

# The Marketing Concept: Market Orientation and the Performance of Nonprofit Organizations in Albania.

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## Abstract:

The non-profit sector is very important for the whole scheme of a country life. Dozens of non-profit organizations actually operate in Albania. During the last 20 years there has been a significant increase in the number of non-profit organizations, because of the rapid changes in environmental conditions. As a result there is a growth in competition among organizations that operate in this sector.

As nonprofit sector has become more and more competitive in seeking sources of revenue and volunteers, it is important to be able to build strong brand identity, image and personality in order to differentiate themselves in the growing nonprofit sector. A better understanding of how individuals make choices regarding nonprofit organization would be valuable to organizations in indentifying and communicating with their target markets more effectively. So the commercialization of non-profit organizations through marketing mechanisms has recently become important.

This paper explores the relationship between market orientation and organizational performance in nonprofit sector in Albania. Little empirical research has been conducted before about this.

The data to conduct this paper were collected from some nonprofit organizations in Albania using a questionnaire, which provides information about their: clients and donors.

Results demonstrate that there is a positive, complex relationship between market orientation and the performance of nonprofit organizations that operate in Albania.

**Keywords:** Non-Profit Organization, Challenge, Marketing, Performance.

## 1. Introduction

The non-profit sector is very important for the whole scheme of a country life. Dozens of non-profit organizations actually operate in Albania. During the last 20 years there has been a significant increase in the number of non-profit organizations, because of the rapid changes in environmental conditions. As a result there is a growth in competition among organizations that operate in this sector.

As nonprofit sector has become more and more competitive in seeking sources of revenue and volunteers, it is important to be able to build strong brand identity, image and personality in order to differentiate themselves in the growing nonprofit sector. A better understanding of how individuals make choices regarding nonprofit organization would be valuable to organizations in indentifying and communicating with their target markets more effectively. So the commercialization of non-profit organizations through marketing mechanisms has recently become important.

The research question in this paper is, does market orientation significantly and positively affect organizational performance in the nonprofit sector?

This paper explores the relationship between market orientation and organizational performance in the nonprofit sector in Albania.

Respondents for this study were Social Service, Community Support, and Arts and Cultural organizations. Data collection was conducted in Albania. Executive directors or general Manager provide information about their organization's values and behaviour with regard to three markets: clients/ costumers, government funders, and donors. They also provide information on three dimensions of nonprofit performance: client statisfaction, resource acquisition, and reputation among sector peers.

Results demonstrate that there is a positive, complex relationship between market orientation and organizational performance which exists across different constituencies and different nonprofit organizations that operate in Albania. Although nonprofit market orientation has a direct relationship with client's satisfaction and reputation among sector peers, it has an indirect relationship resource acquisition, which is mediated by growth in an organization reputation. These findings might be interpreted in a way which it means that resource acquisition is the ultimate goal of nonprofits. However, given that nonprofit

organizations have several other critical objectives, such as mission achievement, it is more likely that this means that resource acquisition is the reward that nonprofit receives for employing good management practices.

## 2. Nonprofit organization and definitions

Given the intention to examine market orientation and organizational performance of the nonprofit organization, it is important to begin by defining what we mean by this term. The nonprofit organizations can be defined as: one that exists to provide for the general welfare of society, through the marshalling of appropriate resource and/ or the provision of physical goods and service. Such organizations do not exist to provide for personal profit or gain and do not, as a result, distribute profits or surpluses to shareholders or members. They may, however, employ staff and engage in revenue-generating activities designed to assist them in fulfilling their mission (Sergante, 2009).

The nonprofit sector is undergoing a period of radical change. At global level there has been an explosion in the number of nonprofit organizations over the past 30 years, almost certainly in response to rapidly changing environmental, social, and economic conditions. These conditions have recently included the impact of climate change, increasing national debt, the emergency of new diseases, the breakdown of some traditional political structures, and an ongoing succession of armed conflicts. Almost all contemporary charitable organizations, whether a university, zoo or social service agency, are facing great political, social and economic pressures. How these and other serious issues are recognized and dealt with is crucial to organizational success and even survival. Stubbs 1998, p. 17.

Historically, nonprofits have pride themselves on not being business, and thus on being free of the taint of commercialism and above such sordid considerations as the bottom line. (Drucker 1989). However to deal with the challenges they are now facing and increase their organization's chance for survival, nonprofit executives are being encouraged to adopt the strategic business management process developed by for profit sector (Siciliano 1997). The idea behind is that business management is the "management of change" because it provides an organization with the ability to "guide and control change" occurring in its environment (Salipante and Golden Biddle 1995).

Marketing is an integral element of strategic management whose concepts and practices are often believed to "travel well" from the for profit to nonprofit sector (Billis 1993; Salipante and Golden Biddle 1995; Shapiro 1973). This assessment can be attributed to the fact that nonprofit organizations have always undertaken "marketing" activities, such as raising funds using direct mail and personal selling, creating public service announcements, and advertising to induce more people to use their services, even if they have chosen not to recognize them as "marketing" efforts per se (Kotler and Anderson, 1996). However, full adoption of the marketing approach, as defined in the academic marketing literature and practiced by many successful major corporations, entails more than

just fielding promotion tactics. It involves the acceptance of several key business principals, such as self-interest aspect of transaction, the marketing mix, and the idea of the distinctive competence. But what is the marketing concept. Marketing is no longer defined as the provision of required goods and services at a profit. The focus has switched to the satisfaction of consumer wants and, more generally, to sensitively serving the needs of a particular society. Thus marketing has begun to lose something of its association with the relentless pursuit of profit and has evolved into a philosophical approach to the management of an organization that has just as much relevance for profit and nonprofit alike. (A. Sergante, 2009).

Organization success depends on determining the needs and wants of target markets the needs and wants of target markets and delivering...satisfaction to those markets more effectively and efficiently than competitor do. (Kotler and Armstrong 1994, p. 13)

Despite the benefits that marketing can offer a nonprofit, there are a number of important differences between the application of marketing in a for profit and a nonprofit context, such as multiple constituencies, nonfinancial objectives, services and social behaviors rather than physical goods, tension between mission and customer satisfaction, etc. (Lovelock and Weinberg, 1990). Relative to the marketing concept, the most important of these differences is the greater complexity of nonprofit organizations compared to their for profit counterparts. The marketing concept it was developed more for business which are based in transaction, buying and selling.

Naver and Slater (1990) in their study found a substantial positive effect of a market orientation on the profitability of both commodity and no commodity business. This lead to proclaim that marketing orientation is relevant in every market environment, including social marketing. (Similarly, Kohli, Jaworski and Kumar, 1993). The marketing concept has no boundary.

Kotler and Leavy (1969) were the first to open the debate on the relevance of the marketing concept to nonprofit organization. In their view, marketing had the capacity to grow beyond its role as a narrow business activity and to take on a broader societal meaning. The authors defined marketing as "sensitively serving and satisfying human need". Most nonprofits are, after all, by their definition less concerned with profit than they are with meeting some particular need in society. Marketing in this context is therefore concerned with facilitating an exchange process between an organization and its public, so that the societal need can be fulfilled.

## 3. Nonprofit organization in Albania

The creation and the process of development of nonprofit organizations in Albania, date since the beginning of the democracy and the opening of economy. And this happens with the help achieved by international organizations like World Bank, IMF, International Soros Foundation, Program Development United Nations, the European Unions, etc. According to the Ministry of Finance (Financial Intelligence Unit) a total of 1,651 NPOs (Nonprofit Organizations) are currently registered with the tax authorities in Albania.

There are no reliable estimates of the number of NPO for previous years as the government does not keep a unified and updated registry of NPOs (NGO Sustainability Index, 2010).

Unless the support of foreign donors, would have been a very limited number of NPO's in Albania, because are these donors that sustained financially most of them (Picari, 2009).

However it is created a dependency on international donors, as exists an absence of financial support by central and local government for the services provided from Albania NPOs (NGO Sustainability Index, 2005). For this reason these NPOs to survive financially are forced to follow the desires and projects prepared by donors, as they lack financial support by government (Mai, 1999). So Albania NPOs remain heavily dependent on foreign funds. The NPO sector has increased its focus on fundraising in response to limited local philanthropy, sporadic institutional support, and donors' proclivity for funding short-term programs. Although in a formal sense NPOs have clearly defined missions, values, and thematic areas, their agendas are significantly conditioned by donor priorities. Only a few more recently developed NPOs have begun to diversify their funding bases, with the results yet to be seen (NGO Sustainability Index, 2010).

Raise the question if Albania NPOs are more concerned with found rising than they are with meeting some particular need in society? And if they use marketing as a tool in facilitating the exchange process between an organization and its public, so that the societal need can be fulfilled.

The difficulties arising from decreased funding have increased competitiveness among well established nonprofit organizations while weaker organizations face the challenges that threaten their survival. For these reasons these NPOs give high importance to financial issue, but at the same time they have undertaken "marketing" activities, such as raising funds using direct mail and personal selling, creating public service announcements, and advertising to induce more people to use their services.

The human resource base remains weak even for developed organizations as NPOs' funding structures only allow project-based staff. Few NPOs' can afford even the periodic use of professional services offered by lawyers, IT consultants, PR officers and marketing activities. The better-equipped NPOs are mostly based in Tirana, while NPOs in secondary cities lack equipment and generally do not use information technology. Well established organizations make extensive use of their websites, newsletters, and other Internet based tools (blogs, social networks, etc.) to promote their activities and build their profiles (NGO Sustainability Index, 2010).

#### 4. RESEARCH METHODOLOGY

The problem addressed in this study was whether or not the market orientation, had any relationship to organizational performance in nonprofit sector in Albania.

A survey method was chosen to collect the empirical data for this study. Key managers from nonprofit organizations were asked to assess their organization's market

orientation toward three constituency groups and to provide information concerning their organization's performance. A survey was chosen because it provides a structured approach to gathering such a large amount of data, making easier for respondents to reply.

For the selection of samples was used database available at Tirana District Court on the registration of all NPOs in Albania. They were Social Service, Community Support, and Arts and Cultural organizations. The sample was extracted and a random selection was made.

This survey was distributed to a sample 200 nonprofit organizations in Albania. The response rate is about 49%. Given the response rate achieved and representation of many nonprofit organizations in different areas, the sample was considered to be the representative. (Anything lower than 30 just doesn't support statistical analysis). The populations for this study were Executive directors or general Manager provide information about their organization's values and behaviours with regard to three markets: clients/ costumers, government funders, and donors. They also provide information on three dimensions of nonprofit performance: client statisfaction, resource acquisition, and reputation among sector peers. From these questionnaires delivered only 98 were replied.

The secondary data were also used in this study which was achieved through an extensive literature review on the management practice of nonprofit organizations, but what was achieved through this data was only theoretical.

#### 5. Results and findings

The aim of this study is to assess if there exist any relationship between market orientation and organizational performance in nonprofit sector in Albania. To assess this relationship it was conducted a research which was described in previews paragraph. The results of this research were analyzed and evaluated and shown below.

Executive director were selected as a source for this study because they are most likely to provide the required information. They are likely to be the most informed source of information about their organization.

From the nonprofit organization surveyed, 56 % were Social Service, 25.8% Community Support and the rest 18.2 % were Arts and Culture. The major parts of these nonprofit organizations have about 4 to 10 years operating in this industry.

From the result achieved from survey responds was that about 89% of founds for this nonprofit organizations in Albania come from international donors, and exists an absence of financial support by central and local government. Other resource was fundraising events, membership fees, etc.

From the nonprofit organizations surveyed comes out that the majority of them consider as the most important for their organization the mission achievement, the second for the importance was reputation enhancement, and after comes resource attraction and program effectiveness.

This result show that Albania nonprofit organization are somehow market oriented as they consider as the most important the mission achievement. Drucker (1989, p. 89) indicated that "non-profits do not base their strategy on

money, nor do they make it centre of their plans ... The non-profits start with the performance of their mission". A market oriented nonprofit need to be customer-centered organization as "one that makes every effort to sense, serve and satisfy the needs and wants of its clients and publics within the constraints of its budget. But Shapiro (1973) classified non-profits customers into two main groups: the "donors" and "beneficiaries". Resources are generated from the donor market and subsequently are allocated to the beneficiary market. The values on offer to donors in exchange for their funds, time and/or energy, are mainly psychological and social and involve "relief of guilt", "the need of self esteem" or "concern for humanity". Marketing's role in this context is to create and maintain these as "satisfying exchanges". So nonprofits have to

create and maintain mutually satisfying exchanges between their donors and beneficiaries. However, the "market" for donors (resources) has received generally greater attention, as competition for funds and volunteers have immediate relevance.

The participants in this study who were provided with this survey were also asked some questions using a five point Likert-type. For from this questions participants were asked to rate some elements that indicate a market orientation of the non-profits that they represent based on a five-point Likert scale as follows: strongly disagree (-2), disagree (-1), neutral (0), agree (1), strongly agree (2). Table 1 provides a summary of the descriptive statistics, which indicates the mean calculated from the data.

Variables	N	Min	Max	Mean
In this organization we do a lot of "market" research on donor needs	98	-2	2	0.14
We are slow to detect changes in our donors' preferences	98	-2	2	-0.26
We periodically review the likely effect of changes in our operating environment (e.g. regulations, economy, etc.) on donors	98	-2	2	0.02
People performing the "marketing function" in our organization spend time discussing donors' future needs with other functional departments	98	-2	2	0.31
We periodically review our new services' (programs) development efforts to ensure that they are in line with what the donors want	98	-2	2	0.02
If another charity organization was to launch an intense campaign targeted at our donors, we would implement a response immediately	98	-2	2	-0.09
The activities of the different departments in this organization are well coordinated	98	-2	2	-0.21
We usually achieved our short-term (annual) objectives	98	-2	2	0.5
We usually achieved our long-term (five years) objectives.	98	-2	2	0.56
In this organization we do a lot of "market" research on beneficiaries needs	98	-2	2	0.02
Even if we came up with a great "marketing" plan, we probably would not be able to implement it on time.	98	-2	2	0.18

*Tabel.1 Descriptive Statistics*

In the table above are shown some statistics about some of the variables that explain if a nonprofit organization in Albania is market oriented and if so, how this influences their performance. The results in this table indicate that the respondent managers have generally rated their organization somehow clients/ customer centered. The mean for market research on funders and beneficiaries need with respectively 0.14 and 0.02, express this. The assessment is made for two types of costumer, for fonder and beneficiaries. As Kotler and Andreasen's (1991) shown the customer-centeredness is the equivalent to the implementation of the marketing concept or market orientation in non-profits. Also it is identified a slight effect of market orientation on performance. Two criteria are used to measure non-profit' performance are the effectiveness and efficiency. Effectiveness measures the end results and the impact of marketing on "customers". Efficiency "characterizes the relationship between input and output, reflecting the amount of effort expended, or waste involved" (Lamb and Crompton, 1990, p. 174).

They suggested that it is better to evaluate non-profits on the degree to which they have achieved their organizational objectives. In line with this, in this research two judgmental measures of charities performance are used: (1) the level non-profits have achieved in their short-term (annual) objectives with the mean of 0.5 ; and (2) the degree to which they have achieved their long-term (five years) objectives with the mean 0.56. This results of the mean show that these Albanian nonprofit organizations consider that they achieve short term and long term objectives. It also be found that the more efficient the charity, the more money donations it is able to raise.

It is evident from the results show in the table 1, that these nonprofit organizations do not monitor the "competition" in a broader sense.

It can be concluded from the results demonstrated that there is a relative positive relationship between market orientation and the performance of nonprofit organizations that operate in Albania.

## 6. CONCLUSIONS

The primary purpose of this research was to test the boundaries of marketing concept by determining whether market orientation is a determinant of organizational performance in nonprofit sector in Albania. From the research conducted it was concluded that:

- The marketing concept is applied by nonprofit sector in Albania.
- The marketing concept applied to the nonprofit sector may not apply exactly as it has been theorized by for-profit sector.
- Most nonprofit organization in Albania rank marketing at the top of their list of priorities for improving management skills and many of them operate with limited personnel and nonhierarchical structure.
- There is a link between client/ customer orientation and client satisfaction, and this can be termed as "normative" or fundamental moral obligation that grounds their approach towards a given stakeholder group.
- Acute resource limitations, both human and financial, make prohibitive for most nonprofit organization to expend the time and money needed to build market

orientation culture before applying effective marketing activities.

- Market orientation will improve the performance of charities.
- Management practices are important regardless of whether or not the organization operates in for profit or nonprofit sector. Management activities sustain the organization in meeting its objectives.
- Marketing is no longer defined as the provision of required goods and service at a profit it can very well applied in nonprofit sector.
- Investment in organizational infrastructure such IT system, staff development processes, and adequate management capacity was discouraged in the non-profit organizational environment. Nonprofit, both large and small, viewed investment in organizational capacity as taking away from resources that could be applied to programs and services.
- The requirement of government and other providers who funded the nonprofit sector dictated how money was to be spent which forced the non-profit sector to focus solely on programs rather than performance.

## 7. RECOMMENDATIONS

- The nonprofit organization to filed effective programs and attract recourses in an increasingly competitive environment, it is not sufficient to simply field marketing activities. A market orientation approach must be implied throughout the organization.
- Client/ costumer needs must be researched and met. So the nonprofit organization cannot simply provide the services, activities and programs they believe to be appropriate.
- The nonprofit organization needs to build an organization reputation, and this reputation build influence in attracting resources.
- The non-profit organizations in Albania must become more performance oriented and transition away from the program-centered focus currently used by the non-profit sector.
- Non-profit sector needs to develop a model that can suggest how to include for-profit management practices into a non-profit activity.
- To undertake some qualitative study expanding upon the findings of this study may be very useful in determining where non-profit organizations are along the continuum of a program versus performance-based strategy. The qualitative survey provides additional insight and viewpoints on management practices in the non-profit organization.

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