

An investigation of marketing capabilities and performance in the UK's non-profit organisations

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A thesis submitted for the degree of Doctor of Philosophy in
Business Administration

Management Science and Entrepreneurship
Essex Business School
University of Essex

June 2016

DECLARATION

I declare that this thesis is entirely my own work and I have referenced others ideas and concepts in the text and in the bibliography as required.

Abstract:

Recent studies in marketing theories have developed the conceptualisation of marketing capabilities in for-profit businesses. Despite the evidence of the importance of marketing capabilities in shaping the direction of marketing in for-profit businesses, only a small amount of research investigating the concept of marketing capabilities in the non-profit organisation context. Building on the existing literature of marketing and non-profit marketing, this research offers an investigation into marketing capabilities and market orientation on performance in non-profit organisation. A quantitative research method was adopted and a survey was used to gather data from the UK-based non-profit organisations. Together with the literature review, research hypotheses and an operational model was developed. The model was tested with a survey which was directed at managers and executives of different UK non-profit organisations. Structural equation modelling was used to analyse the survey responses. The structural model showed a good fit with the data and good convergent and discriminant validity as well as reliability stability. This research is the first to formulate and develop the concepts of marketing capabilities and market orientation in the non-profit context. The outcome of this research adds new perspectives to the growing body of non-profit marketing literature, and suggests directions for future research. This research also offers important implications for management bodies in the non-profit organisations and public policy-makers alike.

ACKNOWLEDGEMENTS

I would like to sincerely thank my first supervisor, Prof Teck Yong Eng who has always believed in my project and provided guidance and encouragement throughout my research. I also thank my second supervisor, Dr Sena Ozdemir for her support, helpful thoughts and invaluable time.

I also thank for the support of the participant organisations and their managers for their participation. Their interest in the research study make the data collection easier otherwise it could be more complicated. I am so grateful to all of them.

I would like to take this opportunity to thank my friends for their input and, most importantly, for their friendship: Panicos Partalis, Eleni Lioliou and Adeelah Tariq.

My thanks also go to my PhD colleagues who have always motivated me towards my study. Thanks also goes out to the entire staff members for the kindness and hospitality they showed during my research.

Last, but not least, my warm and heartfelt thanks go to my parents, my brother and my sister for their love and support that sustained me in the years it took to bring this work into completion. This thesis would not have been possible without your blessings and support.

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LIST OF ABBREVIATIONS

Acronym	Meaning
χ^2	Chi-squares statistic
CFI	Comparative Fi Index
CFA	Confirmative Factor Analysis
CRM	Customer Relationship Management
CMB	Common Method Bias (CMB)
DC	Dynamic Capabilities
EFA	Exploratory Factor Analysis
KMO	Kaiser Meyer Olkin Measure
MO	Market Orientation
NP	Non-Profit
NPO	Non-Profit Organisation
SMC	Small Medium Charities
RBV	Resource Based View
R&D	Research and Development
ROI	Return on Investment
RMSEA	Root Mean Square Error of Approximation
SEM	Structural Equation Modelling
SMC	Small and Medium Sized Charities
SRMR	Standardized Root Mean Square Residual
UK	United Kingdom
VIF	Variance Inflation Factor

CHAPTER 1: INTRODUCTION

1.1 Introduction

Chapter one proposes a structure for the planned investigation by establishing those considerations which have motivated the research from the time of its conception to the concluding stages. In this section, the following considerations will be addressed:

- the rationale for the research
- the study objectives
- the methodological procedures chosen
- the intended contribution to the knowledge

Finally, the brief structure of the thesis is presented to the reader.

The intention of the present research is to investigate the relationship between marketing capabilities and organisational performance in the non-profit organisation (NPO) sector. A further aim of the research is to examine if there is a link between marketing capabilities and market orientation concepts which may affect the organisational performance.

As such, it is suggested that the potential outcomes of the investigation of the present research will seek to further understanding in two important areas namely marketing and its application to non-profit organisations. From the marketing perspective, in order to be more competitive in the marketplace, non-profit organisations use marketing strategies in their operating systems to gather information and identify new opportunities (Gainer & Padanyani, 2002; Liu, Eng, & Takeda, 2013). Therefore, this research investigates the implementation of marketing concepts (i.e. marketing capabilities and market orientation) in the NPO sector, how they are using their

market-based resources in order to acquire knowledge about their clients' and donors' needs and communicating these with their employees to produce a superior organisational performance. From the perspective of non-profit organisations, similar to for-profit businesses, the market-based resources can also benefit these organisations to identify and take opportunities in relation to fund-raising, commercial trading activities, attracting donors and volunteers, collaboration with other non-profit organisations or for-profit businesses in order to compete in their market (Balabanis et al., 1997; Macedo and Pinho, 2006; Liu et al., 2103). Moreover, the adaptation of marketing concepts enable them to attract these market-based resources to support their mission which in turn leads to improvements in their performance. In this manner, it is proposed that the findings generated from the present research may be usefully employed by the non-profit organisations' managers as a means to raise awareness that marketing can not only improve the organisations' image in the society but also enable them to accomplish sustainability in their performance.

1.2 Motivation

The current section outlines the motivating factors behind the decision to situate the research within the context of non-profit organisations. The reasons governing the choice of a methodological framework which incorporates technique of structural equation modelling is also explained.

The primary funding sources for NPOs have traditionally been government, local government agencies and philanthropic organisations (Kara *et al.*, 2004; Weerawardena *et al.*, 2010). However, recently, declining financial support from these resources, rising costs, inflation or increasing number of clients have significantly limited the ability of these organisations to accomplish their goals

(Wood and Bhuian, 1993). Besides that, their external environment is getting very complex which is challenging and threatening their existence. With the advent of government funding cut backs and enhanced levels of competition, many NPOs have acknowledged the difficulties of surviving and maintaining the sustainable growth necessary to compete successfully. Basically, this asks the question ‘what more do they need to do in order to survive?’

For these reasons, many non-profit organisations start adapting business principles and practices in order to achieve their organizational success (Gainer and Padanyi, 2002; Gonzalez *et al.*, 2002). Thus, according to some authors, marketing concepts directly applicable to non-profit organisations and any NPO which is satisfying its customers’ wants and needs is likely achieving their own goals (Kotler and Levy, 1969; Andreasen, 1982; Kotler and Armstrong, 1994). Therefore, in such an era of turbulent marketplaces and volatile competition in the non-profit sector, organisations are relying more and more on marketing to remain competitive. One consequence of this pervasive dependence on marketing has been an important upsurge of engaging marketing concepts such as marketing capabilities and market orientation in order to be competitive in the markets.

Marketing and its construct ‘market orientation’ has been a key ingredient for successful organisations in recent years in the profit-making sector because it emphasises the achievement of competitive advantages based on the correct identification of customer needs (Vazquez, Alvarez and Santos, 2002). Therefore, by adapting the marketing concept and implementing a market orientation, organisations not only seek to serve their customer needs but also to meet their own organizational requirements in order to reach their objectives and profit expectations on a continuous basis (Slater and Narver, 1994). In the last decades, the importance of applying the

market orientation concept gained recognition by the practitioners and academics who argue that marketing principles are perfectly applicable to the management of non-profit organisations. Indeed, recently, marketing professionals are advising non-profit organisations on how to increase donor contributions or other revenue resources and also, they are helping them to create effective marketing strategies in order to increase the awareness in the society (Gonzales *et al.*, 2002).

On the other hand, since Day (1994) developed, the study of the capabilities of market-driven organisations and in their strategic approach, the understanding of the nature of marketing capabilities which are also associated with the marketing function of the organisation has increased in recent years among practitioners and academics. This is because they enable organisations to add value to their products/services and meet the competitive demands (Day, 1994; Vorhies *et al.*, 1999; Vorhis & Morgan, 2005; Liu *et al.*, 2013). Therefore, marketing capabilities emerged as an important tool for enabling organisations to enhance their competitiveness by responding to the changes in the environment and deliver superior performance by creating value for customers (Day, 1994). They are important potential sources of competitive advantage that range from the ability to conduct strategic marketing planning, identification of markets and position of product offerings (Vorhies and Morgan, 2005; Eng and Spickett-Jones, 2009). Furthermore, marketing capabilities enable firms to form a process of achieving organisational goals and helps them to achieve their strategic position. However, while, there is growing evidence concerning marketing capabilities and market orientation effect on firm's performance (Day, 1993, 1994; Vorhies *et al.*, 1999) there is a little understanding of how this market-based assets are deployed to achieve competitive advantage in non-profit organisations.

From the above discussion, it is clear that marketing capabilities and market orientation have significant impact on for-profit organisation performance. However, despite recognition of the important link between effective marketing capabilities and their successful outcomes on organisational performance, this has mostly been developed in profit-making businesses (Morgan *et al.*, 2009; Vorhies *et al.*, 2009) and insufficient study has examined the influence of marketing capabilities and their effects on performance in the NPOs. Specifically, the conceptualisation of marketing capabilities in the non-profit sector remains an uncharted territory and therefore investigating this concept in NPOs is going to be the starting point of this study. Therefore, the focus of this study is the conceptualisation of marketing capabilities in the NPOs at the UK context, and its further aim is to investigate if there is a relationship between marketing capabilities and market orientation affecting organisational performance. Consequently, it is aiming to develop and test an empirical model of marketing capabilities linking to market orientation and organisational performance in the non-profit organisation context.

1.3 Aims of the study

Focusing on the marketing capabilities, the existing research will provide an understanding of how non-profit organisations have transformed their traditional business model to become more business-like organisations in order to be more successful in their operating environment. Furthermore, investigations are made with regard to how market-driven NPOs develop all types of marketing capabilities in order to increase their economic and social performances. Therefore, using a quantitative approach, the proposed study aims:

1. To assess the role of marketing capabilities in the success of non-profit organisations.
2. To determine how marketing capabilities can enhance performance in non-profit organisations.
3. To determine how market orientation can enhance performance in non-profit organisations.
4. To determine the relationship between marketing capabilities and market orientation in NPOs.
5. To provide research on marketing capabilities and market orientation which could be relevant to managers, academics and policy makers.

In general, based on the above objectives, the research intends to answer the following questions:

1. What is the impact of marketing capabilities on organisational performance of NPOs?
2. What is the impact of market orientation on organisational performance of NPOs?
3. What is the relationship between marketing capabilities and market orientation in NPOs?

1.4 The unit of analysis

The focus of the present study is the marketing of NPOs with an emphasis on organisational constructs and their hypothesized (marketing capabilities, and market orientation) relationships in the conceptual model (figure 3.1). Therefore, the unit of analysis is the non-profit organisations and the data collection was completed at the

individual level such as chief executive, head of marketing and communication, marketing managers and etc.

1.5 The research methodology

The present research employs quantitative research method, which is based on data collection and hypotheses testing (Saunders et al., 2012; Sekaran and Bougie, 2011). In particular, the researcher conducts a self-administered questionnaire survey in order to investigate the relationship between marketing capabilities, market orientation and performance in the non-profit organisation context. The study also, conducts exploratory factor analysis (EFA), confirmatory factor analysis (CFA) for the measurement model and then applies structural equation modelling (SEM) to examine the relationships between the constructs.

1.6 Research contribution

The primary contributions of this research are going to be twofold: theoretical contributions and managerial contributions.

Theoretical contribution, firstly, this research made a theory extension when measuring marketing capabilities and their relationship with the organisational performance in the non-profit organisation context. This is because these constructs mainly studied in the for-profit making sector. Moreover, this research also contributes to the literature on marketing of non-profit organisations and adapt resource-based (RBV) perspective for the theory development and hypothesis framing purposes. The RBV explains how firm's resources (i.e. tangible and intangible assets and organizational capabilities) affect organisational performance

(Wernerfelt, 1984; Barney, 1991) and it has been extensively adopted in marketing literature (Liu, Eng and Takeda, 2013; Yu, Ramanathan and Narh, 2014). Secondly, in terms of methodology, this study used quantitative approach. The major methodological contribution stems from the use of structural equation modelling.

Managerial contributions, this research provides practical recommendations to the NPO's managers for the effective implementation of the marketing strategies. In addition, the understanding of different types of performance measures can help managers to implement their marketing strategies depending on their chosen performance objectives (i.e. social and economic). Moreover, this study highlights the benefits of market orientation to NPO managers to enhance their organisational performance.

1.7 Structure of the thesis

The study is divided into eight chapters.

Chapter one has presented a brief overview of the research, outlining the primary considerations behind this thesis and in particular why research on marketing capabilities in non-profit organisations is primarily topical. Furthermore, attention has been focused upon elaborating the rationale behind the current investigation and the choice of an appropriate methodological approach utilized in this thesis. This chapter also presents a set of primary research questions, the main contributions of the study and explains the structure of the thesis.

Chapter two presents a thorough literature review of the marketing of non-profit organisations which forms the background of the current research. Moreover, focusing on subjects such as marketing of non-profit organisations, eight different

marketing capabilities, market orientation and performance measurements are addressed in order to locate the study within a conceptual framework. This chapter also explains the different views of thoughts on the phenomenon of non-profit marketing which helps to understand the complexities associated within NPO context.

Chapter three demonstrates the theoretical ideas which is used for the analysis. In particular, a thorough overview of the theory of resource-based view is explained. Further attention is given to some key applications of the theory in the marketing context and also its connections to the current research. This chapter also formed the basis upon which conceptual framework for the research has been built which facilitated in operationalisation of the concepts for the later part of the research process and research hypotheses are also developed.

Chapter four introduces the research methodology and philosophy on which the research is based. Specifically, this chapter covers a number of areas from the philosophical positioning of the study to the research design and its strategy as well as the data collection instrument. Then, follows the researcher's chosen research strategy and data collection methods. Moreover, this chapter also reveals the complexities and challenges of the data collection as well as explaining the concept of validity and reliability of the data.

Chapter five offers a comprehensive account of the methods of data collection and presentation employed throughout the research investigation, commencing with explaining informal and formal pilot studies in the research. The research instrument which is a self-administered questionnaire has been modified according the pilot study findings. Moreover, the data collection procedure and data preparation are discussed in detailed for data analysis in this chapter.

Chapter six presents a detailed discussion of the data analysis resulting from the data collection. It begins with an overview of descriptive statistics of the data such as the respondent's positions, age, budget and size of the organisations. Later, the different steps of the data analysis such as item analysis with reliability and exploratory factor analysis are explained. The results of confirmatory factor analysis and the assessment of the measurement model also discussed. Moreover, this chapter explains the testing of the whole model in structural equation modelling and hypothesis testing.

Chapter seven discusses the research results and findings from the previous chapter in relation to the research questions raised in chapter one. This chapter presents an interpretation of the entire analysis.

Chapter eight summarizes the research findings. Moreover, different types of research contributions are presented as well as the limitations and directions for further research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The current chapter offers a thorough review of those studies which have been instrumental in developing a framework for the proposed investigation of marketing capabilities and organisational performance. Commencing with a brief review of developments in non-profit organisations marketing, the chapter offers both an insight into the eight different marketing capabilities as well as an understanding of market orientation which may be influential in terms of the NPO performance measurements. Moreover, the development of current literature on marketing capabilities, market orientation and their relationships with non-profit organisational performance will be presented.

2.2 Non-Profit Organisations

A non-profit organisation is an organisation whose goal is something other than distributing a profit or dividend for its owners or shareholders (Anthony and Young, 2003). Usually its goal is to satisfy certain human needs for social integration, political, cultural and charitable involvement which private organisations and governments fail to address (Wood and Bhauian, 1993). Thus, any organisation which serves a social need or any benefit, and making profit is not among its objectives, can be classified as a non-profit organisation (Worth, 2012). Therefore, an NPO is an organisation in which individuals come together to support a particular cause without making profit (Eng, Liu and Sekhon, 2011), or as Gonzalez et al (p.56, 2002) state “any organisation without a financial objective, under private control, which aims to generate a social benefit for a specific sector of society”.

Since human needs can differ widely, the non-profit sector is very diverse and has a complex structure which can be confusing in various ways for people to understand and widely different terminology used in the literature to describe the sector makes it more difficult to understand (Sargeant, 2009; Tschirhart and Bielefeld, 2012). The different terms used to describe the sector are ‘nongovernmental organisations’, ‘third sector or independent sector’, ‘public interest groups’, ‘voluntary sector’ or ‘civil society sector’, ‘not-for-profit sector’, ‘non-profit sector’, ‘charitable sector’, ‘philanthropic sector’ and/or ‘tax-exempt sector’. Unfortunately, they are all often used interchangeably although they emphasise different meanings, however, they are all addressing the same facet of society (Sargeant, 2009; Tschirhart and Bielefeld, 2012). Thus, Salamon and Anhier (1997), argue that this complexity has arisen because of the enormous range of non-profit organisations included under the same umbrella headings ‘ranging from tiny soup kitchens to symphony orchestras, from garden clubs to environmental groups’. Undeniably, the non-profit organisation sector has experienced significant growth in both scope and scale showing evidence of its increasing importance in society during the last three decades (Weisbrod, 1991; Salaman and Anheier, 1997). Thus, Salamon (1999) described this rapid expansion in the non-profit sector as an ‘associational revelation’. Indeed, NPOs manage a large number of functions in an extraordinary variety of organisational forms (Kendall, 2003) and embrace a diverse range of industries (Sargeant, 2009). Therefore, these developments have had implications for the management of NPOs which resulted in adapting marketing activities and then establishing a market mind-set (Macedo and Pinho; 2006). According to Andreasen and Kotler (2003, p.5) non-profit managers “realized that their missions involve influencing donors to give, volunteers to come

forward, clients to seek help, staff to be client-friendly and so on. Therefore, marketing and the marketing mind-set are critical to their success as well”.

Indeed, NPOs play an important role in providing health, education and social benefits to many disadvantaged people almost everywhere in the world. They emerged and developed in the wider context of many societies over the past 30 years (Sargeant, Foreman and Liao; 2000). For example, in the USA, over seven million people are employed in the non-profit sector which represents 6.8 per cent of the total work force and 15.4 per cent of those are employed in the service sector. On one hand, in Europe, for example in Germany 1 million people, France 0.8 million people and in the UK 0.9 million people are employed in the non-profit sector which is around 4 per cent of total employment and 10 per cent of employment in the service sector. On the other hand, Japan which has 1.4 million employees in the non-profit sector has a lower percentage of employment. Similarly, in relation to Gross Domestic Product (GDP), the USA has the highest at 6.3 percent, followed by the UK at 4.8 per cent and Germany, France, and Japan all around 3-3.5 percent. However, the growth percentage of the NPOs between 1980 and 1990 is 15.8 percent in France, 11 percent in Germany and 12.7 per cent in the USA which shows that the role of the non-profit sector is growing rapidly (Courtney, 2002). The latest statistical figures in relation to the NPO volume in the UK is given at the end of this section.

The market is now well established in the non-profit business sector. Of course, like all organisations, non-profit organisations differ from each other in terms of mission, size, impact and form of operation. Some of them are similar to the model of a government agency; others look like a business firm while others may be little more than an informal network. Even though these differences exist among NPOs, there is

a growing agreement among researchers that the following core characteristics exist in non-profit organisations (Anheier, 2000).

They are:

Organised: they possess institutional characteristics, which distinguishes them from informal entities such as families, gatherings or movements;

Private: they are separate from government

Non-profit-distributing; they do not generating any profits to owners or equivalents

Self-governing: they are capable of controlling their own activities

Voluntary: in their nature, they are non-compulsory.

Hall (1987) defined non-profit organisation as a body of individuals associated with any of the following three purposes: (1) to perform public tasks which have been delegated to them by the government (2) to perform public tasks which neither the government nor the private sector can fulfil (3) to influence the directions of policies in the government, private sector or other non-profit organisations.

In contrast to for-profit organisations, NPOs are relatively more complex (Anheier, 2000). Generally, the main focus of for-profit organisations is to generate profit and deliver it to its owners or shareowners, but non-profit organisations can differ from this objective. Firstly, NPOs can establish around a social mission and societal benefits which includes helping disadvantaged people, providing animal welfare or providing aid after or during environmental disasters and providing social services or playing a role of benefit to protect them (Liu and Weinberg, 2004; Quarter and Richmond, 2001). Indeed, mission is very important and critical for NPOs' success because it mainly defines and drives the specific objectives, goals and strategies

(Drucker, 1990). On the other hand, for-profit organisations can have a social mission as well but they do not emphasise it as much as NPOs (Quarter and Richmond, 2001). They are motivated for profit and their main focus is immediate customer satisfaction to achieve profit maximisation.

Secondly, non-profit organisations do not distribute profits to individual owners or shareholders in the form of dividends or use those profits to increase the wealth of owners or shareholders (Worth, 2012). In fact, NPOs do not have owners or shareholders (Quarter and Richmond, 2001) who possess a legal right to share the organisation's profits. If any profit is made, it should be distributed towards the organisation's mission success which aims for long-term societal benefit.

Thirdly, companies broadly target consumer satisfaction for which in turn, they earn profit. This leads to one primary constituency in which a company provides products/services to its customers and receives revenue. However, this does not apply in the same way for non-profit organisations. These organisations have two constituencies; clients to whom they provide goods/services, and donors from whom they receive resources (Shapiro, 1973). Alternatively, clients (the users) are referred to as the resource allocation market and the donor constituencies are referred to as resource attraction market (Segal, 1991, Kara *et al.*, 2004). From this perspective, non-profit organisations should maintain a higher number of relationships which can be very important for their survival in the competitive market environment (Drucker, 1990; Gallagher and Wienberg, 1991). In this manner, they need to consider their relationship not only with their clients but also with their donors and as Gallagher and Weinberg (1991) stated that the clients pay for only a part if any of their service costs and the donors cover the rest.

Fourthly, the *bottom line measurement* for profit organisations is profit or loss which shows how effective the business is in managing its goal to generate profits for the owners. However, NPOs operate in a more complex manner as generating profit is not the goal of these organisations because they do not have owners and usually their goods and services are free of charge and their aim is not economic return. As a result, the bottom line measurement does not apply to NPOs (Henderson, Chase and Woodson; 2002). This is one reason, why performance measurement is a complex task for NPOs. In addition, they have multiple constituencies which are customers (also named as clients, users or beneficiaries) and donors. As already stated, customers referred as the resource allocation market and the donor constituencies referred as resource attraction market (Segal, 1991). Therefore, NPOs' survival depends on both the clients and donors (Gallagher and Wienberg, 1991) and make performance measures more complex and include the numbers of client served, client satisfaction, and number of programmes delivered or repeatable donations. However, there are some private non-profit organisations which raise funds by the contributions of family sponsors and thus they do not need to seek contributions and it is easy to measure the success/performance of this type of NPO. The following table 2.1 gives a summary of the key differences between non-profit and for-profit organisations.

Table 2.1: The summary of key differences between For-Profit and Non-profit Organisations

Characteristics	Non-profit	For- Profit
Objectives	Societal benefit	Generate profit
Focus	Continuation of helping society in the long-term	Customer satisfaction
Accountability	Keep the profit within the organisation to generate long-term benefits for society	Deliver the profit to owners or shareholders
Constituency	Multiple constituency (clients and donors)	Customers
Employees	Paid and Volunteers	Paid
Performance Measures	Number of clients served, client satisfaction, number of programmes delivered, repeatable donation and etc.	Sales revenue return on investment (ROI), dividends market share and etc.
Exchange	Partly paid or free of charge	Money
Income	Resource acquisition, fee for services, donations and fundraising	Sales

Source: Developed by the researcher from the literature.

The non-profit sector is very diverse and successful in the UK. The National Council for Voluntary Organisations (NCVO) is an organisation that is highly influential in shaping the development of the non-profit sector by providing sector data to give an overview of the voluntary sector's scope and characteristics, enhanced by analysis of long-term trends (NCVO, 2015). The latest data available with NCVO for 2011/2012 statistics shows the dimensions of NPOs in the UK:

- had an operating income of £39,000 million (approx.);
- had an operating expenditure of £38,000 million (approx.);
- had net assets of £105,000 million (approx.);
- had a paid full-time workforce of 508,000
- had a paid part-time workforce of 291,000
- 82% of UK charities were based in England

Although, the majority of the NPO's sector consists of small organisations which have less than £10,000 annual income, there are larger NPOs which are developed like for-profit organisations and they are experiencing considerable growth in the competitive UK market. Indeed, the number of the big volume charities with an income over £1 million has more than doubled in a decade (Sargeant, 2009). According to NCVO, the NPO sector is becoming more comparable to the business-like sector in the UK because of the need to survive in the competitive market environment. Indeed, they are becoming increasingly challenged with market pressures similar to for-profit organisations, competition for funding and the need to earn money to fulfil their mission (Dolnicar and Lazarevski, 2009). From this perspective, most of the NPOs in the UK are trying to practise sophisticated marketing strategies to provide their services to society for long term societal benefit. This encouraged the researcher to investigate how NPOs are using marketing capabilities in their marketing strategies to deliver their services and products to society, to achieve their organisational objectives and be competitive in the changing market environment.

2.3 Marketing and Non-Profit Organisations

The concept of marketing is the management process which enhances responsibility for identifying, anticipating and satisfying customer requirements profitably (UK, Chartered Institute of Marketing) and one of its important duties is to enable companies/organisations to create better value for their customers. There are two very significance components of the above definition which is fundamental to understanding the marketing role in any organisation (if we ignore profit). Firstly, marketing is both a concept and function. At a conceptual level, marketing is an

approach in terms of putting customer right at the centre of the organisation whereas at the functional level it is viewed as a research in terms of the designing of new services/products, pricing, distributing and promoting them to the customers (Sargeant, 2009).

In some organisations, they do not place the same emphasise on both approaches. However, for a successful organisation, marketing should not be seen as a few personnel in a marketing department, rather its importance should be accepted by the whole organisation. In fact, understanding the customers' needs and satisfying the targeted customers is not only the responsibility of the marketing department but the whole organisation as well. Marketing has never been more important; yet greater appreciation is necessary for the capabilities related to its role, i.e. market orientation and more recently marketing capabilities which involves the ability of an organisation as a whole, to manage the marketing activities needed to achieve its desired goals (i.e. superior organisational performance).

On one hand, marketing involves an interaction between the customer and the organisation. On the other hand, strategic management involves the relationship between the organisation and its environment (Biggadike, 1981). Thus, marketing scholars agree that marketing is concerned with the external environment because of assessing the customers' wants and needs. In this essence, the customer is the organisation's environment. Therefore, proactive non-profit executives recognise that marketing success is mostly dependent on how they assess and serve the markets, satisfy customers with their products/services and be proactive for the environmental threats. In other words, the task of these managers is to understand the importance of being market driven (Fortenberry, 2012). Thus, Biggadike (1981) determined that

“marketing sees strategic management as being market driven, and provides aids for hypothesizing about customer needs and competitor behaviour”. Although being market-driven is associated with the success, many non-profit executives fail to possess this mindset because of institutional systems that support inside-out rather than outside-in approaches. According to Day (1994), the inside-out approach is to produce low-cost, customer products on a timely basis and an outside-in approach is the understanding the developing requirements of customers and enables the organisation to respond to them. Based on that, non-profit organisation should seek to become market driven and they must shift their focus to the market. In other words, a market-driven non-profit organisation should possess an externally oriented, participative culture to deliver superior customer value and continuously attempt to find new sources of competitive advantage (Fortenberry, 2012).

As stated previously, in the NPO context, one of the main problems of marketing not being as developed as it is in the profit-making sector is that, these organisations consider what is most appropriate for their market without taking account what is important for the market (Gonzalez *et al.*, 2002). In other words, they intend to develop and execute services/programmes/products without considering how they would cover the needs and desires of their customers/donors (Andreasen and Kotler, 2003). This attitude shows that *we know better than you what is good for you*. Specifically, the essence of the marketing is not the organisation, it is the customer. Therefore, it is necessary for non-profit organisations to adapt marketing concepts which involve customers’ needs. In other words, they need to develop their marketing mind-set and deliver their products and services for the market so that they can be more successful in their organisation. This strategy can lead to more awareness in society which in turn can increase their funding attraction.

Focusing specifically on the context of marketing, Andreassen and Kotler (2003) recommend that non-profit organisations should adapt a standard process in accordance with the same recommendations given to for-profit organisations. Indeed, over the past decades, NPOs have slowly began using marketing in their activities, realising that it can help them to achieve their organisation's mission and as they are challenged by more complicated decisions than for-profit organisations, their survival is depend on careful application of marketing management tools (Dolnicar and Lazarevski, 2009). Despite some ambiguity in applying effective marketing strategies for non-profit organisations and also because marketing vocabulary is still avoided in some of the NPO sector (Knox and Gruar, 2006), many of NPOs are successfully using marketing activities such as using direct mail/or personal selling for fund raising, public service announcements to encourage more people to use their services, public relations tactics to increase awareness and create political and social support for their project (Kotler and Andreassen, 1996). Indeed, marketing strategies are very important for NPOs in building the organisations' image and its cause and how there are viewed by the public and also to entice and retain donors and volunteers (Sargeant, 2009). From this prospective, the acceptance of marketing principles is very important in the management of non-profit organisations and nowadays, marketing professionals who are aware of the correct marketing strategies are advising NPOs on how to increase donors, political parties on how to increase their resources and the number of their voters, and public administrations on citizen awareness campaigns (Gonzales, Vijande and Casielles, 2002).

In fact, for some NPOs marketing strategy is only meant to be the fundraising activities in their organisation and simply they apply it to attract funding resources and usually this is the most sophisticated marketing function they use. However, this

is not enough in this competitive market environment and there is a wide range of other marketing strategies that can be applicable to the NPO context without changing or denying their true mission. For example, strategies include the identification of customers who are most interested in supporting their mission (market segmentation), ensuring an image is built that is attractive to those people (product positioning), the development of communication messages which is most attractive to these people (advertising) and communicating with them through channels that these people regularly use (place) (Dolnicar and Lazarevski, 2009). Moreover, their resource attraction can be seen as a product policy of a for-profit organisation in which the NPO must determine its basic function or mission and must decide who their clients are and what should NPO provide to them.

As stated previously, currently, the NPOs seek to generate resource attraction and volunteering from society for their resource development (Liu and Weinberg, 2004). The decrease in government funding and increase in competition have encouraged NPOs to adapt market-oriented strategies to commercialise their activities and enable them to be more competitive in the marketplace (Liu, Eng and Takeda, 2013). Thus, adapting effective marketing and implementing its concepts *marketing capabilities and market orientation* are becoming increasingly important for the NPOs sector. This is because these marketing concepts enable NPOs to identify and create available opportunities for fundraising, commercial, trading activities, attracting volunteers, collaboration with other businesses and so on to be competitive in the market (Gainer and Padanyi; 2005; Macedo and Pinho, 2006; Liu *et al.*, 2013). Moreover, implementing marketing concepts can enable NPOs to increase their public relation skills, launch new services/products and increase donations (Dees, 1998; Liu and Weinberg, 2004).

From the perspective of marketing literature, the concept of market orientation and its relationship with organisational performance in the NPO sector have been recently examined by academics (Balabanis et al., 1997; Vazquez et al., 2002; Seymour et al., 2006), but no study has yet examined the influence of marketing capabilities on NPO's performance in the UK context. The researcher argues that adapting marketing capabilities and market orientation in the NPO sector can develop their implementing marketing strategies to attract sufficient funding resources for their survival, especially currently as they are dealing with government subsidy cutbacks in the UK. Therefore, the researcher believes that the understanding of marketing capabilities is essential in the NPO sector. Accordingly, the researcher poses the question what are marketing capabilities and market orientation and to what extent they can influence the organisational performance in NPOs in the UK? The following section explains these constructs in detail from the literature.

2.4 Marketing Capabilities

In order to achieve superior business performance organisations need to gain and possess competitive advantage (Day, 1994). To accomplish this competitive advantage, organisations need to develop capabilities in different areas within the organisation (Vorhies, 1998). As such, these capabilities should add value, must be difficult to substitute, must difficult to be imitated by competitors and should be static across the organisation's boundaries in order to enable competitive advantage (Barney, 1991). Within marketing literatures, the theoretical developments have focused on the idea that organisations with capabilities which are difficult to imitate in marketing functions are better able to generate information about customer wants and needs and in turn develop products to meet their expectations (Day, 1994;

Vorhies 1998; Vorhies *et al.*, 1999). In addition, these marketing related capabilities enable the organisation to collect information about their competitors and their strategies which helps the organisation to develop a process to deliver a superior customer value which helps the organisation the develop the basis for the competitive advantage (Chang, Park and Chaiky, 2010; Vorhies and Morgan, 2005). Therefore, capabilities related to market resources are generally related to the marketing function and named as marketing capabilities (Morgan, Vorhies and Mason, 2009; Dutta, Zbaracki, and Bergen, 2003).

Specifically, marketing capabilities are the abilities of the organisation and its people as a whole to manage strategic marketing planning, identifying markets and positioning product offerings to create a competitive advantage (Day, 1994; Srivastava, Fahey, and Christensen, 2001; Vorhies and Morgan, 2005, Eng and Spickett-Jones, 2009). Correspondingly, they are “integrative process to apply the collective knowledge, skills, and resources of the organisation to the market-related needs of the business, enable the business to add value to its goods and services and meet competitive demands” (Vorhies, Harker and Rao, 1999, p.1175). Furthermore, marketing capabilities can be viewed as internal processes which enable organisations to be more market-driven in the competitive market environment. From this perspective, this indicates that it is necessary for non-profit organisations to develop their marketing capabilities in order to be more market-oriented so that they can achieve competitive advantage for their organisational objectives.

Marketing capabilities are viewed as key to the market-related exploitation mechanism that enable organisations to acquire, combine, and transform its market related resources to achieve desired organisational performance (Day, 1994; Morgan

et al., 2009; Liu et al., 2013). They can also represent the organisation's stock of knowledge in relation to its marketing activities, such as the ability of the firm's management or marketing personnel to sense and respond to customer needs and the changes in demand (Fahy et al, 2000). In this manner, marketing capabilities require firms to develop processes which allow them to gather information about market opportunities such as developing new goods and services to meet the customer needs, pricing them according to the market information, introducing product advantages to the potential customers and also distributing products to the customers (Vorhies, 1998). Therefore, marketing capabilities are adaptive and enable the firm to adjust its strategies to fit the fast-changing market conditions (Day, 2011).

The understanding of the nature of marketing capabilities has been increasing in recent years among practitioners and academics (Eng & Spickett-Jones, 2009; Liu, Eng and Takeda, 2013) as it creates competitive advantage and in turn increases the firms' performance. Indeed, to achieve a position of competitive advantage, the firm needs to develop marketing capabilities (Day, 1994) in the key functional areas (Prahalad and Hamel, 1990). In fact, a firm which has a strong marketing capability, possesses a good understanding of its customers' future and current needs and also learns the factors that influence the consumer behaviour can lead the firm to have better target and positioning in the market than its competitors (Dutta et al., 1999). The following table 2.2 explains the conceptualisation of the marketing capabilities.

Table 2.2: Conceptualisation of Capabilities and Marketing Capabilities

Author	Definition
Day (1993, 1994)	<p>Capabilities are complex bundles of skills and collective learning, exercised through organisational process that enable firms to coordinate activities and make use of their assets.</p> <p>MC are the integrative processes designed to apply the collective knowledge, skills and resources of the firm to the market-related needs of the business, enabling the business to add value to its goods and services, adapt to market conditions, take advantage of market opportunities and meet competitive threats.</p>
Vorhies (1998)	Used the same definition of Day (1993, 1994) for MC
Vorhies, Harker and Rao (1999)	MC are integrative process to design apply the collective knowledge, skills, and resources of the organisation to the market-related needs of the business, enable the business to add value to its goods and services and meet competitive demands.
Dutta <i>et al.</i> , (1999)	A firm with a in which exhibiting superiority in identifying customers' needs and in understanding the factors that influence customer choice behaviour.
Vorhies and Morgan (2003)	<p>MC is the business's ability to perform common marketing work routines through which available resources are transformed into valuable outputs.</p> <p>They divided MC into two subsets: specialised capabilities and architectural capabilities.</p>
Morgan, Vorhies and Mason (2009)	<p>Capabilities are complex coordinated patterns of skills and knowledge that, over time, become embedded as organisational routines.</p> <p>They refer to capabilities associated with marketing function as MC and divided into two types: capabilities concerning individual 'marketing mix' processes such as product development, pricing, selling, and marketing communications and channel management and capabilities concerned with the process of marketing strategy development and execution.</p>
Vorhies, Morgan and Autry (2009)	<p>Divided MC into two sets:</p> <p>Specialised marketing capabilities which are task-specific marketing activities such as marketing communications, selling, pricing, product development and distribution capabilities.</p> <p>Architectural marketing capabilities are the coordination and planning of the specialised marketing capabilities in order to implement the requirements of the firm's strategies.</p>
Eng and Spickett-Jones	MC are important potential sources of competitive advantage that range from the ability to conduct strategic marketing

Author	Definition
(2009)	planning, identify markets and position product offerings.
Nath <i>et al.</i> , (2010)	The integrative process in which a firm uses its tangible and intangible resources to understand complex consumer specific needs, achieve product differentiation relative to competition, and achieve superior brand quality.
Chang, Park and Chaiky (2010)	MC is defined as an organisation's repeatable pattern of actions to carry out the marketing-related needs of the business effectively.
Liu and Ko (2011)	Integrative process to apply the collective knowledge, skills, and resources of the organisation to the market-related needs of the business, enable the business to add value to its goods and services and meet competitive demands.

Source: Developed by the author from the literature review

More specifically, marketing capabilities enable firms to form a process of achieving organisational goals and helps them to accomplish their desired strategic position in the market (Day, 1994). Therefore, they are supporting and implementing the firm's overall strategy. Yet, despite of the popularity of marketing capabilities in successful business environment such as product differentiation, brand reputation and distribution channels (Hui and Zhou, 2003), there is almost no empirical evidence in the NPO context either to support the marketing capabilities as a route to sustainable competitive advantage or to guide NPOs managers' to improve their competitiveness with a deeper understanding of their organisations' resources related to marketing capabilities. Also, there is little known about how a NPO's marketing capabilities may be linked with organisational performance to achieve growth or sustainability in their organisations. Therefore, the researcher states that it is important to investigate the relationship between the marketing capabilities and NPO's performance.

Drawing from marketing literature, there are many authors who have started examining the impact of marketing capabilities as resource deployment in relation to the organisation's performance. For example, Morgan & Vorhies and Mason (2009) identified eight different marketing capabilities which can be viewed as contributing

capabilities to business performance. From their perspective, these authors viewed capabilities at different levels of the organisation and they argued that capabilities dealing with resource deployment are usually linked to the marketing function and organisations need to develop these capabilities to orchestrate the implementation procedures in their organisation.

These eight marketing capabilities are (1) product development capability, (2) pricing capability, (3) channel management capability, (4) marketing communication capability, (5) selling capability, (6) marketing information management capability (7) marketing planning capability, and (8) marketing implementation capability. It is notable that each of the eight types of marketing capability can in itself serve as competitive advantage to the organisation in the market. However, an organisation can achieve a superior performance when it possesses multiple marketing capabilities (Vorhies and Morgan, 2005). Based on that, they identified two interrelated marketing capabilities areas: capabilities from the marketing mix process and capabilities from the marketing strategy development and execution. These eight marketing capabilities are discussed further in the following sections.

2.5 Different Types of Marketing Capabilities

Two interrelated marketing capability areas have been identified. The first capabilities are in relation to individual marketing mix function while the second capabilities concern the processes of marketing strategy development and execution (Morgan et al., 2009). Although marketing mix related capabilities play a pivotal role in marketing activities, capabilities related to strategy formulation have been assumed to have stronger impacts on business performance than marketing mix capabilities (Chang *et al.*, 2010).

As stated previously, marketing is concerned with an organisation's external environment and therefore, when an organisation understands its stakeholders in the market, it can develop an effective marketing strategy. There are four different variables which enable organisations to control their marketing strategy. These are the products/services of the organisation, its price, the way it is promoted and the place(s) in which made available for the customers. These four variables constitute the marketing mix of the organisation and if any disharmony occurs in the balance of these four 'P', the marketing strategy is more likely to have negative results. Therefore, they are inter-related and the change in one can change the others respectively. For example, if the organisation desires to improve quality, it may more likely increase the price (cost), and may need more effective promotion for customers to purchase (Hannagan, 1992).

The non-profit mix differentiates from the above marketing mix explanation because NPOs are more concern with producing service than product. Therefore, a NPO can place a high importance on the product/service and servicing, while a low importance can be given to price, advertising and packaging. For example, a public university may be more concerned with the quality of the programme than with the pricing than a private university. On the other hand, the private university can place a high importance on promotion to attract more students (Hannagan, 1992). The marketing capabilities will be explained in detail in the following paragraphs.

Price Capability: Price capability involves the ability of the organisation to effectively price its products/services in a manner that can be attractive to its customers and generate optimal revenue (Fortenberry, 2013, Eng et al., 2009). Thus, price is often described as the amount of money that the customer pays in order to

acquire particular goods and services. In other words, it is the sum of resources demanded by a seller for economic rent earnings (Dutta, Zbaracki and Bergen, 2003). However, when it comes to NPOs, price involves a number of complexities that for-profits do not normally encounter. The missions of the non-profits involve nonfinancial goals. Also, targeted clients may be unable to pay the full or any value of the services they receive (Tschirhart and Bielefeld, 2012). This is why a service is usually provided *free of charge* or for a relatively small amount of the total cost.

The term 'price' is not a commonly used term in NPOs' vocabulary and it has many different forms in the context of NPOs used that clients use to exchange products/services. These are fee, tuition, service charge, value of a contract, retail item, contribution, offering, gift, fare, toll, tariff, considerations and dues (Rados, 1996). However, there is always a cost or a price for all products/services whether produced by the profit or non-profit sector (Hannagan1992). Therefore, even for a *free* service or a partly paid service, the non-profit organisations need to consider pricing as a capability as much as for-profit organisations for their strategic marketing decisions.

There are different reasons for NPOs deciding whether to charge or not to charge for their products/services. Firstly, charging brings in income which is needed for the organisations' survive and its sustainability in the long-run in the competitive environment. Secondly, pricing may not only promote customer awareness of the NPO but also promote feelings of ownership among users and in turn preserve their dignity. Thirdly, pricing can help NPOs to measure output and also discourage the overuse of products/services (Tschirhart and Bielefeld, 2012). Although, these reasons are necessary for the survival of the NPOs, in some circumstances prices are

not charged, for example, if pricing threatens the mission of the organisation or the clients are unable to pay for the services. This is obviously because of their nature and organisational characteristics. Consequently, a balance must be struck between the attributes of particular products/services and the prices charged for the offerings. Achieving the requirements of this balance is down to the organisation executives' understanding of their clients' financial requirements and their organisations' financial requirements (Fortenberry, 2013). Thus, in order to maintain this balance, organisations need the ability to set the right prices through value creation for its customers.

The central difficulty in pricing strategy for NPOs is how they can earn revenue by setting the right price for their products/services as they are offering either free of charge or partly paid services. Research following the resource-based view addresses this problem by suggesting that NPOs can use their superior resources and capabilities to create value and in turn generate revenue. According to the resource-based view, these resources and capabilities can vary across firms (Barney, 1991). In order to maintain the sustainability, NPOs should accumulate resources and capabilities which do not exist in other firms. Therefore, organisations can look at different ways of combining or developing their resources for product improvements or they can set the right price to capture the potential revenues (Peteraf, 1993; Dutta, Zbaracki and Bergen, 2003). Moreover, setting the right price is an important ability of the firm to give an appropriate value through market-based exchange to its customers. Thus, setting the right prices is the firm's price capability of the organisation (Dutta, Zbaracki and Bergen, 2003).

Product /Service Capability: The product capability involves the development of goods and services that the organisation uses to satisfy the needs and wants of the target customers/clients (Fortenberry, 20013). Philip Kotler (2012) defines that anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need is referred as *product*. It includes physical objects, persons, places, organizations and ideas. This definition also applies to the services although they are different than products.

Usually, the product is the first consideration of the organisation because its constraints can shape or determine the other marketing mix elements. The use of the term *product* comes from for-profit marketing which is often dedicated to the sale of products. However, for NPOs, the meaning of the product category in the marketing mix includes services and programmes because although some NPOs provide tangible products, most of them provide services instead. (Tschirhart and Bielefeld, 2012). Product is tangible, nonperishable, and its sales involves a change of ownership whereas service is intangible, perishable and does not result in any change of ownership (Hannagan, 1992). In addition, some NPOs provide social marketing programmes aiming to change behaviours. These programmes are even more difficult to define because they are even more intangible and perishable than services.

Channel Management Capability: Channel management or 'place' is the final destination where the exchange occurs between the organisations and customer. If it is a product concerned in the exchange processes, it must be physically delivered. On the other hand, in the case of service delivery, it should be available when and where the customers/clients can use. Moreover, channel management can be defined as the

marketing activity which brings the organisation and its customers together at a particular place and time for the purpose of the exchange process (Hannagan1992).

This component sometimes referred as distribution component of the marketing mix and it refers to all elements involved in making products available to customers. It includes the activities such as the identification of distribution channels, the determination of inventory levels, and the management of warehousing issues (Fortenberry, 2013). If the products and services are not accessible to target markets easily, the consumption does not occur. Therefore, it is very important for the NPO deliver their products and services effectively so that they can generate their revenues.

Market Communication Capability: Communication means promotion to customers and potential customers. In other words, the organisation need to find ways to inform its customers about its product/service existence and also the benefits they will receive from it before they use or buy it (Hannagan, 1992). Basically, it is the ability of the NPO to manage its communications with their customers and other stake holders. They can manage promoting themselves in a different ways in order to entice their clients and donors to purchase and consume their products and services.

On the other hand, capabilities related with the marketing strategy development involves the coordination, planning and implementing market related capabilities which are also referred as architectural capabilities (Vorhies and Morgan, 2003). First one is the *selling capability* of the organisation which involves the ability to develop sales management plans and controlling systems, and provide training for their sales representatives (Camarero and Garrido, 2009). Second one, *marketing information management capability* is the ability to obtain information about NPO's key

stakeholders such as customers and competitors and develop effective marketing programmes (Day, 1994; Eng and Spickett-Jones, 2009). Third one, *marketing planning capability* is the organisation's ability to formulate marketing strategies that optimise the match between the organisation's resources and its market place (Morgan et al., 2003). Fourth one is the *marketing implementation capability* is the ability of the organisation to transform their intended marketing strategies into actions through allocating marketing resources and monitoring their performance (Liu and Ko, 2011; Liu et al., 2013).

Specifically, marketing mix capabilities involves task-specific marketing activities whereas architectural capabilities provide the planning and coordination mechanism that ensures the effective deployment of the marketing mix elements (Theodosiou et al., 2012). Although, the marketing mix elements play an important role in marketing activities, architectural capabilities in the marketing capabilities literature states that architectural capabilities have strong impact on business performance than specialised capabilities (Chang et al., 2010). Therefore, all types of the marketing capabilities are important same level for the NPOs to implement effective marketing strategies and achieve competitive advantage. Marketing capabilities will be discussed further in the following chapters. These capabilities will further discuss in the following chapters.

2.6 Conceptual and Empirical Papers on Marketing Capability:

2.6.1 Conceptual papers on Marketing Capability

The notion of marketing capabilities started to appear in literature with the study proposed by Day (1994) in the business field. His conceptual paper examines the role of capabilities in creating a market oriented organisation. In that sense, he proposed that organisations can become more market oriented if they can identify and build special capabilities separately. Explicitly, Day (1994) argued that market-driven organisations should possess two distinctive capabilities within the organisation. These are market-sensing (i.e. ability to understand the markets) and customer-linking capabilities (i.e. ability to build and maintain customer relationships). Day also suggested that the organisations should have strategic thinking of how to apply these two capabilities approach to the market place. Moreover, in order to achieve these distinctive capabilities, he developed a model on a spectrum for market-driven organisations. He put inside-out capabilities (i.e. manufacturing and other transformation activities) on one end of the spectrum and at the other end positioned outside-in capabilities (i.e. market sensing and relationships with customer, suppliers and channel members). In order to make this model work, the spanning-process (i.e. strategy development, new products and service development, etc.) is positioned on the middle of the spectrum which integrates the inside-out and out-sides in capabilities. Adapting this market-driven mind-set to the non-profit organisation context could perfectly position them to capture the opportunities and avoid the threats in the environment. However, many non-profit organisations fail to successfully adapt to this mind-set because their institutional systems support inside-out approaches rather than outside-in approaches (Fortenberry, 2013).

Day (2011) argued that marketers are being challenged by an overflow of data which are more than their organisations capacity to comprehend and use. In order to close this gap he stated that marketers should have a new thinking about marketing capabilities. He suggested three adaptive capabilities to marketers to close the gap between their organisation and the market: 1) Vigilant market learning that enhances deep market insights with an advance warning system to anticipate market changes and unmet needs, 2) adaptive market experimentation that continuously learns from experiments, and 3) open marketing that forges relationships with those at the forefront of new media and social networking technologies and mobilise the skills of current partners. He also argued that for gaining the benefits of these adaptive capabilities will only be realised in organisations which have strong and free-flowing, with watchful leadership and more adaptive business models. This conceptual study brings a diverse realisation for business models and opens opportunities for future empirical studies. Table 2.3 provides the summary of the major contributions to the literature of Marketing Capabilities. These studies are reviewed more thoroughly in the subsequent sections.

2.6.2 Empirical papers on Marketing Capabilities

Vorhies (1998) investigated the factors that influence marketing capabilities development and the effects of these capabilities on organisational effectiveness. Therefore, the first objective of this study was to model factors such environmental turbulence, business strategy, organisational structure, task routinization and information-processing so that their impact known on marketing decisions and also to assess their impact on the development of marketing capabilities. The second objective of the study was to investigate the relationship between marketing

capabilities and organisational effectiveness. The results showed that ‘business strategy and information-processing capabilities’ from the first objective were significantly related to marketing capabilities whereas organisational structure showed a negative relationship. The other two factors ‘environmental turbulence and task routinization’ indicated no significant relationship to the development of marketing capabilities. Moreover, for the second objective of the study, he found out strong evidence that marketing capabilities development is positively related with organisational effectiveness. This is an important finding as it supports the theoretical predictions made by Day (1990, 1994) and Day and Wensley (1988) in relation to achieving superior performance through marketing capabilities.

Vorhies, Harker and Rao (1999) explored the relationship between the capabilities and a market-driven business. To do that, they investigated six market related capabilities to measure the degree to which they are market-driven. The research results show that a market-driven business develop higher levels of six marketing capabilities (in the areas of market research, pricing, and product development, channels, promotion and market management) than their less market driven rivals and also significantly outperformed better in four different organisational performance measures (adaptability, customer satisfaction, growth and profitability). Vorhies and Morgan (2003) investigated the links among the organisation of marketing activities, business strategy, and marketing performance in the US trucking industry. The authors proposed that their study helps managers to understand how to organise marketing to meet the implementation requirements of different business strategies and explains why this is important in driving performance. In this study, marketing capability is divided into two subsets, namely specialised capabilities and architectural capabilities. Basically, the former is the specific marketing mix-based

work routines and the latter is the marketing strategy formulation and execution work routines. The reason for separating MC is to show that MC demonstrates the ability to not only accomplish marketing mix-based activities such as pricing, advertising and channel management efficiently, but also to develop and execute appropriate marketing strategy. The findings of the study highlights that marketing organisation fit with strategic type is associated with marketing effectiveness in prospector, defender, and analyser strategic types and with marketing efficiency in prospector and defender strategic types. The study also demonstrates the utility of profile deviation approaches for strategic marketing theory development and testing.

Vorhies and Morgan (2005) empirically examined the potential business performance benefits available from benchmarking the marketing capabilities of top-performing firms. They identified eight different marketing capabilities which are product development, pricing, channel management, marketing communication, selling, and market information management, marketing planning and marketing implementation capability. The authors proposed that these capabilities contribute to business performance and suitable for benchmarking. Therefore, they collected data from top marketing executives of U.S. firms in six industry types. They used the structural equation modelling technique in data analysis and they found out each marketing capability is positively and directly related to a firm's performance and they are a source of competitive advantage and as well they are appropriate for benchmarking. Therefore, their results suggest that benchmarking has the potential to become a key learning mechanism for identifying, building, and enhancing marketing capabilities to deliver sustainable competitive advantage.

Morgan, Vorhies and Mason (2009) examined both the possession of market orientation and the marketing capabilities through which resources are deployed in the marketplace as drivers of firm performance in a cross-industry sample. Their study makes two main contributions in the marketing field. First, they identify and empirically examine definite market-relating organisational capabilities which allow firms to respond effectively to the market intelligence they generate and disseminate. Second, they identify how both MO and organisational capabilities create important sources of competitive advantage to the firms which deploy their MO into the marketplace. Their research results indicate that market orientation and marketing capabilities are complementary assets in the organisation which contribute to superior organisational performance. Furthermore, their findings show that market orientation has a direct effect on the firm's return on assets and also they find that marketing capabilities directly impact both on return on assets and firm's performance. Similarly, Vorhies, Morgan and Autry (2009) applied the concept of marketing capabilities into 'product-market strategy' concept in the U.S. motor-carrier industry. Their main research objective is to augment understanding of how critical firm-level marketing capabilities enable the realization of strategy. Similar to many marketing scholars, they also have used resourced-based view theory and they analyse marketing capabilities into two forms: specialised and architectural marketing capabilities. They test seven hypotheses and find strong evidence that both architectural and specialized marketing capabilities, and their integration, positively mediate the product-market strategy and derived business unit performance relationship.

Eng and Spickett-Jones (2009), applied the concept of marketing capabilities into the field of Chinese and Hong Kong independent manufacturers at headquarters level.

This study adopts Vorhis and Morgan's (2005) scale and examines eight different marketing capabilities to assess influence on manufacture upgrade performance. It has four main objectives. First, to identify the types of marketing capabilities that influence successful upgrading performance. Second, to examine the extent of the influence of significant marketing capabilities for manufacture upgrade. Third, to examine the presence of interaction and interdependence among different marketing capabilities. Fourth, to understand how the development of resources may influence the direction and success of manufacture upgrade. The results of the study finds empirical support, particularly in product development, marketing communication and channel management capabilities which are crucial for manufacture upgrade. Moreover, the study highlights the importance of selective marketing capability development and the potential for secondary support for the relationship between substantive and dynamic capabilities. Nath, Nachiappan and Ramanathan (2010) discuss the impact of marketing capability, operations capability and diversification strategy on financial performance in the UK. They use a resource-based view of the firm as a theoretical background to hypothesise the linkage between these constructs. They use archival data of 102 UK based logistic companies and they find marketing capability is the key determinant for superior financial performance. This study highlights that a market-driven firm is likely to have better business performance than a firm focusing solely on operational capabilities. Moreover, the research results indicate that firms are better off when they focus on a narrow portfolio of products/services for the clients and concentrate on a diverse geographical market.

Chang, Park and Chaib (2010) investigated the mediating role of marketing capability between customer relation management (CRM) technology use and business performance. The authors use data from Korean companies in terms of sales in

various industries and analyse the process concerning how CRM technology translates into business outcomes. The results show that marketing capability mediates the association between CRM technology use and performance. In addition, the study highlights that a customer-centric organisational culture and management system facilitates CRM technology use. Liu and Ko (2011) explore the relationship between organisational learning and marketing development in British Social Enterprise. This study is based on qualitative approach and were eight cases analysed in the UK based charity retailers to address the role of knowledge accumulation, articulation, and codification process in the evolution of marketing capability development. The main objective of this research was to focus on the route by which traditional non-profit organisations develop their marketing capabilities and become more market-oriented in the market throughout the exercise of organisational learning. They argued that learning is a dynamic process where resources are integrated and reconfigured, which combines experimentation and a repetition process intended continuously to improve organisational performance and maintain competitive advantage faster than competitors. They adapted the marketing capabilities from the marketing literature (Morgani *et al.*, 2009) and classified marketing capabilities such as pricing, product development, channel management, selling, marketing information management, marketing communication, marketing planning and marketing implementation. This research indicates that eight different social enterprises perform similarly throughout the learning process. First of all, they all exert similar pressures to maintain their social legitimacy. Thus, the first implication that the research indicates is that social enterprises not only need to reflect on the relevant business and market factors like their profit making rivals when deciding on the appropriateness of explicit knowledge for their organisations

but also need to pay attention to social factors. The second implication concerns the NPOs' commercialisation process to become more financially independent. Therefore, the study indicates that in order to become more market-driven and business-like, NPOs not only need to set up a charity-retailing for fundraising but also require a carefully planned learning strategy to gain the necessary marketing capabilities to compete in the market place. The third implication concerns the performance-improvement strategy for charity retailing. Therefore, the research suggests that the development of eight different marketing capabilities allow charity retailers to improve their ability to advance their pricing, product development, channel management, selling, information management, marketing communication, marketing planning, and marketing implementation competencies in organising and designing their marketing programs when facing challenges from their competitors.

Theodosiou *et al.*, (2012) investigate the strategic orientation, marketing capabilities and firm performance. In their study, they developed and empirically tested a model that links alternative strategic orientations with firm performance through the mediating effect of marketing capabilities. They collected data from bank branch managers through survey by using a highly structured questionnaire. The authors found that market turbulence, intensity of competition and decentralisation in decision making of bank branch managers played an important role in determining managerial strategic priorities. Furthermore, the research findings indicated that competitor orientation and innovation orientation contributed significantly to the development of marketing capabilities which leads to a positive impact on a firm performance.

Table 2.3: Summary of the major contributions on the literature of Marketing Capabilities

Conceptual			
Authors	Domain of the study	Conceptualisation of MC	Key Contributions of marketing capabilities
Day (1994)	Market-driven organisations	Theoretical argument of capabilities: market-sensing, customer-linking and strategic thinking	He developed a spectrum model for a market-driven organisation: inside-out, outside-in and spanning process
Day (2011)	Market-driven organisations	Theoretical argument of marketing-capabilities: Closing the marketing capabilities gap	He suggested three marketing related capabilities that the business should adapt to close the gap between the market
Empirical			
Authors	Domain of the study	Argument	Key Contributions by marketing capabilities
Vorhies (1998)	Companies from the Fortune 500 list in USA	Examine the relationship between MC and 5 organisational factors: environmental turbulence, business strategy, organisational structure, task routinization and market information-processing.	Out of five factors, he found out that 2 of the factors positively related, one factor negatively and two showed no relationship with the marketing capability development. Overall, the results of this study showed positive relationship between MC and organisational effectiveness.
Vorhies, Harker and Rao (1999)	400 market-driven businesses in large manufacturing and service sectors	Relationship between six marketing capabilities and a market-driven business.	The results show that market-driven firms perform better than less market driven firms.
Dutta et al., (1999)	Manufacturing Firms	Investigate the marketing capabilities with firm's performance	They found a significant relationship between marketing capabilities and firm's performance.
Vorhies and	US Trucking	Investigate the	The findings of the study

Morgan (2003)	Industry	relationship between marketing activities, business strategy, and marketing performance	highlight that marketing organisation fit with strategic type is associated with marketing effectiveness in prospector, defender, and analyser strategic types and with marketing efficiency in prospector and defender strategic types.
Vorhies and Morgan (2005)	Top-performing U.S companies from six different industry types	Examine the potential business performance benefits available from benchmarking the MC of top-performing firms.	The results indicate that the eight marketing capabilities are associated with business performance and they are suitable for benchmarking.
Morgan <i>et al.</i> , (2009)	748 U.S. firms in consumer and business markets offering both services and goods.	Investigate the eight different marketing capabilities and firm's performance: subjective and objective basis.	The results show that market orientation and marketing capabilities are complementary assets to superior firm performance.
Vorhies at al., (2009)	Conducted two studies: First study conducted in U.S. motor-carrier industry Second study was multi-industry approach to generalise the results of study 1 to a broader set of businesses.	Their research is addresses the importance of the resource-based view and the research objective is to extend understanding of how critical firm-level marketing capabilities enable the realisation of strategy and also investigate their relationship with resource based view theory.	They test seven hypotheses and find strong evidence that both architectural and specialised marketing capabilities and their integration positively mediate the product-market strategy.
Eng and Spickett-Jones (2009)	Chinese and Hong Kong independent manufacturers at headquarters level.	Examine eight different marketing capabilities to assess influence on manufacture upgrade performance.	Finds empirical support, in particular, product development, marketing communication and channel management capabilities are crucial for manufacture upgrade.
Nath et	Logistic	Examine the	They find marketing

al.,(2010)	companies in the UK which specialised inroad transport.	relative impact of a firm's marketing and operations capabilities diversification strategies on financial performance.	capability is the key determinant for superior financial performance. Also, the study highlights that a market-driven firm is likely to have better performance focusing solely on operational capabilities.
Chang et al., (2010)	Korean Companies from various industries.	Investigate the process concerning how CRM technology translates into business outcomes.	Finds mediating effect of MC between CRM technology use and performance.
Liu and Ko (2011)	Multiple-case study approach in non-profit organisation in the UK	Explores the organisational learning and marketing capability development in the charitable organisations	Results shows three implication for NPOs: They need to maintain their social legitimacy in commercial activities. It is essential for them to be more financially independent. The development of different type of MC allow them to be more competitive than their competitors in organising and designing their marketing programs.
Theodosiou et al., (2012)	Banking Industry in Greece	Investigate strategic orientations, marketing capabilities and firm performance	Develop a model that links alternative strategic orientations with firm performance through a mediating effect of marketing capabilities.
Liu et al., (2013)	Social Enterprises in the UK and Japan	Investigates the relationship between eight different types of MC and social enterprise performance	They found out eight different capabilities are not all positively related with the NPOs' performance. They suggested NPOs should be selective in developing different capabilities

Source: Developed by the author from the literature review

Liu *et al.*, (2013) explored the relationship between eight different types of marketing capability and performance in the British and Japanese social enterprises. The main aim of this study was to examine how social enterprises transform their charitable model to become business-like social enterprises and the role of marketing capabilities in this transformation in both the UK and Japan. The research findings show that not all marketing capabilities are positively associated with social enterprise performance which challenges most people's opinion that market-driven organisations must develop all types of marketing capability. Therefore, the authors suggest that social enterprises should develop their marketing capabilities selectively according to the specific performance objectives. To sum up, the following table 2.3 summarises the major contributions on the literature of marketing capabilities.

2.7 Market Orientation (MO)

The concept of market orientation has been an important component of study of marketing and has attracted the interest of both academics and practitioners for several decades (Narver and Slater, 1990; Jaworski and Kohli, 1993), because it's implementation characterises a firm's intentions to deliver superior value to its customers and in turn accomplish a superior company performance (Slater and Narver, 1994; Kara et al., 2004, Morgan *et al.*, 2009). The literature discussing MO is examined in three main phases in this study. The first phase represents the emergence of market orientation; the second phase reveals the development of MO and the final phase explains the MO concept in the non-profit sector.

2.7.1 The emergence of market orientation

Throughout the 1970s and 1980s, marketing has gained increased importance in the business environment (Houston, 1986, Webster, 1988; Deshpand and Webster, 1989). This is because marketing and its implementation, added value to products and services (Kotler, 1979). This accelerated a number of studies in many contexts to examine the role of market orientation and its effects on organisational performance. Thus, organisations, by adapting the marketing concept and implementing a market orientation, not only seek to serve their customer needs but also to meet their own organisational requirements in order to reach their objectives and profit expectations on a continuous basis (Slater and Narver, 1994). It is therefore clear that there was considerable academic and practitioner interest in implementing marketing concepts (i.e., MO) and this attention led to the call to conceptualise MO towards the end of the 1980s (Webster, 1988; Deshpand and Webster, 1989).

Furthermore, the term market orientation is embedded in the marketing philosophy and it is the central principle of marketing which shapes the external and internal relationships of the firm (Kohli and Jaworski, 1990). Accordingly, the failure of meeting the requirements of these interactions can have a damagingly effect on an organisation's performance and its competitive advantage in the market. On the other hand, organisations that are identified as market oriented can respond more effectively to environmental changes (Narver and Slater, 1990). Therefore, there was a definite need to define, measure and model MO as a construct. This exposed a gap which attracted academics' interest towards the MO concept in the early 1990s. The interest of MO conceptualisation created different views which are discussed in the following sections.

2.7.2 The development of market orientation

From the beginning of the 1990s, academics and practitioners started to conceptualise MO, which was to begin the process of measuring the implementation and effectiveness of the marketing concept. The concept of market orientation combines several dimensions which convey the mind-set of the organisation and its adaptation can be considered as an important element to achieve competitive advantages and to improve organisational performance (Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1994). For this reason, several perspectives were observed and among them two received more attention and were most frequently cited in the marketing literature. Two pairs of researchers, Kohli and Jaworski (1990) and Narver and Slater (1990) established the foundation of market orientation construct. These researchers have structured and measured MO in two different approaches, as a specific set of marketing activities (behaviouristic approach) and as a cultural variable.

Kohli and Jaworski (1990) investigated the marketing concept from a behavioural perspective to conceptualise the market orientation construct. Their model is composed of three components. These are intelligence generation, intelligence dissemination throughout, and responsiveness. In fact, these authors (1990, p.6) defined market orientation through these core elements as “the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it”. Their definition matches with Narver and Slater’s definition in which the premise of information and its distribution throughout the organisation is critical for the organisation’s success. The difference of their study is their approach

to the antecedents that an organisation has to possess before the development of market orientation. These antecedents are senior management factors, interdepartmental dynamics, and organisational systems. Senior management factors are adapted to different management topics as a measure of project/product success. Interdepartmental refers to the formal and informal relationships between inter-organisational departments which allow the organisation to measure conflict, connectivity and consideration of other ideas (Kohli and Jaworski 1990).

Kohli and Jaworski developed the MARKOR scale which consists of three main components: intelligence generation, intelligence dissemination and responsiveness and their main focus is on customers. They argue that, to facilitate market orientation, it is critical that different departments in the organisation are aware of the current and future customers' needs and the factors affecting them. In addition to that, sharing this information across department is essential as is engaging different departments in the organisations to meet the selected customers' needs (Kohli and Jaworski, 1990). The MARKOR scale incorporates the different stakeholders that constitute the market.

On the other hand, in the same year, Narver and Slater (1990) developed a model of market orientation based on organisation's culture which is a one-dimensional construct with three conceptually related components. These components are based on customer orientation, competitor orientation and inter-functional coordination that should lead to a long-term profit focus of the organisation. Narver and Slater (1990, p.21) argue that "Market orientation is the organisation culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus continuous superior performance for the business". A *customer*

orientation and a *competitive orientation* aim is to collect the best information about buyers and competitors and disseminate that information through the organisation. The third component *inter-functional coordination*, represents the inter-organisational functions working together to satisfy the needs of the targeted customers. In other words, after the disseminated information is circulated throughout the organisation, all departments need to work together towards achieving customer satisfaction by using the collected information as a key for organisational success. Narver and Slater (1990) found that there is a statistical correlation between market orientation construct and business profitability and they argued that businesses having the highest degree of market orientation are also associated with being the most profitable.

According to Kotler (1973), the key to reaching organisational goals is to be more effective and efficient than competitors in identifying the needs of target markets. In other words, this behaviour termed as market orientation involves monitoring of customers, analysing their needs and market conditions. As a result of the analysis, companies produce products and services that are valued by customers (Gima, Slater and Olson, 2005). It is now central to marketing thought and practice and a key predictor of firm's performance.

Kohli and Jawarski (1990) articulated a theory of market orientation to explain the implementation of the marketing concept. Later, Narver and Slater (1990) studied the first operational measures of market orientation in which they demonstrated a positive relationship between market orientation and business profitability. Kohli and Jawarski produced an MO scale which is undeniably clear because of its inclusion of other market related components such as competition and customers, government institutions, suppliers, technology bodies and macroeconomic environment (Matsuno

et al., 2000). On the other hand, Narver and Slater's (1990) MO scale undervalues the responsiveness function. In other words, the scale lacks some of the responsive actions associated with the implementation of a new marketing plan or the carrying out of necessary product/service modifications required by customers.

On the other hand, Deshpande *et al.* (1993) proposed a different and new approach to MO conceptualisation. They view the customer orientation through the part of a corporate culture. They argue that market orientation is synonymous with market orientation and proposed that customer orientation is the set of beliefs that puts the customer interest first rather than all other stakeholders such as owners, managers, and employees, in order to maintain a long term profitable enterprise. Their view is customer-centric and different from Narver and Slater's approach. However, the study presents some challenges. As such, focusing only on customers as one target of MO and not aiming to measure MO based exclusively on organisational beliefs and values can be misleading approach. Moreover, a scale reflecting simply intangible beliefs, embedded in an organisation, fails to represent the suitable actions that need to be taken in order to enhance an MO (Pulendran *et al.*, 2003). As a result, it could be concluded that this scale exhibits weak managerial implications for the practice of MO. Thus, this is explained by the fact that perceptions and beliefs are not tangible and could be interpreted differently. Accordingly, a market-oriented culture can achieve maximum effectiveness only if it is complemented by processes that operationalise cultural values (Deshpande and Webster, 1989; Narver and Slater, 1990).

In the mid-1990s, some authors outlined the outcomes of MO (Slater and Narver, 1994; Day, 1994; Gima, 1995) and examined the relationship between MO and

organisational performance (Jaworski and Kohli 1993; Slater and Narver 1994; Greenley, 1995). These studies exhibit some variations in their findings regarding the level and direction of the relationship between MO and organisational performance (Kirca et al., 2005). Although the predominant view supports the primacy of organisational performance as a consequence of implementing market-oriented behaviours (Jaworski and Kohli 1993; Slater and Narver 1994), other researchers reported a non-significant or even a negative correlation between the two concepts (Agarwal et al., 2003; Sandvik and Sandvik, 2003).

Parallel to the above discussion, the market orientation construct continues to receive criticism and commentary from some scholars. For example, some studies showed argued that, MO made managers see the world only through their current customers' eyes (Narver, Slater and MacLachlan, 2004). According to Christensen and Bower (1996, p. 198) "firms lose their position of industry leadership because they listen too carefully to their customers". This is a common theme among the criticisms: a penalty for being market oriented. However, some companies managed to get over the disadvantages of being market-oriented, because the concept of market orientation involves both responsive market orientation and proactive market orientation. Both forms involve expressed and latent needs of the customers. The first form *responsive* concentrates on the expressed needs and solution of the customer in which the customer is aware and expresses. The second form *proactive* refers to latent needs and solutions of which the customer is not aware. In other words, it involves the opportunities for customer value in which the customer is unaware (Narver, Slater and MacLachlan 2004). In general, consumers' expressed needs also known by the competitors can lead to aggressive price competition between the firm and its competitors in the attempt of creating superior value for customers. In order to avoid

such expected price competition, organisations need to find out the connection between the customers' expressed needs and their latent needs. Therefore, an organisation needs to exceed the expectations of their customers (Day, 1999). Until now, responsive market orientation has been focused almost solely on empirical analyses. However, proactive market orientation has received some theoretical comment in the analyses of market orientation (Kohli and Jaworski 1990; Narver and Slater 1990) but no systematic empirical analyses (Narver, Slater and MacLachlan 2004). The following section reviews the other perspectives of market orientation.

2.8 Other Perspectives of Market Orientation

There are other perspectives on market orientation: Firstly, Lafferty and Hult (2001) make three other attempts to explain MO. These are strategic perspective, decision making perspective and customer perspective and these perspectives share some primary assumptions of both behavioural and cultural perspectives of market orientation. Ruekert (1992) approaches market orientation from the organisational strategy perspective and integrates Kohli and Jaworski's behavioural and Narver Slater's cultural perspectives. He examines the relationships between the degree of market orientation from the organisational strategy perspective and organisational processes, individual attitudes and long run financial performance at the business unit level of analysis. In his proposed framework, he identifies the customer, what kind of strategic planning is needed to satisfy customer needs and wants and how an organisation can implement these strategies. Heiens (2000) put forward a two by two typology matrix as a pedagogical and heuristic tool for decision makers: customer focus and competitor focus. His proposed matrix includes four distinct approaches to market orientation: customer preoccupied, market warriors, strategically integrated,

and strategically inept. His argument is that these four distinct approaches lead to a different focus, for example if the market is stable, competitor focus is needed to increase market share. On the other hand, if the market is growing, customer focus is needed to enhance the market share.

Shapiro (1988) discusses the difference between being marketing oriented and market oriented. He considers being market oriented as the infusion of the 'knowledge of the trade' in all levels of the organisation. According to his study, all departments should be able to access market information and to make decisions, inter-divisionally. In a market driven organization, managers are committed to share information in order to make joint decisions. He proposed five questions for managers to ask themselves. "Are we easy to do business with? Do we keep our promises? Do we meet the standards set? Are we responsive? Do we work together? (p.125)" On the other hand, (Day, 1994) approaches market orientation from an organisational capabilities perspective. He argues that organisational capabilities are distributed in four categories in the organisation: the accumulation of employee knowledge and skills, knowledge embedded in technical systems, knowledge embedded in management and value and norms.

Homburg and Pflesser (2000) produced literature in the fields of organisational theory and marketing. They developed a multilayer model of market oriented organisational culture. They draw an explicit distinction between values that support market orientation and norms for market orientation, which indicates high and low market orientation and market-oriented behaviours. On the other hand, Noble, Sinha and Kumar (2002) investigate the cultural perspective through a longitudinal study. Their framework is similar to Narver and Slater's framework and they examine customer

orientation, competitor orientation, inter-functional coordination and additional orientations. Additional orientations include profit focus, long-term focus, private brand label brand focus, national brand focus, production orientation and selling orientation. Another study conducted by Kirca, Jayachandran and Bearden (2005) carry out a meta-analysis on papers based closely related to Kohli and Jaworski's MO model. However, additional constructs have been added in order to extend the dimensions of market orientation which in turn lead to several studies such as MO with innovativeness, MO with entrepreneurship and so on (e.g. Menguc and Auh, 2006; Modi, 2012). This produced a proliferation of market orientation empirical studies. The following section explains market orientation in the non-profit organisations using examples of empirical studies in the NPO sector.

2.9 The market orientation concept in the non-profit sector

As stated earlier, market orientation is a fundamental approach to understanding the markets (Narver and Slater, 1994). In this essence, it represents the implementation of a marketing concept (Kohli Jaworski, 1990) and is a cultural orientation (Slater and Narver, 1994; Deshpande and Webster, 1989) that focuses a firm's ability to understand the market and develop strategies in response to market opportunities and adapt to market conditions to meet competitive threats (Day 1993, 1994). Therefore, companies that possess the ability to learn rapidly about their markets and are capable of using this information on behalf of their organisation, can achieve competitive advantage over their rivals (Day, 1993, 1994; Slater and Narver, 1994, 1995; Vorhies et al., 1999). In order to deal with market events and trends, internal organisational processes need to be developed through formal and informal approaches to gather, analyse and disseminate the market information to develop appropriate strategic and

tactical responses that serve as the basis of competitive advantage (Day, 1994; Kohli and Jaworski, 1990). Therefore, drawing on marketing literature, MO enhances the accomplishment of competitive advantage by identifying customer needs and satisfaction through the development of a commercial offer, providing a higher added value to the market than competitors (Vazquez et al., 2002; Shoham *et al.*, 2006). Not only does it produce better results (Slatter and Narver, 1994) but it also acts as an element of interrelation with organisational performance (Kohli and Jaworski, 1990). Moreover, MO is the most effective cultural practice when creating the necessary organisational behaviour to provide greater customer satisfaction (Narver and Slater, 1990; Vazques *et al.*, 2002). Thus, the mainstream of academic publications have shown the positive effects of MO on organisational performance (Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Slater and Narver, 1994) and highlighted the adaptation of a market orientation and can be considered as an important tool for achieving competitive advantages (Kohli and Jaworski, 1990; Narver and Slater, 1990; Jaworski and Kohli, 1993; Macedo and Pinho, 2006).

However, the application of the marketing concept in the non-profit organisation context has not resulted in a proliferation of studies as happened in the for-profit context to enable NPOs to orient themselves to the market and implement the marketing concept effectively (Gonzales *et al.*, 2002). This is mainly related to the extensive unanimity of the applicability of the market orientation concept to the non-profit organisations (Drucker, 1990; Hannagan, 1992; Mcleish, 1995; Kotler and Andreasen, 1996; Sargeant, 2009). On the other hand, although there are some highly recommended empirical studies in the adaptation of MO in the NPOs (Balabanis *et al.*, 1997; Macedo and Pinho, 2006; Carmen and Jose; 2008; Modi; 2012), the number of studies in this context is significantly low. This may be the result of a lack

of appreciation or understanding of the relevance of market orientation in NPOs. However, not adapting MO in non-profit organisations often results in only partial success or total failure in delivering products and services (Modi, 2012).

Non-profit organisations have an important role in supplying products and services to society which are considered as vital (Kara et al, 2004) and these organisations' funding sources are mainly government and philanthropic organisations. However, over the past twenty years, these sources are not sufficient to achieve their goals and enable their survival for the benefit of society. They need to be more market oriented, to attract different sources of funding through their marketing activities to support their survival and enlarge their growth opportunities (Wrenn, 1997). Nevertheless, recently, although there is a significant increase in adapting business principles and practices among non-profit organisations to deal with this increasing demand, reduction in government funding and the competition to raise funds, it is still not as developed as in for-profit making businesses (Balabanis et al., 1997; Vazquez, et al., 2002; Padanyi and Gainer, 2004; Saymour *et al.*, 2006). In addition, the diverse changes in NPO environments and the need for better quality of services made it crucial for NPOs to adapt and implement the MO concept (McLeish, 2011).

2.10 Conceptual studies on Market Orientation in the Non-profit context

The concept of market orientation started in the non-profit marketing studies about the same time as the for-profit business studies but it did not develop as in the for-profit business sector. Wood and Bhuian (1993)'s research is one of the first studies for the conceptualisation of the MO concept in the non-profit sector. They followed Kohli and Jaworski framework and conceptual behavioural bases of MO. They

determined fourteen propositions for future researchers in the field of marketing management. They identified senior management characteristics, organisational characteristics and external factors as key determinants of MO which subsequently affects non-profit performance. These prepositions were tested by a later study in the hospital sector based on two constituents, donors and patients. In this study, they proposed that decisions makers in hospitals can create a market orientation by concentrating on specific organisational and senior management characteristics and adapting to certain external factors (Wood, Bhuian and Kiecker, 2000). They found positive relationships between these prepositions. Liao, Foreman and Sargeant (2001) argued that the MO construct represents the operationalisation of the marketing concept in the for-profit sector and the adaptation of the MO concept disregards the societal dimensions in the non-profit organisation context. As a result, they suggested a *societal orientation* instead of MO construct which has more applicable elements for NPOs such as stakeholder orientation, competitor orientation, collaborative orientation and inter-functional co-ordination. They emphasised that societal orientation constructs would have considerably more meaning for non-profit organisations and provide a more comprehensive operationalisation of the marketing concept in this sector. A year later, these authors (2002) developed antecedents and consequences of societal orientation from qualitative research based on the propositions they have proposed in 2001. Gonzalez, Vijande and Casielles (2002) delimit the market orientation context in the private non-profit organisation context and proposed to examine the meaning of market orientation from a dual perspective: as an organisational philosophy and culture, and as an organisational behaviour. Their argument is based on a constituency based approach and they replaced traditional market orientation components with competitor orientation, environment orientation

and beneficiary/donor orientation. They also recommended that the market orientation in a private non-profit organisation, both from a cultural and behavioural perspective results in a higher fulfilment of its organisational mission. The summary of the conceptual studies are shown in following table 2.4.

Table 2.4: The summary of conceptual studies of market orientation in NPOs

Authors	Domain of the study	Conceptualisation of MO	Key Contributions by market orientation
Wood and Bhuian (1993)	Non-profit organisations	Kohli and Jaworski framework followed	14 propositions were outlined for the conceptualisation of MO in the non-profit context. These propositions stimulated further research in MO conceptualisation.
Liao, Foreman and Sargeant(2001)	Non-profit organisations	Theoretical argument about Societal orientation against MO	They developed various dimensions of their new construct 'societal orientation'
Liao, Foreman and Sargeant(2002)	Non-profit organisations	Operationalization of 'societal orientation'	Developed antecedents and consequences of 'societal orientation' from qualitative research based on the propositions proposed in their study 2001.
Gonzalez, Vijande and Casielles (2002)	Private Non-profit organisations	Examine the meaning of MO from a dual perspective: as an organisational philosophy and culture and as an organisational behaviour	Divided customer orientation into beneficiary and donor orientations

Source: Developed by the author from the literature review

2.11 Empirical studies on Market Orientation in the Non-profit context

In the behavioural perspective, Raju et al (1995) examined executive perceptions toward MO and performance in the hospital industry. They used the MARKOR scale as an empirical measure in assessing a hospital's market orientation in four areas: gathering information, improving customer satisfaction, responding to customer needs, and reacting to competitors' actions. They examined three different performance measures: financial performance, market/product development and internal quality. The result of the study showed that executive perceptions toward MO are different within the same hospital.

Balabanis, Stables and Phillips (1997) measured the degree of the adaptation of MO in the top 200 British charities. They used the MARKOR scale to examine the effects of organisational size and departmentalisation on market orientation and the impact of market orientation on performance of donor market is analysed. Their results suggested that the level of donor-market orientation is still comparatively low although it has significantly increased. They added that this is based on recent developments in the non-profit operating environment such as the increased number of charities and decline in their income. Also they found that larger organisations are more reluctant or less able to become market oriented. They argued that this is because larger organisations have large numbers of internal and external stakeholders which make organisation-wide co-ordination and responsiveness problematic and slow. Finally, their results revealed that the level of present donor-market orientation has no impact on charities performance. Bennett (1998) investigates market orientation among small to medium sized UK charitable organisations (SMC) with their fundraising performance. His study adapted the MARKOR scale as a measure in

three major dimensions of MO: donor orientation, competitor orientation, and influence of marketing personnel. Results from this study showed that many SMCs possess a fair degree of MO and marketing personnel are highly influential in SMCs decision making. In these type of organisations, he indicated that market information is widely disseminated within the organisation and their managers seemingly monitor other charities fundraising activities (competitor orientation). He also mentioned that donor orientation is an important dimension of SMC market orientation. Overall, his results suggests that the importance of effective marketing is widely recognised by smaller UK charities.

Voss and Voss (2000) follow Gatingnon and Xuereb's (1997) framework which is the conceptualisation of market orientation developed by Narver Slater (1990) and Kohli, Jaworski and Kumar (1993). They examine the impact of three alternative strategic orientations, customer orientation, competitor orientation, and product orientation, on a variety of subjective and objective measures of performance in the non-profit professional theatre industry. The results indicate that the relationship between strategic orientation and performance varies depending on the type of performance measure used. Their study found that customer orientation exhibits a negative association with subscriber's ticket sales, total income, and net surplus/deficit. Raju et al (2000) investigated the relationship between the market orientation and organisational performance in the hospital sector. They combined the Narver and Slater and the Kohli and Jaworski framework to conceptualise these multi-dimensional constructs and Structural Equation Modelling (SEM) is used to examine this relationship. This study results confirm the multi-dimensional characteristics of both market orientation and performance and the strong relationship between these constructs. They found out that this relationship is stronger for small hospitals than

the larger hospitals. Vazquez, Alvarez and Santos (2002) studied market orientation in Spanish non-profit organisations by using the Kohli and Jaworski framework. They developed constructs and measures by adapting the MARKOR scale for both beneficiaries and donors market. Their study revealed that MO requires the integrated, internally coordinated development of three types of behaviour: intelligence generation, intelligence dissemination and responsiveness on beneficiary and donor markets in order to accomplish organisation's mission. Moreover, they found positive effects of MO on the Spanish NPO performance.

Gainer and Padanyi (2002) examine the market orientation concept in the context of non-profit arts and cultural organisations in Canada through an analysis of the relationship between market orientation and organisational performance. They combined both behavioural and cultural constructs of MO and for the performance measurements this paper examined growth in customer satisfaction and reputation which impacts on growth in resources. They found out the relationship between market-oriented activities and performance is influenced by market-oriented culture. In other words, those organisations that implemented more market-driven activities into their marketing plans were more likely to develop a market-oriented internal culture which in turn enabled those organisations to not only predict a growth in their resources and high levels of customer satisfaction but also achieve a growth in reputation among peers. Kara, Spillan and DeShields Jr (2004) employed the MARKOR scale and tested it with directors of non-profit organisations in the US. They used a structural equation model to show the impact of market orientation on performance. Their research results indicated that the MARKOR scale provided a good measure of MO. The model of the relationships between MO and the

performance of a non-profit organisation supported the theory and they found positive relationship between research constructs.

Padanyi and Gainer (2004 & 2005) developed a broad measure of market orientation to demonstrate that multiple constituencies exist in the non-profit organisation context. Their study investigates MO towards client/customer and government funder markets in multiple non-profit sectors. They analysed data using structural equation modelling to confirm that non-profit organisations hold multiple orientations. These orientations are independent constructs that vary significantly across the organisation and those orientations towards different markets impact on different performance dimensions. Likewise, they argued that different resource structures affect MO and performance relationships differently. In addition to that, results indicate that the implementation of the marketing concept provides different benefits in the non-profit and for-profit sectors. Shoham et al., (2006) conducted a meta-analysis study to assess the market orientation in the voluntary and non-profit organisation sector. This study focused on eleven empirical studies and found that within these studies average market orientation and performance relationship is generally positive in all cases across studies. Most of the studies which adapted Kohli and Jaworski's framework reported high correlations between MO and organisational performance.

Seymour, Gilbert and Kolsaker (2006) explore the relationship between MO, organisational size and performance in English and Welsh charitable organisations. Their result showed a relatively high level of market orientation among larger charitable organisations. Also, a positive correlation emerged between MO and performance with an observed tendency towards customer rather than competitor orientation although both elements of market orientation appear to be related to

performance. Similarly, in a study of Portuguese NPOs, Macedo and Pinho (2006) examine the relationship between revenue strategy and organisation's market orientation towards donors and/users. They follow the Kohli and Jaworski MO framework and developed constructs by adapting the MARKOR scale. Their results emphasise that Portuguese NPOs are more market-oriented for users/beneficiaries than donors, revealing a less proactive behaviour in relation to their donors when compared to users.

Camarero and Garrido (2008) investigate the role of technological and organisational innovation in the relation between market orientation and performances in cultural organisations. Their model empirically tested using data collected 276 museums (135 Spanish and 141 French). They used structural modelling and their results indicated that museums managers should include technological and organisational innovation in models of market orientation to enhance the explanations of the economic and social performance. The results of the study indicated that innovation is important mediator. Modi (2012) proposed the links between MO, innovativeness, resource scarcity, funding source, and performance. They collected empirical data from 579 NPOs in India. The study showed that MO does not help in attracting resources in India and also the results indicated that resource scarcity and funding sources do not moderate the MO and performance relationship. The following Table 2.5, provides the summary of the major contributions to the literature of MO in the non-profit sector. These studies are reviewed more thoroughly in the subsequent sections.

Table 2.5: The summary of empirical studies of market orientation in NPOs

Authors	Domain of the study	Argument	Key Contributions by market orientation
Raju et al.,(1995)	Hospital Industry	Follow MARKOR scale with three different performance measures	Managerial perceptions toward MO are different within the same hospital.
Balabanis et al., (1997)	Top 200 British Charity Organisations	Used MARKOR Scale in donor MO	Two main factors used to determine the relationship between MO and performance in donor market: organisational size, departmentalisation
Bannett (1998)	Small and Medium sized charity organisations	Used MARKOR scale in fund-raising MO	Three major dimensions of MO identified: donor orientation, competitor orientation, and 'influence of marketing personnel'.
Wood, Bhuian and Kiecker (2000)	Hospitals	Follow Kohli and Jaworski framework related to hospitals and adapted MARKOR scale	Out of 238 observations from a national survey, 14 propositions were outlined for two markets of hospitals: patients and donors
Voss and Voss (2000)	US Theatres	Follow Gatignon and Xuerebs framework	Examine three strategic orientations with a variety of subjective and objective measures of performance. Customer orientation shows a negative relationship with subscriber ticket sales, total income and net surplus/deficit.
Raju et al., (2000)	Hospital industry	Follow the combination of Narver and Slater and the Kohli and Jaworski framework	Examine the differences between large and small hospitals in terms of their MO, performance and the relationship between these constructs.
Vazquez, Alvarez and Santos(2002)	Private Spanish Foundations	Follow Kohli and Jaworski framework to develop constructs and	Positive effects of MO on the Spanish non-profit performance and achievement of organisation's mission.

Authors	Domain of the study	Argument	Key Contributions by market orientation
		measures by adapting MARKOR scale for both beneficiaries and donors market.	
Gainer and Padanyi (2002)	Non-profit arts and cultural organisations	They incorporate two separate and distinct causality related components of MO: market-oriented activities and market-oriented culture.	Found the relationship between market-oriented activities and performance is intervened by market oriented culture.
Kara, Spillan and DeShields Jr.(2004)	Non-profit organisations	Tested MARKOR Scale with directors of non-profit organisations.	They found positive relationship between MO and organisational performance
Padanyi and Gainer (2004)	Non-profit organisations in Canada	Follow both Kohli & Jaworski and Narver & Slater frameworks. Argument about ignoring the multiple constituencies and multiple performance dimensions in the NPO	They proposed that orientations towards different markets impact different performance dimensions. Also, different resource structures affect MO and performance relationships differently.
Gainer and Padanti (2005)	Non-profit organisations	Studied alternative models by combining cultural and behavioural aspects of MO	Found positive relationship between market-oriented behaviours and organisational performance is influenced by market-oriented culture
Shoham et al., (2006)	Meta-analysis on Voluntary and non-profit organisations	Studied MO and performance relationship within 11 empirical studies	They compare the NPO sector findings with for-profit sector and they found the MO-performance relationship stronger in NPO than for-profit sector.
Seymour,	English and	Follow Harrison-	The relationship between

Authors	Domain of the study	Argument	Key Contributions by market orientation
Gilbert and Kolsaker (2006)	Welsh Charity organisations	Walker's MO framework	MO, size and performance. Larger organisations are relatively more market oriented. Also, customer orientation receives higher attention than competitor orientation.
Macedo and Pinho (2006)	Portuguese non-profit organisations	Follow Kohli and Jaworski framework and adapted MARKOR scale to examine the relationship between revenue strategy and MO towards donors and users/beneficiaries	Results show that Portuguese NPOs are more market-oriented for users than for donors.
Camarero, and Garrido (2008)	Cultural organisations	Followed the meta-analysis carried out by Shoham	They found the innovation is an important mediator in museums' performance
Modi (2012)	NPOs in India	Adapted Narver and Slater model	Indicates that resource scarcity and funding sources do not moderate the MO and performance relationship

Source: Developed by the author from the literature review

Although there has been significant research studying market orientation and organisational performance in the profit sector (Kara et al., 2004), the studies on market orientation, and marketing capabilities in this sector have been limited in the UK. However, the necessity of understanding these concepts are crucial in NPOs sector to implement effective marketing strategies in order to grasp opportunities related to fund-raising, commercial trading activities, the acquisition of volunteers, collaboration with for-profit businesses in the market (Liu et al., 2013). Consequently, this research aims to explore marketing capabilities and market orientation concepts in NPOs and propose that these concepts are appropriate,

applicable and adaptive to NPOs and could enable them to gain competitive advantage in the market.

2.12 Performance Measurements of Non-profits

Performance measurement is one of the most widely researched areas, but still embraces big issues in the non-profit sector (Anthony and Young, 2003). The measurement of performance outcomes are wide-ranging and no single indicator or construct defines or dominates the field. Therefore, all of the performance measures are either reflective of how the organisation views itself internally or against the competition. Thus, performance measurement refers to the process of defining, observing, and using different kinds of measures, such as effectiveness, operating efficiency, productivity, service quality, customer satisfaction, and cost-effectiveness in order to inform managers *how things stand* along the way so that they can act accordingly to maintain or improve organisation's objectives (Poister, 2003).

Organisational performance studies describe performance as a dependent variable in the literature (March and Sutton, 1997) and measurements are vital ingredients of human understanding (Marr, 2009). Indeed, performance measurement aims to produce objective and relevant information on organisational performance that can enable the management to strengthen in order to take effective decisions, achieve organisational objectives and improve overall performance and accountability (Poister, 2003). However, measuring organisational performance in NPOs is one of the most widely researched, yet most controversial areas because there has been a lack of consensus regarding the conceptualisation and operationalisation of organisational performance. Thus, the measurement of non-profit performance

outcomes has varied widely, and no single indicator or construct definition dominates the field (Zuluaga and Schneider, 2008).

Organisational performance is related to performance indicators of organisations operating in the market. In the NPO context however, it is widely recognised that the appropriate measure of performance is not clear. However, drawing from the for-profit organisational performance measures, financial measures of a firm encompass *profit*, and *sales* dimensions. Nevertheless, the profit dimension is argued to be inappropriate in the non-profit context. This is because NPOs do not involve profit-maximisation which characterise most businesses (Henderson *et al.*, 2002). Nevertheless, NPOs do seek a surplus of revenues over their costs. The profit-maximising assumption of business is replaced by *funds surplus to costs* wisdom in the non-profit context (Marr, 2009). These funds are retained by NPOs and reinvested in future growth. In summary, it can be inferred that profitability indicators of performance are unsuitable for the NPO context. In the same line of arguments, sales as a common measure of performance cannot be used for non-profits. Hence, Wood and Bhuian (1993) advocate substituting the sales dimension in not-for-profit organisations with indicators in terms of revenues. Measures associated with revenues which have been widely used in NPOs are resource acquisition, fee for services, donations and fundraising which are indicating an important measure of success in the NPOs (Chad, Kyriazis and Motion, 2013). Thus, the revenues generated from resource acquisition, fees for services, donations and fundraising are discussed as representing economic indicators of the NPOs (Froelich, 1999).

Moreover, it is difficult to measure performance in the non-profit sector because business performance measures do not apply for most non-profit organisations. In a

for-profit company, decisions made by the management are intended to increase profits and the success is measured by the amount of the profit organisation earns (Anthony and Young, 2003). In other words, 'the bottom line' performance measurement technique which measures the profit or loss in the profit sector indicates the performance in terms of achieving the organisation's goals and generating profit to its owners (Henderson et., al, 2002). By contrast, in a non-profit organisations, goods and services are usually free of charge. The decisions made by the management are intended to produce the best possible service with the available resources and the success is measured by how much service the organisation delivers and how well they are delivered (Anthony and Young, 2003). Moreover, service is a more inexplicit and less measurable concept than profit and it is more difficult to make definite choices among alternative courses of action in these organisations. For example the relationships between service cost and the amount of benefits usually are hard to measure. Regardless of these complication, management should find ways to assure that resources are used efficiently and effectively (Anthony and Young, 2003).

Generally, the most used performance measurements in the profit oriented organisations are financial ones such as net profit or stock market price. However, difficulty of measuring performance in non-profit sector has long been recognized, because their objectives are more complex and success and failure cannot be measured by financial terms but rather their organisational mission. Different scholars tried to explain how NPO performance indicators differ from each other as each NPO has different goals. For example, some NPOs focus on the maximization of certain types of inputs rather than inputs, or may other maximize revenues. On the other hand some others can focus on lobbying societal issues or aiming at a maximum political impact (Zuluaga and Schneider, 2008). The use of single/financial measure has thus

seemed inappropriate for non-profit organisations. Kanter and Summers (1987) proposed some issues with performance measurement in non-profit organisations: firstly, they often provide service rather than tangible goods which is hard to measure; secondly, they have multiple stakeholders, for example performance measurements in relation to customers are not sufficient because non-profits usually receive support from other sources and thirdly, both resource attraction and allocation should be considered which is very difficult to measure. The ideal performance measurement in non-profit organisation would accept the existence of multiple constituencies and try to build a measurement around them (Kanter and Summers, 1987; Zuluaga and Schneider, 2008). In sum, measuring the organisational performance should address how effectively and efficiently they meet the needs of their constituencies, both internal and external (Kaplan 2001).

In business marketing literature, different empirical studies found different results for this relationship and the results vary according to how organisational performance is defined (ROI, sales, market share, cost efficiencies, etc.); what type of measures are used (judgmental or objective); and what organisational context are examined (industrial markets, small businesses, manufacturing firms, etc.,) but yet, there is no theoretical foundation for the combination of the different dimensions of performance in a single aggregated measure (Jaworski and Kohli, 1993). From this perspective, this background of mixed results across different performance variables suggests that multiple measures of organisational performance are appropriate in organisational studies. In addition, the literature on the measurement of organisational performance in the non-profit sector suggest that NPOs have multiple goals and it is beneficial to include a variety of performance measurements (Voss and Voss, 2000; Gainer and Padanyi, 2002, 2004; Duque-Zuluaga and Schneider, 2008; Camarero and Garrido;

2009; Liu *et al.*, 2013). This implies the possibility of focusing on different dimensions of performance separately (Gainer and Padanyi, 2004). Therefore, this research proposes a multidimensional performance construct.

There are different forms of measuring organisation performance. The commonly used forms are financial versus non-financial measures which can be also be refereed as objective versus subjective measures (Poister, 2003). Financial measures are generally associated with objective terms and include numeric indicators of performance whereas non-financial indicators of performance measurements are more subjective.

However, the choice of the suitable non-financial performance measures depend on contextual factors. In the view of this study, the parties interested in organisational performance evaluation are the marketing managers and/executives at NPOs. As managers' perceptions are important, their decision can be considered as an indicator of organisational performance. Based on previous studies (Camarero and Garrido 2008, Modi, 2012) advocating the use of the social and economic performances, this study includes managers' evaluation in this study. This present study considers two types of performance measures: economic and social. The economic performance measures include the funding attractions and economic performance. The funding attractions are private funding (individuals), corporate funding (business sponsorship), institutional funding (foundations), and government funding and commercial activities (Froelich 1999). The economic performance measures are business profitability, achieving financial goals, job creation, and increase in number of beneficiaries/donors and reaching the activities nationwide/internationally. For the social performance measures, the social mission achievement, increase in the number

of volunteer and awareness of its goals in the society are considered. This study used subjective ratings to measure performance measures.

2.13 Summary

This chapter presented the contextual background defining non-profit organisation sector as a marketable business. In this respect, providing health, education, social benefits to many disadvantaged people, providing animal welfare and providing aid for environmental disasters are the main services of these organisations. An examination of the development of non-profit marketing was presented subsequently. In order to examine the marketing capabilities and market orientation of NPOs, theories on the marketing are used as a foundation for these concepts. Then, a modest literature on non-profit marketing in NPOs was reviewed. This reveals a number of gaps in the non-profit marketing. Specifically, the marketing of non-profit marketing literature overlooked for the examination of filling the gap in NPO sector. This is the implementation of marketing capabilities and the associated concept of market orientation in NPOs.

Before addressing the gaps identified in this chapter, it is necessary to explain the theories and models supporting the concepts of marketing capabilities and market orientation and their relationships with the NPO's performance in the next chapter. This will represent a theoretical background to the investigation of the same concepts in the NPO sector (Chapter 3).

CHAPTER 3: THEORETICAL UNDERPINNINGS AND CONCEPTUAL MODEL

3.1 Introduction

This chapter explores the gaps which the literature review points out as an opportunity for the further development of this research. In essence, there is a lack of research which examines the implementation of marketing capabilities in the non-profit organisation context although the importance of this construct is shaping the direction of the non-profit marketing. Therefore, this chapter examines a model of MC and MO in NPOs, based on the theory of resource-based view (RBV) and the relationship between the organisational performance literatures. Furthermore, the theoretical ideas in relation to RBV with the research constructs are discussed from the marketing literature in order to bridge the gap. In addition, the research constructs and their association with the organisational performance and their hypothesized relationships were explained.

3.2 Capabilities of non-profit organisations

In order to understand marketing capabilities, it is essential to understand identifying capabilities in the organisation (Vorhies *et al.*, 1999; Chang *et al.*, 2009). The concept of capabilities is not a new phenomenon. Achieving capabilities or competences in an organisation's strategy has dated from the study of Selznick (1957) and Penrose (1959). Later they have been recognised as an important feature of strength and weakness components of the early business policy frameworks (Learned *et al.*, 1969). Although these early studies provide useful insights into business strategy, they were lacking in theoretical understandings and explanations (Day 1994). However, they are significant because they build the first milestones and explore the necessity of

understanding capabilities to gain competitive advantage in the market place. Thus, capabilities start to be seen as the ability of the business/organisation to deploy existing resources in such combinations that would lead to a desired outcome (Dutta, Narasimhan and Rajiv, 1999). More specifically, according to Day (1994, p.38) “capabilities are the glue that brings these assets together and enables them to be deployed advantageously”. Additionally, capability is a routine and/or collection of routines which utilises the inputs to accomplish a maximum output. They are not tangible and cannot be transferred easily. They cannot be given a monetary value and they are so embedded in the organisational routines and practices that they cannot be traded or imitated (Day, 1994). In order to develop routines and deal with the changing market conditions, the non-profit organisations need to develop effective sets of skills (i.e. capabilities) to become more proficient in deploying specific organisational resources and achieving competitive advantages.

Since the study of Day (1994), the critical role of capabilities in a firm’s attempt to achieve competitive advantage and superior performance, was viewed by researchers as a constructive extension of the resource-based view of the firm. Therefore, the deployment of particular organisational resources need to be developed by an organisation in order to correspond with capabilities such as the ability to integrate, build, and reconfigure internal and external competences to meet the changing market environment (Teece, *et al.*, 1997; Liu and Ko, 2011). In this manner, according to Amit and Schoemaker (1993:359) capabilities are referred to as “a firm’s capacity to deploy resources, usually in combination, using the firm’s processes, to affect a desired end”. Similarly, Day (1994:38) explains capabilities as “complex bundles of skills and accumulated knowledge, exercised through organisational processes that enable firms to coordinate activities and make use of their assets”. Moreover, Winter

(2003:3) explains capability in a broader concept of organisational routine and defines it as “An organisational capability is a high level routine (or collection of routines) that, together with its implementing input flows, confers upon an organisation’s management a set of decision options for producing significant outputs of a particular type”.

More specifically, an organisational capability is “a firm’s ability to perform repeatedly a productive task which relates either directly or indirectly to a firm’s capacity for creating value through effecting the transformation of inputs to outputs” (Grant 1996, p. 377). Therefore, capabilities in NPOs can be defined as the collective learning skills and accumulated knowledge, especially of how to coordinate diverse NPO skills and integrate multiple streams of resources to meet the changing marketing environment. This knowledge comes from dealing with contingencies and leads to the improved routines that in effect develop the capabilities. These capabilities are typically developed through organisational processes that enable firms to coordinate activities and make use of their assets. In fact, this could imply that the development of the some of the capabilities (i.e. marketing capabilities) in NPOs enable them to be better equipped to respond to market requirements and anticipate changing conditions and gain long-run competitive advantage. As mentioned previously, capabilities can be viewed at the different levels or departments of the firm and different capabilities need different financial and managerial costs to provide different benefits (Ethiraj et al., 2005). In this essence, capabilities related to market resources are generally linked to the marketing function and are named as marketing capabilities (Morgan, Vorhies and Mason, 2009; Dutta, Zbaracki, and Bergen, 2003). These capabilities can be viewed as internal processes which enable organisations to be more market-driven in the competitive market environment. Marketing capabilities

are viewed in the literature as important market-relating mechanisms by which superior market knowledge can be deployed in order to generate economic rents (Madhavan and Grover; 1998; Morgan et al., 2009). As such, marketing capabilities are developed in the organisations when the marketing employees repeatedly share their knowledge and skills in order to solve the marketing problems in the organisations (Day, 1994; Vorhies et al., 1999). Therefore, this indicates that it is necessary for non-profit organisations to develop their marketing capabilities in order to be more market-oriented so that they can achieve their organisational objectives in the competitive market environment.

3.3 Resource-Based View Theory and Capabilities

The concept of capabilities fits well with the premise of the resource-based-view of organisations and since 1980s and 1990s, this theory is seen as a source for the competitive advantage of a firm, especially after the major works published by Wernerfelt (1984), Barney (1991) and Prahalad and Hamel (1999).

The RBV theory develops from two main assumptions in which there is heterogeneity of organisations and their resources are immobile. The connection of heterogeneity would coincide with the notion of different capabilities and resources occurs across organisations which creates different resource and capability sets in a multitude of combinations. Because of the uniqueness of these resource and capability sets, immobility refers or represents that no two organisational structures would be identical in formation, nor would the resources be allocated in a same way.

These resources and capabilities are rare, valuable, inimitable and non-substitutable and enable the organisation to have competitive advantage over time (Barney, 1991). RBV asserts that organizations gain and sustain a competitive advantage by

deploying valuable resources and capabilities that are inelastic in supply (Wernerfelt, 1984; Barney, 1986, 1991) which allows an organisation to manipulate these capabilities and resources to their advantage. Moreover, the followers of RBV argue that organisations should look inside the organisation to find out these resources and capabilities rather than looking at the competitive environment to gain competitive advantage (Wernerfelt, 1994, 1995; Prahalad and Hamel (1999). Consequently, this would lead to the conclusion that not all organisations will have a constant competitive advantage, except the ones which are able to combine different organisational resources and capability sets. Managers of NPOs, therefore, acquire and develop capabilities which are unique to their organisation in order to deploy market-based resources to respond to the changing market conditions.

RBV views a firm as a bundle of resources and capabilities (Wernerfelt, 1984), and organisational resources are available stocks of factors which are owned or controlled by the firm (Amit and Schoemaker 1993). On one hand, these resources consist of tangible components such as financial and physical assets (i.e. property, plant and equipment) and intangible components such as human capital, patent and technology knowhow (Grant, 1991; Amit and Schoemaker, 1993). On the other hand, capability is defined as the ability of the firm to use its resources in an effective way to get a better outcome than its competitor's (Amit and Schoemaker, 1993). As mentioned previously, RBV states that organisations have different types of resources and varying levels of capabilities. Therefore, an organisation's survival in the market depends on its ability to create new resources, develop new capabilities and make its capabilities more inimitable to achieve competitive advantage (Day and Wensley, 1988; Peteraf, 1993). Thus, possessing superior resources alone cannot achieve competitive advantage for the firm but it matters how a firm deploys its rare

resources, combines its capabilities to best use, invests and complements its existing capabilities infrastructure in order to bring innovatively and exclusiveness to its resource-capability framework (Song et al., 2007; Nath et al., 2010).

Nevertheless, in recent decades, the RBV has been criticised for failing to explain why certain organisations face economic challenges although they are possessing abundant resources (Morgan, Vorhies and Mason, 2009; Liu, Eng Tekeda, 2013). As such, Barney (1995) explains that the possession of resources alone is insufficient to guarantee organisational success because these resources are not productive themselves and those resources are only produce value only if the organisation has the ability to accumulate, integrate and manage them effectively to result superior performance. Especially, an organisation's capability to use resources is equally important to its possession of them in order to generate a competitive advantage (Liu, Eng Tekeda, 2013).

Furrer *et al.*, (2008) emphasise the importance of RBV in relation to organisational resources and their effects on performance. Indeed, if the organisation's resources are superior or unique, they enable the organisation to lower prices or produce better products/services than the rivals (Fahy, 2000). These resources primarily lie within the application of a bundle of valuable tangible or intangible assets, or capabilities of individuals or groups which are deeply embedded in the organisational process and are difficult to replicate (Amit and Schoemaker, 1993; Wernerfelt, 1995). Additionally, in the marketing literature, there has been a wide use of the RBV framework to analyse firm's performances (Dutta *et al.*, 1999). The RBV framework also enables the researcher to understand the relationship between marketing and other functional capabilities and their effects on performance (Song *et al.*, 2007) and

the relationship between inter-organisational performance (Yu, Ramanathan and Nath, 2014). The results suggest that there is a significant relationship between capabilities and performance (Nath *et al.*, 2010) so in this present study, the researcher used a resource-capability conceptual framework to examine the research constructs' (i.e. marketing capabilities and market orientation) relationship and their effects on the organisation performance.

Based on the above discussion, the following section describes the conceptual framework development on the basis of RBV theory and associated hypotheses investigated in the research questions, including relationships between marketing capabilities, market orientations and different types of organisational performance. The proposed conceptual framework is developed based on marketing and strategic marketing literatures that emphasize the need to complement marketing capabilities and market orientation with different types of organisational performance. Furthermore, it explains the crucial role of marketing capabilities to act as an effective positioning mechanism, facilitating the link between market orientation and performance.

3.4 Marketing Capabilities and Performance

The fundamental principle of RBV is characterised in a firm as a bundle of resources and capabilities that are difficult to imitate or transfer (Dutta *et al.*, 1999) and they lead the organisation to sustain competitive advantage and produce a superior performance in the market place. RBV theory proposes that each organisation has a distinctive set of resources and capabilities and some of the capabilities can have a more significant impact on organisational performance (Song *et al.*, 2007; Nath *et al.*, 2010). However, as stated earlier, the possession of these resources and capabilities

alone is not sufficient and if an organisation needs an ability to convert these resources and capabilities into valuable, inimitable and/ non-substitutable practices, then a competitive advantage is gained over time over rivals in the market (Barney, 1991). In fact, capabilities contain complex coordinated patterns of skills and knowledge which become embedded as organisational routines over time (Day, 1993; Grant 1996). However, implementing these capabilities into market conditions is as important as possessing them, in order to generate a competitive advantage in the market.

Capabilities are the glue that brings resources and enables them to be deployed advantageously in the organisation (Day, 1994). Moreover, capabilities are powerful when they combine and transform available resources into new and different ways in order to implement new strategies to respond changing market conditions (Teece et al., 1997). Indeed, capabilities which are relating to the market resource deployment are associated with the marketing function of the organisation (Dutta et al., 2003; Morgan et al., 2009). From this perspective, the concept of marketing capability fits well with the principle of the resource-based view theory as well as having a mutual emphasis upon leveraging resources in order to create and sustain value for organisation's stakeholders (Srivastava et al., 2001). Therefore, the present research emphasis that marketing capabilities enable non-profit organisations to become more effective by applying marketing concepts and deploying market-based resources are vital for their success in the market place. As such, marketing capabilities are the integrative process of applying the collective organisational knowledge, skills and resources to market-related needs and enable an organisation to add value to its products/services to meet the customers' needs as well as to respond the changing market environment (Morgan et al., 2009; Murray et al., 2011; Liu et al., 2013).

RBV constitutes one of the most widely used theoretical lenses in the study of marketing and strategic concept. In addition, a RBV is very appropriate theory in relation to capabilities because it asserts that organisations gain and sustain a competitive advantage by deploying valuable resources and capabilities that are inelastic in supply (Wenerfelt, 1984; Barney 1986, 1991, Morgan *et al.*, 2009). However, based upon the literature, if a firm possesses valuable, rare, inimitable and non-substitutable resources it may also require complementary capabilities (i.e. marketing capabilities) in order to be able to deploy available resources to meet the market conditions for a superior performance (Helfat, 1997, Morgan, Vorhies and Mason, 2009). From this perspective, the researcher explains a more indepth level of analysis of the formal and relational aspects of RBV view from the marketing perspective in the non-profit context in relation to marketing capabilities and market orientation.

In the conceptual framework, the researcher considers how a non-profit organisation exploits its critical capabilities in marketing in order to achieve a superior performance in the market. According to RBV, organisations gain and sustain competitive advantage by deploying valuable resources and capabilities that are at the organisational disposal (Barney, 1991; Liu et al., 2013). In the NPO context, market-based resources and capabilities such as fund-raising activities (i.e. attracting more donors), commercial trading activities, the acquisition of volunteers, collaboration with for-profit businesses and so on can provide opportunities for a NPO to be competitive at the market place (Liu et al., 2013). RBV posits that as firms diversify within the possession of market-based resources and capabilities, NPOs can obtain superior performance and competitive advantage through developing their marketing capabilities. In fact, marketing capability involves the integration of all marketing

activities of a NPO, using superior market knowledge from clients and donors. According to RBV, a coordinated effort by the NPO to achieve marketing capabilities as an immovable and inimitable marketing skills mechanism, can enable NPOs to achieve competitive advantage and the desired performance (Day, 1994; Morgan *et al.*, 2009; Liu *et al.*, 2013).

Marketing capabilities are defined as the integrative process designed by the organisation to collect knowledge, skills, and resources in order to meet the market-related needs of the organisation and also to add value to its goods and services to meet the competitive demands (Vorhies, Harker and Rao (1999). From this viewpoint, a NPO develops its marketing capabilities when it combines its individual skills and knowledge of its employees along with the available resources (Vorhies and Morgan, 2005). Therefore, a NPO that spends more resources interacting with its clients/donors can enhance its marketing sensing abilities (Fortenberry, 2013). Such capabilities are difficult to build but once they are built, and they are considered to be an important source to enhance the competitive advantage of the NPOs (Day, 1994).

The role of marketing capabilities and their impact on firm's performance have been an attractive area of research in marketing discipline, especially in for-profit businesses (Morgan *et al.*, 2009; Eng and Spickett-Jones, 2009). As such, if successfully focused through an appropriate set of business strategies, a firm with superior marketing capabilities would be expected to achieve a competitive advantage resulting in better performance (Day, 1994; Vorhies *et al.*, 1999). Moreover, marketing literature suggests that when firms use their marketing capabilities to transform resources into outputs, there is a positive link with their business performance (Vorhies and Morgan, 2003, 2005). Thus, prior empirical studies have

demonstrated the extent to which marketing capabilities serve as drivers that lead different performances among companies. For example, Dutta, *et al.*, (1999) indicated that marketing capability has greatest impact on the innovative output for firms that have a strong technological base. Vorhies and Morgan (2005) explore benchmarking marketing capabilities for sustainable competitive advantage and found that the development of marketing capabilities improves customer satisfaction, market effectiveness and profitability. Eng and Spickett-Jones (2009) investigate marketing capabilities and performance in the Chinese manufacturing industry and found that the development of marketing capabilities impacts on the success of the number of the intellectual property rights for patent products, the number of new product releases, the return on investment and the initial public offerings in raising capital. Chang *et al.*, (2010) examine the mediating role of marketing capability between customer relationship management technology (CRM) and organisational performance. This study shows that marketing capability mediates the association between CRM technology use and organisational performance. In other words, CRM technology use leads to improved marketing capability and in turn enhanced organisational performance. As stated through examples from the literature, within marketing literatures, marketing-related capabilities are expected to be key drivers of a firm's performance (Day, 1994; Slotegraaf and Dickson, 2004; Vorhies and Morgan, 2003, 2005; Eng and Spickett-Jones 2009). From this perspective, the researcher believes that NPOs with superior marketing capability exhibit characteristics that allow them to enjoy superior performance and sustain competitive advantage. In the context of non-profit organisations, the researcher proposed that in order to achieve both economic and social objectives, NPOs must be capable of deploying market-based resources to grasp opportunities in the market, develop and

deliver their marketing activities effectively and communicate their benefits to society. Therefore, NPOs may need the development of their marketing capabilities to enhance both economic and social performance.

Organisational performance is a multidimensional construct (Kanter and Summers, 1987) and it consists of both financial and non-financial indicators in the non-profit organisation context (Padanyi and Gainer, 2004). According to Gallagher and Weinberg (1991) this is because of NPOs differ from for-profit businesses in terms of the complexity in their inter-organisational relationships. For example, NPOs have more stakeholders than commercial businesses which make it more complex in the achievement of organisational goals and marketing strategy development (Knox and Gruar, 2006). Nevertheless, there is no agreement or rule to guide academics or researchers to what could be the performance measurements in the non-profit organisations (Ritchie and Kolodinsky, 2003). In fact, as McMillan et al., (2005) and Gainer and Padanyi (2005) suggest, performance measurements should be assessed in both economic and non-economic terms. This proposes that NPOs should rely on a variety of activities and resource providers to fund their mission-related work (Froelich, 1999). Indeed, recently NPOs are increasingly willing to control their own financial circumstances and be self-funded (Dee, 1998). From this perspective, in order to reduce the degree of resource dependency and continuously provide their services to the public, they need to adapt business-like strategies from a diversity of sources to attract resources for their survival or to be competitive in the market (Liu *et al.*, 2013). In this essence, based on the literature review, organisational performance in this research refers to *resource acquisition, economic performance and social performance*.

Within the marketing literature, marketing-related capabilities are expected to be key drivers of a firm's performance (Day, 1994; Vorhies *et al.*, 1999). In the context of non-profit organisations, the researcher argues that superior marketing capabilities can lead to better economic performance in NPOs. According to Vorhies and Morgan (2003), the effect of an organisation's marketing capabilities on its economic performance can be examined through two interrelated ways and according to Liu, Eng and Takeda (2013), this is applicable to the NPOs context. Firstly, Vorhies and Morgan argue that marketing capabilities enable an organisation to utilise its resources to accomplish maximum output. In the context of NPOs, economic performance enables NPOs to deliver their services to individuals or communities and generate sufficient resources to cover expenses and/or satisfy the different target markets in the long run (Agarwal *et al.*, 2003; Camarero and Garrido; 2009). Therefore, to improve the economic performance, NPOs need to manage their market-related resources effectively both internally and externally in order to generate valuable outputs to compete or maintain their survival in the market for the long-run. Moreover, the development of the organisation's capacity to innovate requires the ability to manage and allocate internal and external resources effectively. Secondly, Vorhies and Morgan (2003), suggest that marketing capabilities enable an organisation to develop strategic capabilities in order to manage marketing information and develop and execute its marketing strategy. The marketing strategy formulation and execution of work routines develops a business culture that focuses on the external environment which in turn allows NPOs to compete with other NPOs or for-profit businesses to deliver better products and services (Liu *et al.*, 2013). Therefore, it can be suggested that NPOs must develop their marketing capabilities so that they can use their market-based resources effectively to fulfill their customers'

needs and gain competitive advantage over their rivals in the changing market conditions. Based on the two arguments from Vorhies and Morgan (2005), the researcher proposes that advance marketing capabilities can create a source of competitive advantage and if a NPO possesses relevant marketing capabilities, it will have better economic performance.

Drawing on the discussions in the above sections and as mentioned previously, this study adapts a resource-based perspective for theory development and hypothesis framing as the RBV describes how an organisation's tangible and intangible assets as well as its capabilities affect its financial performance (Barney, 1991; Wernerfelt, 1981; Yu, Ramanathan and Narth, 2013). Moreover, RBV argues that organisations possess different nature of resources and their capabilities are varies at different levels. Therefore, organisation's survival depends on its ability to create new resources, develop its capabilities and enable them more inimitable to achieve competitive advantage (Day and Wensley, 1988; Peteraf, 1993). Drawing from the marketing literature, the RBV has been widely used to understand the interaction between marketing and other functional capabilities and their effects on performance improvement (Dutta, Narashiman and Surendra, 1999; Song *et al.*, 2007; Yu, Ramanathan and Nath, 2013). Thus, the implementation of marketing concepts creates market-based assets and provide non-profit organisations an advantage of attracting resources. Based on the resource-based view, the literature suggests that these market-based assets have potential value for organisations' desired performance and they need to develop sufficient market capabilities to transform them into desired output (Eng and Spickett-Jones, 2009; Morgan *et al.*, 2009; Lui, Eng and Takeda, 2015). Empirical studies have found a significant relationship that the possession of marketing capabilities leads to superior organisational performance. For instance,

Vorhies and Morgan (2005) found that marketing capability is positively and significantly related to firm performance. Besides to that, Eng and Spickett-Jones (2009) also found that the development of marketing capabilities has an impact on patent products, new product releases, and the return on investment. Nath et al., (2010) also found that marketing capability is the key determinant for superior financial performance. Therefore, using the above arguments, this discussion leads the researcher to explore the following two hypotheses:

H1: A non-profit organisation's marketing capabilities are positively associated with its economic performance.

H2: A non-profit organisation's marketing capabilities are positively associated with its resource acquisition.

From the non-profit organisation perspective, in order to achieve superior marketing capabilities, NPOs must be capable deploying market-based resources more effectively to achieve better social performance and resource acquisition than other organisations. Hence, the social dimensions of performance involves mainly the benefits that the individuals or communities obtained from NPO (Andreasen and Kotler, 2003). Moreover, an NPO's mission is very important and reflects its social dimension, its basic purpose, its reasons for being and the general means through which it accomplishes that purpose (Poister, 2003). Several studies have found that the deployment of market-based resources can help NPOs to achieve social performance such as creating awareness of its goals within society, to attract numbers of volunteers, to raise donations/grants, create opportunities for collaboration with other organisations and so on (Balabanis et al., 1997; Gainer and Padanyi, 2005; Macedo and Pinho, 2006; Liu, Eng and Takeda, 2013). Drawing on the resource-

based view, the literature suggest that these market-based resources require organisations to possess marketing capability in order to acquire, combine and transform these market-based resources into desired performance (Liu, Eng and Takeda, 2013) Therefore, if a NPO has superior marketing capabilities, it can have the advantage of using market-based resources to achieve its social performance and in turn to raise more charitable funds (donations or grants), grasp new opportunities and compete with others in the market. Hence, this discussion leads the researcher to explore hypothesis H3:

H3: A non-profit organisation's marketing capabilities are positively associated with its social performance.

3.5 Market Orientation and Performance

Drawing on the literature review chapter, market orientation represents a fundamental approach of understanding markets (Slater and Narver, 1994). As such, it represents the implementation of the marketing concept that focuses the firm's efforts on understanding the market and developing strategies in response to market opportunities or threats, in order to achieve a superior business performance (Vorhies *et al.*, 1999). As suggested Morgan *et al.*, (2009), firms which possess superior MO can achieve superior business performance because they have the ability to understand better customers' expressed wants and latent needs, achieve competitor capabilities and respond to changing market environments than their rivals.

Based on the discussion in the above sections, the RBV views a firm as a bundle of resources and capabilities (Wernerfelt, 1984; Day, 1994). These capabilities may be viewed at different functional areas in the organisation, such as marketing function and they influence organisation performance (Eisenhardt and Martin, 2000; Morgan

et al., 2009; Yu et al., 2014). According to this theory, organisations that possess the ability to learn rapidly about their markets and respond to the market opportunities are more likely to achieve competitive advantage (Day, 1993, 1994; Slater and Narver, 1994; 1995). Therefore, in order to deal with the market events and trends, the organisation need to develop formal and informal approaches to gather and process market information (Day, 1994; Kohli Jaworski, 1990; Macedo and Pinho; 2006). From the resource-based perspective, an organisation which possesses market oriented capabilities is expected to be capable of understanding and meeting the consumers' current or latent needs as well as implementing marketing strategies to respond to changing market conditions. Indeed, the marketing literature suggests that firms use their capabilities to transform their resources in order to achieve superior organisational performance (Vorhies and Morgan, 2003).

In addition, the marketing literature suggest that, as in the case of for-profit businesses, there are also advantages associated with the adaptation of market orientation in the context of NPOs. Explicitly, MO enables the design of the most appropriate services for the targeted public and can maintain a sustainable competitive advantage through the creation of superior client/donor value which in turn leads to superior performance (Andreasen and Kotler, 2003; Balabanis et al., 1997; Vasquez et al., 2002; Gainer and Padanyi 2002; Kara et al., 2004; Macedo and Pinho; 2004). The literature notes that the development of market orientation may enhance NPOs' both economic and social performance as well as their funding attraction activities. Available empirical research from the for-profit business sector would support this supposition (Narver and Slater, 1990; Jaworski and Kohli, 1993).

On the other hand, although several authors have investigated the importance of market orientation in NPOs and its impact on performance (Stewaert, 1991; Balabanis et al., 1997; Gainer and Padanyi, 2002, 2005; Vazquez et al., 2002; Camarero and Garrido, 2007; Carmen and Garrido, 2008), an interesting example such as Voss and Voss (2000), in the theatre industry found low and non-significant correlation between market orientation and performance. They examine the impact of customer orientation on a variety of subjective and objective economic performance measures in the non-profit theatre industry. Their findings indicate that customer orientation is negatively associated with financial performance.

In relation to the above discussion, based on RBV theory, Morgan Vorhies and Mason (2009) argue that the marketing literature supports the theory that organisations which possess superior market orientation can achieve superior business performance. This ability represents a know-what advantage of the firm, that it can choose the best available resource combinations to match market conditions and gain superior competitive advantage (Slater and Narver, Morgan et al, 2009). Drawing on resource-based view theory, the marketing literature suggests that firms with superior market orientation can achieve superior business performance (Jaworski and Kohli, 1993; Morgan et al., 2009). Indeed, empirical studies have found significant relationship between market orientation and organizational performance. For instance, Vazquez, Alvarez and Santos (2002) found that market orientation has positive effect on the Spanish NPO's performance and in the achievement of organisation's mission. Kara, Spillan and DeShields (2004) also found positive relationship between market orientation and organisational performance. Moreover, Gainer and Padanti (2005) also found positive relationship in their studies. Thus, the researcher proposes that if NPOs become more oriented towards an awareness of the needs and interest of their

clients and donors and chose the best available resource combination to meet their expected desire, they will more likely experience superior economic performance and funding attractions. Therefore, using the above arguments, this discussion leads the researcher to explore the following two hypotheses:

H4: A non-profit organisation's market orientation is positively associated with its economic performance.

H5: A non-profit organisation's market orientation is positively associated with its resource acquisition.

Kohli and Jaworski (1990) acknowledged that the concept of market orientation is the implementation of the marketing concept and it is defined as the organisation-wide generation of market intelligence, dissemination of the intelligence across departments, and organisation-wide responsiveness to it. Drawing on this definition, collecting information about customers' needs, sharing this information within the organisation, planning and implementing effective marketing strategies enable NPOs to achieve a high level of client and donor satisfaction (Agarwall et al., 2003; Gainer and Padanyi, 2005; Carmen and Garrido, 2008). Moreover, Gainer and Padanyi (2002) argue that when NPOs build an understanding of their customers' interests and act to satisfy their needs, this will lead to higher levels of customer satisfaction. In the same vein, understanding donors' interest and expectations, will enable the NPO to get more financial donations which will in turn allow the NPO to accomplish some of its social goals such as helping more people in society, improving animal welfare, contributing to the solution of environmental problems and so on. Without sufficient market orientation, NPOs will be unable to effectively use the collected information

about their markets and to respond in social activities. This discussion leads the researcher to explore hypothesis H6.

H6: A non-profit organisation's market orientation is positively associated with its social performance.

3.6 Marketing Capabilities and Market Orientation

As stated previously, if an organisation possesses the ability to generate, disseminate and respond to information regarding to market conditions, it is market orientated and is more likely to perform better than its competitors in the market (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993). Thus, information that the organisation learned about what the customers want and how to deliver value to their needs effectively, will enable the organisation to gain a sustainable competitive advantage (Vorhies *et al.*, 1999). However, in order to use these processes which form a competitive advantage, an organisation also needs to develop its marketing related capabilities. These are the internal processes that allow organisations to become more market-oriented. From the RBV theory perspective, a firm is consists of a bundle of resources and capabilities (Wernerfelt, 1984) and it is an influential framework to understand how competitive advantage is achieved through firms resources and capabilities (Corbett and Claridge, 2002; Yu, Ramanathan and Narth, 2014). The marketing literature suggests that firms use capabilities to transform resources into outputs and these capabilities usually associated with marketing function (Vorhies and Morgan, 2003). Therefore, drawing on the literature discussed previously, these marketing capabilities of the organisation enable a respond to changes in the market environment and deliver superior performance by creating value to/for customers (Day, 1994). Song *et al.*, (2007) argued that marketing capability helps on

organisation to build and maintain long-term relationship with customers and channel members.

As such, market orientation represents a fundamental approach to understanding markets (Slater and Narver, 1994) and it characterises the implementation of marketing (Kohli and Jaworski, 1990). In a similar vein, marketing capability is also the implementation of the marketing concept that an organisation develops by repeatable pattern actions to carry out the marketing-related needs of the business effectively (Hunt and Morgan, 1995, Vorhies *et al.*, 1999; Chang *et al.*, 2009). Exploring the RBV theory, it indicates that the relationship between MO and MC comes from the firm's *know-what* (i.e. market orientation) knowledge resource and its complementary 'know-how' deployment capabilities (i.e. marketing capability) (Grant, 1996; Morgan *et al.*, 2009).

Furthermore, organisations can not only need MO but also they need competitive strategies to achieve their goals. As Day (1990, p.5) stated "A competitive strategy specifies how a business intends to compete in the markets it chooses to serve. This strategy provides the conceptual glue that gives shared meaning to all the separate functional activities and programs". From this perspective, a well develop strategy enables organisations to coordinate the competitive actions of the firm. Thus, marketing function in the organisations has a major impact on how these strategies are formulated and how resources are allocated to implement these strategies (Hunt and Morgan, 1995; Vorhies *et al.*, 1999). In order to achieve this, customer value-based differentiation strategies can stimulate the firm's market research efforts, its selection of target-markets, its product development processes and its market communication programs (Day, 1994). This market driven role allows organisations

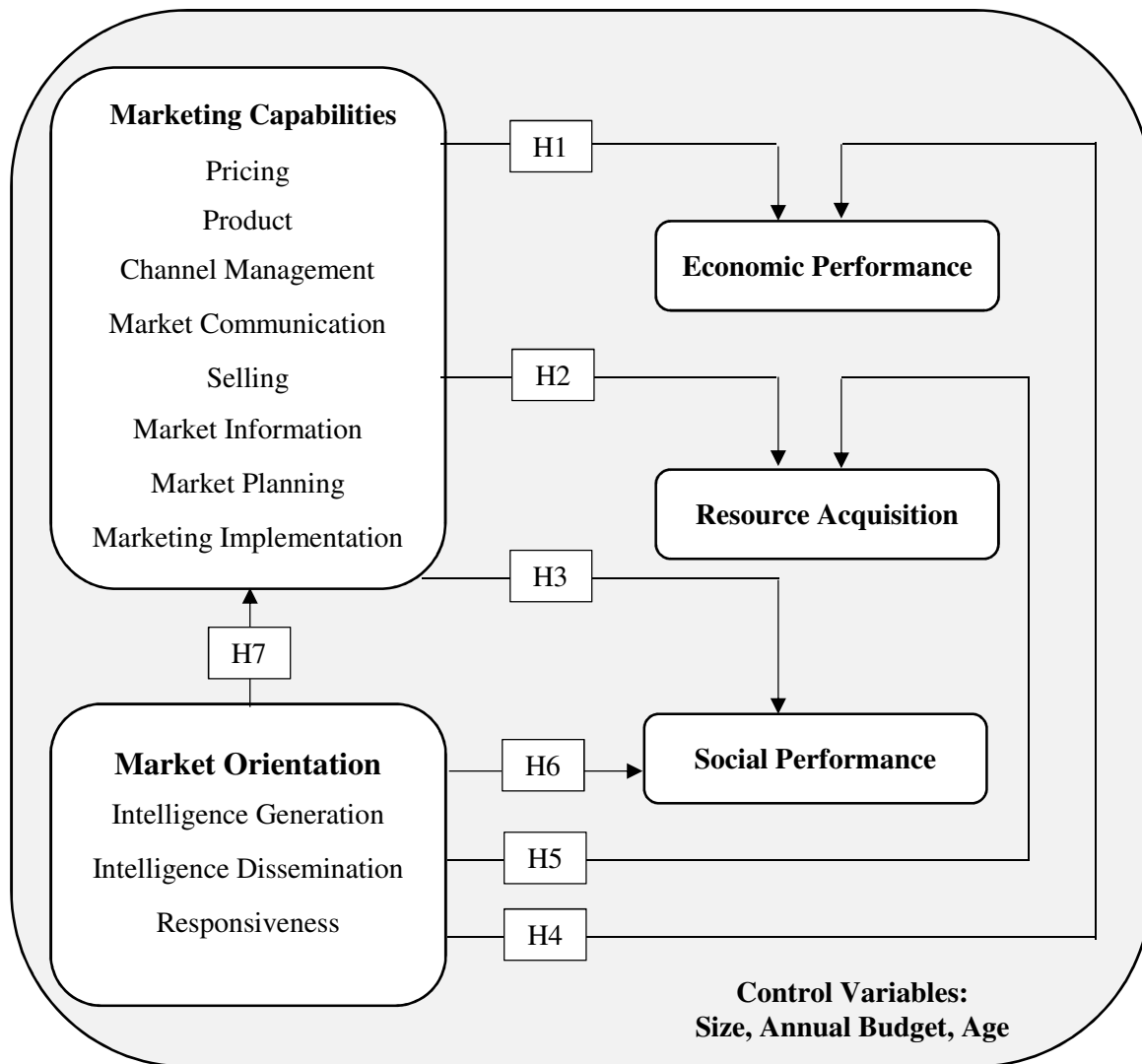
to gather information, disseminate, and respond to information about market conditions better than their competitors. Indeed, this process enable organisations to develop unique marketing capabilities (Vorhies *et al.*, 1999).

In the context of NPOs, managers need to seek to become market driven and must shift their focus on market (Fortenberry, Jr, 2013). In other words, they need to generate, disseminate and respond to market information to identify donors, volunteers, and client needs and design the delivery of specific products or services to satisfy those needs, and to communicate them effectively to people, so that they can attract more resources which could result in superior competitive advantage or growth opportunities (Liu et al., 2013). Moreover, market-driven NPOs need to possess an external orientation mind-set that heavily emphasizes the delivery of superior customer value and continually strives new sources of competitive advantage (Fortenberry, 2013). Consequently, the researcher proposes that when NPOs manage to combine those *know-what* and *know-how* processes, their survivor or growth opportunities will be more secure in the competitive market environment. Based upon this relationship, MO and MC can together create a pivotal role in the deployment of market-based resources to respond to the changing market environment (Day, 1994; Vorhies *et al.*, 1999). Therefore, this leads the researcher to explore the following hypotheses:

H7: A non-profit organisation's marketing market orientation is positively associated with its marketing capabilities.

3.7 The conceptual framework and research hypotheses

Figure 3.1 depicts the association between the conceptual framework and the hypotheses developed. Moreover, it helps to clearly identify the main independent variables and the dependent variables in the research framework. In the model presented in figure 3.1 marketing capabilities and market orientation are shown as independent variables whereas three different performance measures (i.e. economic, resource acquisition and social performances) are the dependent variables. The solid straight lines with the arrow heads illustrate the relationship between variables present in the frame of work. There are seven relationships in total shown in the conceptual framework. Each relationship is then converted into meaningful statements to develop hypotheses for the research questions.

Figure 3.1 Conceptual framework

Source: Developed by the author from the literature review

To sum up, the linkage of interrelated concepts specific to this research which is shown in figure 3.1 is visualising the research concepts in a snapshot. The association between the conceptual framework and the hypotheses is explored and developed for a better envision and the linked between the research concepts.

The conceptual model for this research is drawn upon the argument developed throughout the chapter. The argument presented in the chapter clearly outlines the constructs (i.e. marketing capability, market orientation and performance measures) and their relationship between each other. Based on the framework presented above a number of hypotheses are identified for the purpose of carrying out this research and

every hypothesis clearly gives the direction of the relationship. In addition, the summary of research hypotheses is provided below table 3.1.

Table 3.1: List of research hypotheses

H1:	A non-profit organisation's marketing capabilities are positively associated with its economic performance.
H2:	A non-profit organisation's marketing capabilities are positively associated with its resource acquisition.
H3:	A non-profit organisation's marketing capabilities are positively associated with its social performance.
H4:	A non-profit organisation's market orientation is positively associated with its economic performance.
H5:	A non-profit organisation's market orientation is positively associated with its resource acquisition.
H6:	A non-profit organisation's market orientation is positively associated with its social performance.
H7:	A non-profit organisation's market orientation is positively associated with its marketing capabilities.

3.7 Summary

This chapter discussed the design of the conceptual framework based on the theory. It shows the association between marketing capabilities, market orientation and different types of organisational performance which the research is built on. Moreover, it also includes the set of test hypotheses designed to explore the research questions introduced in Chapter 1.

Furthermore, as discussed in detail in this chapter, the conceptualisation of MC and MO is explained in the non-profit organisation context. To put simply, marketing capabilities are the market related abilities of the NPOs to stimulate effective marketing strategies. In addition, market orientation is a continuous process of generating, disseminating and responding to relevant market intelligence. Therefore, the conceptual model indicates how these constructs link with each other, as well as

with the different types of organisational performance. As such, the conceptual framework is presented along with a discussion of each hypothesis. The hypotheses derived from the conceptual framework will be tested by using data collected through the survey from non-profit organisations in the UK.

The next chapter explains the philosophy and methodology used in this research.

CHAPTER 4: RESEARCH METHODS

4.1 Introduction

The literature review and the emergence of a conceptual model in previous chapters represent initial steps in the development of the theory and testing of marketing capabilities in the non-profit organisation sector. The present chapter explains the rationale for the research methodology and the methods to be adopted for the research. The chapter starts by outlining the research questions which state the main objectives of the research. The following sections present the philosophical assumptions as they represent a solid foundation on which the research is constructed. It is noteworthy that a clear research philosophy allows the researcher to explain particular methodologies and methods, as well as enabling the researcher to justify these particular methodologies and methods. Finally, the chapter concludes with detailed explanations of the research design and the chosen data collection methods.

4.2 Research Questions

The main objective of the present research is to assess the role of marketing capabilities in the success of non-profit organisations and this has been chosen because of the gaps in the literature explained in chapters 2 and 3. Therefore, the study aims to answer three questions. These questions aim to provide answers to the research objectives. The first two questions seek the relationships between performance with marketing capabilities and market orientation. The third question investigates the connection between marketing capabilities and market orientation.

4.2.1 First Research Question: *What is the impact of Marketing Capabilities on the organisational performance of NPOs?*

Despite studies supporting the link between marketing capabilities and performance (Vorhies, 1998; Vorhies and Morgan; 2005; Morgan et al., 2009), no study has examined the influence of marketing capabilities on non-profit organisational performance in the UK context. Accordingly, this question aims to investigate if marketing capabilities enhance performance improvements in the NPOs.

As a result, this question addresses the core theme of the study, which is exploring the concept of marketing capabilities in NPOs. Therefore, this question is associated with the conceptualisation (i.e., defining the construct) and operationalisation (i.e., developing the measurement scales) of marketing capabilities in NPOs.

4.2.2. Second Research Question: *What is the impact of Market Orientation on the organisational performance of NPOs?*

The recent developments in market orientation theory have resulted in the conceptualisation of this construct in the profit-making business sector. Conversely, despite the importance of this construct, there is little research investigating the applicability of market orientation within the non-profit organisation. This question seeks to examine the impact of implementing market orientation on NPO's performance.

4.2.3 Third Research Question: *What is the relationship between Marketing Capabilities and Market Orientation in NPOs?*

This question explores the relationship between marketing capabilities and market orientation in NPOs. It aims to shape better understanding of the implementation of marketing concepts in the NPO context.

4.3 Research Philosophy and Approach

In this section, philosophical assumptions underlying the study are highlighted. Additionally, the advantages and disadvantages of methodologies related to each of the philosophical traditions are reviewed. This includes describing both the epistemological and ontological bases of the study, as well as the research approach. It is noteworthy that the researchers demonstrate their own ontology and epistemology in their research as this represents the researcher's understanding of the nature of the knowledge and how this can be delivered through their research. As such, the understanding of the research philosophy enables the researchers to form a clearer picture as to how and why research is implemented (Thietart, 2001).

According to Easterby-Smith et al. (2002, p. 33), ontology is the 'assumptions that we make about the nature of reality' and epistemology is a 'general set of assumptions about the best ways of inquiring into the nature of the world'. All researches are based on a particular view of the world and adopt different methods and processes as well as presenting results which aim at 'predicting, prescribing, understanding, constructing or explaining' (Girod-Seville & Perret, 2001, p. 13). Therefore, the following explanations delineate the epistemological and ontological basis of the study, as well as the research approach.

4.3.1 Epistemological basis of the study

The word epistemology is derived from two Greek words namely ‘episteme’, meaning knowledge and ‘epistanai’ meaning to understand or know (Killam, 2013). From this perspective, Goldman (1993, 1999) perceived epistemology as the ‘theory knowledge’. Heylighen (1993, p.525) and Pollock and Cruz (1999) defined epistemology as “the branch of philosophy that studies knowledge”. Saunders et al., (2012) refer to epistemology as what comprises acceptable knowledge in the field of study. Simply, it is the study of how we know things and based on our strategic choices how we make decisions to explain things such as to do participant observation, field-work, or obtain information from libraries or run an experiment (Bernard, 2013). Therefore, defining the epistemological paradigm of the study is essential because it denotes the philosophical basis of knowledge that the researcher is seeking to understand and to find answers to the research questions. Suitable research methods have emerged from defining epistemological paradigm.

In the social sciences, there are two main opposing epistemological assumptions as to how a social science research should be conducted namely positivism and interpretivism (Corbetta, 2003; Bernard, 2013;). The former regards the world as external to the researcher, based on certainty and consisting of phenomena that can be observed. On the other hand, the latter posits that the world is subjective and there is no permanent certainty (Corbetta, 2003). Of course, these two opposing approaches create conflicts among researchers. However, what is important for them is to be aware of their own philosophical position at the core of their research.

Positivism refers to the philosophical stance that the world is external and objective and a single reality does exist. Such studies serve primarily to test theory, in an

attempt to identify universal laws and increase predictive understanding of the phenomena (; Girod-Seville & Perret, 2001). Positivists believe that only phenomena that are observable and measurable can be validly accepted as knowledge (Collis and Hussey, 2009). In other words, Burrell and Morgan (1979) state that positivists maintain that reality exists as an empirical entity and their aim is to generate a universal law that explains reality and reveals objective truth (Girod-Seville & Perret, 2001). Moreover, the positivistic approach looks for law like generalisations and regularities between elements of the social world (Burrell and Morgan, 1979) from an outsider's point of view (Remenyi *et al.*, 1998).

From the literature reviewed, it can be noted that the vast majority of the studies on marketing adopt a positivist epistemology. All these studies search for cause and effect relationships and examine their connection through hypothesis testing. Based on the viewpoint of a natural scientist, the researcher constructs theories that explain an observable social reality and engender law-like generalisations (Blaikie, 2007). Therefore, this rigorous stance aims to measure various components of a phenomenon so that they can be compared for their relative frequency, and thereby become subject to replication (Gill and Johnson, 2010). Based on that, an extremely structured methodology is used to simplify the usage of statistical analysis for the purpose of this research.

Interpretive studies on the other hand, assume that people create and associate their own subjective meanings as they interact with the world around them (Easterby-Smith *et al.*, 2002). Interpretive researchers thus attempt to understand phenomena through accessing the meanings assigned to them. Moreover, supporters of interpretivism (Blaikie, 2007; Bryman, 2008) argue that social reality is not

objectively determined, but is socially constructed and aim to understand what is happening in the context of the phenomenon under examination, in terms of the researcher's interpretation of the data. Particularly, it is about understanding how people make sense of the world, with human action being conceived of as purposeful and meaningful (Gill & Johnson, 2010).

Interpretivism in essence provides the researcher with contextual depth to a particular social phenomenon (Myers, 1997) and is concerned with the uniqueness of a specific situation emphasising the significance of qualitative data (Kaplan and Maxwell, 1994). Although interpretivism is documented for providing rich and in-depth qualitative data, results are often criticised for a lack of generalisability, reliability and validity. However, Saunders et al (2012) emphasized that the aim of interpretive researchers is not to produce a theory that is generalisable but to explain phenomena in their natural setting.

Consequently, each paradigm has its own advantages and disadvantages. For example, positivist research ignores the deeper structure of the phenomena and constrains us into developing only a general and superficial understanding. On the other hand, interpretivism is documented for providing rich and in-depth qualitative data but results are often criticised for a lack of generalisability, reliability and validity. However, choosing the appropriate epistemology is essentially directed by the nature of the research (Saunders et al., 2012) (i.e., research questions and objectives). Therefore, in this study, the researcher's epistemological beliefs are summarised in the below table 4.1.

Table 4.1 Epistemological basis of the study

Epistemological principles	Application for the present research
Vision of world: The world is external to the researcher and can be observed.	The determinants and effects of MC and MO in NPOs performance are seen as observable external realities.
Searching for cause and effect relationships and examining the partnership through hypothesis testing between the elements of the phenomenon under study.	This research attempts to understand the relationships between MC, MO and their relationship with NPO performance.
The process of understanding what is happening can and should include a look for causality and fundamental laws.	The research is grounded on existing theories of MC and MO and investigates the same constructs in the NPO context.

Source: Developed by the author from the literature review

From the above table, it can be concluded that the present research adapts the principle of positivism. This is because what the researcher thinks can be known about nature of reality (epistemology) is influenced by the way the researcher regards the nature and form of reality (ontology) (Fleetwood, 2005). Carson et al. (2001) states that ontology is the study of the nature of reality whereas, epistemology concerns the relationship between reality and the researcher. In other words, ontology is ‘a way we see the world’; epistemology is ‘a way we investigate the world’ (Easterby-Smith et al., 2002). Therefore, investigating the ontology of the research is necessary because both ontology and epistemology explore how researchers present the truth in terms of their belief in the social world, and how they follow a scientific methodology to find out objective knowledge.

4.3.2 Ontological basis of the study

As mentioned above, ontological concerns relate to the nature of reality (Saunders *et al.*, 2012) and they are the “assumptions that we make about the nature of the reality” (Easterby-Smith *et al.*, 2002, p.33). The ontological assumption consists of two major perspectives that distinguish the two major philosophical paradigms whether the nature of the reality is objective or subjective (also referred as social constructionism) (Saunders *et al.*, 2012). The former believes that social reality is objective and external to the researcher and hence, there is only one reality which includes material objectives, laws and figures (Collis and Hussey, 2009). On the other hand, the latter argues that theory is an act of generation, rather than a formalisation of underlying reality. Specifically, social constructionism (or subjectivism) believes that social reality is subjective because it is socially constructed and therefore argues that social phenomena are created through the perceptions and consequent actions of affected social actors and thus, there are multiple realities (Collis and Hussey, 2009; Saunders *et al.*, 2012). Hence, according to Thietart (2001), the main difference between the objectivism and social constructionism view is that the social constructionism has no rules for judging between competing hypotheses and fails to give predictions to the future development of the theory. On the contrary, objectivism view states that social entities exist in reality external and independent to us and they are beyond our reach and influence for the future theory development (Bryman, 2008 and Saunders *et al.*, 2012). Explicitly, the key distinction between objectivism and social constructionism spins around the nature of the reality which is shown below in table 4.2. The main difference between the two ontological assumptions are summarised in table 4.2.

Table 4.2: Realism and constructivism contrasted

	Objectivism (Realism)	Social constructionism
Nature of observed reality	Partial, but immutable.	Socially constructed.
Role of manager	Reactor, information processor.	Actor, generator of contexts.
Nature of strategic choice	Rational response to contingencies.	Ideological actions of sub-organisational interest groups
Organisational identity	Overt, singular.	Multiple, fragmented.
Theories of measurement	Replication as a key to accuracy.	Context as the key to perspective.

Source: Adapted from Mir and Watson (2001)

Consequently, in the present study, marketing capabilities and market orientation are external realities that exist in a social world and are the collection of different realities, laws and propositions. These realities can also be perceived as drivers and consequences of the main phenomenon in the study. Therefore, this research attempts to understand the relationships between marketing capabilities, market orientation and their relationship between different types of organisational performances in the NPO context. In summary, the underlying ontological assumption of this study is realism. The following table 4.3 summarises the researcher's ontological beliefs for the present study.

Table 4.3: Ontological basis of the study

Ontological principles	Application to the present research
Reality consists of social phenomena that can be understood (Easterby-Smith et al., 2002).	Investigating MC and MO in NPOs involve not only studying the cause-effect relationships, but also making sense of the phenomenon as a whole.
Theory has an effect on behaviour, and makes a difference (Fleetwood, 2005).	Examining MC and MO in NPOs would have some implications on a non-profit's management and as well as on academics.
An entity can exist independently of our knowledge of it (Collis and Hussey, 2009).	MC and MO are argued to represent an underlying reality in the NPO context.

Source: Developed by the author from the literature review

4.4 Research Approach

Research approaches offer an informed choice and a more practical guide for the overall configuration of the research (Saunders *et al.*, 2012). There are two main epistemological approaches in all researches (Bernard, 2013). These are deductive and inductive approaches. The extent to which the researcher is clear about the theory is the fundamental distinction between these two approaches. In its idealised form, a deductive approach represents the relationship between theory and social research (Bryman, 2008). Fundamentally, this type of research starts with theories and hypothesis derived from the theories and moves on to the observations which either confirm or decline the hypothesis (Bernard, 2013). An inductive approach, on the other hand, involves the research for patterns from observation and the development of explanations and theories through a series of hypotheses (Bernard, 2013). Similarly, Collis and Hussey (2009) explain that inductive approach develops the theory from the observation of empirical reality. In other words, theory follows the data. The major differences between two approaches are shown in the following table 5.4.

Table 4.4: Major differences between deductive and inductive approaches

Deductive Approach	Inductive Approach
<ul style="list-style-type: none"> • Scientific principles • Moving from theory to data 	<ul style="list-style-type: none"> • Gaining an understanding of the meanings humans attach to events.
<ul style="list-style-type: none"> • The need to explain causal relationships between variables. 	<ul style="list-style-type: none"> • A close understanding of the research context
<ul style="list-style-type: none"> • The collection of quantitative data. 	<ul style="list-style-type: none"> • The collection of qualitative data
<ul style="list-style-type: none"> • The application of controls to ensure validity of data. • The operationalisation of concepts to ensure clarity of definition. • A highly structured approach. 	<ul style="list-style-type: none"> • A more flexible structure to permit changes of research emphasis as the research progresses.
<ul style="list-style-type: none"> • Researcher independence of what is being researched. 	<ul style="list-style-type: none"> • A realisation that the researcher is part of the research process.
<ul style="list-style-type: none"> • The necessity to select samples of sufficient size in order to generalise conclusions. 	<ul style="list-style-type: none"> • Less concern with the need to generalise.

Source: Adapted from Saunders *et al.*, (2005)

Even though there is a clear distinction between the deductive and inductive approaches in the literature (Bryman, 2008), the combination of using both approaches is common, achievable and frequent (Saunders *et al.*, 2012). However, the present research is predominantly based on a deductive approach as it starts with theory building from its literature review and then the hypothesis developed based on research theories. Moreover, the important characteristics of the deductive approach explained in detailed above, have been criteria for research approach when designing the research. In the following table 4.4 the researcher's research approach is summarised.

Table 4.5: Research approach of the study

Research approach principles	Application for the present research
The explanation of causal relationships between variables.	This research seeks the cause-effect relationships associated with MC and MO in the non-profit sector.
A highly structured approach	This involves the development of a theory and hypotheses and also the design of research design to test the hypotheses.
The operationalisation of concepts to ensure clarity of definition.	MC in profit-sector is operationalised based on the study (Morgan, Vorhies and Mason, 2009) and this is applied to non-profit sector.
A close understanding of the context	This study is concerned with the implementation of MC and MO in the non-profit sector.

Source: Developed by the author based on the literature review and based on categorisations by Saunders *et al.*, (2005)

As explained in the above, this present study is based on a deductive approach, given that the concept of MC is theoretically grounded in the literature (Morgan, Vorhies and Mason, 2009). Based on the existing theory of MC, this study aims to examine the application of the same concept within the context of non-profit organisations. Based on a deductive approach, it starts with theory building from its literature review and then hypotheses are developed based on research theories. Moreover, the distinctive characteristics of the deductive approach which are explained in detail in table 4.4 and are applied to the present study. To sum up, the theory developed of the present research was subjected to a quantitative test, given that the present study followed a rigorous and highly structured research design which is explained in the following section.

4.5 Research Design

Research design refers to the general plan of how the researcher intends to answer the research questions and defines the nature of the methodology to be implemented (Saunders *et al.*, 2012; Cooper and Schindler, 2011). Similarly, it is the overall plan or structure used to answer the research question (Tharenou *et al.*, 2007) or a way that required data can be gathered and analysed to arrive at a solution (Sekaran and Bougie, 2011). The purpose of this present study, as discussed before, is to examine the relationships between different variables (i.e. MC, MO and NPO performance) through hypothesis testing. Therefore, the variables are proposed to be measured numerically and analysed using statistical techniques which form the base of quantitative research design. The following reviews the two main methodologies and the reasons why a quantitative method has been chosen.

4.5.1 Review of the Qualitative and Quantitative methodologies

Different research studies may need different research approaches. This is depending on the purpose of the study. According to Saunders *et al.* (2012), the research approach can be classified as depending on the research question that a researcher asks to find answers to research objectives. Based on that, the research approach can be either exploratory, descriptive or explanatory. In some studies, more than one strategy can be used in the research project, so it may have more than one purpose. An exploratory study is used where there is not much available information and looks for new insights into an issue or situation. Descriptive research is conducted to describe phenomena as they exist, particularly to gain an accurate profile of events, persons or situations (Collis and Hussey, 2009). Additionally, descriptive research can be an extension of a piece of exploratory research. On the other hand, explanatory

research is studying a situation or a problem in order to explain the causal relationships between variables (Saunders et al., 2012).

Based on the above discussion, qualitative studies which involve collecting data through observations, interviews or focus group methods are examples of exploratory studies and they are inductive approach (i.e. interpretive). Davis (2007, p.151) refers to a qualitative research as “the range of data collection methods stretches from interviewing and observation to use of artefacts, documents and records from the past; from visual and sensory data analysis to ethnographic methods”. Moreover, in qualitative research methods such as a case study “is an empirical inquiry that investigates a contemporary phenomenon with its real-life context, especially when then boundaries between phenomenon and its context are not clearly defined” (Yin, 2009). As such, a case study research method was considered to be the most suitable in the research context where the researcher study contemporary phenomena in which he/she has little or no control to examine the context within the phenomena take place (Yin, 2009). Therefore, a case study is preferable when the knowledge is inadequate or a deeper understanding is needed, particularly if a researcher wishes to clarify understanding of a problem or is unsure of the exact nature of the problem (Saunders *et al.*, 2012). Hence, the qualitative research approach (i.e. case study), the research findings can be used for developing analytical generalizations, theoretical propositions, and models that can be developed for future testing (Blumberg, Copper, Schindler, 2014).

On the other hand, quantitative research assumes the reality and needs to be discovered by researchers. Quantitative research is deductive and explanatory, therefore the researcher needs to manipulate the empirical variables, prediction and

testing. It emphasis methodology, procedure and statistical measures of validity (Collis and Hussey, 2009). Thus, quantitative research identifies problems and uses statistical analysis to establish casual relationships between variables to find out answers. Both research studies have merits and limitations. While Payne and Payne (2004) criticised qualitative studies for their lack of generalisability, validity and reliability, Schwandt (1994) described the quantitative logic as mechanistic and degrading to the human nature and contradicts the principles of social sciences. In addition to the choice and use between the quantitative and qualitative research methodologies, a number of studies use mixed methods which involve collecting, analysing and mixing both quantitative and qualitative data. This methodology allows for a generalisation and a detailed understanding of the meaning of a phenomenon thereby counter-balancing the strengths from one research methodology to another (Creswell, 2009).

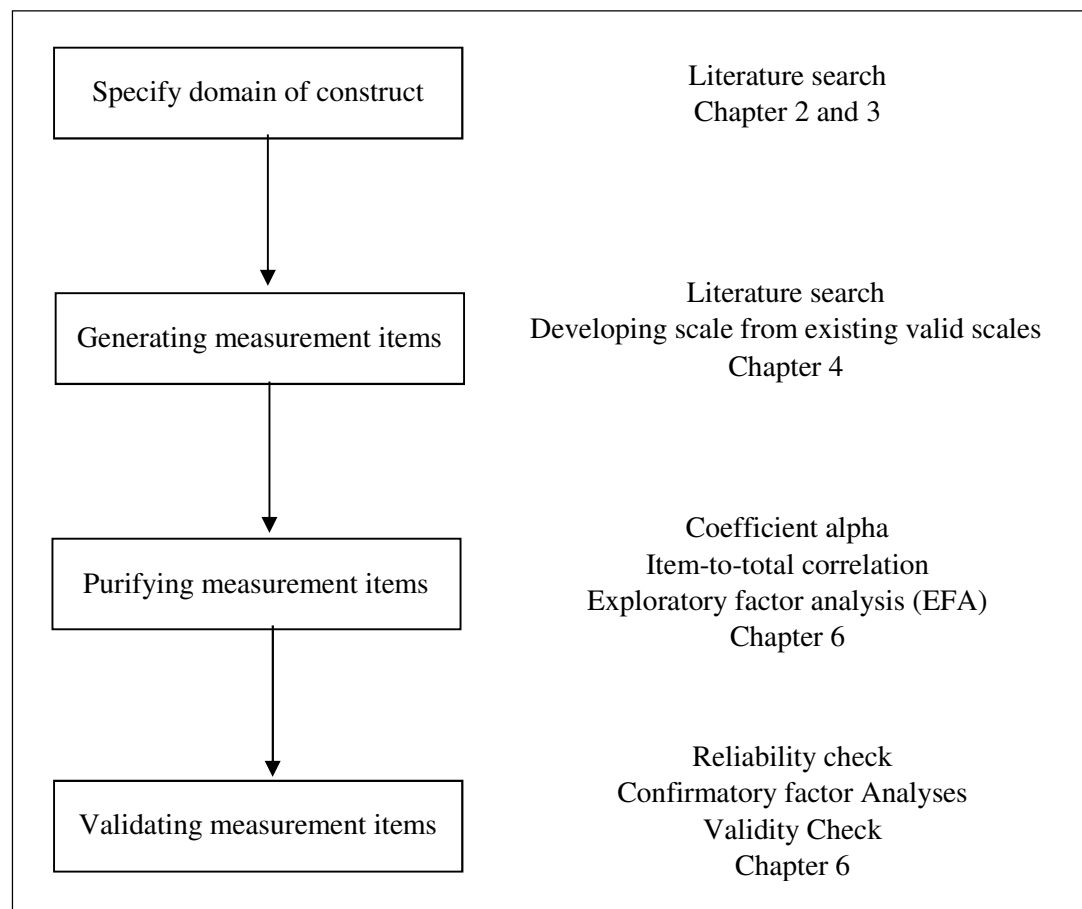
Consequently, after discussing the major philosophical traditions and complexities of the quantitative and qualitative distinctions, this researcher comes to a decision of the deductive approach rather than inductive approach (i.e. case study) which would be the appropriate choice as it is closely related to the epistemological and methodological positioning of this research. Therefore, these discussions indicate that this research is an explanatory in nature and adapts quantitative research design. The following sections explain in detail the research methodology and the research design of the study.

4.5.2 Research Methodology used in this study: Quantitative approach

As discussed previously, the quantitative approach is a more appropriate methodology for this study because its aim is to examine the relationships between

different variables and it also focuses on hypotheses testing. This approach is based on data collection and testing the research hypotheses. In this manner, Bryman and Bell (2007, p.154) describe quantitative research as “entailing the collection of numerical data and as exhibiting a view of the relationship between theory and research as deductive ... and as having an objectivist conception of social reality”. In the light of this definition, the researcher seeks to develop valid and reliable measures of the theoretical constructs depending on the ideas derived from the literature. Therefore, Churchill’s (1979) approach of systematic scale development procedures is followed in order to develop better measures for the research constructs. The process of scale development is shown in figure 4.1.

Figure 4.1: Steps in scales development measurement



Source: Adapted from Churchill (1979)

4.6 Domain of the constructs and measurement scales from literature

Churchill (1979) suggests that it is important to refer to the literature in the first step of the scale development procedure. In other words, the researcher should carefully delineate what should be included or excluded when defining the dimensions of the theoretical constructs through literature. Therefore, the researcher conducts literature search to reveal the dimensions of the theoretical constructs at the preliminary stage of the scale development (i.e. marketing capabilities, market orientation and organisational performance).

4.6.1 Marketing Capabilities in NPOs

This construct is derived mainly from the studies of Morgan, Vorhies and Mason (2009). Eng and Spickett-Jones, (2009) and Liu, Eng and Takeda (2013). Marketing capabilities enable organisations to become more effective by applying marketing concepts and deploying market-based resources to respond to changing market environment conditions and/or gaining competitive advantage over rivals. In order to measure this construct, the present research used an adapted/reworded version of Morgan, Vorhis and Mason (2009) scale of marketing capabilities applicable to the non-profit organisation context.

As follows, eight different market-related capabilities viewed as contributing to business performance are measured by adapting the existing scale to the NPO context. These are pricing, product development, channel management, marketing communication, selling, market information management, marketing planning and marketing implementation (Vorhies and Morgan, 2005; Morgan *et al.*, 2009; Eng and Spickett-Jones, 2009; Liu, Eng and Takeda 2013). From the perspective of non-profit

organisations, pricing capability can be described as a measure of the value of exchange between NPOs and its stakeholders (i.e. fees, service charges, value of a contract or retail item) (Ansarin *et al.*, 1996; Dutta, Zbaracki, and Bergen 2003). The variable consists of four indicators and measures the ability of NPOs to set their prices according to market changes and competition. Product development capability measures the ability of NPOs in terms of developing and launching products/services to meet the clients/donors need (Dutta, Narasimhan, and Rajiv 1999; Bennett and Savani, 2004). This measurement consists of five indicators which enable the NPOs to understand their client/donor needs and to develop innovative products to satisfy them. The third capability on the scale is channel management capability (distribution capability) which has six variables to measure how the NPOs can manage their distribution such as developing relationships with their clients/donors/volunteers in order to attract and retain the best distributors (Zhao *et al.*, 2010). In terms of marketing communication capability, a five-item scale was used to measure the communication capability of NPOs in terms of the extent to which they manage their advertising, promotion and public relation programmes with their clients/donors and other stakeholders (Waters 2011). This study measured selling ability by using four scale indicators based on the ability to develop sales management plans and controlling systems, and provide training to their sales people (Camarero and Garrido, 2009). Marketing information management capability is measured by four variables questioning the ability to acquire information about their stakeholders in the market and analysing it to develop effective marketing programmes (Balabanis *et al.*, 1997). To measuring marketing planning capability, five scale indicators are used to assess the extent to which NPOs are executing their marketing strategies between their organisational resources and their markets (Sargeant & Ewing, 2001). Finally, five

items used to measurement marketing implementation capabilities which explore the transformation of their indented marketing strategies into actions through allocating marketing resources and monitoring their marketing performance (Liu & KO, 2012; Liu, Eng and Takeda, 2013).

4.6.2 Market Orientation in NPOs

The market orientation construct was measured using the MARKOR scale adapted/reworded from Kohli and Jaworski (1993). The MARKOR scale proved to be most suitable for application in the context of NPOs (Wood and Bhuian, 1993; Balabanis *et al.*, 1997; Vazquez et al., 2002; Macedo and Pinho, 2006)). The market orientation construct of Kohli and Jaworski (1993) consist of three sub-constructs namely the generation of market intelligence, the dissemination of this intelligence and organisation-wide responsiveness.

Market intelligence generation involves four distinctive activities in the non-profit context (Wood and Bhuian, 1993): (1) Gathering and analysing information about client and donor current and future needs (2) Monitoring and analysing exogenous factors (i.e. government regulations, technology, economy and other environmental factors) outside the non-profit sector which influence client and donor current and future needs (3) Monitoring and analysing competition which influences client and donor future needs (4) Gathering and monitoring of market intelligence through formal means (i.e. in-house market research, planned meetings with clients and donors) and informal means (i.e. sharing a cup of coffee with relevant groups or other departmental staff). Therefore, to measure this variable in the NPOs context, six indicators are used from the MARKOR scale.

Market intelligence dissemination involves the knowledge sharing of client and donor needs within the organisation and it has two distinct activities (Wood and Bhuian, 1993): (1) Sharing of information throughout the organisation concerning client and donor current and future needs, exogenous factors (i.e. government regulations, economy and technology) and competition. (2) Effective use of disseminated information throughout the whole organisation and sharing information about client and donor current and future needs, exogenous factors and competition. In terms of market intelligence dissemination, five variables are used to measure this construct.

Market intelligence responsiveness involves planning and implementation of responses to the intelligence generated and disseminated through the use of different marketing strategies. It has three distinct activities (Wood and Bhuian, 1993) : (1) Developing, designing, implementing and altering products and services according to client and donor current and future needs (2) Developing, designing, implementing and altering systems to promote, distribute, and price products and services according to client and donor current and future needs (3) Exploitation of market segmentation, product/service differentiation and other marketing tools in the development, design, implementation and modification of products and services. Finally, eight variables used to measure this construct.

4.6.3 Organisational Performance in NPOs

Performance indicators in NPOs are different from business performance indicators. Therefore, for the performance measures of this study, three different performance indicators are used, namely resource acquisition (funding attractions), economic performance and social performance.

In terms of economic performance measurement, subjective ratings are used because published financial data is difficult to obtain and the respondents are not willing to share sensitive data (Liu, Eng and Takeda, 2013; Narver & Slater, 1990; Slater and Narver, 1994). To measure the economic performance six variables are used in the scale as discussed and used in other studies (i.e. Camarero and Garrido, 2008, Padayani and Gainer, 2004). Funding attractions performance measure is assessed through resource acquisition and measured by five scale indicators (Froelich 1999), namely private funding (individuals), corporate funding (business sponsorship), institutional funding (foundations), government funding and commercial activities. For the measurement of social performance, nine indicators are used both from the literature (Padayani and Gainer, 2004; Camarero and Garrido, 2008) and an investigation into the common social missions of twelve different types of non-profit organisations is undertaken.

4.6.4 Control variables

Control variables are included to enhance the findings of the study. These additional variables are needed to control the possible effects of an alternative explanation to the planned intervention and also eliminate threats to internal validity (Saunders *et al.*, 2012). Therefore, the control variables in this study are organisation' size, annual budget and age of the organisations.

4.7 Generating sample of items

The second step of developing measurement scales was to generate items which represent the domains of the constructs. As such, the researcher inspected the items from the literature and refined how the variables have been defined previously and the number of dimensions or components the constructs had. Then, the researcher identified relevant items for each construct but kept the number of items minimum to achieve clarity and simplicity (DeVellis, 2012). The initial item generation produced 86 items. The following table 4.6 shows the constructs/dimensions and their measurements from the literature.

Table 4.6 Measurement items for the constructs of the study

Construct	Measurement items	Sources
<i>Product Development Capability</i>	We are able to develop new products/services. We seek external professional advice in order to develop new products/services. We are able to develop new products/services in order to maximise the return of RD investment. We are capable of developing and sharing the knowledge of a new product/service launch in the market. We are capable of understanding our client/donor needs to match new product/service development. We intend to train internal staff for any new product/service development.	Morgan, Vorhies and Mason (2009) Eng and Spickett-Jones (2009) Liu, Eng and Takeda (2013)
<i>Marketing Communication Capabilities</i>	We develop and execute advertising programs. We are capable of advertising management and creative skills. We manage public relations skills. We manage skills and positioning	Morgan, Vorhies and Mason (2009) Eng and Spickett-Jones (2009) Liu, Eng and Takeda (2013)

Construct	Measurement items	Sources
	in regards to our brand image. We maintain a non-profit image and reputation management.	
<i>Channel Management Capability</i>	We develop good relationships with our distributors. We attract and retain the best distributors. We attempt to gain knowledge of the distributors' partners. We enhance value to our distributors. We develop partnerships with our distributors and their organizational partners. We provide high levels of service to support our distributors.	Morgan, Vorhies and Mason (2009) Eng and Spickett-Jones (2009) Liu, Eng and Takeda (2013)
<i>Pricing Capability</i>	We use pricing skills and tactics to respond efficiently to market changes. We develop knowledge of other non-profit organisations' pricing tactics. We price our products/services in an effective way. We monitor other non-profit organisations' prices and price changes.	Morgan, Vorhies and Mason (2009) Eng and Spickett-Jones (2009) Liu, Eng and Takeda (2013)
<i>Selling Capabilities</i>	We organise training for salespeople to be effective in their role. We develop sales management planning and control systems. We have the ability to enhance the selling skills of salespeople. We provide effective support to the salespeople to be more successful in their role.	Morgan, Vorhies and Mason (2009) and Liu, Eng and Takeda (2013)
<i>Marketing Information Management Capabilities</i>	We collect information about our clients/ donors. We use market research skills to develop effective marketing programs. We identify our clients'/donors' wants and needs. We use market information to its	Morgan, Vorhies and Mason (2009) Eng and Spickett-Jones (2009) Liu, Eng and Takeda (2013)

Construct	Measurement items	Sources
	full potential.	
<i>Marketing Planning Capabilities</i>	<p>We develop marketing planning skills.</p> <p>We effectively segment and target the market.</p> <p>We develop marketing management skills and processes.</p> <p>We develop creative marketing strategies.</p> <p>We have thorough knowledge of marketing planning processes.</p>	<p>Morgan, Vorhies and Mason (2009)</p> <p>Eng and Spickett-Jones (2009) Liu, Eng and Takeda (2013)</p>
<i>Marketing Implementation Capabilities</i>	<p>We are capable of allocating marketing resources.</p> <p>We are able to deliver effective marketing programs.</p> <p>We are capable of transforming marketing strategies into action.</p> <p>We effectively execute marketing strategies.</p> <p>We monitor marketing performance.</p>	<p>Morgan, Vorhies and Mason (2009)</p> <p>Eng and Spickett-Jones (2009) Liu, Eng and Takeda (2013)</p>
<i>Market Intelligence Generation</i>	<p>We meet our clients/donors at least once a year to find out what products/services they will need in the future.</p> <p>In this organisation, we do lot in-house market research on clients'/donors' needs.</p> <p>We poll our clients/donors at least once a year to assess the quality of our products/services.</p> <p>We are slow to detect fundamental changes in the non-profit sector (e.g. technology, regulations, etc.)</p> <p>We are slow to detect fundamental shifts in the non-profit sector (e.g. technology, regulations, etc.).</p> <p>We periodically review the likely effect of changes in our operating environment (e.g. regulations, economy, technology, etc.) on clients/donors.</p>	<p>Kohli and Jaworski (1993) MARKOR Scale</p>
<i>Market Intelligence Dissemination</i>	<p>We intend to hold at least once a quarter interdepartmental meetings to discuss market trends and developments in the non-profit</p>	<p>Kohli and Jaworski (1993) MARKOR Scale</p>

Construct	Measurement items	Sources
	<p>sector.</p> <p>Personnel who perform 'marketing function' (or the equivalent) in our organisation spend time discussing the clients'/donors' future needs with other functional departments. When something important happens to a major client/donor, it spreads around the whole organisation within a short period. Data on client/donor satisfaction are disseminated at all levels in your organisation on a regular basis.</p> <p>When one department finds out something important about other non-profit organisations working in the same area, it is slow to inform other departments.</p>	
<i>Market Responsiveness</i>	<p>It takes us a long time to decide how to respond to other non-profit organisations' changes in the strategies used to attract clients/donors.</p> <p>For one reason or another, we tend to ignore changes in our client's/donors' needs.</p> <p>We periodically review our new service/product development efforts to ensure that they are in line with change in clients/donor needs.</p> <p>Several departments get together periodically to plan a response to changes taking place within our operating environment.</p> <p>If another non-profit organisation was to launch an intensive advertising campaign targeted at our clients/donors, we would ensure an immediate response was to put into place.</p> <p>Clients/donors complaints fall on deaf ears in this organisation.</p> <p>Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.</p> <p>Corrective action is immediately</p>	Kohli and Jaworski (1993) MARKOR Scale

Construct	Measurement items	Sources
	taken, when we find out that clients'/donors are unhappy with the quality of our service. When we find that our clients/donors would like us to modify a service/product, the departments involved make an effort to do so.	
ORGANISATIONAL PERFORMANCE <i>Resource Acquisition (Funding Attractions)</i>	Private Funding (Individuals) Corporate Funding (Business Sponsorship) Institutional Funding (Foundations) Government Funding Commercial Activities	Froelich (1999)
<i>Economic Performance</i>	Our organisation's own revenue has increased over the three years. The number of paid jobs have increased in our organization over the three years. Our organisation has fully accomplished its <i>financial goals</i> over the three years. Over the three years, the number of clients has increased in our organization. The organisation activities have reached different locations nationwide over the three years. Over the three years, the organisation's activities have gone international.	Padayani and Gainer (2004); Camarero and Garrido, 2008)
<i>Social Performance (Mission)</i>	We have achieved our social mission over the three years. Our organisation was successful in creating awareness of its goals within the society over the three years. In our organisation the number of volunteers has increased over the three years. The number of donors in our organization has increased over the three years. Our organisation's mission created opportunities for collaboration	Padayani and Gainer (2004); Camarero and Garrido, 2008)

Construct	Measurement items	Sources
	(partnership) with other organisations to deliver new services and establish in new locations over the three years.	

Source: Developed for the pilot study of the research by the researcher

4.8 Content adequacy assessment

After the item pool is carefully selected, further refinement of the initial items would need to be carefully revised. Therefore, the initial pool of items was subjected to face validity. Although face validity is subjective in nature, it provides an indication that the items measure what they are supposed to measure (Sekaran and Bougie, 2009). In other words face validity states that the measure (i.e. questionnaire) apparently reflects the contents of the concept in the questions (Bryman, 2008). Therefore, the researcher conducted an informal pilot test with two panels of experts for their feedback, to establish the face validity.

The first panel of experts included five academics in the business school and the second group included five individuals who have managerial positions in local NPOs. These individuals are chosen for the informal pilot test as recommended by Brace (2004), because they are more likely to be knowledgeable about questionnaire design and also they are more likely to be able to detect any errors in the questions. The academics from the university included doctoral researchers and current lecturers from the marketing department. This group produced feedback and commented on the design of the questionnaire, to determine if sufficient information and instructions were given to the respondents to complete the self-completion questionnaire and also to improve other aspects of the instrument (i.e. introductory letter) (Bryman, 2008; Saunders *et al.*, 2012). The individuals from local NPOs were practising marketing

activities at their work place. This group produced feedback and commented about wording especially if the language used is relevant to the NPOs context (Cooper and Schindler, 2011). Depending on the two panel experts' feedback, several changes were recommended by both groups of individuals such as wording, the length of the questions, deleting or adding items and also substituting or re-ordering some of the questions included in the questionnaire. This process is detailed in the following paragraphs. In addition to that, after the corrections were made to increase the face validity, the researcher conducted the formal pilot study which will be discussed in chapter 5.

4.9 Survey

The research strategy chosen for this research is to conduct a survey method as the researcher adapts a deductive research stance. Griffin (2012) refers to *strategy* as a plan of action to achieve a desired goal and research strategy is the design of actions to answer the research questions (Saunders *et al.*, 2012). Therefore, the research strategy is the methodological link between the research philosophy and the choice of methods to collect and analyse data (Denzin and Lincoln, 2011). According to Collis and Hussey (2009), survey strategy is designed to collect primary or secondary data from a sample, analyse the data statistically and generalise the results to the population. It is most frequently used to answer 'what', 'who', 'where', 'how much' and 'how many' questions to collect quantitative data which can be analysed using statistical techniques. The major advantage of survey strategy is that it is very easy to explain and be understood by respondents as it is generally perceived by respondents as authoritative. Moreover, it is a very economical way to collect the data.

Conversely, it can be limited to collect a wide range of data because of the constraint of the length of the questionnaire.

Based on the research strategy, the present research conducts a survey as it is most preferable and common chosen research strategy in the field of marketing and business management (Churchill, 1979; Saunders *et al.*, 2012). Moreover, this research is quantitative in nature and survey is the best way to collect the data because it minimizes the cost and time for the researcher and allows a large number of respondents to be targeted if they are geographically dispersed.

4.9.1 Unit of analysis

Collis and Hussey (2009, p.115) defined the unit of analysis as:

“is the phenomenon under study, about which data are collected and analysed, and is closely linked to the research problem and questions”.

The unit of analysis can be an individuals, dyads, events, objects, groups, and organisations or industries or countries (aggregated to a larger level) (Tharenou, 2007). The choice of unit of analysis is guided by the research focus (Sekeran, 2009). Therefore, the present study's focus is the non-profit organisations with an emphasis on organisational (NPO) constructs and their hypothesised relationships in the conceptual model (figure 3.1). Therefore, the analysis was carried out on the organisational level. More specifically, the focus of the present research is the NPOs. Furthermore, the data collection has to be completed at the individual level. Questionnaires were distributed to senior managers in the NPOs in order to measure marketing capabilities in the NPOs and their relationship with other constructs. Further details about data collection procedure will be presented later in this chapter.

4.9.2 Population/sample/ targeted respondents

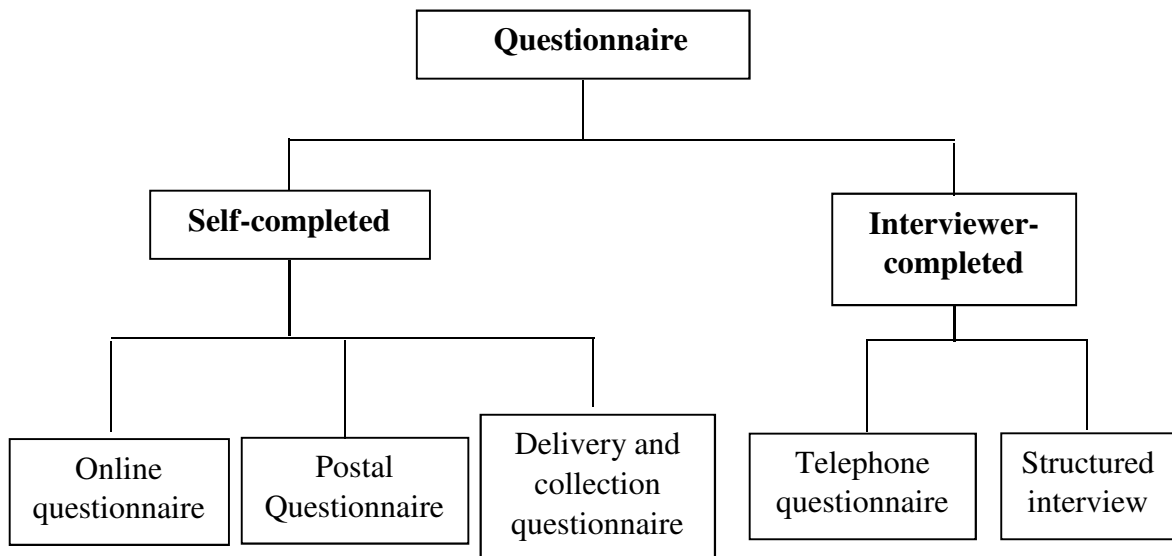
Saunders et al., (2012; p.260) define population as: “The full set of cases from which a sample is taken” or “it is the total collection of elements about which we wish to make some inferences² (Cooper and Schindler, 2011). Based on these definitions, the population of this study is UK non-profit organisations and the data is collected from the ‘Voluntary Agencies Directory – 2013’ which is published by the National Council for Voluntary Organisations (NCVO) annually. NCVO is the main umbrella body for the voluntary sector in the UK which supports and creates an environment for NPOs.

Sample is simply defined as the sub group of a larger population (Saunders *et al.*, 2012) and it is chosen as the representative of the entire population (McNabb, 2008). The population was not subjected to any sampling since it is practical and financially feasible to collect data through online surveys within a specified period (six months). Therefore, all non-profit organisations in the Voluntary Agencies Directory were included. A total of 2050 questionnaires were e-mailed to the chief executives, executive directors, heads of marketing and communication, directors of external affairs, directors of fundraising and directors of marketing managers. The main objective for choosing this level of management respondents is because understanding the marketing capabilities and the market orientation concepts require knowledge and implementation of the marketing concept.

4.9.3 Data and its collection instrument: Questionnaire

Data is information which represents qualitative or quantitative elements of a variable or a set of variables that arise from the reduction of experience (Bernard, 2013). It can be collected from two types of sources: primary source and secondary source. Data collected using primary sources is called primary data whereas data collected using secondary source is known as secondary data (Saunders *et al.*, 2012). The type of data which is collected mainly for a specific research project is regarded as primary data. Alternatively, secondary data are data which have not been collected expressly for the immediate study at hand but some other purposes (Diamantopoulos and Schlegelmilch, 1997). The present research aims to achieve its objectives by collecting primary data through surveys, namely ‘questionnaires’ (i.e. online and postal).

As such, there are several data collection methods that a researcher can use depending on the research questions and objectives. Thus, most data collection methods includes interviews (face to face, telephone and/or computer-assisted interviews) and also questionnaires that are either personally administered, sent through the mail or electronically administered (Sekran and Bougie, 2011). For data collection methods, once a questionnaire has been selected for this research to answer research questions, a self-completed questionnaire was sent to the respondents. According to Collis and Hussey (2009, p.192) questionnaire is “a method for collecting primary data in which a sample of respondents are asked a list of carefully structured questions chosen after considerable testing, with a view to eliciting reliable responses”. Saunders *et al* (2012) discuss that there are different types of questionnaire which researchers can use for data collection. Figure 4.2 summarise the different types of questionnaires.

Figure 4.2 Types of questionnaire

Source: Adapted from Saunders et al. (2012)

As seen in the above figure 4.2, there are different designs of a questionnaire according to how it is delivered, returned or collected and the amount of time that the researcher plans to spend with the respondent (Saunders et al., 2012). In relation to the above figure 4.2, the type of questionnaire is divided into two major categories:

- (1) Self-completed questionnaires which are usually completed by the respondents. This type of questionnaires can be sent to the respondents either electronically using the internet (i.e. internet-mediated questionnaire), posted to respondents who return them after completion (i.e. postal or mail questionnaires) or delivered by hand to each respondent and collected later (i.e. delivery and collection questionnaires)
- (2) Interview-completed questionnaires which are recorded by the interviewer on the basis of each respondent's answer. These type of questionnaires can be recorded by telephone (i.e. questionnaire is undertaken by using the telephone) or by structured interview (i.e. interviewer physically meets with respondents and asks questions face to face).

The present research employed self-completed questionnaires, firstly conducted electronically and then by postal survey (see Appendix C). As explained previously, the research adapted and modified the measurement of marketing capabilities, market orientation, and performance measures from the existing literature. The questionnaire consists of four sections: marketing capabilities, market orientation, organisational performance and general questions. The general question section was designed to obtain general information about the organisation's type, size, age, and respondent's position in the organisation.

Additionally, the present research employed a 7-point Likert scale which is the most frequently used rating scale for questionnaires (Tharenou et al., 2007; McNabb, 2008). Fundamentally, it is a multiple indicator or multiple-item measure of a set of attitudes towards to a particular area (Bryman, 2008) and it helps to measure the agreement or disagreement of a respondent to a statement. Moreover, its goal is to measure intensity of feelings about the area in question. Therefore, the respondent is asked how strongly he or she agrees or disagrees with each statement in the questionnaire. As stated before, the 7-point Likert scale is used for this research instrument with specific anchors namely, strongly disagree (1), disagree (2), somewhat disagree (3), neither agree nor disagree (4), somewhat agree (5), agree (6), and strongly agree (7). Thus, the questionnaires in this research are using a 7-point scale and aim to measure the opinion of the respondents (Saunders et al., 2012). The use of the Likert scale is consistent with previous studies in marketing capabilities (e.g Morgan *et al.*, 2009; Liu *et al.*, 2013) and in market orientation (e.g. Balabanis *et al.*, 1997; Vazquez *et al.*, 2002). Moreover, the Likert scale can also use 3 and 5 scale points but the advantages of using a 7-point scale in this research instrument is that a

7-point scales is a better approximations of a normal response curve and extracts more variability from respondents (Cooper and Schindler, 2011).

4.9.4 Data Analysis techniques

The descriptive statistics were produced with the assistance of SPSS 19.0 before assessing the measurement scales. Initially, the means of frequency distribution, measure of central tendency and dispersion of the variables were calculated. *Skewness* and *kurtosis* were tested for normal data distribution. Afterwards, reliability tests and exploratory factor analyses (EFA) were conducted as preliminary tests to refine the measures (Churchill, 1979; Gerbing and Anderson, 1988). Subsequently, the confirmatory factor analysis (CFA) was applied to validate the refined measurement scales (Hair *et al.*, 2014). In addition to CFA, the present research used Structural Equation Modelling (SEM) technique with Mplus software program to test the research hypotheses.

The present research followed two steps when analysing the data. Firstly, an acceptable measurement model was developed before continuing to the structural model. Therefore, the researcher employed EFA and then CFA to examine the properties of scales such as internal consistency, reliability, convergent validity, discriminant validity and unidimensionality for reflective scales. At a later stage, the researcher examined the structural relationships through the structural equation modelling technique among the constructs by using Mplus 7.2 software program.

A number of psychometric properties were assessed to eliminate the existence of poor construct conceptualisation (MacKenzie and Podsakoff, 2003), namely reliability and validity tests. In fact, measuring validity is an essential element for researchers in

order to test if they are measuring what they actually wish to measure (Cooper and Schundler, 2012) and it simply shows if the research results are accurate (Hair *et al.*, 2014). On the other hand, reliability is also an important indicator for a better construct conceptualisation which measures the stability and consistency within the concepts in the instrument (Sekaran and Bougie, 2009). Thus, the researcher employed composite reliability (Werts *et al.*, 1974) and Cronbach alpha (1951) to assess the reliability of the scales. In order to have better and more accurate measures, composite reliability is preferable than Cronbach's alpha as it provides a better estimate of variance shared by the respective indicators (Hair *et al.*, 2014). In addition to that, convergent and discriminant validity measures were employed. Convergent validity refers to "the items that are indicators of a specific construct should converge or share a high proportion of variance in common" (Hair *et al.*, 2014, p.818). Therefore, for measuring the convergent validity, the researcher employed average variance extracted (AVE) and at least an AVE value of 0.5 shows that the sufficient convergent validity was accomplished. In addition, in order to investigate discriminant validity which shows that a construct is actually distinct from other constructs, the criteria of the AVE estimates should be greater than the square correlation estimates which were set (Hair *et al.*, 2014).

The satisfactory results were obtained from the above phase in order to proceed to the final stage of the measurement models assessment. This stage involves testing the hypotheses through SEM technique by using the Mplus 7.2 software program. SEM is a family of statistical models that seek to explain the relationships between multiple variables (Hair *et al.*, 2014). Thus, the relationship among the constructs were examined for the present research as is explained in detailed in Chapter 6.

4.8 Summary

The objective of the current chapter is to explain the philosophical foundations, research methodology and research design of the study. The chapter also addressed the key distinctions between exploratory, descriptive and explanatory studies and why this research chose quantitative research methods over qualitative research methods. Moreover, it is discussed that positivist approach and quantitative methodology is the most suitable concept to answer the research questions in this study. Furthermore, the chapter explains the chosen research strategy instrument as well as the targeted population for data collection. Consequently, it considered the techniques to be used in the data analysis such as reliability, validity, factor analysis, confirmatory factor analysis and structural equation modelling.

CHAPTER 5: DATA COLLECTION AND PRESENTATION

5.1 Introduction

The present chapter explains the data collection process and its presentation. The chapter starts by giving details of how the data is collected for the achievement of the research objectives. It outlines the importance of the pilot study and describes the pilot study and its outcomes in order to improve the questionnaire instrument. Then, it discusses the actual data collection process conducted in the United Kingdom. Moreover, some explanations on how data is edited, coded, cleaned, and entered into the database are elaborated on. Finally, the presentation of data and the representativeness of the data is explained.

5.2 Pilot study and its importance in data collection

It is always important to conduct a pilot study before using a questionnaire. This is because it does not matter how much a researcher carefully designs the research instrument, it can retain imprecise research procedures without pilot testing (Schwab, 2005). The purpose of the pilot study is to refine the questionnaire so that respondents do not face any problems when answering the questions (Saunders *et al.*, 2012) and allows the researcher to detect weaknesses in design and instrumentation of the questionnaire (Cooper and Schindler, 2011). Moreover, it allows a researcher to eliminate possible misunderstanding or misinterpretations by respondents and also enables researchers to establish procedures, materials and parameters which are used in the real study (Bordens and Abbott 2008). In fact, a pilot study is not only trying to ensure that survey questions function well but also it has a role in ensuring that the research instrument functions as a whole as well (Bryman, 2008). Consequently, it is

a small sized study or small scale rehearsal of data collection from respondents similar to those that will be used in the full study and is conducted before the main study (Groves et al., 2009; Collis and Hussey, 2009). Thus, it is desirable to conduct a pilot study prior to the collection data because it gives an opportunity for the researcher to clarify and improve several areas such as the covering letter, clarification of categories and scales used as well as the amount of time it takes to complete the questionnaire, the quality of the instructions, and the relevance of the questions asked (Saunders *et al.*, 2012). Therefore, a pilot study is essential and its advantages make it a fundamental tool to be used by the researchers for the following reasons:

- 1) A pilot study allows researcher to find the length time needed for the questionnaire to be completed by the respondents or interviewers (Saunders et al. 2012). The length of the questionnaire is very important because a lengthy questionnaire can have a negative effect on the respondent's willingness to complete.
- 2) It enables the researcher to explain suitable information and instructions to the interviewer, or respondents in order to complete a self-completion questionnaire (Bryman, 2008; Saunders et al, 2012). Therefore, it allows the researcher to validate the adequate information and directions given to the respondents and can also clarify any problems which occur.
- 3) It allows the researcher to determine if any questions are unclear or ambiguous (Saunders et al., 2012). This also negatively affects the respondent's intention to respond the questionnaire. Therefore, a pilot study gives the opportunity to researchers to capture any problems in questions' content, wording or sequencing problems among questions (Cooper and

Schindler 2011). Moreover, it can direct the researcher to consider how well the questions flow and whether it is necessary to move some of them around to improve questionnaire feature (Bryman 2008).

- 4) A pilot study enables the researcher to identify questions which make respondents feel uncomfortable or uneasy and also assists researcher to recognise any tendency of respondents' interest to be lost at certain stages while answering the questions (Bryman, 2008, Saunders et al., 2012). Therefore, a pilot study gives the opportunity to the researcher to find out the ways to increase the participant interest or reform the questions which make the respondents feel uncomfortable (Cooper and Schindler 2011).
- 5) A pilot study shows if the questionnaire layout is clear or attractive to respondents (Saunders et al., 2012). If not, it enables the researcher to find ways in which to improve these issues depending on comments from the respondents.

To sum up the above points, Saunders et al., (p.452, 2012) argues that 'organisations and individuals are increasingly being bombarded with requests to respond to questionnaires and so may be unwilling to answer your questionnaire'. Therefore, the researcher needs to find out ways to increase the participant's interest and also reduce the non-response rates (Saunders et al., 2012). Consequently, the above points, questionnaire appearance, length, content, delivery methods, communication with the respondents, clear wording and organised lay out of the questionnaire are very important aspects for the response rate. Therefore, it was essential for this research to conduct a pilot study and apply the above explained essentials so that the researcher can have good response rate.

5.3 Pilot Study

Saunders *et al.*, (2102) advise that the minimum number of respondents for the pilot study is 10 individuals and the respondents do not need to be selected statistically (Cooper and Schindler, 2011). Therefore, the pilot study of the present research used twelve individuals from local non-profit organisations within the Essex and London area. The respondents for the pilot study were chosen from these areas as it was easy for the researcher to assess these individuals. Moreover, this group of respondents were used to adjust the measurement scales to their highest level of performance for accuracy prior to large sample testing. The participants were chosen from the ‘Voluntary Agencies Directory – 2013’ which is published by National Council for Voluntary Organisations (NCVO) annually in the UK. The questionnaire was hand delivered to the pilot survey participants. The following describes the context of the pilot sample requirements for the non-profit organisations used.

- The individual must be in a position to contribute to the marketing activities and strategic direction of the organisation.
- The organisation must be non-profit without company owners exists.
- The organisation must be a registered Charity in the UK.

Twelve responses made up the pilot study. In order to test the reliability and the internal consistency of the questions, the Cronbach alpha test was employed because it assesses the reliability of the measurement items and is a measure of internal consistency (Cronbach, 1951). More specifically, Alpha is a measure of the acceptable lower boundary for the reliability of the survey. In other words, it is a statistical test of how well the items in a questionnaire are correlated with one another (Bernard, 2013, Tharenou *et al.*, 2007). Based on these explanations, for the pilot

study, the Cronbach's alpha was calculated for each scale in order to predict the reliability of the scales in the survey. Overall the Cronbach's alpha values of the scale items are mainly between around 0.931 and 0.733. The literature suggests that if the value of Cronbach's alpha is 0.6 and above, it is sufficient in the early stages of the research (Nunnally, 1978; Churchill, 1979). Table 5.1 below shows the pilot study Cronbach's alpha results.

Table 5.1: Pilot study reliability test results

Construct	Cronbach's Alpha value	Number of items
Price Capability	0.869	4
Product Development Capability	0.747	6
Channel Management Capability	0.866	6
Marketing Communication Capability	0.733	5
Selling Capability	0.902	5
Marketing Information Management Capability	0.822	4
Marketing Planning Capability	0.820	5
Marketing Implementation Capability	0.900	5
Market Intelligence Generation	0.622	6
Market Intelligence Dissemination	0.799	5
Market Responsiveness	0.636	10
Resource Acquisition	0.843	5
Economic Performance	0.613	6
Social Performance	0.931	7

It is noted that market responsiveness and economic performance scales were just above the acceptable level of Cronbach's alpha value (i.e. 0.6) but none of the items from these constructs were dropped at this stage. This is because the pilot study is completed at the local level and Cronbach's alpha is somewhat dependent upon the sample size, therefore, it is more likely the attributes of the scale items may not give accurate measure until tested with a larger sample. As a result, the pilot study was more selective, using mainly local non-profit organisations but the larger sample study will be more random and be able to generalise its results.

5.3.1 Adjustments in the Questionnaire

The questionnaire was initially tested by visiting each selected non-profit organisation. Firstly, the self-completion of the questionnaire was requested to be completed by the marketing manager or another type of manager in a position to contribute to the marketing activities and/ strategic direction of the organisation. After self-completion of the questionnaire by the respondent, a face-to-face feedback discussion was conducted about the survey in order to ensure that the questions are relevant and understandable in the non-profit organisations context. This is because the present research scale is adapted from a profit-making organisation context (Morgan, Vorhies and Mason, 2009). Based on suggestions and recommendations from the respondents, the following adjustments were made to the questionnaire:

Table 5.2 Summary of questionnaire terms and their meaning in NPOs.

Client	Customers Beneficiaries Service users Donors Members Volunteers Any individuals who contribute to the organization
Product/Service	Programs Contracts Donation Fundraising events Other activities that can bring benefits/funding to the organisation
Marketing	Understanding of Clients' needs Distinctive competencies i.e. what an organisation can offer society that others do not. Attraction of resources, i.e. donations/funding

- 1) A 'key' section was put at the top of the questionnaire to explain the meaning of some of the terms used in the questionnaire to make it more relevant in the

non-profit context. Therefore this questionnaire uses terms such as Client, Product/Service and Marketing as indicated below:

2) The academic wording of the constructs is also explained in day to day business language especially in the non-profit language context.

Table 5.3: Construct description in practitioner's understanding

Constructs	Explanation in day to day business language
Market Orientation	
Market Intelligence Generation	The collection of information about clients'/donors' current and future needs.
Market Intelligence Dissemination	Knowledge sharing of client/donor current and future needs within the organisations.
Market Responsiveness	Planning and implementing effective marketing strategies to meet client/donor both current and future needs.
Marketing Capabilities	
Product Development Capability	The introduction of new products/services to the operating environment/market.
Marketing Communication Capability	The organization's communication and public relations activities to achieve organizational goals.
Channel Management Capability	How the organisation delivers or distributes its programmes or products/services to its clients/donors.
Price Capability	Price can be described as a measure of the value of exchange between your organisation and its stakeholders.
Selling capability	The organisation's selling/promotion activities to achieve organizational goals.
Marketing Information Management Capability	The organisation's capability to acquire information about its operating environment (market) and develop effective marketing activities.

Marketing Planning Capability	The organisation's capability to formulate marketing activities (strategies) that optimize the match between organisation's resources and its markets.
Marketing Implementation Capability	The organisation's capability of implementing marketing strategies into actions.

3) Some terminology used in the questionnaire for the pilot study was not clear to the respondents. For this reason, examples and definitions are provided in the questionnaire in order to help respondents' for to better understand. For example, employees are described as *paid staff or volunteers* and sales are described as *donations or fundraising*. *Pricing* for example, is not applicable to some of the non-profit organisations and a brief explanation was added to the questionnaire in order to clarify that price can be value of the contract or anything that clients or donors use to exchange product/services in a non-profit organisation. In addition to that, *product* is referred to as programmes, fundraising events, donations, product/service sales or exchange, volunteer opportunities, or any activity that brings benefits to the non-profit organisation. The last explanation made for the channel management capability, for example, *partners/distributors* can be any individual either paid or a volunteer, or any other non-profit organisation that helps the delivery of products/services to clients/donors.

4) Another changes was made to the social performance construct because the pilot study respondents explained that some questions in this construct looked similar and retained the same meaning in their mind. Therefore, three questions which had identical meaning were deleted from the social performance construct.

Table 5.4: Measurement Items after Pilot Study

<i>Wording used in the constructs</i>	<i>Item codes</i>
Marketing Capabilities	
<i>Product Capability</i>	
We are able to develop new products/services.	PC1
We seek external professional advice in order to develop new products/services.	PC2
We are able to develop new products/services in order to maximize the return of R&D investment.	PC3
We are capable of developing and sharing the knowledge of a new product/service launching in the market.	PC4
We are capable of understanding our client/donor needs to match new product/service development.	PC5
We intend to train internal staff for any new product/services.	PC6
<i>Marketing Communication Capability</i>	
We develop and execute advertising programs.	MCC1
We are able to demonstrate management of creative advertising skills.	MCC2
We are capable of managing public relations skills.	MCC3
We are capable of managing brand image skills and positioning.	MCC4
We are capable of managing non-profit image and reputation.	MCC5
<i>Channel Management Capability</i>	
We develop good relationships with our partners/distributors.	CMC1
We attract and retain the best partners/distributors.	CMC2
We attempt to gain knowledge of the partners'/distributors' networks.	CMC3
We add value to our partners'/distributors' business.	CMC4
We develop a relationship with our partners/distributors and their organisational networks.	CMC5
We provide high levels of service to support our partners/distributors.	CMC6
<i>Price Capability</i>	
We use pricing skills and tactics to respond efficiently to market changes.	PRC1
We develop knowledge of other non-profit organisations' pricing tactics.	PRC2
We price our products/services in an effective way.	PRC3
We monitor other non-profit organisations' prices and price changes.	PRC4
<i>Selling Capability</i>	
We organise training for salespeople to be effective in their role.	SC1
We are capable of developing sales management planning and control systems.	SC2
We are capable of developing the selling skills of salespeople.	SC3
We provide effective support to the salespeople to be more successful in their role.	SC4
<i>Marketing Information Management Capability</i>	
We collect information about our clients/ donors.	MIMC1
We use market research skills to develop effective marketing programmes.	MIMC2
We identify our clients'/donors' wants and needs.	MIMC3
We use market information to its full potential.	MIMC4
<i>Marketing Planning Capability</i>	
We develop marketing planning skills.	MPC1

<i>Wording used in the constructs</i>	<i>Item codes</i>
We effectively segment and target the market.	MPC2
We develop marketing management skills and processes.	MPC3
We develop creative marketing strategies.	MPC4
We have thorough knowledge of marketing planning processes.	MPC5
<i>Marketing Implementation Capability</i>	
We are capable of allocating marketing resources.	MIC1
We are able to deliver effective marketing programs.	MIC2
We are capable of transforming marketing strategies into actions.	MIC3
We effectively execute marketing strategies.	MIC4
We monitor marketing performance.	MIC5
<i>Market Orientation</i>	
<i>Market Intelligence Generation</i>	
We communicate at least once a year with clients/donors to find out what products/services they will need in the future.	IG1
We do a lot of in-house 'market research' concerning clients'/donors' needs.	IG2
We survey clients/donors at least once a year to assess the quality of our products/services.	IG3
We are slow to detect fundamental changes in the non-profit sector.	IG4
We periodically review the likely effect of changes in our operating environment on clients/donors.	IG5
<i>Market Intelligence Dissemination</i>	
We have inter-departmental meetings at least once a quarter to discuss market trends and developments.	ID1
People performing the "marketing function" (or the equivalent) in our organisation spend time discussing the clients'/donors' future needs with other functional departments.	ID2
When something important happens to a major client/donor, the whole organisation knows about it in a short time.	ID3
Data on clients/donors satisfaction are circulated at all levels in your organisation on a regular basis.	ID4
When one department finds out something important about other NPOs working in the same area, it is slow to inform other departments.	ID5
<i>Market Responsiveness</i>	
It takes us a long time to decide how to respond to other NPOs strategic changes regarding client/donor attraction.	R1
For one reason or another, we tend to ignore the changes in our clients'/donors' needs.	R2
We periodically review our service/product development efforts to ensure that they are in line with client/donor needs.	R3
Several departments meet periodically to plan a response to changes taking place in our operating environment.	R4
If another non-profit organisation was to launch an intensive campaign targeted towards our clients/donors, we would implement an immediate response.	R5
Clients/donors complaints fall on deaf ears in this organisation.	R6

<i>Wording used in the constructs</i>	<i>Item codes</i>
When we come up with great marketing plan, we probably would not be able to implement it in an appropriate time scale.	R7
When we find that our clients/donors would like us to modify a service/product, the departments involved make an effort to do so.	R8
Organisational Performance	
Resource Acquisition	
Private Funding.	RA1
Corporate Funding.	RA2
Institutional Funding.	RA3
Government Funding.	RA4
Commercial Activities.	RA5
Economic Performance	
Our organisation's own revenue has increased over the last three years.	EP1
The number of paid jobs have increased in our organisation over the last three years.	EP2
Our organisation has fully accomplished its financial goals over the last three years.	EP3
Over the last three years, the number of clients has increased in our organisation.	EP4
The organisation's activities have reached different locations nationwide over the last three years.	EP5
Over the last three years, the organisation's activities have gone international.	EP6
Social Performance	
We have achieved our social mission over the last three years.	SP1
Our organisation was successful in creating awareness of its goals within the society over the last three years.	SP2
In our organisation the number of volunteers has increased over the last three years.	SP3
The number of donors in our organisation has increased over the last three years.	SP4
Our organisation's mission created opportunities for collaboration with other organisations to deliver new services and/establish in new locations over the last three years.	SP5

Source: Developed for the current study by the researcher.

5) Moreover, the pilot study showed that, the respondents' reaction was reluctant when they started answering the questions from the marketing capability constructs. Their impression were that the survey was not applicable to them. Thus, on some occasions, after a brief explanation given to them, they agreed that they do use marketing capabilities in their organisation. However, the researcher decided to re-arrange to some questions in order to make an easier start for the respondents. Based

on the content adequacy assessment which is discussed in section 4.8, items were modified after pilot study which is shown in table 5.3.

5.4 Data collection procedure

There are different forms of collecting data and of course different strategies to attempt to maximize the response rate (Saunders *et al.*, 2012). The present research collected the data using two methods, online data collection methods and postal questionnaires.

5.4.1 Online Data Collection

Internet survey methods have become increasingly attractive and popular to researchers (Bryman, 2008; Bernard, 2013). This popularity arises because they are easy to build and easy to analyse. Although, in theory, they should be easy to administer as it is easy to send the link to respondents, it can be difficult getting respondents to take the survey (Bernard; 2013). However, response rate can be improved by paying attention to questionnaire appearance, length, content, delivery methods and associated communication with respondents and as well as clear wording and lay out of the questionnaire (Saunders et al., 2012).

The study used a self-administered e-mail questionnaire through Qualtrics software program to collect data for the survey from chief executives, marketing managers and other managers who are responsible for marketing activities in the non-profit organisations. This data collection technique was chosen by researcher because online surveys are a practical and low cost way of sending out emails and may get faster responses (Schaefer and Dillman 1998; Bernard, 2013). Moreover, online surveys do not need interviewer presence as it is convenient for respondents to respond in their

own time and they enable researchers to collect data from a wide geographical area (Dommeyer and Moriarty 1999; Bryman, 2008).

In order to increase the participations, the online questionnaire was accompanied by an introductory email which contained an explain of the research project and questionnaire and the researcher's name, title and the contact number/email address (Saunders *et al.*, 2012). The introductory email explained about the research objectives, the number of sections in the questionnaire and the required time needed to complete it, as well as assurances of anonymity and confidentiality of the data. For the online survey, the researcher did not use the University of Essex's letterhead as an introductory letter because the emails were sent to all organisations from the researcher's university email account which made the introductory email official. The total of 2031 emails were sent to the email addresses obtained from the Voluntary Agencies Directory.

5.4.2 Data Collection by Post

The present research also used postal questionnaires to increase the response rate as it was difficult to collect the required response through online collection methods alone. This is because organisations and individuals are generally being bombarded with requests to respond to questionnaires and this reduces the response rate as the respondents may not be willing to answer the questionnaire (Saunders *et al.*, 2012). Thus, Groves *et al.*, (2004) suggest that multiple data collection techniques can be required in many surveys in order to reduce the costs, maximise the response rate and decrease the data collection time. Using a combination of data collection methods can also neutralize the weaknesses of using only one technique.

Subsequently, the postal survey technique was conducted to reach the targeted respond rate. As suggested, a higher response rate is better for any study to generalize the findings (Saunders *et al.*, 2012). Therefore, the researcher used the postal data collection method as a second technique in order to increase the overall response rate for the study (Davis 2005, Bryman, 2008). Several other studies also employed multiple modes of data collection such as Marnburg et al, (2004), Brodie et al. (2002), and Knott (2001) in order to increase the response rate. The researcher used the same data collection procedures for both the postal survey technique and the online technique.

The same covering letter was used for both the online data collection method and the postal survey. In addition to that, the covering letter was written on the University's letterhead in order to make it look more professional. In the same way, the covering letter described the research objectives, the number of sections in the questionnaire and the required time needed to complete it and as well as assurance of anonymity and confidentiality of the data. As suggested by Bryman (2008), each covering headed letter was individually signed with blue ink. In addition to that, the covering letter requested the participation of the respondent and a first class mail stamped reply envelope was included with the questionnaire. Although, it is also recommended that monetary incentives can increase the response rate (Bryman 2008; Cooper and Schindler 2011), the researcher would not been able to offer any economic incentives because of the researcher's limited budget. On the other hand, the non-monetary incentive of a summary of research results was offered instead in order to encourage respondents to complete the questionnaire.

The mailing process started in the first week of February 2014 and the final return date which was 30th May 2014, a procedure suggested by Cooper and Schindler (2011). In order to increase participation, the researcher had to browse each non-profit organisation's website for the contact details of the person who is in charge of the marketing activities of the organisation. The researcher tried to encourage participants by telephoning them and explaining the importance of the study and how their response would contribute towards the practical body of knowledge. When the researcher contacted several non-profit organisations and asked them the reason why they did not want to participate, it was mainly they did not want to declare some of the sensitive information about their organisation. In addition, it is also difficult to get responses from the bigger companies because of their complex hierarchical conditions, as well as the busy time constraints of the participants.

5.5 Data Preparation and description

Data preparation which includes data coding, data editing and data entry was carried out subsequently to ensure that the data and its conversion from raw form to reduced and classified forms to an able it to be more appropriate for analysis (Cooper and Schindler, 2011).

5.5.1 Data coding

The first step for the researcher in data preparation is data coding. Data coding refers to assigning a number or other symbols to the respondents' responses so that the answers can be grouped into categories and entered into a data base (Sekaran and Bougie, 2011; Cooper and Schindler, 2011). In other words, it is the translation of nonnumeric material into numeric data (Groves et al. 2004). Since this research

questionnaire employs the *Likert scale*, all questions were pre-planned with coding rules. Therefore, the questionnaire has been pre-coded before data collection which makes the first step of completing a data entry coding sheet unnecessary for the researcher (Davis, 2005; Neuman, 2013). The following table 5.5 shows how the questions were coded in this research.

Table 5.5: Response Coding for the questionnaire

Responses	Assigned Codes
Strongly disagree	1
Disagree	2
Somewhat Disagree	3
Neither Agree nor Disagree	4
Somewhat Agree	5
Agree	6
Strongly Agree	7

Source: Developed for the current study by the researcher.

In the present research scale, some of the wording of particular items has been reversed in order to prevent response bias (Pallant, 2007). Therefore, there are six negative questions designed in the scale for the market orientation construct and these questions were also negatively used in the original adapted *MARKOR* scale (Kohli, Jaworski and Kumar, 1993). The reason for including negatively worded items was to minimize the tendency of the respondents to circle the points toward one end of the scale. However, for data analysis purposes, the respondents' answers for these questions were recoded to make them synchronize with other questions. The researcher kept the same variable name with the same variables when recoding, rather than creating a new variable name. Therefore, the new codes for those negative questions have been re-coded as shown in the following table 5.6.

Table 5.6: Recoding Variables

Old category and code (number)	New code after recoding (number)
Strongly disagree 1	Strongly disagree 7
Disagree 2	Disagree 6
Somewhat Disagree 3	Somewhat Disagree 5
Neither Agree nor Disagree 4	Neither Agree nor Disagree 4
Somewhat Agree 5	Strongly Agree 3
Agree 6	Agree 2
Strongly Agree 7	Strongly Agree 1

Source: Developed for the current study by the researcher.

These six negatively worded questions spread out in the market orientation construct. There was one negatively worded question in the ‘intelligence generation’ and ‘intelligence dissemination’ constructs and four questions in the ‘responsiveness’ construct. The following table 5.7 shows these questions before and after the transformation of these questions.

Table 5.7: Transformation of the negatively worded questions

Negatively worded questions	Transformation of questions
Intelligence Generation construct	
We are slow to detect fundamental changes in the non-profit sector (e.g. technology, governmental regulations, etc.).	We are quick to detect fundamental changes in the non-profit sector (e.g. technology, governmental regulations, etc.).
Intelligence Dissemination construct	
When one department finds out something important about other non-profit organisations working in the same area, it is slow to inform other departments.	When one department finds out something important about other NPO working in the same area, it is quick to inform other departments.
Responsiveness	
It takes us long time to decide how to respond to other non-profit organisation’s strategic changes regarding client/donor attraction.	It takes us a short time to decide how to respond to other NPOs’ strategic changes regarding client/donor attraction.
For one reason or another, we tend to ignore changes in our clients’/donors’ needs.	For one reason or another, we tend to pay attention to the changes in our clients’/donors’ needs.

Clients/donors complaints fall on deaf ears in this organisation.	Clients/donors complaints are important in this organisation.
Even if we came up with a great marketing plan, we probably would not be able to implement it in an appropriate time scale	When we came up with great marketing plan, we are able to implement it in an appropriate time scale.

Source: Developed for the current study by the researcher.

5.5.2 Data Entry

The next stage after coding the data is the data entry which is the transformation of the gathered information through secondary or primary methods into a database (Sekran and Bougie, 2009; Cooper and Schindler, 2011). Thus, the raw data can be entered through statistical packages depending on the researcher's needs and the research problem. In this study, Statistical Package for Social Sciences (SPSS) version 19 was chosen to analyse the data since it is one of the most widely used statistical analysis packages (Bryman 2008). It is user friendly, and offers a full line of data analysis products including Data Entry Builder, which enables the development of forms and surveys, and Data Entry Station, which gives centralised entry staff, such as telephone interviews or online participants, access to the survey (Cooper and Schindler, 2011). In addition to that, SPSS 19 version software program is compatible with the Qualtrics online survey software program and Mplus software program which is an advantage when it is used with these programs. Thus, the researcher used Qualtrics software program to collect online data which enables the collected data to be transformed automatically into the SPSS software program. Also, this combination was very useful with the Mplus software program which is a latent variable modelling program with a wide variety of analysis capabilities which the researcher used for further data analysis.

Firstly, the data entry process began by the researcher entering all the data into an Excel spreadsheet and then transforming it into a data matrix of SPSS. Since the questionnaire was pre-coded, and the information is already in a similar format, the transformation of information from questionnaires into the computer was done through direct entry. The reason for initially entering the data into an Excel spreadsheet is that any mistakes or accidentally deletion of the data file can occur during data analysis and an Excel file can always be a backup for the database. During the data entry, several actions have been taken by the researcher to reduce the occurrence of any mistakes and ensure that the data was entered correctly to eliminate invalid results (Bordens and Abbott 2008; Neuman 2013):

- The data from the questionnaires was always entered one by one by the researcher. This was followed by checking and comparing the entered data to ensure it is done correctly before entering the next one.
- The data was always randomly checked after five to ten questionnaire entries to eliminate any possible clerical errors.
- The final control was screening the whole entered data in order to maintain completeness and consistency.

5.5.3 Data editing

The role of data editing is to avoid errors in the data matrix questionnaires both during and after the collection of the data. Generally, this process is also referred to as data cleaning (Diamantopoulos and Schlegelmilch; 1995) and it used to detect errors and omissions in the data set and correct them if it is necessary in order to achieve maximum data quality standards for inferential statistics (Cooper and Schindler, 2011). In other words, it deals with detecting and correcting illogical, inconsistent, or

illegal data and omissions in the information presented by the respondents of the study (Sekaran and Bougie, 2011). There is not a particular way of cleaning the data, but it is a necessary process to achieve a dataset that can be used with statistical analysis. Simply, as Diamantopoulos and Schlegelmilch (1997, p.40) commented data editing is to ‘identify omissions, ambiguities and errors in the responses’ and the aim of the researcher when editing the data is to check if the data is accurate, consistent, uniformly entered and completed by the respondents (Cooper and Schindler, 2011). There are several methods which can be used to check a dataset. This study used three different methods as discussed below.

5.5.3.1 Out of Range Values

It is common to have a data entry errors (Cooper and Schindler, 2011). Therefore, the first step of data editing for this study was to check data errors such as out-of range values to see if something has gone wrong somewhere (Diamantopoulos and Schlegelmilch, 1997). Therefore, frequency distributions of the dataset were obtained from SPSS until results showed that there were no out-of-range values in the dataset.

5.5.3.2 Missing Data

Generally researchers attempt to have complete set of data, however it is common they have missing responses which is an important issue in the survey methods. Missing data are the values that are unknown to the researcher because the information from a participant or case is not available for one or more variables (Cooper and Schindler 2011). In other words, valid values on one or more variables are not valid for analysis and can affect the generalizability of the results (Hair et al., 2014). This occurs when the participants refuse to answer, do not know the answer,

the question/statement do not apply to the respondent, or the respondent simply forgot to answer an item on the questionnaire (Diamantopoulos and Schlegelmich, 1997; Saunders et.al., 2012).

There are different techniques to help minimise the number of missing data. For this reason, the researcher added 'not applicable' option on the questionnaire in order to eliminate the above reasons for item-non-response (Cooper and Schindler 2011). Pilot study results also showed that a 'non-applicable' option could be help to eliminate the missing responses for some scale measurements on the questionnaire. Marketing capability and resource acquisition constructs especially can be complex for some non-profit organisations. This is because non-profits organisations have diverse characteristics and some of them would not be able to use eight different marketing capabilities in their marketing activities and also funding attractions would not have been available in all forms for some organisations. Thus, if this group of (i.e. not applicable) is small, it is not a troublesome (Cooper and Schindler 2011) and in this study the percentage of this group is less than five percent. Moreover, another approach is used in this study to substitute a missing response with a neutral value (i.e. the mean value for a particular value), especially control variables such as such as number of part-time staff and volunteer size. These detailed substitutions allow the researcher to minimise the sample bias and also it does not affect statistical results such as correlations (Hair et al., 2014).

5.5.3.3 Non-response bias

Non-response can occur whenever some of the members from the sample or population refuse to cooperate, cannot be contacted, or for some reason cannot provide the required data (Bryman, 2008). Non-response generates problems in the surveys in terms of lost observations and reduces statistical power when internal or external validity is concerned. In addition, it usually leads to a biased relationship which is a very important problem in a survey that a researcher needs to deal with it because the research design is based on the fact that the research findings are generalised from the sample to the population (Colls and Hussey, 2009).

Therefore, checking non-respondent bias is a must for researchers in order to make sure that the responding candidates do not differ from those who did not respond from the total sample. In fact, the responses from the respondents arrives to the researcher in different time waves. In other words, all responses do not all arrive simultaneously and researchers usually have to send a reminder to the respondents in order to gather the largest amount of responses from the population.

As a result, the researcher carried out tests for checking the non-response bias to see if there are significant differences between the questionnaires received earlier and those received at a later stage or even those which were not returned (Suppes and Krasne, 1961). Therefore, the researcher compared the means of all the variables for early and late respondents. Considering the main survey lasted six months, the researcher defined early responses as the questionnaires received within three months whereas the late responses were the questionnaires which were received after the third month. The results showed that there were no significant differences between

responses of early and late respondents. Therefore, the non-response bias was not problematic in this research.

5.6 Summary

This chapter discussed the data collection and analysis procedures. Firstly, the importance of the pilot study and its process were explained. The pilot study findings and their modification on the questionnaire were described. The data collection procedures and the different forms used in this research were discussed in detail. The process of how the data has been handled, entered into the excel spreadsheet, edited and then transformed in to SPSS were explained. The concepts of out-range values, missing data and non-response bias are applied to the data in order to produce a valid a reliable data analysis which will be discussed in chapter 6.

CHAPTER 6: DATA ANALYSIS

6.1 Introduction

This chapter presents a detailed discussion of the data analysis resulting from the data collection. It begins with an overview of descriptive statistics and basic information about the data set, such as normality and outliers. Following that, the different steps of the data analysis such item analysis with reliability and exploratory factor analysis are explained. The results of confirmatory factor analysis and the assessment of the measurement model also discussed. Moreover, this chapter explains the testing of the whole model in structural equation modelling and hypothesis testing.

6.2 Dataset and Response Rate

A large-scale online survey of the non-profit organisations in the UK is the first method of data collection in this study. The study used a self-administered e-mail questionnaire to collect data for the survey from the chief executives, executive directors, heads of marketing and communications, directors of external affairs, directors of fundraising, marketing managers and other managers responsible for marketing activities within their organisations. Emailing 2050 organisations was possible with the web as a search tool. An introductory email requesting their participation, along with the link to the questionnaire from the NCVO Directory 2014 was emailed to each organisation. Using the Dilman Method (Dilman, 2007) to increase the number of responses was very helpful. This method incorporates the concept of the researcher being an enabler between the respondent and the solution to a problem. With this method, the solution represents

information that the respondent can receive back for spending time answering the questionnaire. In this case, any respondent could email the researcher to obtain copies of the research results. The following describes the context of *large sample* requirements for non-profit organisations used.

- The individual must be in a position to contribute to the marketing activities in the organisation.
- The organisation must be a non-profit organisation without company owners.
- The organisation must be a UK registered charity organisation.

Three waves of email surveys went out. The first wave explained the premise of the research and asked for assistance in completing the research. Approximately one month later, the second wave followed the first expressing a similar request and thanking those who had answered the survey. Finally, two weeks after the second wave, a third wave went out, again thanking the participants who had answered the survey and adding a note as to the final purpose of the research. The advantage of the online survey is that this particular program (Qualtrics) did not allow the same IP address to submit more than one survey.

The three waves of emailed surveys netted 76 usable responses from the population of 2050. From the 2050 main sample, 22 percent were returned undelivered as shown by tracking the emails. This reduced the overall sample size to 1599 creating a response rate of 4.7 percent. Since the first technique of data collection through internet responses had not reached the targeted response amount, postal survey technique was used to get more responses. The higher response rate is better for any study to generalize the findings and

data collection by the post as a second option is used to increase the overall response rate in this study (Davis 2005). Again, the Dilman Method (Dilman, 2007) is used for postal-survey technique.

In the postal survey, the researcher chose only organisations with at least 20 employees. This is to ensure a minimum operating structure for each firm to satisfy the requirements of the survey (Spanos and Lioukas, 2001). A covering letter requesting participation (see Appendix C), along with a questionnaire and a stamped addressed replied envelope was sent to 712 non-profit organisations. Considering the small resulting sample size compare to the online survey, all covering letters were personalised with specific addresses and title identified to encourage participation. A week later, the first reminder letter was sent to remind participants of the research importance. Three weeks after the first mailing, a questionnaire, stamped envelope and a covering letter were again delivered to those who did not respond.

Two hundred and sixty five responses were received in reply to the survey by the closing date. A total of 76 responses were completed online and 189 were completed via mail. From the online survey, 11 responses out of the 76 (total online response) were disregarded because no contact information was provided. Similarly, 7 responses were disregarded from the total mail responses because the questionnaire was largely incomplete. The total usable responses including the online survey was 247 and resulted in a 31.2 % response rate (i.e. 4.7 % from online and 26.54 % from mail. Those who replied after the deadline were not included in the data analysis and response rate. The following tables describe the respondents according to their position, age and budget of the organisations.

6.3 The Descriptive Statistics

Descriptive statistics enable the researcher to describe and summarize the data set numerically (Saunders *et al.*, 2012; McNabb, 2008). In descriptive statistics, there is no generalisation from sample to population and it only allows the researcher to understand the general patterns of the data through tables, charts, or graphs before undertaking any inferential statistics (i.e. hypothesis test) (Tabachnick and Fidell, 2014). Therefore, the first table 6.1 describes the respondents' job title and the following tables investigate organisations in terms of their size, annual budget and age.

Table 6. 1: Positions of the respondents

Positions	Frequency	Percentage	Cumulative Percentage
Chief executive	83	33.6	33.6
Executive director	34	13.7	47.3
Head of marketing and communications	28	11.3	58.6
Director of external affairs	5	2.0	60.6
Director of fundraising	11	4.5	65.1
Marketing manager	31	12.6	77.7
Other managerial	55	22.3	100.0
Total	247	100.0	

Source: Developed for the current study by the researcher.

Concerning the positions of the respondents, the above results indicated that the majority of the respondents are chief executives of the organisations. This is equal to one-third (33.6%) of the total respondents. The main objective when sending the questionnaires was to get the response from the top managerial positions because understanding the marketing capabilities and the market orientation requires the knowledge and implementation of the marketing concept. As shown in the table 6.1, most of the

respondents are from top managerial positions and were capable of understanding and implementing marketing concept.

Table 6.2: Years in operation

Age of the organisation	Frequency	Percentage	Cumulative Percentage
Less than 2 years	0	0.0	0.0
2 - 5 years	5	2.0	2.0
6 - 10 years	10	4.0	6.0
11 - 20 years	29	11.7	17.7
21 - 30 years	54	21.9	39.6
31 years and more	149	60.4	100.0
Total	247	100.0	

Source: Developed for the current study by the researcher.

Table 6.3: Annual Budget of the organisations

Budget	Frequency	Percentage	Cumulative Percentage
Between £10,000 to £50,000	5	2.0	2
Between £50,001 to £150,000	8	3.2	5.2
Between £150,001 to £250,000	11	4.5	9.7
Between £250,001 to £500,000	16	6.5	16.2
Between £500,001 to £1,000,000	30	12.1	28.3
Between £1,000,001 to £5 million	66	26.7	55.0
£5 million and above	111	45.0	100
Total	247	100.0	

Source: Developed for the current study by the researcher.

Table 6.4: Full-time staff

Employees	Frequency	Percentage	Cumulative Percentage
1 - 4	23	9.3	9.3
5 - 9	26	10.5	19.8
10 - 19	28	11.3	31.1
20 - 49	46	18.6	49.7
50 - 99	28	11.3	61
100 - 150	13	5.3	66.3
151 - 250	15	6.2	72.5
251 and more	68	27.5	100.0
Total	247	100	

Source: Developed for the current study by the researcher.

Table 6.5: Part-time staff

Part-time employees	Frequency	Percentage	Cumulative Percentage
1 - 4	54	21.9	21.9
5 - 9	37	14.9	36.8
10 - 19	34	13.8	50.6
20 - 49	33	13.4	64
50 - 99	27	10.9	74.9
100 - 150	12	4.9	79.8
151 - 250	8	3.2	83
251 and more	42	17.0	100.0
Total	247	100.0	

Source: Developed for the current study by the researcher.

Table 6.6: Volunteers

Volunteers	Frequency	Percentage	Cumulative Percentage
1 - 4	40	16.2	16.2
5 - 9	24	9.7	25.9
10 - 19	28	11.3	37.2
20 - 49	48	19.5	56.7
50 - 99	24	9.7	66.4
100 - 150	17	6.9	73.3
151 - 250	9	3.6	76.9
251 and more	57	23.1	100.0
Total	247	100.0	

Source: Developed for the current study by the researcher.

6.4 Normality Test and Outliers

6.4.1 Normality

It is quite important to test whether the underlying distribution of the data is a normal distribution or not because it identifies if the results of many statistical tests are accurate (Tharenou et al., 2007). The assumption of the normality is a special form of symmetric distribution in which the data can be plotted as a bell-shaped curve (Saunders et al., 2012) and if we draw a vertical line through the centre of the curve both sides should look same (Field, 2012). In an ideal world, the data spread proportionally around the centre of all scores but this is not always the case and researchers need to find ways to deal with anomalies such as outliers. For this reason, the researcher checked the univariate normality of variables first through visual inspection (i.e. histogram and probability plot) to check whether the underlying distribution of the data is normal or not. Normal probability plot is a statistical technique that reveals the data observed plotted against a theoretical normal distribution (Pallant, 2005). This inspection showed that all the variables are fairly normally distributed.

In addition, the univariate normality was tested through inspecting the Skewness and Kurtosis coefficients which are two indicators of univariate normality (Ferguson and Cox, 1993) as shown in Table 6.7 and 6.8. Apart from two items (e.g. R3 and R6), the coefficient values of *skewness* and *kurtosis* are in the acceptable range of ± 2.5 (Muthen and Kaplan 1985). After deleting these two items, all manifest variables are reasonably normally distributed.

Table 6.7: Skewness and Kurtosis at the item level

Items	N	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
						Stat	Std. error	Stat	Std. error
Marketing Capabilities									
PC1	247	3	8	6.2996	.76994	-1.057	.155	2.090	.309
PC2	247	1	8	5.2227	1.53384	-.870	.155	.176	.309
PC3	247	1	8	5.0891	1.68451	-.321	.155	-.369	.309
PC4	247	1	8	5.5344	1.32435	-.885	.155	1.023	.309
PC5	247	2	8	6.0769	.97016	-.909	.155	1.473	.309
PC6	247	1	8	5.8502	1.27747	-1.179	.155	1.833	.309
MCC1	247	1	8	5.0972	1.96273	-.706	.155	-.592	.309
MCC2	247	1	8	5.2834	1.79448	-.704	.155	-.282	.309
MCC3	247	2	8	6.0445	1.17305	-1.184	.155	1.684	.309
MCC4	247	2	8	5.8623	1.22859	-.902	.155	.629	.309
MCC5	247	3	8	6.2267	.96547	-.987	.155	.852	.309
CMC1	247	4	8	6.3401	.74198	-.761	.155	.288	.309
CMC2	247	2	8	5.7935	1.07912	-.637	.155	.102	.309
CMC3	247	2	8	5.5304	1.31521	-.715	.155	.119	.309
CMC4	247	2	8	5.8664	1.08311	-.738	.155	.728	.309
CMC5	247	3	8	5.8421	1.08358	-.455	.155	-.226	.309
CMC6	247	3	8	5.8543	1.07589	-.535	.155	-.007	.309
PRC1	247	1	8	5.3158	1.73834	-.434	.155	-.266	.309
PRC2	247	1	8	5.1984	1.79348	-.348	.155	-.483	.309
PRC3	247	1	8	5.4777	1.55865	-.699	.155	.351	.309

Items	N	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
						Stat	Std. error	Stat	Std. error
PRC4	247	1	8	5.0729	1.74455	-.224	.155	-.579	.309
SC1	247	1	8	5.4453	1.93072	-.624	.155	-.345	.309
SC2	247	1	8	5.3198	1.83876	-.384	.155	-.357	.309
SC3	247	1	8	5.4777	1.79840	-.541	.155	-.159	.309
SC4	247	1	8	5.4696	1.82298	-.523	.155	-.192	.309
MIMC1	247	2	8	6.0283	1.13839	-1.639	.155	2.184	.309
MIMC2	247	1	8	5.1174	1.57159	-.563	.155	-.369	.309
MIMC3	247	2	8	5.9919	1.08197	-1.382	.155	2.438	.309
MIMC4	247	1	8	4.5547	1.64664	-.442	.155	-.648	.309
MPC1	247	1	8	5.3279	1.35316	-.951	.155	.961	.309
MPC2	247	1	8	5.2470	1.53540	-.863	.155	.485	.309
MPC3	247	1	8	5.1903	1.45398	-.783	.155	.429	.309
MPC4	247	1	8	5.3563	1.49341	-.878	.155	.419	.309
MPC5	247	1	8	5.0769	1.59208	-.651	.155	-.246	.309
MIC1	247	1	8	5.4089	1.45627	-1.056	.155	.977	.309
MIC2	247	1	8	5.3401	1.41914	-.842	.155	.627	.309
MIC3	247	1	8	5.4453	1.44691	-1.015	.155	.880	.309
MIC4	247	1	8	5.3563	1.44920	-.818	.155	.416	.309
MIC5	247	1	8	5.3563	1.49341	-.908	.155	.528	.309
Market Orientation									
IG1	247	1	7	5.8178	1.41823	-1.450	.155	1.564	.309
IG2	247	2	7	5.3806	1.42313	-.882	.155	.091	.309
IG3	247	1	7	5.3927	1.58871	-.885	.155	-.229	.309
IG4	247	1	7	5.3563	1.28886	-.850	.155	.316	.309
IG5	247	1	7	5.5749	1.33795	-1.281	.155	1.672	.309
ID1	247	1	7	5.5830	1.57218	-1.236	.155	.741	.309
ID2	247	1	7	5.6073	1.40976	-1.217	.155	1.010	.309
ID3	247	1	7	5.1660	1.50365	-.640	.155	-.557	.309
ID4	247	1	7	4.6032	1.77278	-.355	.155	-1.040	.309
ID5	247	1	7	4.5951	1.59969	-.399	.155	-.825	.309
R1	247	1	7	4.5992	1.37533	-.043	.155	-.823	.309
R2	247	2	7	5.6721	1.18671	-.798	.155	-.022	.309
R3	247	1	7	5.7571	1.02692	-1.337	.155	2.783	.309

Items	N	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
						Stat	Std. error	Stat	Std. error
R4	247	1	7	5.5992	1.22528	-1.214	.155	1.444	.309
R5	247	1	7	4.4777	1.54028	-.183	.155	-.740	.309
R6	247	1	7	6.3887	.94286	-2.667	.155	10.310	.309
R7	247	1	7	4.9109	1.57475	-.463	.155	-.838	.309
R8	247	2	7	5.7409	1.00288	-1.046	.155	1.626	.309
Organisational Performance									
Resource Acquisition									
RA1	247	1	8	1.55	.498	-.205	.155	-1.974	.309
RA2	247	1	8	1.44	.498	.238	.155	-1.959	.309
RA3	247	1	8	1.53	.500	-.122	.155	-2.001	.309
RA4	247	1	8	1.32	.469	.757	.155	-1.438	.309
RA5	247	1	8	1.58	.495	-.322	.155	-1.912	.309
Economic Performance									
EP1	247	1	7	4.5668	2.00066	-.406	.155	-1.255	.309
EP2	247	1	7	4.2470	2.07965	-.202	.155	-1.397	.309
EP3	247	1	7	4.4777	1.80517	-.332	.155	-1.108	.309
EP4	247	1	7	5.2753	1.57893	-.855	.155	-.192	.309
EP5	247	1	7	5.0202	1.78624	-.898	.155	-.255	.309
EP6	247	1	7	3.3117	2.10013	.373	.155	-1.259	.309
Social Performance									
SP1	247	1	7	5.7409	1.17463	-1.638	.155	1.638	.309
SP2	247	1	7	5.3644	1.26749	-1.111	.155	1.400	.309
SP3	247	1	7	5.0526	1.71592	-.734	.155	-.412	.309
SP4	247	1	7	4.5223	1.79614	-.427	.155	-.914	.309
SP5	247	1	7	5.5951	1.22228	-1.246	.155	1.966	.309

Source: Developed for the current study by the researcher.

Table 6.8: Skeweness and Kurtosis results at the construct level

Constructs	N	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
						Stat	Std. error	Stat	Std. error
Marketing Capabilities									
PCTO	247	3	8	5.6721	.89360	-.270	.155	.149	.309
MCCTO	247	2	8	5.7126	1.18010	-.683	.155	-.106	.309
CMCTO	247	3	8	5.9919	.82142	-.296	.155	.116	.309
PRCTO	247	1	8	5.3806	1.53049	-.406	.155	-.113	.309
SCTO	247	1	8	5.5142	1.74340	-.588	.155	.067	.309
MIMCTO	247	2	8	5.5547	1.12078	-.644	.155	.211	.309
MPCTO	247	1	8	5.2389	1.36880	-.794	.155	.621	.309
MICTO	247	1	8	5.4008	1.37533	-.902	.155	.772	.309
Market Orientation									
IGTO	247	3	7	5.5020	1.02360	-.510	.155	-.204	.309
IDTO	247	2	7	5.0972	1.16463	-.440	.155	.004	.309
RTO	247	3	7	5.4696	.82028	-.303	.155	-.115	.309
Organisational Performance									
Resource Acquisition									
RATO	247	1	8	5.1822	1.58345	-.353	.155	-.584	.309
Economic Performance									
EPTO	247	1	7	4.5668	1.26980	-.199	.155	-.487	.309
Social Performance									
SPTO	247	2	7	5.2591	.98653	-.514	.155	.372	.309

Source: Developed for the current study by the researcher.

6.4.2 Outliers

Outliers are data with values that are extremely different from the majority of the data values in the data set and they have a disproportionate influence on the conclusions drawn from most statistical techniques (Tharenou et al., 2007). For SEM analysis, identifying outliers is important because they may affect the results of SEM, even if the majority of the data is normally distributed (Ferguson and Cox, 1993). There are two main detection methods that a researcher can employ to detect outliers namely the univariate and multivariate methods. According to Hair *et al.*, (2014), researchers should use more than one method. Therefore, this research employed both the univariate method and the multivariate method.

Using the univariate method, the researcher examined the standardised scores (Z-scores). Based on the criteria suggested by Hair *et al.* (1998), if the sample size is 80 or fewer, cases with standard scores of ± 2.5 or greater are considered outliers. In addition, if the sample size is more than 80, the threshold value of standard scores is ± 4.0 are considered as outliers. In this case, since the sample is 247, the value of ± 4.0 standard scores was used to identify outliers. The z-scores were calculated by using SPSS 19.0 through the Descriptive command (Field, 2012). As a result, no outliers were detected.

Secondly, in order to test multivariate normality, the researcher calculated Mahalanobis Distance (Pallant, 2007) to detect if there were any outliers in the dataset. Mahalanobis distance is the distance of particular case from the centroid of the remaining cases, where the centroid is the point created by the means of all variables (Pallant, 2007; Tabachnick and Fidell, 2014). Simply, it calculates the distance of particular scores from the centre cluster of remaining cases. Using SPSS 19, the researcher calculated the Mahalanobis Distance values for each construct (i.e. marketing capabilities, market orientation and organisational performance) and compared the maximum value obtained from the output with the critical value. Based on the threshold critical value of 13.82 set by Tabachnik and Fidell (1996) for the two dependent variables, all values in the dataset were calculated as less than 13.82 which means there were no substantial multivariate outliers in the data set. The results for the multivariate test is summarised in the following table 6.9 (see Appendix A).

Table 6.9 Multivariate normality test results

Constructs	Mahalanobis Distance Value
Marketing Capability and Market Orientation	11.225
Marketing Capability and Performance	11.225
Market Orientation and Performance	8.052

Source: Developed for the current study by the researcher.

6.5 Multicollinearity and homoscedasticity

Multicollinearity refers to the relationship between more than two independent variables. The occurrence of multicollinearity can be problematic to multivariate analysis because it occurs when two independent variables are highly correlated (Tabachnick and Fidell, 2014). A high degree of multicollinearity makes the assessment of the effects of each independent variable difficult (Hair *et al.*, 2014) and causes computational, as well as interpretational problems in techniques such as multiple regression (Tharenou *et al.*, 2007). In order to identify multicollinearity, the researcher employed SPSS 19.0 to check the variance inflation factor (VIF). When run the multicollinearity test was run, none of the variables' VIF value exceeded the threshold value of 10 (Pallant, 2007; Field 2012). The two marketing capabilities *planning capability* and *implementation capability* have the highest value of VIF with 3.13 and 3.16 respectively. This suggests that multicollinearity is not a severe problem and can have a little effect on the interpretation of the results (Hair *et al.*, 2013).

Homoscedasticity refers to the level of homogeneity of variance (Hair *et al.*, 2013) and it is related to the assumption of normality (Tabachnick and Fidell, 2014). In other words, homoscedasticity states that the variability in scores for one variable is almost the same at all values of another variable (Tharenou *et al.*, 2007). Once the assumption of

multivariate normality is met, the relationships between variables are homoscedastic. In order to check the homoscedasticity, firstly the scatter plots were visually assessed. The scatter plots showed a fair level of homoscedasticity because the data was quite evenly scattered around the horizontal line of the plots. Second, the Levene test (Levene, 1960) was performed and the results showed that p-value of all variables were all above the critical value of 0.05 (Pallant, 2007). Therefore, all variables satisfied the homoscedasticity assumption.

6.6 Item Analyses: Reliability and Exploratory Factor Analysis (EFA)

The researcher conducted two analyses to sanitize item selection: reliability analysis and EFA.

6.6.1 Reliability Analysis:

Scale reliability analysis is used to test the internal consistency of the measures used in the questionnaire survey and it refers to the proportion of variance attributable to the true score of latent variables (DeVellis, 2012). In other words, a questionnaire should consistently reflect the construct that it is measuring (Field, 2012). Generally, reliability analysis discussed in the literature can be grouped into three types:

- test-retest reliability which is concerned with the stability of item responses over time (Nunnally, 1978; Sekaran and Bougie, 2011).
- alternative-form reliability which refers to the extent to which two different statements can be used to measure the same construct at two different times (Netemeyer et al., 2003). The aim of this type is to establish the error variability

resulting from wording and ordering of the questions (Sekaran and Bougie, 2011).

- internal consistency reliability which can be regarded as the homogeneity of the items within a scale (Churchill, 1979).

In general, it is not always possible to use test-retest or alternative-forms of reliability because of constraints such as time, cost, and availability of the same objects at multiple occasions (Netemeyer *et al.*, 2003). Based on that, for the reliability analysis of the constructs, the researcher conducted an internal consistency reliability analysis. This type of reliability analysis is an important measurement property which implies that items of the scale, share a common core and measure the same concept (Anderson and Gerbing, 1982; Netemeyer *et al.*, 2003). In other words, the items “hang together as a set” and are able independently to measure the same concept so that the respondents attach the same overall meaning to each of the items (Sekaran and Bougie, 2011).

The internal consistency reliability can also be measured by a technique called “split-half” which is another form of internal consistency reliability. Simply this method, splits the scale set into two randomly selected sets of items and the correlation between these two sets is computed to assess the reliability (Netemeyer *et al.*, 2003; Field 2012). For this study, the coefficient alpha method is chosen over the split-half technique because there are several ways that data can be randomly split into two which in turn means that the results could be varied (Field, 2012) and also could make the reliability assessment difficult or impossible (Peter, 1979). Moreover, according to DeVellis (2012, p.46), “first-half and last-half can be problematic because factors other than the value of the latent variable (i.e. sources of error) might affect each subset differently”. Therefore, in parallel

with the recommendation by Churchill (1979), the researcher assessed the internal consistency of scales by measuring alpha coefficients rather than split-half method because it is a more practical and widely used technique as a measure of reliability (DeVellis, 2012).

Consequently, the researcher assessed coefficient alpha and corrected item-total correlation for each provisional construct. Theoretically, coefficient alpha is concerned with “the degree of interrelatedness among a set of items designed to measure a single construct” (Netemeyer *et.al.*, 2003, p. 49). Besides that, corrected item-total correlation is the correlation between each item and the total score from the questionnaire and for a reliable scale all items need to correlate with the total score (Field, 2012). Therefore, statistical criteria for item retention were (a) a coefficient alpha above 0.7 (Nunnally, 1978; Churchill, 1979) and (b) a corrected item-to-item correlation above 0.35 (Saxe and Wetz, 1982; Bearden *et.al.*, 2001, Field, 2012).

6.6.2 Exploratory Factor Analysis (EFA)

Exploratory factor analysis is a statistical technique applied to detect the optimal number of factors which accounts for the correlation of items (Tabachnick and Fidell, 2014). Performing EFA is required to reduce the chance of error in the models. Its specific goal is to summarise patterns of correlations among observed variables, to provide an operational definition for an underlying process by using observed variables, or to test a theory about the nature of underlying processes (Tabachnick and Fidell, 2014). In addition to that, typically, it is a method for reduction of unwanted data or removal of low factor loading items during the stage of scale development (Floyd and Widaman,

1995, Netemeyer *et al.*, 2003, Field, 2012). Churchill (1979) also emphasised that EFA can allow the researcher to reduce or purify weak factors in the scale.

The primary purpose of EFA is to help a researcher ‘determine how many latent variables underlie a set of items’ (DeVellis, 2012, p.117) and also to show the way to summarise the information contained in a number of original variables into a smaller set of new, composite factors with a minimum of loss of information (Hair *et al.*, 2014). In other words, EFA divides the measurement items into different factors or dimensions which explain the findings and consequently allows the researcher to remove items which do not have explanatory power from the scale.

Although the questionnaire is adapted from well-established measures from the literature, a number of these measures were reworded and/adapted to fit the new context (i.e. non-profit sector). Furthermore, some new indicators emerged from the pilot study. Based on these reasons, the researcher conducted EFA to reduce a data set to a more manageable size while retaining as much of the original information as possible (Field, 2012).

The IBM SPSS Statistics Version 19 was used to conduct EFA after checking the general properties of the data (e.g. missing values, descriptive statistics, etc.) and the following basic assumptions of underlying EFA (Hair *et al.*, 2014, p. 100) was used to assess the suitability of the data for EFA:

- sample size: the minimum analyse sample size is 50 observations
- strong conceptual foundation supporting the structure
- at least five times for each proposed factor

To achieve the goal of unwanted data reduction or removal of low factor loadings items, principal component analysis technique was conducted to identify the underlying structure of respondents' response (Floyd and Widaman, 1995, Fabrigar, et al., 1999, Netemeyer et al., 2003, Brown, 2006, Tabachnick and Fidell, 2014; Hair et.al., 2014). In order to make item retention or deletion more meaningful, factors are 'rotated' after extraction. In EFA, rotation can be classified as *orthogonal* or as *oblique*, where the former keeps factors uncorrelated and latter allows to correlation (Netemeyer *et al.*, 2003). For this research, a Varimax rotation method which belongs to orthogonal rotation methods was applied to initially-extracted factors because this method has proved successful as an analytic approach to obtaining an orthogonal rotation of factors (Hair *et al.*, 2014). Moreover, Varimax rotation aligns the data with the axis more effectively, in other words, more of the data will fall upon the axis providing better results. This is the most preferred method when the research goal is data reduction, because it gives a clear separation of the factors which allows easy interpretation of the results (Tabachnick and Fidell, 2014). Furthermore, when comparing Varimax rotation with Oblique rotation, the pattern of loadings is more or less the same (Fabrigar et al. 1999, Field, 2012). In order to assess the factorability of the items, the researcher examined three indicators:

- Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)
- Barlett's Test of Sphericity
- Communalities

For every EFA, it was found that the KMO of sampling adequacy for the variables were above 0.814 which is above the threshold of 0.6 (Kaiser, 1974). P-values for Barlett's test

of Sphericity value was 0.00 which is below 0.05 (Barlett, 1954) and communalities were also found well above 0.5 suggesting satisfactory factorability for all items.

In addition, the factorial solutions obtained from SPSS were eliminated by scrutinizing a minimum acceptable level of significance for factor loadings. Any item whose factor loading was less than 0.55 or cross-loaded with another item was dropped (Hair et al., 2014). This step was repeated until all measurement scales had at least an acceptable reliability (coefficient $\alpha > 0.7$) and simultaneously exhibited this until a satisfactory factor solution was achieved. This item reduction process was used up until the final dataset. In the formation of that process, some items did not pass the EFA and the reliability test. The following synopses and tables are the elements of scale purification for each group of construct.

Factor Structure of Marketing Capabilities: The reliability analysis showed that the coefficient alpha value was 0.948 which indicated a very good reliability for marketing capability construct (Field, 2012). However, the corrected item-total value of item PC2 was 0.241 which was below the criteria set beforehand, therefore this item was dropped. When EFA was applied, item MCC1 showed weak factor loading with 0.443 and also had a communality value of 0.49 which was lower than the acceptable level of 0.5. After MCC1 was removed, the EFA was re-calculated and results showed that item PC3 should be removed as well because it had weak factor loading and was cross-loaded to another factors. After removing these weak and cross-loaded items, the following results were found to meet the criteria (Table 6.10). Additionally, the assessment of internal consistency reliability showed acceptable levels of coefficient alpha (0.951).

Table 6.10: Final EFA results for Marketing Capabilities

ITEMS	F1	F2	F3	F4	F5	F6	F7	Communalities
MIC2	.865							.855
MIC4	.860							.850
MIC3	.859							.843
MPC5	.813							.790
MPC3	.807							.793
MIC5	.806							.745
MIC1	.803							.713
MPC4	.780							.752
MPC2	.731							.662
MPC1	.716							.695
SC3		.902						.915
SC4		.900						.905
SC1		.884						.851
SC2		.847						.873
CMC4			.815					.691
CMC6			.730					.626
CMC5			.729					.623
CMC2			.717					.628
CMC3			.700					.595
CMC1			.659					.528
PRC2				.844				.837
PRC4				.830				.767
PRC1				.830				.765
PRC3				.799				.743
MCC5					.792			.745
MCC4					.791			.823
MCC3					.763			.783
MCC2					.522			.590

ITEMS	F1	F2	F3	F4	F5	F6	F7	Communalities
PC1						.744		.648
PC5						.659		.705
PC4						.610		.598
PC6						.565		.585
MIMC3							.777	.740
MIMC1							.649	.611
MIMC2							.639	.677
MIMC4							.576	.593
KMO = 0.918								
Barnet = 0.000								
Alpha = 0.951								

Source: Developed for the current study by the researcher.

The principal component factor analysis with Varimax rotation was performed on the responses of marketing capability constructs. The breaks-in eigenvalues criteria indicated a seven-factor structure. Factor 1, accounted for 37.1 % of the variance and two capabilities (i.e. marketing planning capability and marketing implementation capability) were shared by this factor. Factor 1 was labelled as *marketing planning and implementation capabilities*. The second factor accounted for 8.9% of the variance and was labelled as *selling capability*. The third factor accounted for 8.6% of the variance and was labelled as *channel management capability*. The fourth factor accounted for 6.1% of the variance and was labelled as *price capability*. The fifth factor accounted for 4.3% and was labelled as *marketing communication capability*. The sixth and seventh factors were labelled as *product capability* and *marketing information capability* with 4.2% and 3.1% of variance respectively.

In the non-profit sector, factor one refers how an organisation formulates its marketing strategies depending on its resources and its market needs and also how it uses its communications and public relations to achieve organisational goals. Factor 2 refers to how NPOs selling and promoting activities are used to achieve organisational goals. Factor 3 refers to how a NPO delivers or distributes its programmes or products/services to its clients/donors. Price capability which is factor 4, relates to the measure of value exchange between the NPO and its stakeholders. In the non-profit sector, the term *price* is not restricted to monetary value; it includes fees, service charges, value of a contract, retail item or anything that client/donors use to exchange products/services. The fifth factor labelled as marketing communication capability represents an organisation's communications and public relations activities. The sixth factor is how NPO introduces its new products/services to the market. In the non-profit sector, the term *product* can be programme, fundraising events, donations, product/service sales, volunteer opportunities or any activity that brings benefits to the non-profit organisation. The last factor in the marketing capabilities construct is the marketing information management capability which refers to the capability of the organisation to acquire information about its market and develop effective marketing activities.

Factor structure of Market Orientation: The assessment of internal consistency reliability showed acceptable levels of coefficient alpha (0.852). The initial EFA calculation showed that item R8 had a lower value of communalities than the acceptable level (0.262) and because of that, this item was dropped from the analysis. After the removal of this item, the EFA was re-run but some of the items still showed cross-loadings. However, this was not problematic because the cross-loadings were not higher

than 0.4 loads on two or more factors and the discrepancy of two loadings is larger than 0.2 (Ferguson and Cox, 1993). Therefore, they were kept in the analysis as shown in the table 6.11. In addition, in the assessment of internal consistency, a reliability value of 0.85 showed an acceptable level of alpha coefficient value.

Table 6.11: Final EFA results for Marketing Orientation

Items	Component			Communalities
	Factor 1	Factor 2	Factor 3	
ID3	.795			.691
ID4	.693			.519
ID1	.611			.539
R5	.590			.518
ID2	.574			.521
R4	.556			.510
R2		.741		.659
R1		.737		.646
IG4		.658		.522
R7		.642		.501
ID5		.587		.506
IG1			.732	.574
IG3			.681	.510
IG2			.651	.554
IG5			.642	.523
KMO = 0.867				
Barnett = 0.000				
Alpha = 0.85				

Source: Developed for the current study by the researcher.

The three dimensions of market orientation within the non-profit industry were labelled as factor 1 *intelligence dissemination* which accounted for 33.5% of the total variance, factor 2 *responsiveness* which accounted for 11.1% of the total variance and factor 3 *intelligence generation* which accounted for 8.3% of the total variance. In the non-profit sector, intelligence dissemination (factor 1) refers to the process of and extent to which information is exchanged about client/donor current and future needs within the organisation both vertically and horizontally (Balabanis et.al., 1997). Therefore, in order

to reach organisational objectives, all departments of an NPO need to act in a coordinated manner. Factor 2 responsiveness involves the planning and implementing of effective marketing strategies to meet client/donor needs as a result of generated and disseminated information. Factor 3 intelligence generation refers to the collection of both clients/donors current and future needs, as well as the impact of government regulations, competitors, technology and other environmental pressures (Macedo and Pinho, 2006). Marketing involves understanding of customer needs by using appropriate data gathering and data analysis techniques. Therefore, effective market intelligence requires a focus on both current and future needs of customers in order to be competitive in the market environment. For this reason, NPOs need to gather and analyse relevant donor and client information (Wood and Bhuian, 1993).

Factor Structure of the Organisational performance: The reliability analysis showed that coefficient alpha value was 0.821 which indicated a good reliability for organisational construct (Field, 2012). However, the item-to-total correlations showed that item 'EP6' was not internally consistent. Based on the criteria set previously, this item was dropped because of its item-to-total correlation value was 0.152. When the initial EFA was calculated, the results indicated that EP5 item had communality values lower than acceptable levels as well as having very low factor loading (i.e. 0.485), so it was removed from the analysis. Recalculated EFA results showed that EP4 item had a loading higher than 0.4 in more than two factors. Thus this item was also removed from the analysis (Ferguson and Cox, 1993). The following table 6.12 shows the results which were found to meet the criteria.

Table 6.12: Final EFA results for Organisational Performance

Items	Component			Communalities
	Factor 1	Factor 2	Factor 3	
RA2	.824			.703
RA3	.808			.667
RA5	.737			.559
RA1	.730			.560
RA4	.584			.520
EP1		.793		.711
EP2		.762		.612
SP4		.747		.575
EP3		.660		.643
SP3		.550		.523
SP1			.812	.671
SP2			.735	.609
SP5			.679	.518
KMO = 0.815				
Barnet = 0.000				
Alpha = 0.815				

Source: Developed for the current study by the researcher.

After EFA was conducted on the 16 performance measures items, 13 items were found to have satisfactorily high loadings on three factors. These three factor measurements of performance were labelled *resource acquisition* (Factor 1), *Economic Performance* (Factor 2) and *Social Performance* (Factor 3).

Factor 1 accounted for 32% of the total variance and this construct involves the funding attraction resources of the non-profit organisation such as private funding (donations from individuals), corporate funding (business sponsorship), institutional funding (foundation grants) and commercial activities of the non-profit organisations. Factor 2 which is the economic performance of the non-profit organisation and it accounts for 16.6% of the total variance. This construct includes the subjective measurements of economic performance such as paid jobs, financial goals and increase in the organisation revenue. Factor 3 (social performance) accounted for 9.4% of the total variance and is

related to the effective translation of a NPO's mission into practice such as creating awareness in society and increasing collaboration with other organisations.

6.7 Confirmatory Factor Analysis (CFA) using Structural Equation Modelling

Confirmatory factor analysis is a confirmatory technique which enables the researcher to analyse the theoretical relationships among the observed and unobserved (latent) variables (Schreiber *et al.*, 2006). After the EFA which is generally a descriptive or exploratory procedure of the scale development and should be used prior to CFA (Brown, 2006), the researcher employed CFA to further assess the quality of factor solutions (Churchill, 1979). This is because EFA can reveal items that load poorly in terms of magnitude on an intended factor or load highly on more than one factor (Netemeyer *et al.*, 2003). Moreover, in contrast to EFA which explores the data and predicts how many factors are needed to best represent the data, confirmatory factor analysis enables us to test how well our theoretical specification of the factors matches the actual data (Hair *et al.*, 2014). In addition, CFA is a more rigorous approach and it is used to confirm the unidimensionality of all constructs which is another important psychometric property of the initially developed scale by EFA.

Thus, unidimensionality describes the existence of one latent trait or construct underlying a set of measurement items (Anderson *et al.*, 1987), to see whether a set of indicators shares enough common variance to be considered measures of a single factor (Bagozzi and Yi, 2012). Therefore, the researcher used SPSS.19 by employing the principal component technique to confirm the unidimensionality of each construct (Morgan *et al.*, 2010). As suggested by Field (2012), constructs were entered one by one and the results

(see Appendix B) revealed that unidimensionality of all constructs were not a problem for the research scale depending on the basis of pre-established knowledge on the structure of the data. It should also be noted that additional indices and tests (e.g. composite reliability, AVE, convergent and discriminant validity) are reported in the section 6.3.

Structural equation modelling technique is a multivariate analytical technique which enables the researcher to gain insight into the relationship of multiple variables and it displays measurement error terms. It is attractive to researchers because it possesses the ability to deal with multiple relationships simultaneously while providing statistical efficiency (Raju et al., 2000; Hair et al., 2014). Although SEM has been described by some academics as a combination of EFA and multiple regression (Ullman, 2006), its main function enables the researcher to progress in their analysis from exploratory factor analysis to confirmatory factor analysis in order to test or confirm the pre-specified relationships among the research construct.

SEM is an inclusive statistical approach to test hypotheses about relationships between observed and latent variables. More specifically, different theoretical models can be tested through SEM by hypothesising how sets of variables define constructs and how these constructs are related to each other (Schumacker and Lomax, 2010). Characteristically, it represents *casual* processes that generate observations on multiple variables (Byrne, 2010). There are two main goals in conducting SEM. The first one helps researchers to understand the patterns of correlation/covariance among a set of variables and second one explains as much of their variance as possible with the model specified (Hair et al., 2014). In fact, it is a more confirmatory (i.e. hypotheses-testing) approach to the analysis of structural theory bearing on some phenomenon (Schreiber,

2006, Bryne, 2010). There are different software programs commonly used for SEM analysis such as Mplus, Amos, Lisrel and EQS. In this present research Mplus software program is chosen because of its functionality for multivariate data analysis.

Drawing on the above discussion, the conceptual model is based upon the researcher's theory and the literature review. Based on that, the development of hypotheses and measurement items are the connections between the conceptual model and constructs. The respondents are practitioners from the real world who answered these measurement items which are created using the theoretical foundations through the survey questions. Their answers were used to develop the factors that are formed through factor analysis which provided the number of factors needed to best represent the data (Hair et al., 2014). However, these factors are derived from statistical results not from theory. According to this, CFA is a technique usually employed to "confirm an a priori hypothesis about the relationship of a set of measurement items to their respective factors" Netemeyer et al., (2003, p.148). Therefore, a confirmatory factor analysis method is used in the present research for evaluating whether a pre-specified factor model provides a good fit to the data (Floyd and Widaman, 1995).

As stated previously, the researcher used Mplus software program Version 7.31 to perform confirmatory factor analysis CFA. Firstly, each construct and its measurement items were tested individually to examine if the measurement items has the same discriminant validity and structural relationships as implied by the exploratory factor analysis. This also allows the researcher to the remove items which displays measurement error terms in the constructs. In other words, generally when each independent model is tested, the program calculates modification indices that allows

researcher to examine which restrictions may be reduced to obtain a significant improvement of the global model fit (Geiser, 2013). Moreover, it shows the amount of covariance, variance, and regression weighting an item possesses. Covariance measure is the average relationship between two variables (Field, 2012). Therefore, if there is a strong covariance, removal of one of the measurement items is justified because this shows that two different measurement items can explain the same construct. From this perspective, the following CFA calculations examine the process of removing items from the present research scale. However, firstly, the basis of the model fit indices are explained as guidance for this process. Following that, each construct is tested to see if it is in the acceptable level and then all constructs are tested together as stated in the conceptual model.

There is no golden rule for the assessment of the model fit (Field, 2012). A variety of indices must be reported because different indices reflect different aspects of model fit (Hooper et al., 2008). However, there is common agreement that researchers should report the following profile of indices (Brown, 2006; Iacobucci, 2010; Geiser, 2013). Nevertheless, chi-square statistics with its degrees of freedom and associated p-values should always be reported (Hayduk et al., 2007; Kline, 2011). Therefore, model fit indicators examined in this study are Chi-squares statistics (χ^2), Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), Root Mean Square Error of Approximation (RMSEA) and Standardized Root Mean Square Residual (SRMR).

Chi-square (χ^2) statistics test is a fundamental and most used statistical measurement of overall fit of a model in structural equation modelling (Netemeyer et al., 2003). It indicates the amount of difference between expected and observed covariance matrices.

As such, it is the only measure which has a direct statistical test as to its significance and forms the basis for many other *goodness-of-fit* measures (Hair *et al.*, 2014). More specifically, a significant chi-square value leads to the rejection of the null hypothesis that the model fits exactly in the population (Geiser, 2013). The acceptable model fit is indicated by chi-square for a good fit is less than 2 or for an acceptable level of fit is less than 3 (Schermerle-Engel *et al.*, 2003).

Root Mean Square Error of Approximation (RMSEA) is referred as “a population-based index that relies on the noncentral χ^2 distribution, which is the distribution of the fitting function when the fit of the model is not perfect” (Brown, 2006, p.83). In this manner, it is related to residual in the model. Its values range from 0 to 1 with a smaller RMSEA value indicate a better model fit. Therefore, when RMSEA value is close to or less than 0.05, it indicates a good fit, and when it is close to or less than 0.08, it indicates an acceptable fit (Bryne, 2010).

Comparative fit index (CFI) is an incremental fit index that compares the hypothesised model and the null model and it is equal to the discrepancy function adjusted for sample size (Bentler, 1990; Geiser, 2013). CFI value ranges from 0 to 1 and a larger value indicates better model fit. In this manner, an acceptable model fit indicated by CFI value of 0.90 or greater (Bentler, 1990). Although a value > 0.9 was originally considered as representative of a well-fit model, a revised cutoff value close to 0.95 has more recently advised (Hu and Bentler, 1999). Therefore, when CFI value is greater than or equal to 0.95, a reasonable fit is indicated, and when close to or greater than 0.97, a good fit is assumed (Kline, 2010).

Tucker-Lewis Index (TLI), Similar to CFI, it belongs to the incremental fit indices and it compares the fit of the targeted model to the fit of the independent model (Geiser, 2013). Both TLI and CFI measure the proportionate development in the model fit by comparing the hypothesised model which has a similar structure to the less restricted nested baseline model (Bryne, 2012). Similar to CFI values, TLI value ranges from 0 to 1 and a larger value indicates better model fit. Therefore, when TLI value is greater than 0.95, a reasonable fit is indicated, and when close to or greater than 0.97, a good fit is assumed (Bentler 1990; Bryne, 2012).

Standardized Root Mean Square Residual (SRMR) refers as the average discrepancy between the correlations observed in the input matrix and the correlations anticipated by the model (Brawn, 2006). Thus, SRMR is a measure of the mean absolute correlation residual (Kline, 2011). Therefore, when SRMR value is close to or less than 0.05, it indicates a good fit, or when it is close to or less than 0.8, it indicates an acceptable fit (Hu and Bentler, 1999; Kline, 2011). To sum up the following table 6.13 shows specific criteria for acceptance of measurement model fit for the present research.

Table 6.13 Measurement model fit indices for this research

Model fit indices	Good Fit	Acceptable fit	Suggested by
$(\chi^2)/df$	< 2	< 3	Schermelleh-Engel et al., 2003
p-value of $(\chi^2)/df$	> 0.5	Not clear	Schermelleh-Engel et al., 2003
RMSEA	< 0.5	< 0.8	Bagozzi and Yi, 1998; Bryne, 2010
CFI	> 0.97	> 0.9	Bagozzi and Yi, 1998; Kline, 2010
TLI	> 0.97	> 0.9	(Bentler, 1992; Bryne, 2012).
SRMR	< 0.5	< 0.8	Hu and Bentler, 1999; Kline, 2011

Source: Developed by the researcher from the literature

6.7.1 CFA for Marketing Capabilities

Marketing Capabilities is the first construct tested using confirmatory factor analysis. Based on EFA results, Mplus statistical software program is used for model creation in the SEM. In order to remove the problematic items, the modification indices results are examined to achieve a better model fit result. As stated previously, the higher the modification index, the better the resulting model indices with that item removed. The following table 6.14 illustrates the changes made through deleting items.

Table 6.14: Model Fit Statistics for Marketing Capabilities Model

Item Deleted	χ^2 /df	P-Value	RMSEA	CFI	TLI	SRMR
None	2.55	0.00	0.079	0.876	0.864	0.066
MIC4	2.42	0.00	0.076	0.885	0.873	0.065
MPC3	2.27	0.00	0.072	0.897	0.886	0.065
CMC2	2.21	0.00	0.070	0.904	0.894	0.066
MIC2	2.13	0.00	0.068	0.910	0.899	0.066
PRC3	2.02	0.00	0.064	0.920	0.910	0.066
MIMC3	1.93		0.061	0.941	0.932	0.064

Source: Developed for the current study by the researcher.

In the table 6.14, the initial CFA calculation was run with the items obtained previously from the exploratory factor analysis (e.g. without any item deletion) and the results are shown in the first row in the table. Based on the criteria set beforehand for the model fit indicators, the results showed that some of the model fit indicators are below the threshold value (i.e. 0.876 for CFI, 0.864 for TLI). Therefore, by examining the modification index values, the items (MIC4, MPC3, CMC2, MIC2, PRC3, and MIMC3) were removed one by one from the construct in order to reach an acceptable criteria of model fit. As a result, the final row, shows the model fit results after all listed items were removed from the scale. Therefore, according to model fit indicators, the CFA model for

marketing capability construct fits well ($\chi^2 / df = 1.93$, $p\text{-value} = 0.00$, $RMSEA = 0.061$, $CFI = 0.941$, $TLI = 0.932$, $SRMR = 0.064$).

6.7.2 CFA for Market Orientation

CFA for MO, the researcher followed the same principles previously mentioned. All items from EFA analysis were entered into the model to create the best possible results. Based on the same criteria set previously for the model fit indicators, the result showed that some of the model fit indicators are below the threshold value (i.e. 0.929 for CFI and 0.915 for TLI). Consequently, only one item ID3 from the intelligence dissemination construct had to be removed to achieve more acceptable model fit. The following table 6.15 illustrates the change made through deleting the item (i.e. ID3) and achieving a more acceptable fit for the MO construct.

Table 6.15: Model Fit Statistics for Market Orientation Model

Item Deleted	χ^2 / df	P-Value	RMSEA	CFI	TLI	SRMR
None	2.1	0.0006	0.061	0.925	0.908	0.049
ID3	1.93	0.0006	0.053	0.951	0.938	0.044

Source: Developed for the current study by the researcher.

As shown in the above table, by deleting the item ID3, a better fit model was obtained ($\chi^2 / df = 2.10$, $p\text{-value} = 0.006$, $RMSEA = 0.061$, $CFI = 0.925$, $TLI = 0.908$, $SRMR = 0.044$).

6.7.3 CFA for Organisational Performance:

The initial CFA for performance was run with the items obtained previously from the exploratory factor analysis (e.g. without any item deletion). Following the same premise set previously, all items are entered into the model to create the best possible model fit results. Hence, the modification index values were examined and item SP3 from the social performance construct was removed from the scale. The following table depicts the change made and also the resulting model.

Table 6.16: Model Fit Statistics for Organisation Performance Model

Item Deleted	χ^2 / df	P-Value	RMSEA	CFI	TLI	SRMR
None	2.52	0.00	0.079	0.917	0.893	0.055
SP3	2.05	0.00	0.065	0.950	0.933	0.047

Source: Developed for the current study by the researcher.

As shown in the above table, by deleting the item SP3, a good fit model was obtained ($\chi^2 / df = 2.05$, p-value = 0.00, RMSEA = 0.065, CFI = 0.950, TLI = 0.933, SRMR = 0.047).

6.8 Assessment of the measurement model

The observed and latent variables are connected with each other through linear regressions in the measurement model and this is tested by assessing the validity and the reliability of the items and constructs in the model. This enables the researcher to maintain the reliable and valid constructs' measures to be used in the overall model. In the essence the measurement model, there are two different types of measurement models in the scale development. These are reflective and formative measurement models (Jarvis *et al.*, 2003, Geiser, 2013)). In reflective measurement models, the

indicators (i.e. observed or manifest variables) function as dependent variables, whereas the latent variables are independent variables in the models. On the other hand, formative measurement models are the opposite situation of the reflective measurement models (Geiser, 2013). Hence, the reflective measurement model has the characteristics of the ‘conventional wisdom’ on measurement and is described in many leading scale-development texts and as well as widely cited (Diamantopoulos, 1999).

In contrast, reflective measures occur when the latent variable causes the observed variables (Bollen, 1989), whereas formative measures can be viewed “as causing rather than being caused by the latent variable measured by the indicators (MacCallum and Browne, 1993, p.553). Reflective measurement models should be considered with regard to their reliability and validity (Bollen, 1989). On the other hand, formative measures do not maintain the traditional validity (i.e. convergent and discriminant validity) and reliability (i.e. internal consistency) assessments (Bollen, 1989; Bagozzi, 1994).

The reflective measurement approach is the most used approach in the marketing literature (Bearden *et. al.*, 1993; Diamantopoulos, 1993) and when there is a change in the latent variable, this is reflected in all its indicators because the latent variable determines its indicators (Bollen and Lennox, 1991). Therefore, this present research employed reflective measurement models and formative measurement models are not discussed in detail.

6.9 Research Scale - Reflective measures

As Bollen (1989) suggests, reflective measurement models should be assessed with regard to their reliability and validity. As discussed previously, Cronbach's alpha (Cronbach, 1951) is a traditional criterion for internal consistency. All constructs showed satisfactory levels of Cronbach's alpha, ranging from 0.73 to 0.96 (table 6.17).

Table 6.17: Composite reliability and average variance extracted

	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
Marketing Capabilities			
MPIC	0.94	0.94	0.69
SC	0.96	0.96	0.86
CMC	0.82	0.83	0.51
PRC	0.89	0.90	0.74
MCC	0.83	0.87	0.62
PC	0.73	0.74	0.51
MIMC	0.75	0.78	0.50
Market Orientation			
ID	0.78	0.80	0.50
R	0.74	0.77	0.50
IG	0.73	0.75	0.50
Performance			
RA	0.82	0.82	0.54
EP	0.81	0.81	0.53
SP	0.70	0.69	0.50

Source: Developed for the current study by the researcher.

However, Cronbach's alpha can provide a severe underestimation of the internal consistency reliability of latent variables (Hair et al., 2014). Therefore, in order to eliminate this underestimation problem, an additional measure *composite reliability*, which is more appropriate is chosen (Werts et al., 1974). The composite reliability considers that indicators have different loadings, and can be interpreted in the same way as Cronbach's alpha. The data indicated that the measures are mostly strong in terms of

their internal consistency reliability as indexed by the composite reliability (table 6.17). The composite reliabilities of the constructs ranged from 0.96 to 0.68, which exceeded the recommended threshold value of 0.7 as depicted in the below table (Nunnally 1978).

Given that indicators have different factor loadings, it is advisable to assess factor loadings to examine if the factor loadings are significant. Each loading was reviewed to verify whether the individual item loadings are significant. All measurement items with loadings greater than 0.55 were retained. According to Hair et al., (2014), in samples of over 100 response, factor loadings of 0.55 and above is significant, hence there are 247 responses, so factor loadings are not an issue. The table 6.18 presents the key results obtained from CFA. Each loading was reviewed to verify whether the individual items were reliable. It is noticed that all items loaded significantly (loadings ranging from 0.55 to 0.97) on their respective factors.

Table 6.18: Measure validation

Scales	STDYX Loadings	Est/SE
Marketing Capabilities		
Marketing Planning and Implementation Capabilities ($\alpha = 0.94$; CR = 0.94; AVE = 0.69)		
We are capable of transforming marketing strategies into actions.	0.89	53.08
We have thorough knowledge of marketing planning processes.	0.87	49.23
We monitor marketing performance.	0.82	35.65
We are capable of allocating marketing resources.	0.80	31.11
We develop creative marketing strategies	0.85	40.92
We effectively segment and target the market.	0.78	28.44
We develop marketing planning skills.	0.81	34.08
<i>We are able to deliver effective marketing programs.</i>	-----	-----
<i>We effectively execute marketing strategies.</i>	-----	-----
<i>We develop marketing management skills and processes</i>	-----	-----
Selling Capability ($\alpha = 0.96$; CR = 0.94; AVE = 0.86)		
We organise training for salespeople to be effective in their role.	0.88	56.30
We are capable of developing sales management planning and control systems.	0.91	69.81
We are capable of developing the selling skills of salespeople.	0.97	147.64
We provide effective support to the salespeople to be more successful in their role.	0.95	117.85
Channel Management Capability ($\alpha = 0.82$; CR = 0.83; AVE = 0.51)		
We develop good relationships with our partners/distributors.	0.56	10.98

Scales	STDYX Loadings	Est/SE
<i>We attract and retain the best partners/distributors.</i>		
We attempt to gain knowledge of the partners'/distributors' networks.	0.63	14.11
We add value to our partners'/distributors' business.	0.82	26.66
We develop a relationship with our partners/distributors and their organisational networks.	0.75	20.81
We provide high levels of service to support our partners/distributors.	0.75	21.27
Price Capability ($\alpha = 0.89$; CR = 0.90; AVE = 0.74)		
We use pricing skills and tactics to respond efficiently to market changes.	0.76	24.89
We develop knowledge of other non-profit organisations' pricing tactics.	0.96	55.64
<i>We price our products/services in an effective way.</i>		
We monitor other non-profit organisations' prices and price changes.	0.85	37.59
Marketing Communication Capability ($\alpha = 0.83$; CR = 0.87; AVE = 0.62)		
<i>We develop and execute advertising programs.</i>		
We are able to demonstrate management of creative advertising skills.	0.63	14.75
We are capable of managing public relations skills.	0.85	36.37
We are capable of managing brand image skills and positioning.	0.91	45.13
We are capable of managing non-profit image and reputation.	0.73	21.66
Product Capability ($\alpha = 0.73$; CR = 0.74 ; AVE = 0.51)		
We are able to develop new products/services.	0.66	9.89

Scales	STDYX Loadings	Est/SE
<i>We seek external professional advice in order to develop new products/services.</i>	-----	-----
<i>We are able to develop new products/services in order to maximize the return of R&D investment.</i>	-----	-----
We are capable of developing and sharing the knowledge of a new product/service launching in the market.	0.67	13.90
We are capable of understanding our client/donor needs to match new product/service development.	0.68	13.95
We intend to train internal staff for any new product/services.	0.74	14.41
Marketing Information Management Capability ($\alpha = 0.75$; CR = 0.78; AVE = 0.50)		
We collect information about our clients/ donors.	0.55	10.48
We use market research skills to develop effective marketing programmes.	0.84	28.97
<i>We identify our clients'/donors' wants and needs.</i>	-----	-----
We use market information to its full potential.	0.76	22.45
Market Orientation		
Market Intelligence Dissemination ($\alpha = 0.78$; CR = 0.80; AVE = 0.50)		
Data on clients/donors satisfaction are circulated at all levels in your organisation on a regular basis.	0.59	11.92
Several departments meet periodically to plan a response to changes taking place in our operating environment.	0.61	13.13
<i>When something important happens to a major client/donor, the whole organisation knows about it in a short time.</i>	-----	-----
We have inter-departmental meetings at least once a quarter to discuss market trends and developments.	0.67	15.76

Scales	STDYX Loadings	Est/SE
People performing the "marketing function" (or the equivalent) in our organisation spend time discussing the clients'/donors' future needs with other functional departments.	0.73	18.88
Market Responsiveness ($\alpha = 0.74$; CR = 0.77 ; AVE = 0.50)		
For one reason or another, we tend to pay attention to the changes in our clients'/donors' needs.	0.77	21.12
It takes us a short time to decide how to respond to other NPOs' strategic changes regarding client/donor attraction.	0.700	16.59
We are quick to detect fundamental changes in the non-profit sector (e.g. technology, governmental regulations, etc.).	0.59	11.89
When we come up with a great marketing plan, we are capable of implementing it in an appropriate time scale.	0.55	9.72
<i>We periodically review our service/product development efforts to ensure that they are in line with client/donor needs.</i>	-----	-----
<i>If another non-profit organisation was to launch an intensive campaign targeted towards our clients/donors, we would implement an immediate response.</i>	-----	-----
<i>Clients/donors complaints are important in this organisation.</i>	-----	-----
Market Intelligence Generation ($\alpha = 0.73$; CR = 0.75 ; AVE = 0.51)		
We communicate at least once a year with clients/donors to find out what products/services they will need in the future.	0.72	17.20
We survey clients/donors at least once a year to assess the quality of our products/services.	0.57	10.81
We do a lot of in-house 'market research' concerning clients'/donors' needs.	0.81	20.90
We periodically review the likely effect of changes in our operating environment on clients/donors.	0.58	11.82

Scales	STDYX Loadings	Est/SE
Organisational Performance		
<i>Resource Acquisition</i> ($\alpha = 0.82$; CR = 0.82 ; AVE = 0.54)		
Private Funding.	0.72	18.29
Corporate Funding.	0.83	25.03
Institutional Funding.	0.71	17.93
<i>Government Funding.</i>		
Commercial Activities.	0.63	13.91
<i>Economic Performance</i> ($\alpha = 0.81$; CR = 0.81 ; AVE = 0.53)		
Our organisation's own revenue has increased over the last three years.	0.82	24.18
The number of paid jobs have increased in our organisation over the last three years.	0.71	17.79
The number of donors in our organisation has increased over the last three years.	0.58	11.83
Our organisation has fully accomplished its financial goals over the last three years.	0.76	20.61
<i>Social Performance</i> ($\alpha = 0.7$; CR = 0.69; AVE = 0.5)		
We have achieved our social mission over the last three years.	0.57	9.99
Our organisation was successful in creating awareness of its goals within the society over the last three years.	0.72	13.46
<i>In our organisation the number of volunteers has increased over the last three years.</i>	-----	-----
Our organisation's mission created opportunities for collaboration with other organisations to deliver new services and/establish in new locations over the last three years.	0.59	10.18

Notes: Deleted scale items are in italics.

α = Cronbach's alpha; CR= Composite reliability; AVE= Average variance extracted

Source: Developed for the current study by the researcher.

For the assessment of validity, two types of validity are usually examined: the convergent validity and the discriminant validity. Convergent validity measures the degree to which items on a scale are in theory linked. The researcher assessed convergent validity by observing the average variance extracted (AVE) index. Results revealed that the AVE for all constructs exceeded the minimum threshold value of 0.5 (table 6.17), indicating that all latent variables have explained more than 50% of the variance in their observable measures (Hair *et al.*, 2014).

On the contrary, discriminant validity measures whether a concept is unique and distinct from the measures of other constructs (Bagozzi *et al.*, 1991; Hair *et al.*, 2014). Therefore, to assess the discriminant validity the Fornell-Larcker criterion (Fornell and Larcker, 1981) was assessed on the construct level. It postulates that a construct should share more variance with its own measures than it shares with other constructs in a model. In other words, the correlation of a construct with its indicators (i.e., the square root of AVE) should exceed the correlation between the construct and any other construct (Fornell and Larcker, 1981; Hair *et al.*, 2014). Based on that, discriminant validity was examined by calculating the shared variance between all possible pairs of constructs, verifying that they were lower than the average variance extracted for the individual constructs. The highest squared correlation estimate values between any pair of constructs was 49 percent and the average variance extracted ranged between 50 and 86 percent. These results showed that the average variance extracted by the measure of each

factor was larger than the squared correlation of that factor's measure with all measures of other factors in the model. The summary of the discriminant validity results is shown table 6.19.

Table 6.19: Summary of discriminant validity results

	AVE	Any pair of constructs	Squared correlation estimate (%)
Marketing Capabilities			
MPIC	69 %	MPIC with SP	47 %
SC	86 %	CMC with SC	44 %
CMC	51 %	PRC with CMC	39 %
PRC	74 %	MCC with CMC	45 %
MCC	62 %	PC with PRC	49 %
PC	51 %	MIMC with SP	48 %
MIMC	50 %		
Market Orientation			
ID	50 %	ID with PRC	48 %
R	50 %	R with SC	47 %
IG	50 %	IG with CMC	37 %
Performance			
RA	54 %	RA with ID	29 %
EP	53 %	EP with CMC	34 %
SP	50 %	SP with SC	33 %

Source: Developed for the current study by the researcher.

To sum up, the above discussions and analysis concludes that all the factors in the measurement model possessed strong discriminant validity. In addition, it confirms that all factors in the measurement model possessed both convergent and discriminant validity and the model fit the data adequately.

6.10 Common method bias (CMB)

Common method variance is a potential problem in behavioural research and is a main source of measurement model (Podsakoff *et al.*, 2003). It undermines the validity of conclusions about relationships between measures and it can cause serious consequences for final findings (Nunnally, 1978). One of the most widely used technique to reduce the problem of CMB is Harman's single factor test (Podsakoff *et al.*, 2003). For example, Mossholder *et al.*, (1998) adopt all indicators loaded on factors to assess CBM. They argued that if method variance is largely responsible for covariation between measures, CFA should imply that a single factor fits the data, otherwise there is no issue for CBM (Podsakoff and Organ, 1986). This study adopts 54 scale items loaded on one latent variable (Marketing implementation and planning capability). The result of a single factor model showed that it does not fit well, $\chi^2 = 4.1$, p-value = 0.00, RMSEA = 0.112, CFI = 0.430, TLI = 0.408, SRMR = 0.108. This indicates that this study does not have CBM issues.

6.11 Assessment of the Structural Model

The structural model represents the interrelationships among latent constructs and observable variables in the proposed model (Schreiber *et al.*, 2006). Moreover, they are statistical procedures for testing measurement, functional, predictive and causal hypotheses (Bagozzi and Yi, 2012). It can be tested by estimating the paths between the constructs, which are an indicator of the model's predictive ability. The path diagrams are important to structural model because they allow the researcher to diagram the

hypothesised set of relationships (Tabachnick and Fidell, 2014). Simply, the structural model is almost a duplicate version of the conceptual model.

The path analysis of the models can be calculated with the use of structural equation modelling. The structural equation model not only needs to meet the requirements of the statistical significance for the path coefficient estimates, but also the requirements of 'good fit' between the hypothesised casual model (Bagozzi and Yi, 2012; Hair *et al.*, 2014). Furthermore, a good casual model must provide a practical and logical interpretation and as well as represent an underlying theory of how certain constructs are related.

In this research, the purification of the scale (i.e. EFA and CFA) and path analysis is made possible by the use of structural equation for the hypotheses test. In addition, the validity and reliability of the model is also the result of the scales developed to test the hypothesised ideas. Since the scale was purified and meets the requirements validity and reliability requirements in this research, the researcher conducted a SEM to test the full model. As such, the structural model should not only meet the requirements of the statistical significance for the path coefficient estimates, but also the requirements of *good-fit* between the hypothesized causal model and the sample covariance (Shin *et al.*, 2000; Bagozzi and Yi, 2012). Furthermore, a good casual model must provide a practical and logical interpretation and clearly represent an underlying principle or the theory of how certain constructs are related.

The statistical objective of SEM in the Mplus 7.3 program is to show high standardised regression coefficient β values and significant p-values for the model. This standardised

regression value can be interpreted as the correlation between the two latent factors (Geiser, 2013). The p-value is the probability of observing a sample value as high or higher than, the value actually observed, given that the null hypothesis is true (Copper and Schindler, 2011). For the analysis of this research the five percent of significance level is chosen to test the hypotheses.

6.12 Hypothesis Testing

The hypothesised model was estimated by using structural equation modelling, with the Mplus program. The results of the hypotheses testing are provided in the table 7.8, along with the model fit indices for the structural model.

Table 6.20: Model fit indices for the structural model

Model fit indices	Structural model results
$(\chi^2)/df$	1.64
p-value of $(\chi^2)/df$	0.00
RMSEA	0.05
CFI	0.92
TFI	0.91
SRMR	0.07

Source: Developed for the current study by the researcher.

Table 6.21: Summary results of hypotheses testing

Hypotheses	Regression coefficient	P value	Assessment
H1: A non-profit organisation's marketing capabilities is positively associated with its economic performance.	0.36	0.002	Supported Significant
H2: A non-profit organisation's marketing capabilities is positively associated with its resource acquisition.	0.35	0.006	Supported Significant
H3: A non-profit organisation's marketing capabilities is positively associated with its social performance.	- 0.18	0.217	Rejected Not

			significant
H4: A non-profit organisation's market orientation is positively associated with its economic performance.	0.13	0.292	Rejected
			Not significant
H5: A non-profit organisation's market orientation is positively associated with its resource acquisition.	0.162	0.232	Rejected
			Not significant
H6: A non-profit organisation's market orientation is positively associated with its social performance.	0.70	0.000	Supported
			Significant
H7: A non-profit organisation's market orientation is positively associated with its marketing capabilities.	0.73	0.000	Supported
			Significant

Source: Developed for the current study by the researcher.

Note: * $p < .05$

As reported in Table 7.8, the model fit indices are, $(\chi^2)/df = 1.64$, $p\text{-value} = 0.00$, $RMSEA = 0.05$, $CFI = 0.92$, $TFI = 0.91$ and $SRMR = 0.07$. Based on the model fit indices criteria set before, the above results indicate that the hypothesised model had a good fit with the data. The table 7.9 shows the results of the hypothesis tests.

In support of H1, the results showed that marketing capabilities have positive relationship with economic performance in NPOs ($\beta=0.36$, $p<.05$). This indicates that when NPOs successfully implementing marketing capabilities, it has a positive effect on their economic performance.

With regard to H2, it was hypothesised that marketing capabilities will affect the resource acquisition. As expected, it was found that NPO's marketing capabilities is significant ($p < 0.05$) and correlated ($\beta 0.35$) with resource acquisition. Thus, H2 is supported.

Regarding H3, it can be seen from the table that this hypothesis showed a negative correlation ($\beta = -0.18$, $p < .05$) and as it is not significant it was rejected. Specifically, the results show that marketing capability and social performance are not associated in NPOs.

With respect to H4, it can be observed from table 7.5 that market orientation did not correlate and was not significant ($\beta = 0.13$, $p < .05$) with the NPO's economic performance. Therefore, this hypothesis is rejected.

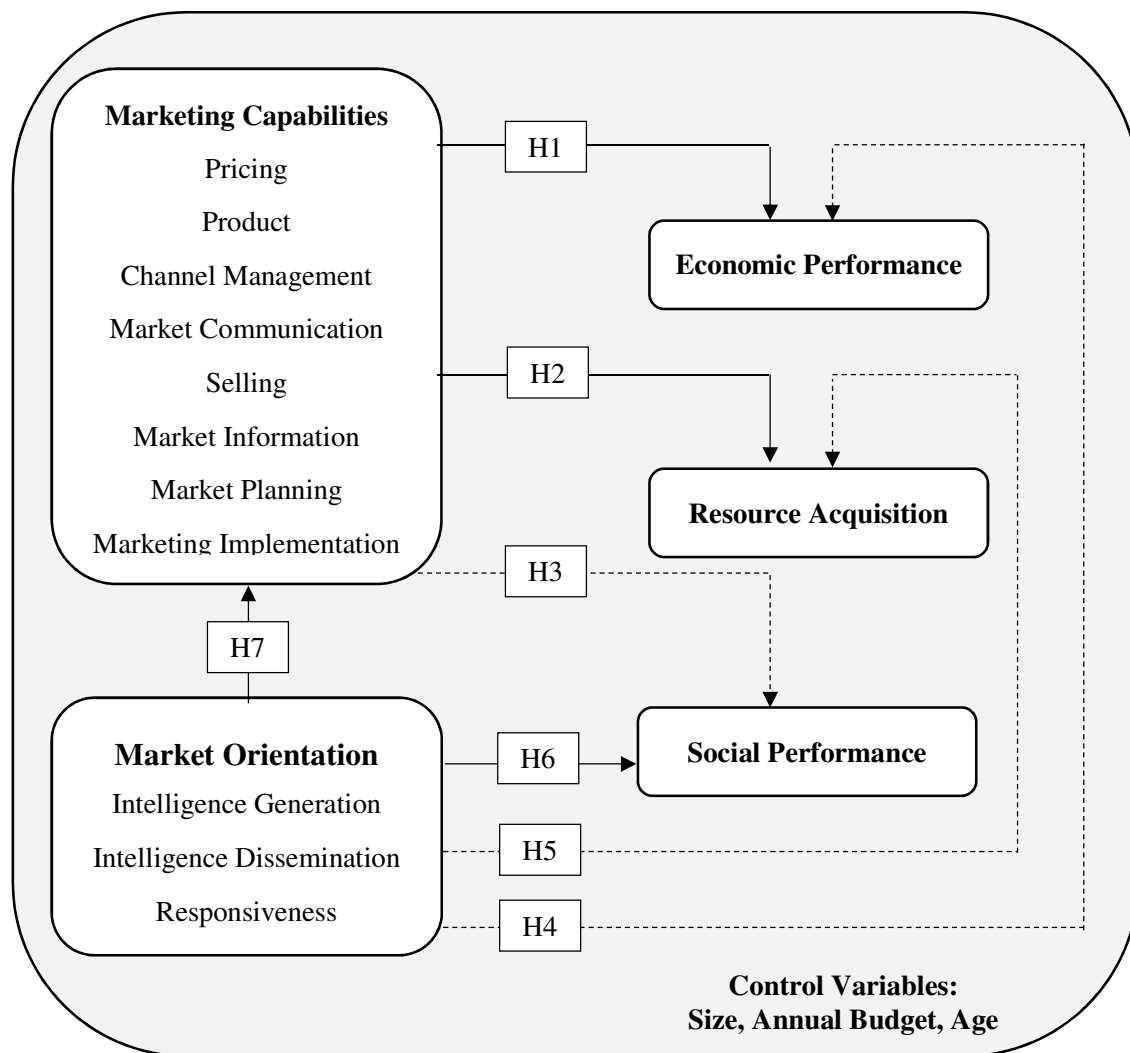
With regard to H5, it is not supported and not significant ($\beta = -0.16$, $p < .05$). This means that there is not a positive relationship between market orientation and NPOs resource acquisition. This may be because NPOs do not make sufficient effort to gather information and act on that information to generate funding resources.

H6 hypothesised that market orientation will affect the NPOs' social performance. As expected, it was found that the NPO's market orientation is significant ($p < 0.05$) and highly correlated ($\beta 0.70$) with social performance. Thus, H6 is supported.

In H7, the results show that market orientation has a significant positive effect on marketing capabilities in the NPOs (i.e. market information generation, dissemination and responsiveness). In other words, standardised coefficient β value is 0.73 which indicates strong relationship at $p < 0.05$ significance level. This supports the theory that NPOs which have strong market orientation have better implementation of marketing capabilities within the organisation to generate, disseminate and respond to information about conditions than rivals which has less marketing capabilities. In addition, NPOs which have this relationship are able to identify donors, volunteers, and client needs and

design the delivery of specific products or services to satisfy those needs, and to communicate them effectively to people. This means that they can attract more resources which could result in superior competitive advantage or growth opportunities.

Fig. 6.1 Structural Model



Source: Developed for the current study by the researcher.

Straight arrows are supported hypotheses, while dashed arrows indicate rejected hypotheses at $p < 0.05$ significance level.

The measurement model describes the connection between the manifest variables (observed items) and latent variables (Geiser, 2013, Bagozzi and Yi, 2012). In the previous, the measurement model is tested by calculating the validity and reliability of the items and constructs in the model. This enabled the researcher to obtain the reliable and valid construct measures before assessing the relationships in the overall model. In this chapter, confirmatory factor analysis (CFA), was used to test whether all items in each construct are valid and reliable. Following this, structural equation was used to test the overall model.

6.13 Summary

This chapter explained reliability tests and exploratory factor analysis as a primary purification stage of the measures. The removal of all measurement items which had low factor loadings or high cross-loadings is done to improve the overall reliability of the scale and develop a better measurement model. Then, the research instrument which was presented in chapter 5 was tested through structural equation modelling. The model presented in figure 7.1 reveals all the relationships. This model will be discussed in more detail in the next chapter.

Chapter: 7 DISCUSSIONS

7.1 Introduction

The current chapter offers the discussion of the results presented in Chapter Six in more detail and answers the research questions raised in Chapter One. Moreover, the findings of all hypotheses testing were reviewed and compared with prior research. The literature discussed in Chapter Two and Chapter Three was used to support the discussion. Therefore, the structure of this chapter is as follows. Firstly, the constructs, marketing capabilities and market orientation in non-profit organisations and their underlying dimensions with performance measures are discussed. Secondly, the relationship between marketing capabilities and market orientation is explained.

7.2 Organisational characteristics of NPOs

A research survey was conducted to all non-profit organisations in the NCVO Directory 2014 to examine the role of marketing capabilities and market orientation on NPO's performance in the UK. The total usable responses of the survey was 247 and resulted in a 31.2 % response rate. The frequency distribution statistics of the respondent profiles showed that majority of the respondents are from the positions of Chief Executive, Executive Director, Head of Marketing and Marketing Managers. This was one of the main objective when collecting the data from the respondents because understanding the marketing capabilities and the market orientation requires the knowledge and implementation of the marketing concept. In addition, the frequency distribution statistics also showed that 82.3% of the organisations are over twenty years in operation and 71.7% are operating over 1 million pound annual budget. This reveals that those

organisations have developed significant marketing strategies and knowhow of implementing these strategies.

7.3 Marketing Capabilities and Non-profit Organisations

The marketing capability construct has been explored and well documented by numerous authors in the profit-making context. Accordingly, this lead to a wide spread variation among authors concerning the definition of marketing capabilities (Day, 1993, 1994; Vorhies, Harker and Rao 1999; Dutta et al., 1999; Vorhies and Morgan 2003; Morgan, Vorhies et al., 2009; Eng and Spickett-Jones 2009 Chang, et al., 2010). In attempts to do so, MC has been defined in several different ways to form it to the research undertaken.

Morgan, Vorhies and Mason's (2009) introduced eight different marketing capabilities which enables organisations to produce a better organisational performance and in turn to obtain a competitive advantage in the market. Their measurement scale enables organisations to respond in a manner that best describes their marketing strategies. As such, this clearly constructed measurement scale allows researchers to capture the respondents' opinion as to how they are implementing marketing strategies in their organisations.

Although the importance of marketing capabilities in shaping the direction of the for-profit marketing, has been explored by many researchers, there is little research investigating the significance of MC in the non-profit organisation context. Therefore, this research attempted to measure the relationship between MC and performance by adapting Morgan, Vorhies and Mason's (2009) approach to the NPO context. Moreover, as the marketing capabilities and market orientation concepts' functions complement

each other in implementing organisation's marketing strategies (Morgan et al., 2009), the market orientation concept was included in this study to determine if these constructs complement each other in the NPO context as well. Therefore, the overall purpose of this study is to achieve a significant level of understanding of the MC in NPOs in the UK context.

Initially, this study's aim is to examine the role of marketing capabilities in the NPO context to see if they have the same impact on organisational performance as for in for-profit business. In order to achieve this goal, as previously stated, this research adapted established measurement scales from the literature (e.g. Morgan, Vorhies and Mason's 2009, Kohli and Jawarski, 1990). The modification of some terms was needed to get better responses to the questions posed in this study (i.e. non-profit organisations). Finally, the validation, definition and operationalisation of these constructs into NPO context were achieved successfully and all the set hypotheses were tested through structural equation modelling. The following sections explain these hypotheses results obtained from this research in detail.

7.4 Marketing Capabilities and Performance

Organisational performance is a multi-dimensional construct (Chang, Park and Chaiy, 2009) and described as a dependent variable in the literature (March and Sutton, 1997). According to Poister (2003) performance measurement aims to produce relevant information on organisational performance and enable the management to take effective decisions and improve overall performance and accountability. Moreover, performance measurement can be useful and helpful indicators for NPOs to achieve organisational

objectives. Therefore, this research measure organisational performance through economic performance, resource acquisition and social performance.

In the research conceptual framework, the research considers how a non-profit organisation exploits its organisational capabilities in marketing for a superior performance to achieve competitive advantage. Therefore, capabilities associated with the marketing function referred as marketing capabilities in this research literature and marketing literature (Day, 1994; Morgan *et al.*, 2009). According to Vorhies and Morgan (2005), a firm develops its marketing capabilities if it can combine individual skills and knowledge of its employees along with the available firm's resources. As such, when a firm spends more resources to interact with customers develops its market sensing abilities. These marketing capabilities, once built within the organisation, are very difficult to imitate for other firms and considered to be an important sources to enhance competitive advantage of firms (Day, 1994).

Based upon the RBV literature, marketing researchers have recognised market-related capabilities as a key drivers of firm's performance (Day, 1994; Morgan, Vorhies and Mason, 2009; Liu, Eng, Takeda, 2013). From this perspective, the concept of marketing capability fits well with the principle of the RBV because the possession of market-based resources and capabilities, firms can obtain superior performance and competitive advantage through developing their marketing capabilities. Therefore, the present research emphasis that marketing capabilities enable non-profit organisations to become more effective by applying marketing concepts and deploying market-based resources are vital for their success in the market place. The following section examines the research hypotheses H1, H2, H3 which are developed in Chapter 3. As discussed

previously, the relationship between marketing capability and different types of non-profit organisational performance are investigated.

7.4.1 Marketing Capabilities, Economic Performance and Resource Acquisition

The structural model of the research supports Hypotheses 1 and 2. Therefore, marketing capabilities can have significant impact on economic performance and resource acquisition. Indeed, the results of the survey illustrated that marketing capabilities consisting of *pricing, product, marketing communication, channel management, selling, marketing information management, marketing planning and implementation capabilities* have positive relationship with economic performance and funding attractions in NPOs. Nevertheless, numerous studies (e.g. Vorhies *et al.*, 1999; Vorhies and Morgan 2005; Morgan *et al.*, 2009), suggested that there are transitional stages between MC and performance. For example, in studies from the for-profit sector, Vorhies and Morgan (2005) empirically examined the potential business performance benefits available from benchmarking the marketing capabilities of top-performing firms. Their results suggest that benchmarking has the potential to become a key learning mechanism for identifying, building, and enhancing marketing capabilities to deliver sustainable competitive advantage. Similarly, Morgan, Vorhies and Mason (2009) examined marketing capabilities and organisational performance and their results indicated that MC directly impacts both on return on assets and firm's performance.

Therefore, drawing from the for-profit business studies, in order to prove effective, marketing capabilities must be reflected through specific action and strategy. Since, this research focuses on the marketing capabilities, the researcher posits that MC in NPOs is

the necessary market-related mechanism that enables a NPO to acquire, combine and transform its market-based resources to accomplish maximum output or achievement organisational objectives (Day, 1994; Morgan *et al.*, (2009). Moreover, superior awareness and knowledge of these marketing capabilities is the key for the implementation of marketing strategies in the market to gain superior performance which in turn leads to competitive advantage (Day, 1994; Vorhies *et al.*, 1999; Morgan *et al.*, 2009).

The results support RBV theory linking marketing capabilities directly with subjectively perceived economic performance ($\beta=0.36$, $p<.05$) and resource acquisition ($\beta=0.35$, $p<.05$). Therefore, from the resource based view theory, organisations which have distinctive set of resources and capabilities will have superior impact on financial performance than others (Song *et al.*, 2007; Nath *et al.*, 2010). In addition, consistent with RBV theory positions that performance can be explained by heterogeneity in organisational capabilities and the results of this research reveal a significant direct relationship between NPOs' marketing capabilities with both economic performance as well as resources acquisition. This supports the notation of RBV theory that market-related capabilities are key to understand firm performance. Therefore, Hypotheses 1 and 2 revealed that in the same way as in for-profit businesses, effective marketing strategies ultimately lead to enhanced economic performance in the NPOs context also. Based on this argument, NPOs which possess higher levels of marketing capabilities are in a better position to deliver their services to individuals or communities and generate sufficient resources to cover expenses and/or satisfy the different target markets in the long run (Agarwal *et al.*, 2003; Camarero and Garrido; 2009). As mentioned in the

literature review chapter, there are relatively few studies focusing on the role of marketing capabilities in the non-profit sector, but one example, Liu *et al.* (2013) found a positive relationship between MC and economic performance in social enterprises in both British and Japanese social enterprises.

Moreover, from the non-profit making literature perspective, funding issues have been fairly related to the marketing activities of NPOs (Macedo and Pinho, 2004). Research findings offered evidence in this respect, demonstrating a definite positive relationship between MC and resource acquisition. Funding attractions such as private funding, corporate funding, institutional funding, government funding and commercial activities motivate NPOs to seek alternative sources of funding for their survival in the market (Froelich, 1999). Funds originating from these resources are very valuable sources for NPOs. In order to support their survival in an increasingly challenging resource environment, NPOs are not only seeking funding from individual and corporate donors, foundations and government sources, but also a variety of commercial activities (Froelich, 1999).

Overall, this study expands the findings of the literature that focuses on the contribution of marketing capabilities in the NPOs economic performance as well as resource acquisition.

7.4.2. Marketing Capabilities and Social Performance

On the other hand, the data in this study exhibited no support for the relationship between marketing capabilities and social performance ($\beta = -0.18$, $p < .05$). It was expected that NPOs that have marketing capabilities would be able to deploy market-based resources more effectively to achieve better social performance than those do not.

These findings contrast with the idea that marketing strategies have substantial impact on NPOs' social performance (Liu *et al.*, 2013). This means that marketing capabilities have no role in NPO's social performance. In other words, it is possible that NPOs in the UK are not generating sufficient market-based resources to impact on their social performance.

Since there are very few studies measuring social performance and marketing capabilities in the literature, there is little evidence to compare the results to discover why MC is negatively associated with social performance. Accordingly, Liu *et al.* (2013) studied MC with social performance and their results indicated a positive relationship in the UK context but negatively related in the Japanese context. However, these authors measured marketing capabilities relationship individually and they stated that only three of the marketing capabilities (e.g. pricing, product and market information management capability) are positively associated with social performance. However, future research may investigate further to see why social performance measures are negatively related with marketing capabilities and how this relationship can be developed.

7.5 Market Orientation and non-profit organisations

As explained in the literature review, a market orientation represents a fundamental approach to understanding markets (Slater and Narver, 1994) and also represents the implementation of the marketing concept that focuses the firm's efforts on understanding the market and developing strategies in response to the market to achieve a superior business performance (Vorhies *et al.*, 1999). As suggested by Morgan *et al.*, (2009), firms which possess superior MO can achieve superior business performance

because they have the ability to understand customers' expressed wants and latent needs better, achieve competitor capabilities and respond to changing market environments more successfully than their rivals.

Drawing upon the RBV, organisations that possess the ability to learn rapidly about their markets and respond to the market opportunities are more likely achieve competitive advantage (Day, 1993, 1994; Slater and Narver, 1994; 1995). Moreover, RBV theory posits that, an organisation which possesses market oriented capabilities is expected to be capable of understanding and meeting the consumers 'current or latent needs as well as implementing marketing strategies to respond to changing market conditions (Vorhies, Harker, Rao, 1999). Moreover, Morgan, Vorhies and Mason (2009) stated that the marketing literature supports the RBV theory in which organisations that possess market orientation can achieve better performance than their rivals.

As in the case of profit-making organisations, the adaptation of market orientation can enable NPO to be more successful in their operating market. Specially, market oriented NPOs can design the most appropriate services to the targeted public and can offer a sustainable competitive advantage through the creation of superior customer value which in turn leads to a better performance (Wanna et al., 1992; Balabanis et al., 1997; Viquez et al., 2002; Macedo and Pinho; 2006).

Recently, several authors have investigated the importance of market orientation in NPOs and its impact on organisational performance (Stewaert, 1991; Balabanis et al., 1997; Gainer and Padanyi, 2002, 2005; Vazquez et al., 2002; Camarero and Garrido, 2007; Carmen and Jose, 2008), but little research examined the applicability of MO in

the UK setting (e.g. Balabanis et al., 1997; Seymour et al., 2006). Therefore, this study aims to achieve a meaningful level of understanding of the MO construct in NPOs in the UK. For this reason, three hypotheses are tested in this research in order to examine the relationship between MO and organisational performance. The following section examines the research hypotheses H4, H5, H6 which are developed in Chapter 3. As discussed previously, the relationship between marketing orientation and different types of non-profit organisational performance are investigated.

7.5.1 Market Orientation, Economic Performance and Resource Acquisition

The objective of hypotheses H4 and H5 was to explore the link between MO and economic performance and resource acquisition. However, there is no significant direct relationship between market orientation and economic performance ($\beta = 0.13$, $p < .05$) as well as resource acquisition ($\beta = -0.16$, $p < .05$). Similarly, some empirical studies have also found negative relationship or no relationship between market orientation and financial performance. For instance, Balabanis *et al.*, (1997) measured the degree of the adaptation of MO in the top 200 British charities and their results revealed that the level of present donor-market orientation has no impact on charities performance. Bennett (1998) investigated MO among small to medium sized (SMC) UK charitable organisations with financial performance and their results showed that many SMCs possess a fair relationship between of MO and financial performance. Voss and Voss (2000) also found that customer orientation exhibits a negative association with subscriber's ticket sale, total income and net surplus/deficit. In addition, Modi (2012) proposed the links between MO, innovativeness, resource scarcity, funding resources

and performance in NPOs in India. This study showed that MO does not help in attracting resources.

In contrast, the findings from other past studies showed that market oriented NPOs are able to generate funding from the funding resources. For instance, Raju et al., (2000) investigated the relationship between MO and organizational performance in the hospital sector and they found that there is a strong relationship between these constructs. Moreover, Vazquez, Alvarez and Santos (2002) studied MO in Spanish NPOs and their results found positive effects of MO on the Spanish NPO's performance. Kara, Spillan and DeShields (2004) also found positive relationship between MO and organizational performance in USA. NPOs. A similar finding was also expected from this research. However, these hypotheses were not supported by the data. The research results of these hypotheses (e.g. H4 and H5) suspected the presence of a mediator variable which was suppressing the relationship. This could form an interesting hypothesis for the future research.

7.5.2 Market Orientation and Social Performance

The research results showed that market orientation is significantly and positively associated with social performance (β 0.70, $p < .05$). Similarly, Carmen and Jose (2008) found positive and significant links between market orientations and social performance in the museums sector. Moreover, Vazquez, Alvarez and Santos (2002) study showed that market orientation have positive effects on the achievement on organisation's mission. Indeed, the NPO's mission involves nonfinancial goal and mainly establish around a social mission and societal benefits which includes helping disadvantaged people, providing animal welfare or providing aid after or during environmental

disasters and providing social services or playing a role of benefit to protect them (Liu and Weinberg, 2004; Quarter and Richmond, 2001). Furthermore, numerous researchers stated that organisations which possess superior market orientation can achieve superior business performance (Day, 1993, 1994; Slater and Narver, 1994, 1995; Vorhies et al., 1999). From market orientation perspective, when NPOs collecting information about their customers' needs, sharing this information within the organisation, planning and implementing effective marketing strategies enable them to achieve a high level of client and/or donor satisfaction (Agarwall et al., 2003; Gainer and Padanyi, 2005).

Moreover, according to Margan *et al.*, (2009) MO represents a know-what advantage of the firm, that it can chose the best available resource combinations to match market conditions and gain superior competitive advantage (Slater and Narver, Morgan *et al.*, 2009). Based on this argument, NPOs that are market oriented towards an awareness of the needs and interest of their clients and donors and chose the best available resource combination to meet their expected desire, will have a higher social performance which will have an impact on their organisation's mission, and will increase the awareness of their organisation. In turn, they will be more competitive in terms of creating more opportunities for themselves such as fund-raising, attracting volunteers, collaboration with both for-profit businesses as well as other NPOs and so on. Therefore, the statistical results depicts that market orientation and social performance is statistically significant.

7.6 Marketing Capabilities and Market Orientation

The results show that market orientation has a significant positive effect on marketing capabilities in the NPOs ($\beta=0.73$, $p<.05$). Therefore, the data in this research supported the theory that NPOs which have market orientation have a better implementation of marketing capabilities within the organisation to generate, disseminate and respond to information about conditions than rivals which have less marketing capabilities. In addition, NPOs which have this relationship are able to identify donors, volunteers, and client needs and design the delivery of specific products or services to satisfy those needs, and to communicate them effectively to people. This means that they can attract more resources which could result in superior competitive advantage or growth opportunities.

As explained in chapter 3, Morgan, Vorhies and Mason's (2009), explain that the relationship between MO and MC comes from the firm's *know-what* (i.e. market orientation) knowledge resource and its complementary 'know-how' deployment capabilities (i.e. marketing capability) (Grant, 1996; Morgan *et al.*, 2009). With regards to this relationship, it was hypothesised that market orientation will affect the marketing capabilities and this relationship was strongly supported by the data.

Similarly, a study by Morgan *et al.*, (2009) which was in the for-profit context, argues that market orientation and marketing capabilities are complementary assets in an organisation and contribute to superior organisational performance. Furthermore, their findings showed that these constructs, when they interact with each other, have a positive impact on the organisational performance. Parallel to their study, this research results indicated the same relationship. In other words, from the NPO perspective, the

research showed that NPO managers need to be market driven in order to be able to use their marketing capabilities effectively. A study by Vorhies, Harker and Rao (1999) also proved that market driven organisation can develop better marketing capabilities. Their research results showed that a market-driven business developed higher levels of six marketing capabilities (in the areas of market research, pricing, and product development, channels, promotion and market management) than their less market driven rivals and also significantly outperformed in four different organisational performance measures (adaptability, customer satisfaction, growth and profitability). Parallel to these arguments, this research results also indicated that market driven NPOs can develop higher marketing capabilities than their less market driven rivals.

7.7 Summary

This chapter discussed the findings of the research with the relevant marketing and non-profit marketing literature. The critical points of the research findings are explained in detail and explored along with the previous researchers' arguments.

The next chapter will discuss research objectives, theoretical and managerial contributions as well as the limitations of the research.

CHAPTER 8: CONCLUSIONS

8.1 Introduction

This chapter presents the key arguments of the thesis and draws the primary conclusion for the research objectives of the study which were set in the introductory chapter. It also discusses the theoretical, managerial and policy implications of the study as well as the study's limitations. In addition, the final part of the thesis discusses the possible future research avenues that would contribute to and expand the findings of this study in the field of the non-profit organisations context.

8.2. Summary of highlights in relation to the research objectives

The aim of this research has been to illuminate the implementation of the marketing concepts and their relationship with the organisational performance in the NPO sector. Using a RBV theory perspective, the research examined the organisational resources and their effects on organisational performance. Previous studies in the marketing literature state that marketing capabilities and market orientation have significant impact on for-profit organisational performance (Vorhies, Harker and Rao, 1999; Vorhies and Morgan, 2005; Morgan, Vorhies and Mason, 2009). However, this link mostly developed in profit-making businesses and insufficient study has examined the influence of marketing capabilities and their effects on performance in the NPOs. Therefore, this research aimed to develop and test an empirical model of marketing capabilities and organisational performance in the NPO sector in the UK. Based on the aims of the study, the following research objectives were presented in the introductory chapter:

1. To assess the role of marketing capabilities in the success of non-profit organisations.
2. To determine how marketing capabilities can enhance performance in non-profit organisations.
3. To determine how market orientation can enhance performance in non-profit organisations.
4. To determine the relationship between marketing capabilities and market orientation in NPOs.

8.2.1 Objective 1 and 2: To assess the role of marketing capabilities in the success of non-profit organisations and their relationship with organisation performance

The first two research objectives were to investigate the marketing capabilities and their effects on organisational performance. In order to achieve this objective, the study used three different organisational performance measures to capture the role of marketing capabilities in NPO sector. The research results for this objective indicated that marketing capabilities which the NPO possesses in its resources have positive effects on the economic performance and resource acquisition. Therefore, the results supported the research aim as the results are in the same way like in for-profit businesses. This supports that effective marketing strategies ultimately lead to enhanced economic performance in the NPO context as well. Drawing from the RBV theory, an organisation which has tangible and intangible assets as well as capabilities enhances better financial performance (Barney, 1991; Wernerfelt, 1981; Yu, Ramanathan and Narth, 2013). From this theory perspective, the first objective supports that NPOs which possess higher levels of marketing capabilities are in a better position to deliver their

services to individuals or communities and generate sufficient resources to cover expenses and/or satisfy the different target markets in the long run (Agarwal et al., 2003; Camarero and Garrido; 2009). In contrary, research results for this objective, indicated that there is no relationship between marketing capabilities and social performance in the UK's NPO context. In other words, based on this research result, this means that marketing capabilities have no role in NPO's social performance.

8.2.2. Objective 3: To determine how market orientation can enhance performance in non-profit organisations.

The third objective was set in order to examine the relationship between market orientation and three different performance measures. The research results illustrated that there is no link between market orientation and economic performance and resource acquisition. This may be possible as Fortenberry (2013: 230) stated that “despite the benefits associated with being market driven, many non-profit executives fail to successfully incorporate this mindset, largely because of institutional systems that support inside-out, rather than outside-in approaches”. In other words, NPOs managers they believe that what their organisation offers to their clients/donors, they should be appreciate and take their offer. Drawing on resource-based view theory, the marketing literature suggests that firms with superior market orientation can achieve superior business performance (Jaworski and Kohli, 1993; Morgan et al., 2009). Moreover, RBV theory argues that organisations that possess the ability to learn rapidly about their markets and respond to the market opportunities are more likely to achieve competitive advantage (Day, 1993, 1994; Slater and Narver, 1994; 1995). The research results supports that market-driven NPOs must possess an externally oriented organizational

culture which heavily emphasizes the delivery of superior customer value and continually tries to secure new resources of competitive advantage (Fortenberry, 2013). On the other hand, research results for this objective, indicated that there is a relationship between market orientation and social performance in the UK's NPO context. This may be possible from the mission statement of NPOs because NPO's mission involves nonfinancial goals. As Andreasen and Kotler (2003) stated that mission of NPO involves influencing donors to give, volunteers to come forward, clients to seek help, staff to be client-friendly and so on. This is why marketing and the marketing mind-set are critical to their success and their mission mainly defines and drives the specific objectives, goals and strategies of the NPOs (Drucker, 1989). This supports that market orientation ultimately lead to enhanced social performance in the NPO.

8.2.3. Objective 4: To determine the relationship between marketing capabilities and market orientation in NPOs.

The fourth objective was set in order to examine the relationship between marketing capabilities and market orientation. The structural model of the research supports this objective and the results illustrated that there is a positive link between marketing capabilities and market orientation. As noted earlier, the RBV views firm as a bundle of resources and capabilities. Morgan et al., 2009 argued that RBV indicates the relationship between MO and MC and they come from the firms firm's know-what (i.e. market orientation) knowledge resource and its complementary 'know-how' deployment capabilities (i.e. marketing capability). Therefore, the data in this research supported the theory that NPOs which have market orientation have a better

implementation of marketing capabilities within the organisation to generate, disseminate and respond to information about conditions than rivals which have less marketing capabilities.

8.3 Theoretical Contributions

This research contributes to the non-profit marketing literature and other fields in several ways. The first and most evident contribution of this research is the investigation of the marketing capabilities construct within the non-profit organisation context. The greatest amount of MC research has been conducted within for-profit making businesses (Day, 1994; Vorhies, 1998; Vorhies *et al.*, 1999; Dutta *et al.*, 1999; Vorhies and Morgan, 2005; Morgan *et al.*, 2009; Day, 2011). Up till now, there is a dearth of studies examining MC and MO together in the non-profit sector. Therefore, the present study contributes to the theory of MC and MO by providing a validated framework which explains the relationships between the construct of MC and organisational performance in NPO context and explores the gap in the non-profit marketing literature. Drawing upon the RBV theory, the research develop a framework to investigate the relationship between marketing capability and market orientation and their impacts on three different NPO performance. In addition, consistent with RBV, if the firm posses market-based resources and capabilities, it can obtain superior performance and competitive advantage through developing their marketing capabilities. The research support the conceptual arguments as the results of this research reveal a significant direct relationship between NPOs' marketing capabilities with both economic performance as well as resources acquisition.

Moreover, this research provided and empirically tested an integrative model that portrays the relationship between MC, MO and organisational performance in the non-profit organisation context. The findings of this research supports the view that the essence of the constructs of MC and MO have the complementary functions and if they can be harmonised in the organisation, then better organisational performance can be achieved by NPOs. It can be concluded that this research extends further the theory development of MC and MO in NPO context.

Secondly, a previous study (e.g. Liu et al., 2013) empirically examined the relationships between each marketing capability and performance in the social enterprises sector. They suggested that NPOs should be selective in developing their marketing capabilities. Nevertheless the present study operationalised MC as a single combined measure when investigating their relationship with organisational performance. This single-component approach suggests that market-driven NPOs must develop all types of marketing capabilities, rather than being selective in developing their marketing capabilities, because these capabilities are more effective in the changing environment as a whole rather than individually (Vorhies et al., 1999; Morgan et al., 2009). Therefore, this approach will assist NPOs' managers with more in depth understanding that the capabilities complement each other's function in the market and developing them as a whole could implement better marketing strategies in order to achieve competitive advantage.

Thirdly, this study supported the debate that the definition and measurement of organisational performance in the NPO context should have multiple performance measurements. The present study followed the same principle that NPOs have multiple

goals and it is beneficial to include a variety of performance measurements (Voss and Voss, 2000; Gainer and Padanyi, 2002, 2004; Duque-Zuluaga and Schneider, 2008; Camarero and Garrido; 2009; Liu et al., 2013). Thus, the present study provided a new look in operationalising NPO's performance by testing each organisational performance separately (e.g. funding attraction, economic and social measures) and supported the conventional wisdom that NPO performance measure is not a one dimensional construct.

Fourthly, marketing is believed to be a noteworthy practice in the NPO sector. On the contrary, there is much evidence while marketing constructs (e.g. MC and MO) are applicable to NPO context, they are not widely used. Therefore, this current study contributes to the non-profit marketing literature. In particular, it presents a systematic framework for marketing capabilities and market orientation constructs in NPOs and thereby informs the process of how NPOs can implement marketing for their strategy in order to be more competitive in the market.

In terms of methodology, the major contribution of this study stems from the use of SEM. This method is a statistical analysis that explain the relationships among multiple variables and it is not much employed in NPOs marketing research as much as in the for-profit sector marketing research. Furthermore, the current study used a quantitative method approach in which a survey was conducted and analysed through SEM. This particular approach had not been commonly been used in this area of research in the UK context. Therefore, such an attempt can set a new benchmark for future research carried out in this field in the UK. In addition, the study provides reliable and valid measurement scales for all constructs, which could be used for further research.

Moreover, the results of the hypotheses testing reveal that the implementation of the marketing strategies in the NPO context can positively influence strategic decisions in the market. Therefore this study contributes to the applicability of the marketing capabilities in NPOs as well as the desired outcomes from implementing such capabilities in this context. To sum up, the use of SEM, in preference to other more popular methods, has brought about a significant contribution at both the measurement and structural levels.

8.4 Managerial implications

The present study offers a number of practical managerial implications for marketing managers, top management and managers of other departments within a non-profit organisation. The UK's growing economy is becoming more competitive for both for-profit and non-profit organisations and challenges their survival in the market. In addition, cut backs in attracting funding makes it even more difficult for the NPOs to stay in the market. This growing competition gives credence to the importance of understanding and implementing the marketing strategies. Although the language of marketing may not always come easily to many people in the NPO sector, marketing managers should always be encouraged to put marketing strategies into practice. To this end, the present study offers practical guidelines for marketing managers when actively managing their marketing activities towards their operating environment. Market-oriented NPOs should seek to use their market-based resources to identify and grasp opportunities in the market in order to enhance competitive advantage. In other words, NPO marketing managers or executives should understand the importance of being market driven. Therefore, the need for implementing marketing strategies (i.e.

adapting MC and MO) is highlighted in view of the positive influence on organisational performance. The contribution of this research will help different types of managers in NPOs to understand the important role of marketing capabilities as well as market orientation and their importance for better organisational performance.

Another conclusion can be drawn from the present study with regard to the development of different type of marketing capabilities. The research results indicate that NPO managers need to try developing all types of marketing capabilities within the organisation rather than developing specific types of marketing capability. This is because in order to implement an effective marketing strategies, NPO managers need to know in more detail that the capabilities complement each other's function in the market. Therefore, NPO marketing managers should be encouraged to develop all types of marketing capabilities in the organisation in order to compete in the market. Furthermore, managers of different departments should also be informed of the overall marketing strategies of the organisation because, in order to be able to develop marketing related capabilities, the organisation managers need to work as a whole to achieve the development of these capabilities.

Finally, NPOs need to modify their existing marketing capabilities into more business-like operations. In other words, despite the benefits associated with being market driven, many NPO managers fail to successfully incorporate this mind-set, mostly because of organisational systems that support inside-out, rather than outside-in approaches. Therefore, NPO marketing managers need to understand the markets (i.e. customers' needs, competitor strategies and environmental changes) and deploy market-based

resources more effectively to raise more charitable funds, attract volunteers, and provide better services and products and so on.

8.5 Implications for public policy-makers

The present research runs parallel with a strong interest of public policy-makers in encouraging NPOs to be more market oriented and market themselves for long term survival without government funding.

The present study may assist public policy makers to design more adequate policies and allocate resources to non-profit organisations. Since the pilot study was conducted through meeting with the managers in person, the researcher was able to discuss many issues in the sector. Several managers claimed that there are no clearly defined criteria for allocating available resources which presents NPOs with difficulties in accessing potential funds. This showed that there might be a lack of well-defined policy for the non-profit organisations, because NPOs differ from each other in terms of their public or social purpose. Therefore, the researcher suggests that, it is relevant for policy makers to understand the diversity in their purpose and clearly explain and deliver the available resources to these organisations.

8.6 Research Limitations and directions for further research

This study represents an underpinning for future research that will build on the topic of MC in the NPOs. However, the results should be interpreted in the light of some limitations suggesting directions for further research. The limitations and corresponding directions for further research are discussed in the following.

The first limitation arises from the research design of MC (e.g. eight different marketing capabilities measurement) construct. Since this construct design was adapted from for-profit organisations, it is suggested that further researchers explore undiscovered types of marketing capability that specifically relate to the non-profit organisation context.

Secondly, this study was conducted in a single setting. The findings may be limited to the UK context and may not necessarily reflect MC and MO in NPOs in other countries. Thus, a suggestion for further research would be to replicate this study in other countries in order to help provide generalisability of the findings.

Thirdly, the research survey is focused on the understanding and practise of MC and its role on the organisational performance. Therefore, some respondents might have more experience or be more knowledgeable of marketing than others, which might motivate them to respond to survey rather than respondents who were less knowledgeable. This may cause self-selection bias among the respondents. Therefore, future research may include some more questions in relation to marketing strategies to eliminate this limitation.

Fourthly, the intentional focus of this research is to investigate the role of MC in the UK's non-profit organisation context. While all organisations in the NCVO's Directory were invited to take part in the survey, there are other NPOs which are not members of and not listed in the directory. However, the researcher acknowledges that although the response rate was not low (31.7%), it may not be representative of the whole UK's NPOs.

To sum up, despite these limitations, this research makes an important contribution to the understanding of the effects of marketing capability and market orientation on NPO

performance, contributes knowledge to the non-profit marketing and practices and provides managerial implications for NPO managers.

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APPENDICES

Appendix A

Multivariate normality test

For Marketing Capabilities and Market Orientation

Marketing Capabilities \longrightarrow Market Orientation

Descriptive Statistics

	Mean	Std. Deviation	N
TOTMO	5.35	.829	246
TOTMC	5.55	.874	246

Correlations

		TOTMO	TOTMC
Pearson Correlation	TOTMO	1.000	.536
	TOTMC	.536	1.000
Sig. (1-tailed)	TOTMO	.	.000
	TOTMC	.000	.
N	TOTMO	246	246
	TOTMC	246	246

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.86	6.21	5.35	.444	246
Std. Predicted Value	-3.350	1.942	.000	1.000	246
Standard Error of Predicted Value	.045	.157	.061	.017	246
Adjusted Predicted Value	3.89	6.20	5.35	.444	246
Residual	-2.564	1.992	.000	.700	246
Std. Residual	-3.655	2.840	.000	.998	246
Stud. Residual	-3.673	2.849	.000	1.002	246
Deleted Residual	-2.590	2.005	.000	.706	246
Stud. Deleted Residual	-3.772	2.892	-.001	1.008	246
Mahal. Distance	.004	11.225	.996	1.315	246
Cook's Distance	.000	.070	.004	.008	246
Centered Leverage Value	.000	.046	.004	.005	246

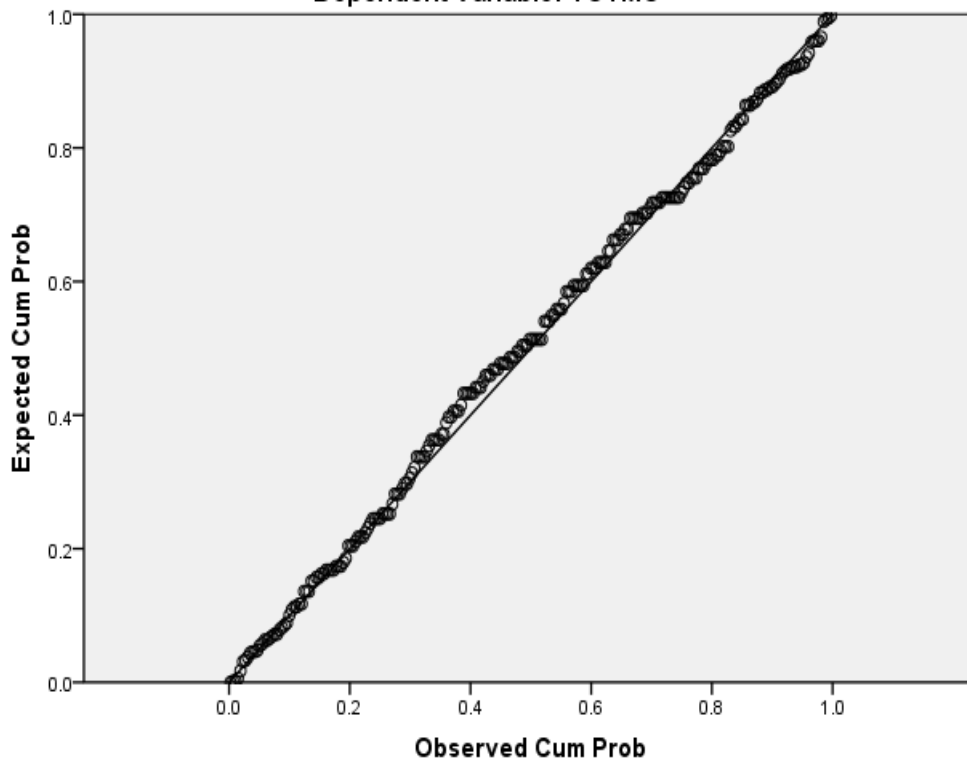
Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.86	6.21	5.35	.444	246
Std. Predicted Value	-3.350	1.942	.000	1.000	246
Standard Error of Predicted Value	.045	.157	.061	.017	246
Adjusted Predicted Value	3.89	6.20	5.35	.444	246
Residual	-2.564	1.992	.000	.700	246
Std. Residual	-3.655	2.840	.000	.998	246
Stud. Residual	-3.673	2.849	.000	1.002	246
Deleted Residual	-2.590	2.005	.000	.706	246
Stud. Deleted Residual	-3.772	2.892	-.001	1.008	246
Mahal. Distance	.004	11.225	.996	1.315	246
Cook's Distance	.000	.070	.004	.008	246
Centered Leverage Value	.000	.046	.004	.005	246

a. Dependent Variable: TOTMO

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: TOTMO



For Market Orientation and Non-Profit Performance

Market Orientation \Rightarrow Non-Profit Performance

Descriptive Statistics

	Mean	Std. Deviation	N
TOTPER	5.00	.961	246
TOTMO	5.35	.829	246

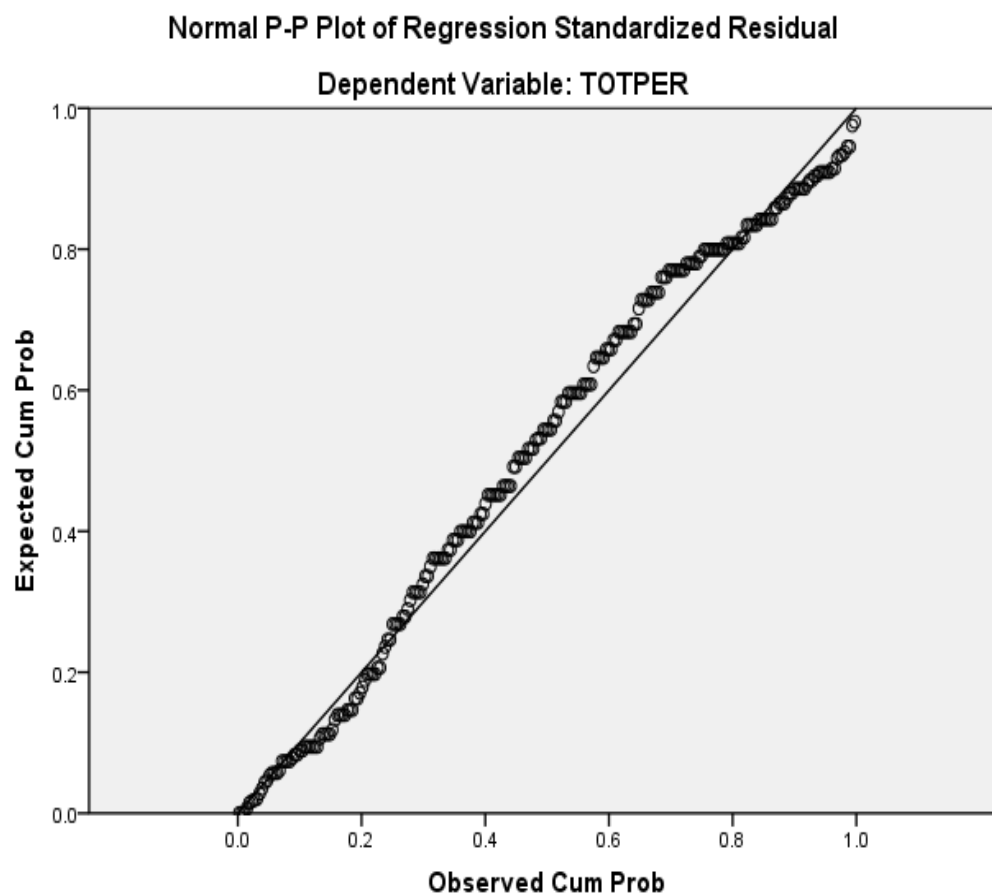
Correlations

		TOTPER	TOTMO
Pearson Correlation	TOTPER	1.000	.313
	TOTMO	.313	1.000
Sig. (1-tailed)	TOTPER	.	.000
	TOTMO	.000	.
N	TOTPER	246	246
	TOTMO	246	246

Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.14	5.59	5.00	.300	246
Std. Predicted Value	-2.838	1.988	.000	1.000	246
Standard Error of Predicted Value	.058	.176	.079	.024	246
Adjusted Predicted Value	4.12	5.60	5.00	.300	246
Residual	-2.990	1.889	.000	.913	246
Std. Residual	-3.270	2.065	.000	.998	246
Stud. Residual	-3.276	2.070	.000	1.002	246
Deleted Residual	-3.003	1.898	.000	.920	246
Stud. Deleted Residual	-3.344	2.084	-.001	1.006	246
Mahal. Distance	.001	8.052	.996	1.365	246
Cook's Distance	.000	.069	.004	.008	246
Centered Leverage Value	.000	.033	.004	.006	246

a. Dependent Variable: TOTPER



For Marketing Capabilities and Non-Profit Performance

	Mean	Std. Deviation	N
TOTPER	5.00	.961	246
TOTMC	5.55	.874	246

Correlations

		TOTPER	TOTMC
Pearson Correlation	TOTPER	1.000	.422
	TOTMC	.422	1.000
Sig. (1-tailed)	TOTPER	.	.000
	TOTMC	.000	.
N	TOTPER	246	246
	TOTMC	246	246

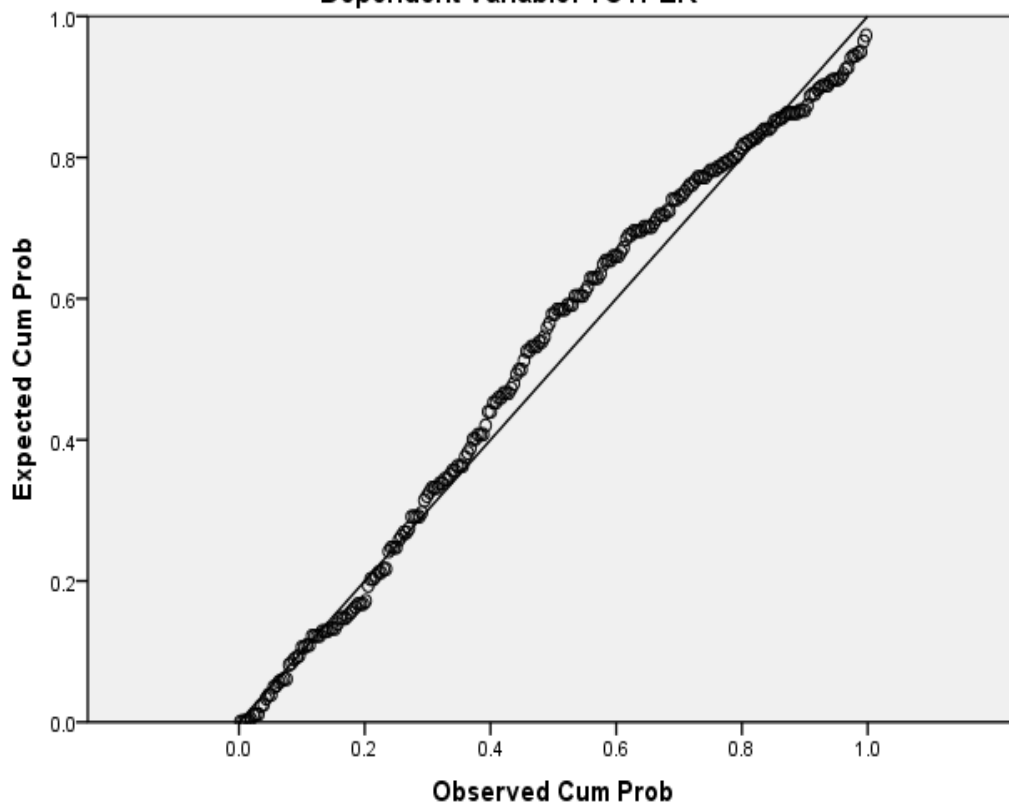
Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.64	5.78	5.00	.406	246
Std. Predicted Value	-3.350	1.942	.000	1.000	246
Standard Error of Predicted Value	.056	.195	.076	.021	246
Adjusted Predicted Value	3.57	5.77	5.00	.406	246
Residual	-2.741	1.679	.000	.871	246
Std. Residual	-3.140	1.924	.000	.998	246
Stud. Residual	-3.149	1.930	.000	1.002	246
Deleted Residual	-2.756	1.690	.001	.878	246
Stud. Deleted Residual	-3.208	1.941	-.001	1.007	246
Mahal. Distance	.004	11.225	.996	1.315	246
Cook's Distance	.000	.067	.004	.008	246
Centered Leverage Value	.000	.046	.004	.005	246

a. Dependent Variable: TOTPER

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: TOTPER



Appendix B

Assessment of Unidimensionality by using SPSS.19

Marketing Capabilities:

Marketing Planning and Implementation Capability

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.944
Bartlett's Test of Sphericity	Approx. Chi-Square	2806.711
	df	45
	Sig.	.000

Component Matrix^a

	Component
	1
MIC2	.911
MIC4	.907
MIC3	.915
MPC5	.879
MPC3	.889
MIC5	.838
MIC1	.829
MPC4	.859
MPC2	.807
MPC1	.824

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Selling Capability

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.867
Bartlett's Test of Sphericity	Approx. Chi-Square	1163.160
	df	6
	Sig.	.000

Component Matrix^a

	Component
	1
SC1	.922
SC2	.933
SC3	.965
SC4	.958

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Channel Management Capability

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.822
Bartlett's Test of Sphericity	Approx. Chi-Square	621.183
	df	15
	Sig.	.000

Component Matrix^a

	Component
	1
CMC1	.709
CMC2	.769
CMC3	.719
CMC4	.817
CMC5	.758
CMC6	.781

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Price Capability**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.770
Bartlett's Test of Sphericity	Approx. Chi-Square	697.201
	df	6
	Sig.	.000

Component Matrix^a

	Component
	1
PRC2	.911
PRC4	.879
PRC1	.880
PRC3	.867

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Marketing Communication Capability**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.781
Bartlett's Test of Sphericity	Approx. Chi-Square	485.386
	df	6
	Sig.	.000

Component Matrix^a

	Component
	1
MCC2	.734
MCC3	.886
MCC4	.907
MCC5	.808

Extraction Method:

Principal Component Analysis.

Component Matrix^a

	Component
	1
MCC2	.734
MCC3	.886
MCC4	.907
MCC5	.808

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Product Capability

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.738
Bartlett's Test of Sphericity	Approx. Chi-Square	209.059
	df	6
	Sig.	.000

Component Matrix^a

	Component
	1
PC1	.691
PC5	.791
PC4	.748
PC6	.767

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Marketing Information Management Capability**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.750
Bartlett's Test of Sphericity	Approx. Chi-Square	304.753
	df	6
	Sig.	.000

Component Matrix^a

	Component
	1
MIMC1	.748
MIMC2	.821
MIMC3	.775
MIMC4	.809

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Market Orientation**Intelligence Dissemination****KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.802
Bartlett's Test of Sphericity	Approx. Chi-Square	387.607
	df	15
	Sig.	.000

Component Matrix^a

	Component
	1
ID1	.759
ID4	.677
ID3	.756
R5	.562
ID2	.747
R4	.676

Extraction Method:

Principal Component

Analysis.

a. 1 components extracted.

Responsiveness

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.785
Bartlett's Test of Sphericity	Approx. Chi-Square	279.384
	df	10
	Sig.	.000

Component Matrix^a

	Component
	1
R2RE	.816
R1RE	.798
IG4RE	.702
R7RE	.629
ID5RE	.588

Extraction Method:

Principal Component

Analysis.

a. 1 components extracted.

Intelligence Generation**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.711
Bartlett's Test of Sphericity	Approx. Chi-Square	211.860
	df	6
	Sig.	.000

Component Matrix^a

	Component
	1
IG1	.810
IG2	.807
IG3	.731
IG5	.603

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Performance**Resource Acquisition****KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.802
Bartlett's Test of Sphericity	Approx. Chi-Square	392.197
	df	10
	Sig.	.000

Component Matrix^a

	Component
	1
RA1	.750
RA2	.833
RA3	.814
RA4	.604
RA5	.742

Extraction Method:

Principal Component Analysis.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.802
Bartlett's Test of Sphericity	Approx. Chi-Square	392.197
	df	10

a. 1 components extracted.

Economic Performance**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.759
Bartlett's Test of Sphericity	Approx. Chi-Square	402.235
	df	10
	Sig.	.000

Component Matrix^a

	Component
	1
EP1	.837
EP2	.765
EP3	.798
SP4	.732
SP3	.542

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Social Performance**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.656
Bartlett's Test of Sphericity	Approx. Chi-Square	104.815
	df	3
	Sig.	.000

Component Matrix^a

	Component
	1
SP1	.769
SP2	.797
SP5	.752

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Appendix C

Introductory Letter

To whom it may concern,

I am a doctoral student at the Essex Business School, who is conducting research about how non-profit organisations enhance awareness about societal problems in their communities and achieve sustainability in their performance.

Today, non-profit organisations are facing challenges in attracting private and institutional funding. This research examines the ability of non-profit organisations to manage their fundraising/promotion activities for achieving their organisational goals. We also aim at investigating future prospects for non-profit organisations in terms of strategy and performance.

Your participation will help us gain knowledge about how non-profit organisations achieve their organisational goals. This area of research has not been studied widely, despite that non-profit sector has been contributing to solve important societal problems for many decades. Therefore, I kindly ask you to participate in this survey and help us learn about your organisation.

This survey is undertaken for academic purposes only and it should take approximately 15 – 20 minutes to complete the questionnaire. We will analyse the aggregate data, so the information gained in the survey will be treated anonymously and no organisation's name or person will be identified in any of our reports or publications.

If you want to receive the summary of research results with the latest knowledge on the development and advancement of fundraising and promotion activities of non-profit organisations, please provide your email in the last section of the survey. If you have any questions about this research or how the results will be used, please do not hesitate to contact me at tvasfi@essex.ac.uk.

Thank you very much for your time and support to this research.

Yours sincerely,

Tashkin Vasfi

PhD candidate in Business Administration

Essex Business School,

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M MARKETING ACTIVITIES - RESEARCH S SURVEY

This questionnaire uses terms Client, Product/Service and Marketing in the following meanings:

Client refers as:

- Your customers
- Your beneficiaries
- Your members
-

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