Rethinking the concept of market orientation in the Portuguese non-profit sector: An exploratory study

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In the context of an increasing competitive environment, in which organisations are compelled to manage their resources and capabilities in a more efficient and effective way, the concept of marketing orientation has been acknowledged as highly important in the marketing and management literature. However, the existing literature is mainly focused on the for-profit sector, and to our best knowledge little research has been undertaken in the context of non-profit organisations. The purpose of this exploratory study is to test a measure of marketing orientation already used in previous studies and to assess its psychometric properties in the particular context of a Portuguese sample of non-profit organisations.
Introduction

In a context of an increasing competitive environment, in which organisations are compelled to manage their resources and capabilities in a more efficient way, the concept of market orientation has been acknowledged as a core construct in modern marketing and management literature. As Deshpande and Webster (1989) note a firm's market orientation represents a deliberate choice to implement a certain philosophy of doing business with customers. That philosophy may be summed up as the firm's "marketing concept".

The emerging importance of the market orientation construct has been reflected on the development of a number of scales addressing different dimensions of marketing (Kohli and Jaworski, 1990; Narver and Slater, 1990; Jaworski and Kohli, 1993; Slater and Narver, 1994, 1995; Deshpndé and Farley, 1998).

Most studies focusing on the marketing orientation construct have been however mainly centred on for-profit organisations. Little research has been undertaken on other organisational contexts, in particular the context of non-profit organisations. As suggested by Greenley (1995) more empirical research into market orientation is needed in different organisational contexts.

Concerning the specific case of Portuguese non-profit organisations, to our best knowledge, no empirical work has yet examined the extent to which these organisations are adopting the concept of marketing or just adopting certain marketing techniques. In this context, the main purpose of the current study is to test a measure of marketing orientation already used in previous studies and to analyse the adoption of the market concept by a sample of Portuguese non-profit organisations. Two different target groups: the donors and the users (or beneficiaries) of services or programmes will be considered. Concerning the organisation of this paper four parts were considered. In the first part a discussion about marketing in non-profit organisations will be addressed. In the second and third parts the definition of the market orientation construct and the research propositions is discussed. The last part concerns the methodology and construct development.

1. Marketing in the non-profit sector

Before analysing the construct of marketing orientation within the context of non-profit organisations, it seems important to start by clarifying the concept of non-profit organisation. An important contribution has been made by Salamon and Anheier (1996) who proposed a "structural/operational definition" which focus on the organisational characteristics of non-profit organisations. As such, non-profit organisations must be: 1) formally constituted organisations; 2) private organisations and separate from government; 3) non-profit distributing, to their owners or directors; 4) self-governing and equipped to control their own activities; and 5) have some meaningful voluntary content, such as voluntary income, volunteer labour or voluntary management.

The ideological characteristics attached to non-profit organisations are emphasised by Dobkin Hall (1987) who define a non-profit organisation as a
body of individuals that associate for any of three purposes: 1) to perform public tasks that have been delegated to them by the state; 2) to perform public tasks for which there is a demand that neither the state nor for-profit organisations are willing to fulfil; or 3) to influence the direction of policy in the state; the for-profit sector or other non-profit organisations (Hall, 987: 3). These features emphasise the distinctive character of non-profit organisations when compared with for-profit firms, namely that a mission of a non-profit organisation is built around service, defined by Kant and Summers (1987) as some societal value of ‘doing good’. In the line of this argument, Schofield remarks that to some extent “financial values become subservient to these social values and these social values themselves only have meaning as long as they are regarded as being beneficial” (1996: 111). This contrasts deeply with for-profit organisations for which “making money” is a major concern. However, during the last few decades, the lines dividing for-profit and not-for-profit organisations have become increasingly blurred (Kanter & Summers, 1987; Osborne, 1996). For-profit organisations are more aware of the role of values, stressing the organisations’ social mission (Ouchi, 1981) while non-profit organisations are also more financial concerned due to the need of attracting revenues. Thus, the adoption of a distinctive marketing orientation by non-profit organisations have become increasingly important over the 1980s and 1990s when both public and voluntary sectors have been greatly exposed to market mechanisms and business approaches (Harris, 1997; Balabanis et al., 1997).

As a general trend in funding the non-profit sector, some authors argue that these organisations are faced with pressures to become more cost-conscious and competitive in relation to securing resources (Leat, 1995). Currently, non-profit organisations have to face a number of challenges, as they are increasingly involved in competition for revenues. These include fees and grants from government or other government sources, voluntary income, fees from individuals, income from investment and income from the sale of property or land (Keaveney, 2001). As a result, non-profit organisations are involved in a network of interactions with different stakeholders (state, private individuals, profit organisations and other peer organisations) and consequently competition for revenues and other funding sources has been, in the last few decades, rather intensified.

In this context, non-profit organisations are forced to adopt a much different attitude in relation to their funding sources and their organisational strategy. In short, they have to find ways of managing their resources more efficiently in order to accomplish their activities. Since the role of marketing is to create and maintain “satisfying exchanges” (Balabanis et al., 1997), it becomes evident that non-profit organisations undertake marketing activities directed at four different constituencies, namely: 1) commercial marketing, 2) social marketing; 3) marketing to donors; and 4) marketing to funders (Blois, 1993).

Commercial marketing can be applied to non-profit organisations since a range of commercial activities are performed to create a source of income to support their ongoing activities. These activities can vary from advertising, running shops, marketing research, target marketing and segmentation. However, as noted by Skloot (1987) there are times when commercial and charitable activities conflict, resulting in a stressful and unproductive environment.
Another approach to marketing in the non-profit sector is social marketing whose prime objective is the dissemination of ideas. The principles of social marketing can apply to an extremely diverse set of social problems wherever the bottom line is influencing behaviour (Andreasen, 1995; Kotler & Roberto, 1989). The third area of marketing - marketing to donors - is concerned with the generation of funds rather than marketing of products. As observed by Balabanis et al. (1997) the importance attached to marketing to donors is highlighted not only by the vast number of studies which have examined donors’ motivations and their behaviour but also as a way to segment and to encourage donors to contribute with funds or volunteers. Blois (1993) also contends that there are two distinct sources of funds for non-profit organisations. The first relates to donors and includes individuals, charitable bodies and other organisations. The second addresses to funders and relies on the support of central or local government. One of the reasons why governments often choose to fund organisations to carry out a number of activities is that they can perform better these activities than official employees. Additionally, in many non-profit organisations salaries and other costs are frequently much lower than in any official agencies (Blois, 1993).

Given the above considerations, it is relevant to stress that the importance of market-orientation goes beyond the limits of profit-making commercial business in the private sector. In fact, health care and educational organisations, as well as local and central governments and other non-profit organisations are increasingly required to adopt a distinctive market orientation (Barksdale and Darden, 1971; Wood et al., 2000).

2. Defining the market orientation construct

According to Gray et al. (1998), two streams of marketing research have tended to focus either on the marketing orientation or on market orientation. Marketing orientation studies are in line with the marketing concept and address differences between production, selling and marketing philosophy. On the other hand, market orientation studies tend to focus on the awareness of and responsiveness to environmental influences on marketing decision-making and implementation. Wrenn (1997), for his part, contends that the concepts of marketing orientation and market orientation have been extensively employed to describe a company’s implementation of the marketing concept. Until the late of 1980s the concept of “marketing orientation” has been widely used. Recent contributions have however preferred the use of market orientation due to its broader scope. While the market orientation concept translates the whole organisational strategy towards the market, the marketing orientation concept is confined only to the marketing department (Shapiro, 1978; Narver and Slater, 1990; Kohli and Jaworski, 1990).

Recently, the existing research into the study of market orientation addresses four major orientations (Harris, 2000). First, the analysis of the philosophical foundation of the marketing concept, also known as market orientation has been largely undertaken in the literature. Secondly, a number of studies have been conducted concerning the operationalisation of the concept of market orientation. Thirdly, the links between market orientation and performance within different national contexts and different environmental conditions have been considered.
Fourthly, the potential barriers to the development of the market orientation construct have also been addressed in the literature.

Although the growing interest in the market orientation construct, very few attempts have been taken to measure this construct (Dreher, 1994). According to Vazquez et al (2001) research into the market orientation concept arises mainly from two theoretical perspectives: the behavioural and process perspective represented by the study of Kohli and Jaworski (1990) and the cultural perspective represented by the contributions of Narver and Slater (1990).

The behavioural and process perspective stresses that culture should be put into practice effectively. This can be achieved by considering the tasks that must be accomplished within an organisation. Kohli and Jaworski (1990) define market orientation through three broad business activities: the generation of market intelligence, the dissemination of this intelligence and organisation-wide responsiveness.

From the cultural perspective, market orientation is understood as an organisational culture in which the market, customers and competitors assume a crucial role. Following this approach, Narver and Slater (1990) proposed three behavioural components of marketing orientation: customer, competitor orientation and inter-functional coordination. While customer orientation addresses the understanding of customer needs on an ongoing basis, competitor orientation relates to the awareness of competitive offerings and technological advances. In turn, inter-functional coordination is intended to create value for customers by achieving an efficient integration of resources (Narver and Slater, 1990; Slater and Narver, 1992).

Following this discussion, it seems relevant to point out some similarities and differences between the behavioural and process perspective and the cultural perspective. Concerning the similarities, both focus on the central role of the customer, entail an external orientation and recognise the importance of being responsive to customers at an organisational level. Finally, there is a broad recognition that interests of the stakeholders and/or other forces shape the needs and expectations of customers.

With regard to the major differences, the behavioural and process perspective proposed by Kohli and Jaworski (1990) emphasises an ongoing behaviour, as well as a set of activities that underlie the generation and dissemination of market intelligence and the associated response of the organisation within the firm. By contrast, the cultural perspective represented by Narver and Slater (1990) encompasses the generation of information as a necessary condition for competitor and customer orientation.

According to Hooley et al. (2000) the Narver and Slater's approach (1990) is both conceptually and operationally appealing because it encapsulates the main aspects of the Kohli and Jaworski (1990) constructs while at the same time assessing cultural factors. However, Balabanis et al. (1997) acknowledged that the Kohli and Jaworski’s (1990) conceptualisation seems to be more appropriate in the specific context of non-profit organisations because it focuses on the
market rather than on the narrowly defined customer intelligence. Additionally, it also emphasises specific inter-functional co-ordination operations based on the generation of intelligence rather than on its effects.

Although the concept of market orientation suggests that organisations should place more emphasis on their customers, Greenley and Foxall (1998) argue that other key stakeholders besides customers and competitors should be included such as shareholders and employees. Dibb et al. (1997) reinforce this argument by maintaining that a firm's employees also need to be incorporated within the market orientation concept. Besides, the notion of an internal customer suggests that every employee is both a supplier and a customer to other employees within the organisation (Gronroos, 1981).

To sum up, a number of authors have tested, developed, and refined the early market orientation scales to create useful tools for measuring the degree of market orientation (Hart and Diamantopoulos, 1993; Deng and Dart, 1994; Cadogan and Diamantopoulos, 1995; Greenley, 1995; Sigaw and Diamantopoulos, 1995).

3. Research Propositions

Since the purpose of the present study is to test a measure of market orientation in Portuguese non-profits organisations two distinct stakeholders: donors and users/beneficiaries are considered.

The justification of this lies on the assumption that “exchange” is the core concept of marketing and that non-profit organisations engage in transactions with their stakeholders, in which the concept of “exchange” is present. Therefore, one side of the “exchange” in non-profit organisations is clearly the donor’s generation of funds and resources. The other side is the allocation of resources into the users (or beneficiary) markets. However, as Shapiro (1973) correctly noted, although the success of non-profits rests in part on resource attraction, most of its products or specific benefits do not tend to be available to donors. Therefore, the user’s perspective should also be considered in any study of non-profit organisations. Besides, as observed by Osborne (1996: 12) “the motivation of a non-profit organisation should not be based upon financial gain, but rather should hold some normative voluntary value”.

In fact, the need to create exchanges with donors to obtain resources may result in situations of some ambiguity in which the major purpose (or mission) of the organisation may be jeopardised. In some cases, the “price” for attracting resources from donors can put in risk the goals and values attached to the initial mission of a non-profit organisation. This occurs when the need to attract resources subvert the provision of services that address the effective needs of the service beneficiaries (or users). Ultimately, the imperative of attracting resources from donors and funders may compromise the organisation’s social mission. In other words, non-profit organisations may be tempted to concentrate on target groups or on activities, in which funding will be easy although not corresponding to the core purpose for which the organisation was created.
(Bovaird and Rubienska, 1996). In the line of this argument, the following research proposition is suggested:

**R1:** *The greater the orientation of Marketing to donors, the lower tends to be the marketing orientation towards users/beneficiaries.*

Non-profit organisations are also known by performing a diverse range of activities, which accounts for its multi-functional character. As it is claimed, the non-profit sector is often acknowledged by its bewildering array of organisational forms, motivations and ideologies (Kendall and Knapp, 1995: 66). This diversity may as well be extent to their funding sources. In fact, different types and sources of funding can be found in the non-profit sector. Moreover, evidence from research has suggested that even within a particular organisation one might find uneven patterns of resource funding through different areas of activity (Leat, 1989).

Based on the resource dependence theory (Pfeffer and Salancik, 1978), much of how an organisation behaves is determined by its resource dependencies. Following this argument, Leat (1995) argues that organisations are likely to engage in specific strategies related to resource flows. Moreover, the resource dependence perspective has also been applied to non-profit organisations and has proved to be an important theoretical tool to the understanding of problem assessments, opinions and strategies evidenced by these organisations (Anheier et al., 1997). Therefore, the following research propositions are suggested:

**R2:** *The market-orientation (donors or beneficiaries) evidenced by non-profit organisations is likely to be influenced by the area of activity within which these organisations operate.*

**R3:** *The market-orientation (donors or beneficiaries) evidenced by non-profit organisations is likely to be influenced by the type of resource funding.*

**4. Methodology and construct development**

Drawing upon the tradition of positivism and following similar studies in the field, the present study applies mainly to a quantitative approach. The constructs will be measured objectively using a questionnaire. The study requires the collection of data across a number of non-profit organisations and areas of activity, which made possible to generalise statistically significant findings to a wider population.

Given the specific characteristics of non-profit sector several modifications of established measures are incorporated including an adaptation of the 20-item MARKOR market orientation of the 32-item Kholi et al. (1993) measure. Despite the interest of the Narver and Slater (1990) measure of market orientation, their construct has been subject to detailed academic criticism and has not been widely accepted (Sigaw and Diamantopoulos, 1995; Harris, 2001). The Kholi’s et al. (1993) market orientation construct is used in the present study because it has been applied in a number of differing contexts and consists of three sub-
scales used to measure the generation of market intelligence, the dissemination of this intelligence and organisation-wide responsiveness. Additionally, the set of key indicators of this construct have received widespread support for its reliability and validity.

In the present study the 20-item MARKOR market orientation will be applied to donors and consumer markets. This approach is particularly useful since it enables a better understanding of how Portuguese non-profit organisations adopt the concept of marketing (see Table 1). The proposed items were measured in a Likert type 5-point scale where 1 = strongly agree, and 5 = strongly disagree. The Likert scale was chosen because they are the most widely used measures of attitude and because they are easy to administer (Zikmund, 1984). They are thus the most useful in circumstances where there is no interviewer to explain how to use the measuring instrument.

### Table 1: Market Orientation for donors and users (or beneficiaries)

<table>
<thead>
<tr>
<th></th>
<th>Donors market</th>
<th>Users market</th>
</tr>
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<tbody>
<tr>
<td><strong>Intelligence Generation</strong></td>
<td></td>
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</tr>
<tr>
<td>IG1</td>
<td>We meet our donors at least once a year to find out what causes (programmes or services) they will be interested to support in the future.</td>
<td>IG1 We meet our users at least once a year to find out what programmes or services they will need in the future.</td>
</tr>
<tr>
<td>IG2</td>
<td>We are slow to detect changes in our donors’ preferences (on causes or human services they wish to support)</td>
<td>IG2 We are slow to detect changes in our users’ needs</td>
</tr>
<tr>
<td>IG3</td>
<td>In this organisation we do a lot of in-house “market” research on donors’ preferences about causes or programmes they may wish to support in the future.</td>
<td>IG3 In this organisation we do a lot of in-house “market” research on user needs.</td>
</tr>
<tr>
<td>IG4</td>
<td>We poll our donors at least once a year to assess their satisfaction in relation to the causes or programmes they have supported.</td>
<td>IG4 We poll our users at least once a year to assess the quality of our programmes and services.</td>
</tr>
<tr>
<td>IG5</td>
<td>We are slow to detect fundamental shifts in the non-profit sector (e.g. technology, regulation, etc.)</td>
<td>IG5 We are slow to detect fundamental shifts in the non-profit sector (e.g. technology, regulation, etc.)</td>
</tr>
<tr>
<td>IG6</td>
<td>We periodically review the likely effect of changes in our operating environment (e.g. technology, regulation, etc.) on donors.</td>
<td>IG6 We periodically review the likely effect of changes in our operating environment (e.g. technology, regulation, etc.) on users.</td>
</tr>
<tr>
<td><strong>Intelligence Dissemination</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ID1</td>
<td>We have inter-departmental meetings at least once a quarter to discuss current fund-raising activities and future plans.</td>
<td>ID1 We have inter-departmental meetings at least once a quarter to discuss current programmes and services and future plans.</td>
</tr>
<tr>
<td>ID2</td>
<td>People performing the “marketing function” (or the equivalent) in our organisation spend time discussing donors’ future preferences with other functional departments.</td>
<td>ID2 People performing the “marketing function” (or the equivalent) in our organisation spend time discussing users’ future needs with other functional departments.</td>
</tr>
<tr>
<td>ID3</td>
<td>When something important happens to a major donor, the whole organisation knows about it within a short period.</td>
<td>ID3 When something important happens to one of our focus group, the whole organisation knows about it within a short period.</td>
</tr>
<tr>
<td>ID4</td>
<td>Data on donor satisfaction are disseminated at all levels in the organisation on a regular basis.</td>
<td>ID4 Data on user satisfaction are disseminated at all levels in the organisation on a regular basis.</td>
</tr>
</tbody>
</table>
When one department finds out something important about other non-associated non-profit organisations working in the same area, it is slow to inform other departments.

| ID5 | When one department finds out something important about other non-associated non-profit organisations working in the same area, it is slow to inform other departments. |

Responsiveness

| R1 | It takes us a long time to decide how to respond to other non-associated non-profit organisation’s changes in the strategies used to attract donors. |
| R1 | It takes us a long time to decide how to respond to other non-associated non-profit organisation’s changes in the strategies used to attract users. |
| R2 | For one reason or another we tend to ignore changes in our donor preferences in supporting causes or programmes. |
| R2 | For one reason or another we tend to ignore changes in our users needs. |
| R3 | We periodically review our new services’ (programmes) development efforts to ensure that they are in line with what the donors want. |
| R3 | We periodically review our new services’ (programmes) development efforts to ensure that they are in line with what the users need. |
| R4 | Several departments get together periodically to plan a response to changes taking place in our operating environment. |
| R4 | Several departments get together periodically to plan a response to changes taking place in our operating environment. |
| R5 | If another non-associated non-profit organisation was to launch an intense campaign target at our donors, we would implement a response immediately. |
| R5 | If another non-associated non-profit organisation was to launch an intense campaign target at our focus group, we would implement a response immediately. |
| R6 | The activities of the different departments in this organisation are well co-ordinated. |
| R6 | The activities of the different departments in this organisation are well co-ordinated. |
| R7 | Donors’ grievances or complaints fall on deaf ears. |
| R7 | Users’ grievances or complaints fall on deaf ears. |
| R8 | Even if we came up with a great "marketing" plan, we probably would not be able to implement it in a timely fashion. |
| R8 | Even if we came up with a great "marketing" plan, we probably would not be able to implement it in a timely fashion. |

The type of resource funding will be assessed by asking respondents information about the revenue structure, so that the predominant source of funding can be identified. Having identified and grouped non-profit organisations by their dominant revenue source, then it will be examined how these types relate to the market orientation adopted by non-profit organisations.

Data will be analysed through several techniques that are available in the SPSS statistical package. In this process a set of distinct steps will be followed. The first step aims to validate the proposed constructs derived from Kholi et al (1993) construct. Secondly, the reliability and consistency of the scales will be assessed by using Cronbach’s alpha tests followed by factor analysis.

References


Skloot, E. (1987) Enterprise and commerce in nonprofit organisations in Walter W. Powell (org.) The


