



## Extending the use of market orientation: Transforming a charity into a business

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### ABSTRACT

Charities play a crucial role within society but are facing growing competition. Adopting a market orientation assists for-profit organisations to improve performance and can potentially also assist charities. This paper examines the under-researched topic of how market orientation can be appropriately introduced into a charity, and the resultant effect upon performance. A charity that introduced market orientation is examined using a discourse transformation framework. Thematic analysis of in-depth interviews of employees identifies how management changed the organisation through use of a three-phase process of new managerialism, professionalism and embedding. Few if any papers have previously examined how management of a charity can successfully implement a market orientation. The paper thus expands our knowledge regarding implementation of market orientation, utilises a discourse transformation framework for examination of market orientation, and provides charity managers with worthwhile information regarding how market orientation can improve performance – for the benefit of society.

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### 1. Introduction

Charities play a vital role in society but are facing increased competition, partly due to an increase in the number of causes being promoted, and the desire of many existing organisations to grow and offer an increasing range of assistance to clients (Murray and Carter, 2005). A limited pool of resources (Philanthropy Australia, n.d.) and economic conditions impact on the public's ability to donate. There is also a government trend towards 'neoliberalism' (Aronson and Smith, 2010) in various countries including the United States of America, United Kingdom and Australia resulting in access to government funding becoming increasingly based on competitive tendering. As well as these competitive issues, society is placing increasing pressure on charities to simply improve performance (Polonsky and Grau, 2011).

To address this environment, charities need to become more businesslike in an effort to survive (Jones, 2010; Polonsky, 2003; Polonsky and Grau, 2008) and look for new and improved methods of service delivery (Jaskyte, 2004). Adopting a market orientation assists for-profit organisations to improve performance and can potentially also assist charities. The key challenge for charity organisations is to change their practise without compromising their underlying ethos. Whilst adoption of effective business practises is essential, these practises may clash with the philosophy and culture of charity organisations and potentially alienate significant stakeholders. Researchers have examined numerous aspects of market orientation in recent decades, particularly within the

for-profit context, but little if any attention has been paid to the manner in which market orientation can be successfully introduced into organisations. Beverland and Lindgreen (2007, p. 430) suggested that 'only one study has examined the implementation of a market orientation' and to date, little if any research examining the process of change has been conducted in the nonprofit sector. Beverland and Lindgreen (2007, pp. 431–432) also contended examining the process of change 'would advance our knowledge substantially as it would identify practical implications for marketing managers'. As pointed out by Durst and Newell (2001, p. 443), 'relatively little is known about the reinvention strategies of nonprofit organisations'. As a result, we currently possess little knowledge to assist managers of nonprofit organisations to confidently introduce market orientation successfully. Despite being a neglected research area in regards to market orientation, marketing is relevant to nonprofit organisations (Drucker, 1990; Kotler and Andreasen, 1996) and given the key role that such organisations play in society (Pope et al., 2009), should be the focus of further research. This study thus aims to address these issues and increase our understanding regarding how a charity can successfully introduce a market orientation to improve performance and also responds to the call from Tadajewski and Hewer (2011, p. 451) 'that there needs to be a concerted effort in understanding how practitioners engage in marketing activities'.

In this paper, examination is therefore made of the manner in which a market orientation has been implemented within a charity and the resultant effect upon performance. The key focus is on identifying the changes that occurred within the organisation and how these changes were successfully embedded by management. Thus, the three key research questions addressed are: Firstly,

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what are the processes for effectively introducing market orientation into a charity organisation? Second, what are the characteristics of the transformed organisation? Third, what is the resultant effect upon performance?

The research thus aims to contribute in various ways. This is amongst the first known research to actually examine the process of implementing market orientation in charities. The research thus has potential to 'transform the intellectual and practical landscape' (Tadajewski and Hewer, 2011, p. 452) in relation to the successful introduction of market orientation into charities and addresses the shortage of practitioner perspectives (Cornelissen and Lock, 2005, p. 166). It also provides further support for the improved performance that results from implementing a market orientation within the nonprofit setting.

## 2. The marketing concept and market orientation: A key to improved performance

Market orientation developed its origins from the marketing concept which is defined by Kotler and Armstrong (2012, p. 34) as the management 'philosophy that holds that achieving organisational goals depends upon knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors'. Seminal research regarding market orientation was conducted by Narver and Slater (1990) as well as Kohli and Jaworski (1990). Narver and Slater (1990) hypothesised that market orientation 'is a one dimension construct consisting of three behavioural components and two decision criteria – customer orientation, competitor orientation, interfunctional coordination, a long-term focus, and a profit objective' (Narver and Slater, 1990, pp. 21–22). Kohli and Jaworski (1990) developed their definition of market orientation based on market intelligence requiring three components, namely – intelligence generation, intelligence dissemination and responsiveness. Later, Jaworski and Kohli (1993) developed a model whereby top management characteristics, interdepartmental dynamics and organisational systems were believed to affect the level of market orientation, and that market orientation subsequently affected the organisation's employees and business performance.

A meta-analysis of available market orientation research conducted by Lafferty and Hult (2001) concluded that four key 'synthesis dimensions' of market orientation exist: emphasis on customer, importance of information, interfunctional coordination and taking action. There is extensive research indicating that a market orientation assists commercial organisations to improve performance in terms of profitability and growth (for example, Cano et al., 2004; Kohli and Jaworski, 1990; Narver and Slater, 1990; Shoham et al., 2005), hence market orientation being regarded as a key goal for organisations. This research has typically been conducted in the for-profit arena.

## 3. Market orientation and nonprofit organisations

Application of marketing to the nonprofit arena was originally postulated from the late 1960's in pioneering articles by Kotler and Levy (1969), Kotler and Zaltman (1971) and Shapiro (1973) and there is extensive research suggesting that marketing is relevant for nonprofit organisations (for example, Kara et al., 2004; Wood et al., 2000). Whilst Gainer and Padanyi (2002) consider there is sometimes suspicion about using business practises in nonprofit organisations as they may divert the organisation away from its traditional mission and values – a clash of goals – they subsequently conducted research that they consider provides empirical evidence that the market orientation versus performance linkage 'can be extended to the nonprofit sector' (Gainer and Padanyi, 2005, p. 860).

Market orientation is a 'relatively new concept in the nonprofit and voluntary sector' (Shoham et al., 2006, pp. 453–454) and whilst it is now accepted that it is relevant and can assist nonprofit organisations, there is however a need for managers to be aware that if not properly implemented, such practises may suppress the aims of the organisation (Shaw and Allen, 2009).

The validity of the market orientation models developed originally in large for-profit organisations have been questioned by Sargeant, Liao and Foreman (Liao et al., 2001; Sargeant et al., 2002) who offered a societal orientation model, but which has close parallels with components of market orientation proposed by Narver and Slater (1990) and Kohli and Jaworski (1990). Within the societal orientation model of Sargeant, Liao and Foreman, 'customer' has been renamed 'stakeholder' and a new component referred to as 'collaboration' has been added to reflect the manner in which competitors within the nonprofit sector may potentially work together for mutual benefit of the organisations and service recipient clients. Similarly, Gonzalez et al. (2002) modified the Kohli and Jaworski (1990) model of market orientation by dividing customers into donors and beneficiaries, and Duque-Zuluaga and Schneider (2008) offered a model in which they divided Narver and Slater's (1990) 'customer' into three subsets – beneficiary/recipient, donor, volunteer/employee and added a new component referred to as 'collaborative orientation'. It should be noted that these models of market orientation developed for the nonprofit arena are indeed based upon the seminal for-profit models of Narver and Slater (1990) as well as Kohli and Jaworski (1990).

In summary, the increased competition faced by charities can in theory be addressed by the introduction of a market orientation. This topic is however under-researched (Modi and Mishra, 2010) and the process by which a charity can successfully transform has received minimal academic attention to date. This research thus aims to examine the manner in which a charity has been able to successfully introduce market orientation and achieve improved performance.

## 4. Research approach

A single case study of a loss-making charity that has sought to introduce market orientation to improve performance was examined. Case study methodology (Creswell, 2003) was utilised as it is recommended when a comprehensive and detailed examination is needed (Feagin et al., 1991) and when research and theory are in formative stages (Eisenhardt, 1989; Yin, 1994), as is the case with the implementation of market orientation into charities. No specific guidelines exist regarding how many cases need to be conducted in case study research, but a single case is regarded as offering more in-depth information than multiple case studies for the same amount of resources utilised (Dyer and Wilkins, 1991; Gummesson, 2007). Case studies are considered to be a recognised approach to market orientation research (for example, O'Cass, 2001; Warnaby and Finney, 2005). The model and definition of market orientation utilised in this paper is based on the Lafferty and Hult (2001) meta-analysis as it integrates the various perspectives of a number of researchers including the seminal research of Kohli and Jaworski (1990) as well as Narver and Slater (1990), from which nonprofit models have been derived. Given that the change within a charity organisation is examined, a discourse transformation framework has been utilised to guide the study of the transformation of the charity to a market-oriented organisation. The framework utilised is provided by Foucault (1991, pp. 56–57) who suggested that discourse transformation may be detected by four criteria – the 'displacement of discourse boundaries', 'the new position and role' of the speaking subject, the 'new mode of functioning of language', and 'circulation' of the discourse.

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