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THE MARKET ORIENTATION OF AUSTRALIAN NONPROFIT SMES

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This exploratory study examines the market orientation of a sample of small to medium (SME) sized nonprofit firms in Australia. The study was undertaken in response to a perceived need for a better understanding of how smaller third sector firms, especially micro nonprofits, are embracing the marketing concept, which ultimately sees the firm begin the marketing process from the perspective of the customer. A review of extant literature indicates that while the theory and concept of market orientation had been extensively investigated in for–profits environments; limited empirical work involving small to medium nonprofit firms (with a particular focus on those firms deemed to be 'micro' in their size) had been undertaken within the field. To gain an initial understanding of this important marketing–related theme, 140 nonprofit managers in Australia were surveyed as part of a wider nonprofit investigation. Three components incorporating market orientation attributes were identified. These components revolved around 'Financial/Fundraising', 'Compare & Adopt', and an operational 'Marketing Function'.

Keywords: Nonprofit firms, Market orientation, SMEs, Marketing, Australia.

Introduction

The concept of marketing, and more specifically, market orientation has been identified as an important contributor to business performance (Jones and Rowley, 2011). Throughout extant literature, a number of academic researchers have identified a distinct absence of market orientation, or the organisational skills and foundations linked to the development of a market orientation within small to medium sized (SMEs) firms (see for example Alpkan et al., 2007; Brooksbank et al., 2004). Many of these examinations focus their theoretical lens on for–profit SMEs. However, despite the growing importance of nonprofit organisations in society, relatively scant research attention has been paid to them (Jones and Rowley, 2011). The main aim of this paper therefore is to first extend our general understanding of marketing within SMEs, but secondly and perhaps more importantly, to seek to identify whether a sample of Australian SME nonprofit, third sector firms are keenly pursuing a market orientation within their respective organisations.

Literature Review – Market Orientation

Market orientation (MO) is typically viewed as either the adoption of the marketing concept (see for example Wang, Chen and Chen, 2011; Alam, 2014), or alternatively the implementation of high–quality marketing practices (see Kohli, Jaworski and Kumar, 1993).

As a means of a formal classification, previous MO literature tend to adopt one of two perspectives, the first being that of Kohli and Jaworski (1990), and second, the work of Narver and Slater (1990). Kohli and Jaworski adopt a behavioural perspective, using marketing intelligence as the central element (Jones and Rowley, 2011). By way of contrast, the research of Narver and Slater is based primarily on a cultural perspective, whereby behavioural components such as customer orientation, competitor orientation, and inter–functional coordination are seen as important pillars in developing and maintaining a robust MO. To further embed these perspectives, both Kohli and Jaworski (1990), and Narver and Slater (1990) developed models of MO.

Liao, Foreman and Sargeant (2001) noted the need to develop a conceptualisation and measure of market orientation for the nonprofit sector. To this extent, Kohli et al.'s (1993) MARKOR scale is well represented within the nonprofit literature (for example Kara, Spillan and DeShields Jr., 2004; Macedo and Pinho, 2006), with the vast majority of nonprofit marketing academics using adapted versions of the MARKOR scale, with minor changes in its wordings to suit a nonprofit context. In a study intending to determine whether MARKOR was indeed appropriate as a measure of MO for third sector firms; Kara, Spillan and DeShields Jr. (2004) note that the three foundations of the scale (namely intelligence generation, intelligence dissemination and responsiveness) to be a valid and reliable measures of MO (having utilised confirmatory factor analysis to underpin this important finding). The validity and reliability of the MARKOR scale, in a nonprofit context, is further supported by other researchers, such as Bennett (1998) and Brace-Govan et al. (2011).

In the case of Bennett (1998), he applied the MARKOR scale to SME charities in the UK. As per previous nonprofit MO iterations, Bennett (1998) made small changes to MARKOR items (with further minor amendments derived by Brace–Govan et al., 2011) to make them more appropriate for nonprofit firms, as opposed to their for–profit counterparts. A total of 20 statements/items were included in his work; and given the SME perspective of Bennett's scale, these statements were utilised to form the MO framework in the current research.

Method

In order to address this research gap, a sample of small to medium Australian–based third sector/nonprofit organisations were contacted to complete a web–based self–administered quantitative instrument. Information such as (but not limited to) the nature of the organisation's marketing activities, size of the firm (in respect to both paid employees and volunteer staff), core industry/sector focus (for example, the environment, culture, health, religious activities etc), and the overall mission of the organisation was obtained. As noted previously, using 20 statements derived by Bennett (1998) in his adaptation of the MARKOR scale for marketing orientation (with further minor amendments derived by Brace–Govan et al., 2011), respondents were asked to indicate their organisation's understanding of marketing, and to reflect on their ability to meet the needs of their customers. 140 completed surveys were received.

Respondents were recruited through an opt–in business research panel. The use of online business panels for nonprofit research is supported in the literature (see Dolnicar and Lazarevski, 2009; Basil, Deshpande and Runte, 2008). A number of screening questions were utilised within the survey instrument to ensure the appropriateness of the sample. Firstly, respondents were asked 'Do you currently work for a nonprofit firm?' Those that responded in the positive were permitted to continue. Furthermore, the respondents' knowledge of the firm's marketing activities was considered. Only those respondents that indicated to having either (what they perceived as) a limited understanding of the firm's marketing activities, or were fully aware of marketing–related activities were able to continue with the survey.

Data Analysis

Nonprofit firms from across eleven nonprofit sectors (as defined by the International Classification of Nonprofit Organisations, which are replicated in the Australian and New Zealand Standardised Industrial

Classification) were represented in the data. Social service–based nonprofits (n=27), health services (n=25), and religious services (n=11) accounted for 55% of the respondent firms. Furthermore, 36% of respondents noted that their current nonprofit employer had a faith–based mission (n=41). 37% of firms had less than 20 paid employees, with 20 respondents indicating that their nonprofit meets the Australian industry definition of a 'micro–enterprise' (being 5 employees or less).

Each respondent was presented with the amended MARKOR statements/items, and asked to consider the MO statements in the context of the marketing capabilities of their current nonprofit. Asked to what extent they agreed with each MO statement, respondents were asked to assign a rating on a scale from 1 to 7, where 1 represented 'Strongly Disagree' and 7 representing 'Strongly Agree'. All 20 statements and the item mean responses (in descending order) are shown in Table 1.

Table 1. Mean Responses to MARKOR Items

MARKOR Item	Mean
We have a good knowledge of the characteristics of the types of people who donate to our firm	4.91
We often experiment and innovate in our use of promotional materials, advertisements, public relations techniques, etc	4.73
Competition for donations in the field in which our nonprofit operates is very intense	4.62
We set precise targets for our fund raising programs	4.53
Our fund raising strategies are based on understanding the motives, characteristics and behaviour of donors	4.48
The effectiveness of our fund raising programmes is frequently evaluated	4.47
In our firm, people and departments periodically get together to plan responses to changes in the overall fund raising environment	4.43
Marketing people in our firm interact frequently with other sections and departments in order to discuss current and intended fund raising programmes	4.41
Information gathered by our marketing people is shared with all other people, sections and departments within the organisation	4.36
We have systems to determine the value and frequency of donations of various individuals and/or category of donor	4.28
We quickly detect changes in patterns of donations	4.28
We regularly check out the marketing and advertising activities of other nonprofits	4.20
Top managers within our firm regularly discuss other nonprofits' marketing programmes	4.12
Our fund raising performance has been better than that of nonprofits similar to this one	4.10
In our firm, marketing people make a strong input into how the firm is organised and managed	4.08
Donors to our firm are liable to switch their donations to other nonprofits (at our expense) at any time	3.81
We regularly compare our fund raising performance against the fund raising performances of comparable nonprofits	3.61
We survey a sample of donors at least once a year to assess the factors that cause people to donate to this nonprofit	3.58
If other nonprofits similar to our own implement a new fund–raising idea we quickly adopt it ourselves	3.49
In our firm, information on donor behaviour and on the activities of other comparable nonprofits is generated independently by several departments	3.48

Exploratory factor analysis (EFA) was also utilised during the analysis phase of this study to determine the underlying dimensions of MO in a nonprofit context. In utilising EFA, it is important to review the number of cases/sample size when considering the use of factor analysis as an analytical tool. Hair Jr. et al. (1995) suggest that the sample size should be 100 or larger. Others postulate the need for higher sample sizes, with Hutcheson and Sofroniou (1999) recommending a sample of close to 150 cases. A total of 140 completed surveys/cases provides the foundation of the analysis in the paper.

Table 2. Factor Loadings

MARKOR Item	**Financial**	**Compare & Adopt**	**Marketing Function**
Detect changes in patterns of donations	.837		
We have systems to determine the value and frequency of donations of various individuals and/or category of donor	.762		
Effectiveness of fund raising programmes frequently evaluated	.754		
Fund raising strategies are based on understanding the motives of donors	.721		
We have a good knowledge of the characteristics of the types of people who donate to our firm	.681		
Our fund raising performance has been better than that of nonprofits similar to this one	.674		
We set precise targets for our fund raising programs	.615		
In our firm, people and departments periodically get together to plan responses to changes in the overall fund raising environment	.609		
We survey donors at least once a year to assess the factors that cause people to donate	.546		
We regularly compare our fund raising performance against performance of comparable nonprofits		.724	
Donors to our firm are liable to switch their donations to other nonprofits (at our expense) at any time		.668	
If other nonprofits similar to our own implement a new fund–raising idea we quickly adopt it ourselves		.593	
We regularly check out the marketing and advertising activities of other nonprofits		.590	
Top managers within our firm regularly discuss other nonprofits' marketing programmes		.568	
Competition for donations in the field in which our nonprofit operates is very intense		.540	
We often experiment and innovate in our use of promotional materials, advertisements, public relations techniques, etc		.519	
In our firm, information on donor behaviour and on the activities of other comparable nonprofits is generated independently by several departments		.492	
Marketing people interact frequently with other departments to discuss current/future programmes			.850
Information gathered by our marketing people is shared with all other people, sections and departments within the organisation			.777
In our firm, marketing people make a strong input into how the firm is organised and managed			.719
Cronbach's coefficient alpha	**0.915**	**0.846**	**0.848**

Extraction Method: Principal Components. Rotation Method: Varimax.

Three dimensions (with eigen values greater than 1, maintaining strong alpha scores, and explaining 60.7% of total variance), which are identified in Table 2, were labelled as follows:

Financial – this factor consisted of 9 attributes, with a strong ‘financial’ or fundraising–related theme, including items such as: We have systems to determine the value and frequency of donations of various individuals and/or category of donor; effectiveness of fund raising programmes frequently evaluated; fund raising strategies are based on understanding the motives of donors; and we survey donors at least once a year to assess the factors that cause people to donate (amongst other items).

Compare & Adopt – this dimension consisted of 8 items being: We regularly compare our fund raising performance against performance of comparable nonprofits; donors to our firm are liable to switch their donations to other nonprofits (at our expense) at any time; if other nonprofits similar to our own implement a new fund–raising idea we quickly adopt it ourselves; we regularly check out the marketing and advertising activities of other nonprofits; top managers within our firm regularly discuss other nonprofits' marketing programmes; competition for donations in the field in which our nonprofit operates is very intense; we often experiment and innovate in our use of promotional materials, advertisements, public relations techniques, etc; and in our firm, information on donor behaviour and on the activities of other comparable nonprofits is generated independently by several departments.This dimension is framed heavily towards competitive aspects; hence this factor was named ‘compare & adopt’.

Marketing Function – this factor contained the three market variables included in the study, with specific reference to the work and influence of key marketing staff (ie. Marketing people interact frequently with other departments to discuss current/future programmes; information gathered by our marketing people is shared with all other people, sections and departments within the organisation; and in our firm, marketing people make a strong input into how the firm is organised and managed).

Discussion and Conclusions

As noted, Table 1 shows the mean responses for each of the 20 modified MARKOR statements. Whilst score across the statements/items were varied, there does appear to be a reasonable level of market orientation, particular in items related to customer/donor motivations, fundraising strategy effectiveness, and marketing innovation. Other items which obtained a mean score on the positive side of the scale midpoint include items such as, ‘We set precise targets for our fund raising programs’ (4.53); ‘In our firm, people and departments periodically get together to plan responses to changes in the overall fund raising environment’ (4.43); and, ‘Competition for donations in the field in which our nonprofit operates is very intense’ (4.62).

By comparison, items such as:

- We regularly compare our fund raising performance against the fund raising performances of comparable nonprofits (3.61)
- We survey a sample of donors at least once a year to assess the factors that cause people to donate to this nonprofit (3.58)
- If other nonprofits similar to our own implement a new fund–raising idea we quickly adopt it ourselves (3.49)
- In our firm, information on donor behaviour and on the activities of other comparable nonprofits is generated independently by several departments (3.48)

scored relatively poorly (when compared to other items).

Further to these descriptive numbers, the use of exploratory factor analysis (EFA) was undertaken to help identify the underlying structures (or main factors) of the market orientation denoted by survey respondents.

Three factors were identified, named ‘Financial’, ‘Compare & Adopt’, and ‘Marketing Function’. Whilst item placements differed somewhat from the research by Bennett (1998), overall themes depicted within the three factors in this current research, dovetailed with the early efforts of Bennetts (1998), who looked at the market orientation of SME charities in the UK. For example, Bennett’s three factors were labelled ‘Donor Orientation’, ‘Competitor Orientation’, and ‘Influence of Marketing Personnel’. Mirroring the findings of Bennett, respondents in the current study were seen to associate how well their firm had succeeded in areas related to fundraising being closely connected to having a deep knowledge of their donors (ie. understanding donor characteristics; developing systems to determine the value and frequency of donations; and actively evaluating the effectiveness of fund raising programmes).

Bennett’s remaining factor groupings, ‘Competitor Orientation’ and ‘Influence of Marketing Personnel’, once again align to items linked by respondents in this current paper. In our study, 8 items with a clear link to competitive elements (ie. items such as competition for donations in the field in which our nonprofit operates is very intense; we regularly check out the marketing and advertising activities of other nonprofits; top managers within our firm regularly discuss other nonprofits' marketing programmes if other nonprofits similar to our own implement a new fund–raising idea we quickly adopt it ourselves) were grouped by Australian–based nonprofit managers. Similarly, the influence of marketing staff (by way of three items within the MARKOR scale) was linked by respondents in both research endeavours.

While these above findings provide an insightful conceptual understanding as to nature of market orientation with SME nonprofits (as determined by a sample of senior managers within such third sector firms), perhaps more importantly is the significant value such findings hold for practitioners. This study has provided a robust and contemporary analysis to assist nonprofit managers and key marketing personnel to build a steady and sustainable orientation to their customers/donors.

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