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Bringing marketing into nonprofit organisations: A managerial nightmare!



Paul Chad ^{a,*}, Elias Kyriazis ^a, Judy Motion ^b

^a Centre for Research in Socially Responsible Marketing, School of Management, Operations and Marketing, University of Wollongong, Australia

^b University of New South Wales, Sydney, New South Wales, Australia

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ABSTRACT

Many Boards and CEOs of nonprofit organisations face a dilemma in today's increasingly competitive market, that of introducing cultural change by forcing adoption of a market orientation to improve performance. The problem lies in that employees and managers misunderstand or have serious apprehensions towards marketing. In extreme cases, employees call it "going to the darkside". Via an in-depth case study, the tension-filled process by which management introduced market orientation into a charity is examined. The benefit of the paper is that it forewarns managers of what to expect regarding potential employee resistance. We identify and provide solutions for senior managers considering cultural change towards greater emphasis on marketing activities. The paper advances academic knowledge regarding use of market orientation in charities, with a unique contribution being examination of the change process, managerial experiences and reaction of employees.

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CHINESE ABSTRACT

当今市场竞争日趋激烈，许多非营利组织的董事会和CEO都面临着一项进退两难的任务，即强制性引入以市场为导向的政策，进行组织文化变革，以提高组织业绩。问题的根源在于，员工和管理者对市场营销有着误解或严重的忧虑。甚至有员工称之为：“与敌同行”。本文开展了深入的案例分析，此案例为一慈善机构的管理层在充满紧张气氛的过程中，引入了市场导向。本文研究有助于管理者在引入市场导向时，预先了解员工会产生什么样的抗拒。通过案例分析，本文提出了可供高层管理借鉴的解决方案，以供管理者进行文化变革，加强营销活动。本文推进了在慈善机构中应用市场导向的学术研究，尤其是在变革进程、管理者的经验以及员工的反应等方面有独特的贡献。

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1. Introduction

Marketing? Why? We do not need it! Marketing is what “people who are in it for the money do!” This is often the first reaction of many managers within nonprofit organisations (NPOs) and their employees when the word marketing is mentioned. This view is drawn from personal experience on the Board of a medium-sized NPO where the word marketing was deliberately replaced in all formal communication by the terms *communication* and *community relations* to allow any discussion of introducing marketing into the organisation to progress due to the resistance it would other-

wise face within the organisation. This initial employee resistance is due partly to a basic misunderstanding of the marketing concept, where some people regard marketing as simply being the same as promotion, an unnecessary expense and waste of hard-earned revenue and donations that can be better utilised on service provision (Andreasen and Kotler, 2003). More importantly is the NPO employee ethos of helping the community that is at odds with the perception that for-profit organisations just help themselves.

However, to many NPOs currently facing “ever-increasing competition” (Levine and Zahradnik, 2012, p. 27) and struggling due to a lack of funds (Shields, 2009) accentuated by the global financial crisis, the marketing concept is now on the nonprofit Board Room agenda as a viable strategic approach towards improved financial and organisational performance. Of all the strategic orientations

* Corresponding author. Tel.: +61 2 4221 4413; fax: +61 2 4221 5154.

E-mail address: pchad@uow.edu.au (P. Chad).

available to organisations, both for-profit or nonprofit, a market orientation is regarded as having the greatest influence upon organisational performance (Grinstein, 2008). With many examples of successful NPOs utilising such approaches and having developed into successful brands e.g., Greenpeace, Red Cross, Doctors Without Borders and Oxfam America, the pressure for NPO senior management to follow suit is considerable.

The purpose of this paper is thus to illustrate in-depth how one NPO dealt with a situation common to many NPOs who have realised that, unless they adopt marketing practices that increase revenue and improve service delivery to clients, the very existence of their organisation may be at risk. The problem for top management is that the term “marketing” is so associated with the ruthlessness and focus on revenue at all costs approach of many for-profit organisations, hence the anti-thesis of NPOs and the motivation of many who work in them – which is to care for others. Being told that you have to embrace marketing practices of which you do not approve or understand is bound to result in significant tensions among employees and considerable resistance to this new managerial initiative. While “many of the tools and techniques commonly used in commercial marketing practice are indeed equally applicable to the nonprofit realm, the ethos that drives their application can be radically different” Sargeant (2005, p. 2). NPOs possess “unique organisational characteristics ... which make them different from their commercial counterparts” (Sullivan Mort et al., 2003, p. 80), thus transfer of practices provides various challenges (Beck et al., 2008). Our case study is such an example and provides significant managerial learnings to guide managers in anticipating, dealing with, and addressing the inevitable push back likely from at least some employees within the organisation.

We examine in-depth, a charity named Beckworth (pseudonymed for confidentiality) that was operating at a significant loss, resulting in a major management change in 2005. The Board removed the then Chief Executive Officer (CEO) and most members of the existing senior management team also departed. A new CEO with marketing experience within the charity sector was recruited and brought with them a new senior management possessing business backgrounds. The goal of the new management was to reverse the financial problems and transform Beckworth from a traditional charity to a more market-oriented organisation to compete in the current highly competitive climate. This is in keeping with market orientation having “emerged as a significant antecedent to performance” (Cano et al., 2004, p. 179). Indeed, based upon study of small and medium sized UK charities introducing market orientation to increase performance, Bennett (1998, p. 31) indicated that within charities “the importance of effective marketing is widely recognised”. The specific goals of the new management were to improve brand development by developing a marketing communications plan and developing new marketing materials, increase fundraising capability and effectiveness, develop a strong direct marketing capability, design innovative services that meet clients’ needs with a commitment to quality services, and increase the gathering and utilisation of marketing information.

We contribute to the literature in the following ways. The first is to provide legitimacy for top management wishing to introduce marketing practices and a market orientation into a nonprofit organisation. While market orientation has been extensively examined in the for-profit context, “it is a relatively new concept in the nonprofit and voluntary sector” (Shoham et al., 2006, pp. 454–5) and research is sparse (Modi and Mishra, 2010). Considering that adoption of a market orientation by charities is an attractive proposition to improve performance among the increased competition that charities currently face, we address this research gap and examine the experiences of managers and employees in successfully introducing a market orientation into their organisation, something sparsely reported in the literature. Although various

aspects of market orientation have been analysed, typically in for-profit contexts, “how organizations change to become more market oriented has received less attention” (Gebhardt et al., 2006, p. 37) with Beverland and Lindgreen (2007, p. 430) even suggested that market orientation literature “is silent on the process of change involved in moving firms to a market orientation”. We extend the literature by examining the actual implementation in a nonprofit context – a worthwhile contribution given the important role the nonprofit sector plays in society.

Our second contribution is a managerial one. We focus on senior management overcoming employee resistance to the marketing concept, the tensions that occurred, and propose various managerial solutions to guide other managers facing similar organisational change issues. Therefore, we further contribute by progressing research into the manner in which market orientation is actually introduced into organisations. Specifically in relation to NPOs where “relatively little is known about reinvention strategies” (Durst and Newell, 2001, p. 443), our research further contributes by answering the comment that “research should assess how VNPOs can best build and maintain MO” (Shoham et al., 2006, p. 470).

The paper aims to further the literature regarding the overall introduction of market orientation, and expand our knowledge of the use of market orientation specifically within the nonprofit sector. The practical learnings from our paper can be utilised by senior management of existing charities (as well as for-profit managers contemplating moving into the nonprofit sector) to gain insights into appropriate methods to use to successfully introduce market orientation to improve organisational performance.

Our paper is structured as follows: First, we discuss the role and implications of applying the marketing concept to NPOs through the implementation of a market orientation. Second, we describe the research approach in detail and provide further details regarding the case study organisation. Third, the subsequent findings and discussion are presented. Fourth, we provide our conclusions and implications for theory and practice.

2. Marketing and nonprofit organisations

The nonprofit sector plays a key role within society and often provides goods and services not available from for-profit organisations, and typically assists the dis-advantaged. The sector also plays a vital role within the overall economy as a large source of employment, for example, providing over 10% of employment within the US (Salamon and Sokolowski, 2006).

While managers “all too often ... underestimate the unique challenges of managing nonprofit organizations” (Silverman and Taliento, 2006, p. 37), the relevance of the marketing concept to the nonprofit sector was first raised by Kotler and Levy (1969) who considered marketing involved sensitively servicing and satisfying human needs. The marketing concept can be defined as the “marketing management philosophy which holds that achieving organisational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors” (Armstrong et al., 2012, p. 582). Formulated “in the 1950s in the context of business firms” (Mukkerji, 2004, p. 9), the marketing concept is considered the main way for organisations to create satisfied customers and therefore should be the primary objective of organisations (Drucker, 1954; Levitt, 1960). The marketing concept is a business philosophy concerning how you should think about your relationship with customers, whereas *market orientation* is the *actual implementation* of this philosophy (Deshpande et al., 1993; Kohli and Jaworski, 1990; Narver and Slater, 1990; Ruekert, 1992; Shapiro, 1988) through organisational processes that emphasise the customer, the importance of information, inter-functional coordination and taking action (Lafferty and Hult, 2001). Market

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