.

An example of a well co-ordinated NPO was Case 3 where respondents could easily describe how the local level co-ordinates with any national level campaign. As one respondent in this case stated, "the national campaign does a lot of the hard yards...they keep us in the loop and we bring the local content into the appeal...but it needs to be in line with national strategies". However, the benefits of size are diminished when an NPO fails to co-ordinate its functional units. In Cases 1 and 2, both local branches of large NPOs, there was no co-ordination between the activities of the local branch and those managed by the national headquarters. This was the source of much frustration by local staff, "its pathetic...we have had instances when starting dates for campaigns are different depending on which group in head office you talk too".

Related to co-ordination of functional units is the issue of communication. Benefits associated with size can also be diminished if functional units and/or individuals fail to share market intelligence or other information. For example, in Case 1 a senior manager described how she was aware that market intelligence had been gathered at a national level that could assist in their local marketing activities. This manager stated “I know they have a database of local businesses that support (name of NPO)...I’ve repeatedly asked for that list but never get it”. Even in the small stand alone NPOs, communication of relevant marketing information was often influenced by organisational dynamics. As one manager in Case 8 stated, “we have one annual fundraising event...the organising committee are volunteers....they don’t tell us the names of our gold sponsors until the night of the ball, it is embarrassing as a manager not to know this”.

### **Organisational Leadership: ‘Marketing Champions’**

Individual leadership at different levels in an NPO influences its ability to adopt a market orientation. In cases where no leaders emerged that could address organisational problems then the ability of the NPO to adopt a market orientation was limited. In contrast in some cases (Cases 4, 7 and 8) individuals were identified who could be termed ‘marketing champions’. These individuals were characterised by a strong personal commitment to the charitable cause and well developed interpersonal skills that allow them to overcome barriers associated with size and negative organisational dynamics. Case 4 demonstrates the importance of these individuals. Respondents interviewed in this case all mentioned how the local branch manager would ensure any information from national headquarters was passed on to every member of staff and volunteer in the local branch. She was also described as someone that “made a point of personally visiting local businesses that supported us and those that might”. When interviewed she indicated she had no formal marketing qualifications but “it makes sense that these folk (local businesses) are not going to give us money unless we know them...they need to get something out of this even if it is just feeling good”. Similar individuals were identified in Cases 7 and 8.

### **Conclusions**

It should be re-iterated that this study did not attempt to measure the level of market orientation in each of the NPOs in this study. Rather, it attempted to identify barriers to the adoption of a market orientation from the perspective of staff within each NPO studied. It should also be noted that findings of this exploratory study relate to the specific cases studied and this paper does not seek to make generalisations beyond these cases.

The findings from this study support the work Kohli and Jaworski (1990) who, in their study of market orientation within for-profit organisations, found that organisational factors influence the level of market orientation. However, this study goes beyond this finding to identify what organisational factors act as barriers to the adoption of a market orientation in an NPO and how these factors act as barriers. These exploratory findings are in need of further empirical research. Future research may wish to consider using the results of this study as the basis for a much larger quantitative study focussed on measuring the relative importance of each factor identified in this study.

For managers and boards of small local NPOs or branches of large NPOs this study presents a list of factors that they may wish to consider in attempts to generate a greater degree of market orientation in their organisations.

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