



# The relationship between resource dependence and market orientation

Resource dependence and orientation

## The specific case of non-profit organisations

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### Abstract

**Purpose** – This article sets out to examine the market orientation construct within the context of the non-profit sector. Given the specificity of non-profit organisations and the increasingly demanding resource environments in which these organisations operate, the adoption of the concept of marketing is viewed as an adaptive strategy for ensuring that organisations receive the necessary resources for accomplishing their missions and carrying out their activities. In line with this, the present article aims to investigate the extent to which the type of revenue strategy is related to the organisation's market orientation, towards donors and/or users.

**Design/methodology/approach** – Drawing from a resource dependence conceptual framework, the article reports findings from a quantitative study of a representative sample of Portuguese non-profit organisations (NPOs). This approach was complemented by qualitative research methods. Combining these two approaches has given access to different levels of reality and provided a more holistic understanding of the phenomena under study.

**Findings** – The results from the present study demonstrate that Portuguese NPOs favour a market orientation towards users/beneficiaries, revealing a less proactive behaviour in relation to their donors. In the present study, the resource dependence theory has proved to be an important theoretical tool for understanding market orientation strategies within the non-profit sector. The link between the type of resource strategy and the organisation's market orientation stands out as an important finding derived from the present study and is particularly visible in relation to donor market orientation. In addition, empirical data partially support the conclusion that diversification of revenue sources is likely to favour a higher degree of market orientation. Further refinement of the adequacy of the MARKOR scale within the context of the non-profit sector stands out as an avenue for further research.

**Research limitations/implications** – As the sample used for analysis was drawn from Portugal, the generalisability of the results to other countries remains to be tested.

**Practical implications** – The findings of the present study may assist public policy-makers in the design of more adequate policies in the allocation of resources to non-profit organisations.

**Originality/value** – The study contributes to a better understanding of market orientation in the specific context of the non-profit sector. Moreover, this is done through applying the market orientation scale to two different stakeholders (i.e. donors and users/beneficiaries) in the evaluation of market orientation and in its relationship with resource strategies.

**Keywords** Non-profit organizations, Market orientation, Resource management, Portugal

**Paper type** Research paper



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## Introduction

Relevant literature in modern marketing and management has largely emphasised that the adoption of a market orientation can be considered as an important tool to achieve competitive advantages and to improve organisational performance (Kohli and Jaworski, 1990; Narver and Slater, 1990; Jaworski and Kohli, 1993). However, most studies focusing on the market orientation construct have been mainly centred on for-profit organisations. It seems remarkable, therefore, that in spite of the importance given to the concept of market orientation, there have been few studies conducted in other organisational contexts (Balabanis *et al.*, 1997; Caruana, 1998; Wood *et al.*, 2000; Vásquez *et al.*, 2002). Furthermore, the need to apply this concept in other settings and other cultural contexts (Greenley, 1995) such as public and non-profit organisations (NPOs) (Hurley and Hult, 1998) and to gather empirical evidence on the degree of market orientation in such organisations have been widely recognised in the literature (Drucker, 1990; Blois, 1993, 1999; Andreasen and Kotler, 2003; Sargeant, 1999).

During recent decades, the non-profit sector has seen rapid growth in both scope and scale showing evidence of its increasing importance in society (Salamon and Anheier, 1999). This trend has been characterised as an “associational revolution”, a term used by Salamon (1995) to describe the rapid expansion of this sector. In fact, NPOs perform a large number of functions, assume an extraordinary variety of organisational forms (Kendall and Knapp, 1995) and embrace a diverse range of industries (Blois, 1993). These developments have had implications for the management of NPOs, which have been increasingly engaged in marketing activities, and have therefore developed a market mindset.

Non-profit managers “realize 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 mindset are critical to their success as well” (Andreasen and Kotler, 2003, p. 5).

Relevant literature holds that, as in the case of business firms, there are also advantages associated with the adoption of a market orientation in the context of NPOs. More specifically, it facilitates the design of 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 superior performance (Wanna *et al.*, 1992; Andreasen and Kotler, 2003; Balabanis *et al.*, 1997; Vásquez *et al.*, 2002).

In contrast to mainstream marketing literature addressing the positive link between market orientation and business performance, the present work draws on a resource dependence conceptual framework to examine the effects of various NPO revenue strategies in the degree of market orientation. According to resource dependence theory, much of how an organisation behaves is determined by its resource dependencies (Pfeffer and Salancik, 1978). The revenue structure evidenced by NPOs presents itself as an important tool for understanding the way organisations behave (Anheier *et al.*, 1997). Other authors concur by stating that the fates of organisations depend upon their access to resources (Galaskiewicz and Bielefeld, 1998). Following this argument, it is assumed that the specific type of resource dependence evidenced by organisations may also explain their degree of market orientation. Moreover, the resource dependence perspective has been applied to NPOs and has proven to be an important theoretical tool for understanding problem assessments, opinions and strategies evidenced by these organisations (Anheier *et al.*, 1997).

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Although the majority of research in this area has been conducted in the United States, a few authors have replicated studies of market orientation in other countries and organisational contexts. These include the UK (Balabanis *et al.*, 1997), Malta, Australia (Caruana *et al.*, 1997), Spain (Cervera *et al.*, 2001; Vásquez *et al.*, 2002) and Portugal (Macedo and Pinho, 2003). Following this research stream, the present article seeks to analyse the market orientation construct in the Portuguese non-profit context. Additionally, a new perspective is adopted to understand the implications of different resource strategies and different funding types in the degree of market orientation.

The central question issuing from the aforementioned discussion is the extent to which resource dependence (associated either with public sector funding or private sector funding) affects the degree of market orientation for users or donors.

In the following pages, a conceptual framework is developed for non-profit marketing that incorporates the analysis of the market orientation construct and the different resource strategies undertaken by NPOs. The framework is then tested through a field survey of NPOs. Empirical results are presented and then discussed. The paper concludes with a discussion of possible implications for theory and practice.

## Literature review

### *The concept of market orientation in the non-profit sector*

Many definitions of market orientation have been provided by numerous scholars. For example, Kohli and Jaworski (1990) acknowledged that the concept of market orientation refers to the implementation of the marketing concept and is defined as the organisation-wide generation of market intelligence, dissemination of the intelligence across departments, and organisation-wide responsiveness to it. Market intelligence refers to the collection of both customers' current and future needs, plus the impact of governmental regulation, competitors, technology and other environmental pressures. Intelligence dissemination refers to the process and extent to which information is exchanged both vertically and horizontally and how it is shared within the organisation. Responsiveness, the last dimension of market orientation, involves planning and implementation of marketing programmes.

Although most studies on market orientation have been undertaken in for-profit organisations, there has been an increasing interest in investigating this concept in other contexts such as non-profit and public organisations. Among different studies undertaken in the non-profit sector, analysis of the relationship between market orientation and performance has assumed particular relevance in mainstream marketing literature (Kumar *et al.*, 1998; Caruana *et al.* 1999; Wood *et al.*, 2000).

Current interest in the study of market orientation in the non-profit sector contrasts with earlier studies carried out in the for-profit sector. Justification for this may be found in the specific character of NPOs. It seems relevant, therefore, to start by clarifying the concept of non-profit organisations.

According to Hall (1987), a non-profit organisation is defined as a body of individuals who associate for any of three purposes:

- (1) to perform public tasks that have been delegated to them by the state;
- (2) to perform public tasks for which there is a demand that neither the state nor for-profit organisations are willing to fulfil; or

- (3) to influence the direction of policy in the state, the for-profit sector, or other NPOs (Hall, 1987, p. 3).

The above features emphasise the distinctive character of NPOs when compared with for-profit firms. Although there is no clear consensus on an acceptable definition for describing the non-profit sector, a number of characteristics have been put forward to distinguish this sector from others. However, the most common characteristic that accounts for the distinctiveness of the non-profit sector is the *non-distribution constraint* (Hansmann, 1980). In other words, unlike private sector entities who distribute their profit among their shareholders, NPOs may not distribute this “profit” to anyone with a beneficial interest in the organisation, such as staff, trustees and members (Courtney, 2002). NPOs “come into being and exist primarily to give expression to the social, philosophical, moral or religious values of their founders and supporters” (Jeavons, 1992, p. 404). Thus, the mission of a non-profit organisation is built around service, as defined by Kanter and Summers (1987) in terms of some societal value of “doing good”. This contrasts sharply with for-profit organisations, for which “money making” is a major concern.

During the last few decades, however, the lines dividing for-profit and not-for-profit organisations have become increasingly blurred (Kanter and Summers, 1987; Osborne, 1996). Whereas for-profit organisations are increasingly aware of the role of values, stressing the organisations’ social mission (Ouchi, 1981), NPOs are becoming more financially concerned with attracting revenues. Several authors have considered the intangible character of services provided by NPOs and the multiplicity of stakeholders with whom they interact as a distinguishing factor accounting for a particular market structure differing from for-profit firms (Kanter and Summers, 1987; Steinberg, 1987).

The process of attracting resources can be a particularly complex issue when incompatible interests converge. This is most acutely evident in NPO-like organisations, which are held accountable by a set of different stakeholders. In the words of Courtney (2002, p. 47), “the voluntary non-profit organisation has usually to satisfy multiple funders, individual, corporate and statutory, as well as regulatory bodies, customers, trustees, volunteers, staff, the media, the local community, etc.”.

Along the lines of this argument, it is suggested that the complexity of managing a non-profit organisation is in part due to the diversity of stakeholders with whom these organisations interact (Anheier, 2000). Non-profit sector managers have to manage the needs of different stakeholders, whose interests are often in conflict with each other (Dartington, 1996).

In some cases, the “price” for attracting resources from donors can put the goals and values attached to the initial mission of a non-profit organisation at risk. This occurs when the need for attracting resources subverts the provision of services addressing the effective needs of service beneficiaries (or users). That is, NPOs may be tempted to concentrate on target groups or on activities in which funding is easily obtainable although not corresponding to the core purpose for which the organisation was created (Bovaird and Rubienska, 1996). Billis and Harris (1992) acknowledged that there is substantial evidence that NPOs may change their goals and their services to take advantage of newly available funding opportunities.

As Shapiro (1973) has correctly noted, although the success of non-profits mainly depends on their capacity to attract resources, most of their products or specific benefits are not always available to donors.

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In the present study, the market orientation construct addresses two distinct stakeholders:

- (1) donors; and
- (2) users/beneficiaries.

Justification for this procedure lies in the assumption that “exchange” is a core concept in marketing and that NPOs engage in transactions with a large variety of stakeholders. Whereas one side of the “exchange” includes the donor’s generation of funds and resources, the other involves resource allocation to the user/beneficiary market. Based on the above discussion, the following hypothesis is considered:

- H1.* The greater the market orientation towards donors, the lower tends to be the market orientation towards their users/beneficiaries.

The adoption of a distinctive market orientation by NPOs became increasingly important during the 1980s and 1990s when both public and voluntary sectors were exposed to market mechanisms, business approaches (Harris, 1997; Balabanis *et al.*, 1997) as well as to new information technologies (Pinho and Macedo, 2006). Consequently, as NPOs are increasingly involved in competition for donations, membership, clients and sales (Steinberg, 1987), they are also becoming more cost-conscious and competitive in relation to securing resources (Leat, 1995). Thus, resources acquire an increasing importance in the management of NPOs. More than ever before, organisations who strive to attract resources must adapt to the requirements of both users (Froelich, 1999) and donors.

#### *Resource strategies in the non-profit sector*

NPOs are currently required to adopt a much different attitude in relation to their funding sources and their organisational strategies. In other words, they have to find ways of managing their resources more efficiently in order to accomplish their goals.

A relevant body of theory has been developed to account for the underlying dynamics related to environmental effect on organisations and the ways in which organisations respond to environmental constraints. A general assumption in resource dependence theory is that “the key to organisational survival is the ability to acquire and maintain resources” (Pfeffer and Salancik, 1978, p. 2). Organisations are not isolated entities free from external pressures and acting on their own will. Instead, organisations are in permanent interaction with other entities in the environment where resource exchange relationships take place (Thompson, 1967). For resource dependence theorists, this process is understood within a context of scarcity and uncertainty, in which organisations are compelled to adapt to the requirements of important resource providers (Froelich, 1999).

NPOs are particularly dependent upon the flow of resources from external providers (Heimovics *et al.*, 1993). Consequently, the ability to raise funds and to attract resources is crucial for any non-profit organisation wishing to succeed or simply to maintain their mission-related activities (Palmer and Randall, 2002).

It is worth noting that the degree of dependence experienced by an organisation is determined by the importance and concentration of provided resources (Froelich, 1999). Consequently, organisations exclusively depending on one or few resource providers are likely to experience their constraining influences. In fact, income diversification has

often been regarded in the literature as advantageous to NPOs since it prevents dependency on a sole source of income (Kramer, 1981). For example, the risk of having just one funding source means that if that source of funding is withdrawn, then the organisation is likely to fold (Palmer and Randall, 2002). On the contrary, organisations wishing to maintain their autonomy in relation to their resource providers should adopt a diversified revenue strategy.

This is consistent with a resource dependence approach, which regards diversification as a way of reducing resource dependence and maintaining organisational autonomy (Pfeffer and Salancik, 1978).

Additionally, the adoption of the concept of marketing can be viewed as an adaptive strategy for ensuring that organisations receive the necessary resources for accomplishing their mission and carrying out their activities. Along this line of reasoning, the following hypothesis can be suggested:

- H2.* Organisations that exhibit a diversified revenue strategy are likely to be more market-oriented (users/donors) than those that rely on only one or few revenue sources.

Kohli *et al.* (1993) emphasised the need to assess the role of additional factors in influencing the market orientation of an organisation. In this vein, the present study considers the type of resource dependence as a relevant factor for explaining the degree of market orientation, which is considered as an organisational response to environmental pressures.

Assuming that organisations are likely to engage in specific strategies related to resource flows (Leat, 1995), it is expected that the type and composition of resource funding will influence the way that organisations behave.

A broad review of the literature demonstrates that NPOs can be funded from different sources and on different terms (Leat, 1995). Basically, the most common sources of non-profit revenue are obtained through state funding (government grants and contracts), self-generated resources (income from fees and charges, individual contributions, fundraising from the general public, commercial activity and investment income), and private funding (individual donations and corporate giving).

Each source of funding has particular organisational constraints and benefits associated with it (Grönbjerg, 1993). Furthermore, Palmer and Randall (2002) maintain that NPOs tend to appraise their income portfolios in terms of independence from the funding stream. This is in line with Froelich (1999), who concurs that in the process of revenue acquisition, diverse revenue strategies can be undertaken by non-profit managers to minimize the potential effects of resource dependence. Similarly, a market orientation strategy can also be an important means of avoiding the negative impact of resource dependence.

Revenue source structures vary not only among NPOs, but can also vary among various activities within the same organisation. The proportion that each source of revenue represents towards the total organisational income is important for understanding the overall NPO revenue structure. For instance, an organisation may derive its income either from private or public revenue sources. As noted by some authors, “the difference between predominant public sector funding and majority private sector funding emerges as the most important distinction to understand how organisations differ” (Anheier *et al.*, 1997, p. 212). Drawing on institutional theory,

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organisational isomorphism (the tendency for organisations to acquire the attributes of other organisations upon which they depend) can occur through mimetic processes in which NPOs tend to resemble their funders (DiMaggio and Powell, 1983). It is expected, then, that NPO market orientation will be related to the chief funding source. Along these lines, the following hypotheses have been formulated:

- H3.* Organisations that depend predominately on private resources are likely to be more market-oriented (users/donors) than those that are predominantly dependent on public resources.
- H4.* Organisations that depend predominately on self-generated resources are likely to be more market-oriented (users/donors) than those that are predominantly dependent on public resources.

### **Research methodology and construct development**

Given the specific characteristics of the organisations under study, the market orientation construct was measured using the scale adapted from Kohli *et al.* (1993). The MARKOR scale proved to be most suitable for application in the context of NPOs (Balabanis *et al.*, 1997) and the 20-item scale proposed by Kohli *et al.* (1993) was applied to a sample of Portuguese non-profit organisations in order to evaluate simultaneously donors and user/beneficiaries market orientation.

Despite interest surrounding the market orientation scale proposed by Narver and Slater (1990), their construct has been subjected to detailed academic criticism and has not been widely accepted (Harris, 2001). The market orientation construct of Kohli *et al.* (1993), which consists of three sub-scales (i.e. the generation of market intelligence, the dissemination of this intelligence, and organization-wide responsiveness) was used in the present study since it has been applied in various organisational contexts and has received widespread support for its reliability and validity (Carmines and Zeller, 1979). The Likert scale was chosen because it is the most widely used measure of attitudes and since it is easy to administer (Zikmund, 1994). This scale is also useful in circumstances in which there is no interviewer to explain how to use the measuring instrument.

Individual items were examined for correlation to total scores along each related individual variable, i.e. IG1, IG2, IG3, IG4, IG5, IG6 to intelligence generation (summation of intelligence generation scores on items IG1 to IG6). The same procedure was adopted for the other MARKOR dimensions. The objective of this procedure, as noted by Balabanis *et al.* (1997), was to establish that each item contributed to the same sub-scale and established the homogeneity and internal consistency of the sub-scales. Those items presenting a low correlation with the total score (i.e.  $r < 0.25$ ) and those indicators below a sudden drop off in the total item correlation were eliminated. Item-to-total correlation coefficients indicated that the only item that did not accomplish this rule was ID5 (see below). The reliability of each scale was then estimated by computing its Cronbach's alpha coefficient. The literature suggests that reliabilities of 0.60 are sufficient in the early stages of basic research (Nunnally, 1978; Churchill, 1979). Since the present study represents a first attempt for the adoption of multiple-item measures within the context of donors and users, 0.60 is considered the cut-off point set for Cronbach's alpha. Therefore, another reliability analysis was run for each MARKOR dimension. The alpha coefficients computed for donors and users

were respectively 0.65 and 0.70 for intelligence generation; 0.70 and 0.64 for intelligence dissemination; and 0.67 and 0.78 for responsiveness. Concerning intelligence dissemination, the alpha would increase significantly if a sub-scale item (ID5) was dropped. Thus, it was decided to drop the previous item and the Cronbach's alpha increased from 0.70 to 0.80 (for donors) and from 0.64 to 0.71 (for users). Subsequently, the items for each sub-scale were aggregated and averaged to form a composite score and were used in the subsequent analysis.

The resource dependence construct was operationalised by asking respondents to indicate the percentage contribution of each revenue source with respect to total organisational income. The collected data was then aggregated into three major categories of resource revenue, comprised of state funding, private funding and self-generated revenue resources. These organisations were included in each category by meeting a share minimum requirement of 60 percent or higher. In order to describe the heterogeneity/homogeneity of resource dependence, revenue variables were combined into a diversification measure. In this sense, diversification was defined as the number of revenue sources from which an organisation could obtain its funds. Revenue structure was characterized by a measure of low, moderate or high diversification.

### **Sample and data collection**

Statistical data and other relevant information regarding the non-profit sector has been generally recognised as being scarce and often unavailable (Anheier, 2001). This situation is also observable in Portugal, where a general statistical non-profit database is absent, thereby posing challenges in gathering relevant information. Various state departments were therefore contacted to provide national lists containing the total number of organisations operating in several fields of activity based on the International Classification of Non-profit Organisations (ICNPO) groups (Salamon and Anheier, 1993). Subsequently, a general database was created with data obtained from different state departments related to various fields of non-profit activity. In order to avoid duplication of cases among different national lists, corrections were made to ensure the quality of the sampling frame from which the sample was generated. Concerns over external validity and generalisability determined the sampling method. In this study, a major concern was to obtain a probability sample from which generalisations could be made regarding the population. Thereafter, organisations were selected within each non-profit field of activity through a systematic sampling method. It is important to note that although the sampling frame does not incorporate all fields of non-profit activity, the most representative areas of the Portuguese non-profit sector are included (social service, culture, environment, civics and advocacy, health and international activity/development). To the best of our knowledge, the present study constitutes the first attempt at systematically collecting primary data involving several fields of non-profit activity in Portugal.

In the data collection process, a preliminary questionnaire addressing basic information about identification, environment, revenue sources and market orientation was pre-tested with senior managers of ten NPOs. The goals of the pre-test were to assess the clarity of questions, to determine the length of time required for completion and to examine the relevance of the subject matter for the target population. As a result of the pre-test, final changes were made to the final questionnaire in which some items were dropped, others were slightly changed and new items were added. The questionnaire was then mailed to 1,500 Portuguese NPOs, from which 437

questionnaires were received. Of these, 45 were excluded from the analysis due to unknown addresses and incomplete responses, yielding a total of 392 questionnaires. A response rate of 26 per cent was obtained, which compares favourably with other studies of market orientation conducted in various organisational contexts (Harris, 2001; Greenley, 1995). As observed by Gorsuch (1997), a sample size of 300 can be considered good for item analyses. Confidentiality of responses was assured in the cover letter and respondents were promised a summary report of the study's finding. Six weeks after the initial mailing a follow-up mailing was sent to those organisations that had not responded to the first mailing.

In the present study, non-response bias was assessed by comparing the responses of early respondents with those of late respondents (Armstrong and Overton, 1977). Several *t*-tests were performed to test the null hypothesis that the means of the answers across the two groups were the same. No significant differences were found on a number of characteristics between early and late respondents. Since the content of the questionnaire required complete or in-depth information, which cannot be expected from general respondents, the questionnaire was addressed to the heads of each organisation. To determine whether or not respondents were valid key informants, each was asked to rate how confident he or she felt about the issues raised by the questionnaire on a five-point scale (Kumar *et al.*, 1993). Those respondents who indicated non-confidence (rating 1 and 2 on a five-point Likert scale) were discarded from the analysis. Responses to the questionnaires were analysed using the SPSS package.

After analysing the data, six semi-structured interviews were conducted with non-profit managers belonging to different fields of activity in order to triangulate and add depth to the research findings. As King (1994, p. 16) noted, semi-structured interviews are "not structured enough to allow detailed statistical analysis and hypothesis testing, but flexible and responsive enough to allow exploration of anything beyond surface meanings". Hence, a snowball sampling method was used to select the non-profit managers.

A broad range of non-profit activities is represented in the survey. These include the areas of culture/recreation (41.8 per cent), social services (40.3 per cent), environment/civic advocacy (7.4 per cent), health (6.6 per cent) and international activities/development (3.8 per cent). It is significant to note that variations in the aforementioned percentage of responses are attributable to different weights carried by each non-profit field of activity in the population as a whole.

With regard to the primary type of revenue strategy (Table I), the sample appeared to be skewed in favour of predominantly state funded organisations (45.9 per cent),

	Frequency	Percentage	Valid percentage	Cumulative percentage
Predominantly self-generated funds	109	27.8	27.8	27.8
Predominantly privately funded	25	6.4	6.4	34.2
Predominantly state-funded	180	45.9	45.9	80.1
State and private	20	5.1	5.1	85.2
Own and private	14	3.6	3.6	88.8
Own and state	44	11.2	11.2	100
Total	392	100	100	

**Table I.**  
Type of revenue strategy

followed by those that were predominantly funded by their own resources (27.8 per cent). Organisations depending predominantly on private funds were less well represented in the sample (6.4 per cent).

### Hypothesis testing and discussion of results

To test the hypothesis, one-way ANOVAs and Student *t*-tests were performed when appropriate. These statistical techniques allowed for the examination of differences in the mean values of the dependent variable associated with the effect of the independent variable. In order to ascertain whether or not the means of the different groups that integrate each of the variables were significantly different, Tukey *post hoc* comparison tests were performed.

In the present study, the assessment of market orientation in the specific context of non-profit organisations involves consideration of two important stakeholders: donors and beneficiaries (or users). Assuming that an organisation's market orientation may evidence either a more donor or beneficiary orientation, there appears to be relevance for an added understanding of the marketing orientation construct in the non-profit sector. Consequently, a *t*-test was performed to determine whether mean scores related to donor and user/beneficiary market orientation were significantly different (Table II).

In general terms, *t*-test results indicate that the organisation's market orientation measured along its three dimensions shows statistically significant differences in the mean scores of donor and user market orientation, therefore providing empirical evidence that Portuguese NPOs are more market-oriented towards users than to donors. In relation to intelligence generation, significant differences are found in the mean scores of donor and user market orientation ( $t = -19.682$ ,  $p < 0.01$ ). A brief examination of the descriptive measures shows that the activities related to intelligence generation (the process of collection and assessment of both user and donor needs, plus the impact of government regulation, competitors, technology and other environmental forces) assume greater importance in relation to users ( $M = 3.50$ ;  $SD = 0.812$ ) when compared to donors ( $M = 2.79$ ;  $SD = 0.718$ ). Similarly, with respect to intelligence dissemination, significant differences are found in mean scores of donor and user market orientation ( $t = -10.739$ ,  $p < 0.01$ ). This dimension, which comprises the activities related to the process and extent to which information is exchanged (both vertically and horizontally as well as within the organisation), assumes greater importance in relation to users ( $M = 3.14$ ;  $SD = 0.867$ ) than to donors ( $M = 2.70$ ;  $SD = 0.920$ ). With regard to responsiveness, the value of the *t*-test ( $t = -13.283$ ,  $p < 0.01$ ) indicated that there are significant differences in the mean scores for market orientation of donors and users. The activities related to this dimension (the process of planning and coordinating different activities in the implementation of marketing programmes) assume greater importance in relation to users ( $M = 3.51$ ;  $SD = 0.712$ ) than to donors ( $M = 3.10$ ;  $SD = 0.717$ ). Thus, previous results seem to support *H1*, which suggests that the imperative of attracting resources from donors (or funders) appears not to compromise the market orientation evidenced towards their users.

Overall, the results indicate that Portuguese NPOs are more market-oriented towards users/beneficiaries than to donors, as significant differences of means were found for each MARKOR dimension. This finding may reflect the fact that NPOs prioritise ethical, moral, political and religious values (Jeavons, 1992). Consequently, their activities tend to be primarily centred on their users and beneficiaries, which

		Mean (SD)		<i>t</i> -value	df	<i>p</i>
		Donors	Users			
<i>Intelligence generation (IG)</i>						
IG1	We meet our donors/users at least once a year to find out what causes (programmes or services) they will be interested to support in the future	2.64 (1.40)	3.79 (1.26)	-13.765	390	0.000
IG2	We are slow to detect changes in our donors'/users' preferences (on causes or human services they wish to support) (R)	3.62 (1.068)	3.68 (1.082)	-0.954	390	0.341
IG3	In this organisation we do a lot of in-house "market" research on donors'/users' preferences about causes or programmes they may wish to support in the future	2.13 (1.205)	2.88 (1.385)	-11.60	388	0.000
IG4	We poll our donors/users at least once a year to assess their satisfaction in relation to the causes or programmes they have supported	1.84 (1.082)	3.00 (1.406)	-14.712	387	0.000
IG5	We are slow to detect fundamental shifts in the non-profit sector (e.g. technology, regulation, etc.) (R)	3.65 (1.055)	3.59 (1.084)	1.916	390	0.056
IG6	We periodically review the likely effect of changes in our operating environment (e.g. technology, regulation, etc.) on donors/users	2.89 (1.193)	3.56 (1.225)	-10.747	389	0.000
	IG1 + IG2 + IG3 + IG4 + IG5 + IG6	2.79 (0.718)	3.50 (0.812)	-19.682	391	0.000*
<i>Intelligence dissemination (ID)</i>						
ID1	We have inter-departmental meetings at least once a quarter to discuss current fund-raising activities and future plans	2.28 (1.298)	2.69 (1.442)	-6.480	372	0.000
ID2	People performing the "marketing function" (or the equivalent) in our organisation spend time discussing donors'/users' future preferences with other functional departments	2.11 (1.218)	2.60 (1.408)	-8.771	379	0.000
ID3	When something important happens to a major donor/user, the whole organisation knows about it within a short period	3.10 (1.286)	3.60 (1.231)	-7.142	389	0.000
ID4	Data on donor/user satisfaction are disseminated at all levels in the organisation on a regular basis	2.72 (1.321)	3.35 (1.228)	-9.392	388	0.000
ID5	When one department finds out something important about other non-associated NPOs working in the same area, it is slow to inform other departments (R)	3.31 (1.082)	3.38 (1.022)	-3.849	376	0.000
	ID1 + ID2 + ID3 + ID4	2.70 (0.920)	3.14 (0.867)	-10.739	391	0.000*

(continued)

**Table II.**  
Difference of means for  
donors' and users' market  
orientation

		Mean (SD)		t-value	df	p
		Donors	Users			
<i>Responsiveness (RI)</i>						
R1	It takes us a long time to decide how to respond to other non-associated non-profit organisations' changes in the strategies used to attract donors/users (R)	2.39 (1.132)	3.67 (1.100)	-14.158	385	0.000
R2	For one reason or another we tend to ignore changes in our donor/user preferences in supporting causes or programmes (R)	3.46 (1.115)	4.04 (1.031)	-9.366	386	0.000
R3	We periodically review our new services' (programmes) development efforts to ensure that they are in line with what the donors/users want	3.287 (1.177)	3.88 (1.024)	-10.118	368	0.000
R4	Several departments get together periodically to plan a response to changes taking place in our operating environment	3.51 (1.130)	3.53 (1.209)	-0.625	388	0.532
R5	If another non-associated non-profit organisation was to launch an intense campaign target at our donors/users, we would implement a response immediately	2.11 (1.097)	2.24 (1.195)	-2.931	383	0.004
R6	The activities of the different departments in this organisation are well co-ordinated	3.53 (1.002)	3.74 (0.818)	-6.986	387	0.000
R7	Donors'/users' grievances or complaints fall on deaf ears (R)	3.79 (1.240)	4.17 (1.158)	-6.591	379	0.000
R8	Even if we came up with a great "marketing" plan, we probably would not be able to implement it in a timely fashion (R)	3.16 (1.038)	3.24 (0.976)	-3.343	388	0.001
R9	When we find that donors/users would like us to modify a product or a service, the departments involved make concerted efforts to do so	2.99 (1.218)	3.59 (1.096)	-9.742	382	0.000
	R1 + R2 + R3 + R4 + R5 + R6 + R7 + R8 + R9	3.10 (0.717)	3.51 (0.712)	-13.283	391	0.000*

**Notes:** MARKOR scale: 1 = very unimportant, 5 = very important; (R) = reverse coded item; \**p* < 0.01; \*\**p* < 0.05; \*\*\**p* < 0.10

**Source:** Adapted from Kohli *et al.* (1993)

**Table II.**

ultimately become the main reason for their existence. In this context, a user market orientation can be viewed as a way of fulfilling the organisational mission. Consistent with this, the analysis of the interviews with NPO managers in several organisations also confirms that, in some areas of non-profit activity, the donor market is mainly represented by state agencies, who are in some cases the most prominent financial supporters. As noted by an interviewee:

Although a great number of NPOs are highly dependent on the state for financial resources, this does not necessarily imply an effective donor oriented strategy. Indeed, the state is in most of the cases considered as a purchaser and not so much as a donor.

Another thrust of this study is to test the relationship between the level of diversification and the organisations' market orientation. To determine whether organisations exhibiting a diversified revenue strategy are likely to be more market oriented than those relying on one or few resource providers (*H2*), a one-way ANOVA was employed. The ANOVA was followed by Tukey *post hoc* comparison tests whenever the *F* values were significant.

In relation to market orientation towards donors, the results presented in Table III indicate that significant differences are observed in the mean scores of market orientation related to intelligence generation ( $F = 3.246, p < 0.05$ ) and intelligence dissemination ( $F = 5.313, p < 0.01$ ) along the considered levels of diversification of revenues sources. *Post hoc* comparisons using the Tukey test indicated that, with respect to the intelligence generation dimension, significant differences were only found between organisations with moderate and high ( $p < 0.05$ ) diversification of revenue sources. In relation to intelligence dissemination, the Tukey test revealed that organisations exhibiting low diversification revenue sources differed significantly from those with a moderate ( $p < 0.01$ ) pattern of diversification, but that no other significant differences were found. No significant differences were found on the mean scores related to the responsiveness dimension along the various degrees of resource diversification ( $F = 1.605, p > 0.05$ ).

Concerning market orientation towards users, only in relation to the intelligence dissemination dimension, a statistically significant difference is found in the market orientation mean scores for the three levels of diversification ( $F = 11.866, p < 0.01$ ). *Post hoc* comparison using the Tukey HSD test indicated that the means are significantly different between organisations evidencing low and moderate ( $p < 0.01$ ) diversification of revenue sources as well as between organisations with low and high ( $p < 0.01$ ) levels of diversification. No difference of means was found with regard to the other MARKOR dimensions.

Evidence from the above analysis demonstrates that the influence of the level of diversification of revenue sources in the market orientation is more visible in relation to

MARKOR dimensions	Low diversification ( <i>n</i> = 232)		Moderate diversification ( <i>n</i> = 55)		High diversification ( <i>n</i> = 105)		<i>F</i> value	<i>p</i>
	Mean	SD	Mean	SD	Mean	SD		
<i>Market orientation (donors)</i>								
Intelligence generation	2.81	0.700	2.56	0.714	2.85	0.744	3.246	0.040
Intelligence dissemination	2.79	0.937	2.35	0.844	2.68	0.882	5.313	0.005
Responsiveness	3.07	0.731	3.02	0.757	3.20	0.656	1.605	0.202
<i>Market orientation (users)</i>								
Intelligence generation	3.53	0.789	3.29	0.685	3.53	0.910	2.132	0.120
Intelligence dissemination	3.31	0.784	2.85	0.780	2.91	0.991	11.866	0.000
Responsiveness	3.49	0.750	3.51	0.635	3.55	0.665	0.265	0.768

**Note:** Scale: 1 = very unimportant, 5 = very important

**Table III.**  
Differences in MARKOR  
dimensions' means based  
on level of diversification  
(one-way ANOVA)

donors than to users. Such a finding can possibly be attributed to the fact that the diversification measure did not take into account the specific nature of the resource. In other words, a low level of resource diversification can be observed in organisations that depend predominately on either public or private funding. This difference, which is not visible in the current data, is likely to bias the results. Therefore, *H2* is partially supported by the data.

The analysis now shifts to analysing the relationship between the type of revenue strategy and the degree of market orientation. More specifically, it attempts to examine whether organisations depending predominantly on private resources are likely to be more market-oriented than those depending mainly on public resources (*H3*). With such a purpose in view, a *t*-test for independent samples was performed. The result is displayed in Table IV, in which the number of cases in the two groups, together with their means and standard deviations, are listed.

Table IV compares mean scores on market orientation for organisations whose revenue strategy is either predominantly state-funded, or primarily funded by private sources. With respect to donor market orientation, a brief examination of the descriptive measures shows that privately funded organisations evidence a higher degree of market orientation than predominantly state-funded organisations. This result is found to be statistically significant, particularly in the dimensions of intelligence generation ( $t = 3.026, p < 0.01$ ) and responsiveness ( $t = 3.849, p < 0.01$ ). In relation to the dissemination dimension, statistical significance is only found at the 0.9 level ( $t = 1.660, p < 0.10$ ).

Empirical evidence suggests that organisations that are predominantly privately financed are likely to be more market oriented than those which are predominantly state financed. This result may be explained in light of institutional theory (DiMaggio and Powell, 1983), which contends that organisations are likely to imitate and reproduce organisational structures, activities and routines in response to the organisations upon which they depend on for resources. In this sense, NPOs may tend to acquire attributes similar to their resource providers. This is also consistent with previous research, which claims that corporate givers are most likely to fund organisations that demonstrate certain managerial characteristics resembling their own (Wilson, 1989; Useem, 1987).

MARKOR dimensions	Predominantly privately financed ( <i>n</i> = 25)		Predominantly state-financed ( <i>n</i> = 180)		df	<i>t</i> -value	<i>p</i>
	Mean	SD	Mean	SD			
<i>Market orientation (donors)</i>							
Intelligence generation	3.28	0.678	2.85	0.664	203	3.026	0.001
Intelligence dissemination	3.16	0.800	2.84	0.902	203	1.660	0.000
Responsiveness	3.60	0.557	3.00	0.749	203	3.849	0.459
<i>Market orientation (users)</i>							
Intelligence generation	3.76	0.723	3.56	0.793	203	1.221	0.224
Intelligence dissemination	3.24	0.831	3.35	0.773	203	-0.661	0.510
Responsiveness	3.76	0.663	3.48	0.766	203	1.753	0.081

**Note:** Scale: 1 = very unimportant, 5 = very important

**Table IV.**  
Differences in MARKOR dimensions means based on the type of resource strategy

Besides, in the present study private funding is principally composed of corporate giving, which means that the interaction between NPOs and corporations may create new opportunities. As observed by a non-profit manager:

For profit organisations are increasingly discovering the importance of community involvement and building a positive corporate image. By contrast, NPOs are increasingly recognising the importance of cooperation with corporations to secure needed resources and to carry on its organisational mission.

Since both sectors increasingly need one another to pursue their core missions, important opportunities for a fruitful cooperation can be created, leading NPOs to adopt a market orientation approach. There are, however, some risks that may exist in these relationships, particularly when commercial pressures threaten to compromise the core mission of a NPO.

In the analysis of the users' market orientation, no significant differences were found for the effect of revenue strategy. Although market orientation mean scores for organisations predominantly dependent on private resources were higher than those relying mainly on public funds, the mean differences were not statistically significant. This is particularly observable with regard to the intelligence generation and responsiveness dissemination dimensions. Although the results follow the predicted relationship for both donors and users, the lack of statistical significance in relation to users' market orientation led to the partial support of *H3*.

*H4* examines whether different MARKOR dimensions vary between organisations that are mainly state-funded and those that depend predominantly on self-generated resources. In order to examine this hypothesis, a *t*-test for two unrelated samples was performed (Table V). The results from Table V suggest that, in relation to market orientation towards donors, organisations that are primarily dependent on self-generated resources are likely to be less market-oriented than those that are predominantly state financed. This applies particularly to intelligence generation ( $t = -3.485$ ,  $p < 0.01$ ) and intelligence dissemination ( $t = -4.144$ ,  $p < 0.01$ ). Contrary to what was predicted, although statistical significance is observed in the relationship between the degree of market orientation and the type of revenue strategy,

MARKOR dimensions	Predominantly self-generated finance ( <i>n</i> = 109)		Predominantly state-financed ( <i>n</i> = 180)		df	<i>t</i> -value	<i>p</i>
	Mean	SD	Mean	SD			
<i>Market orientation (donors)</i>							
Intelligence generation	2.56	0.700	2.85	0.664	218	- 3.485	0.001
Intelligence dissemination	2.39	0.882	2.84	0.902	287	- 4.144	0.000
Responsiveness	3.06	0.670	3.00	0.749	287	0.741	0.459
<i>Market orientation (users)</i>							
Intelligence generation	3.39	0.744	3.56	0.793	287	- 1.810	0.071
Intelligence dissemination	2.96	0.860	3.35	0.773	287	- 3.949	0.000
Responsiveness	3.48	0.618	3.48	0.766	264	- 0.009	0.993

**Note:** Scale: 1 = very unimportant, 5 = very important

**Table V.**  
Differences in MARKOR  
dimensions means based  
on the type of resource  
strategy

the degree of market orientation does not vary in the same direction as predicted by theory. In other words, contrary to what was expected, the results indicate that with respect to donor market orientation, those organisations whose revenue strategy is predominantly comprised of self-generated resources are less market-oriented than those depending predominantly on state funds.

Similar results are discernible in relation to the user's market orientation. Although a difference of means is found to be statistically significant between predominantly state-funded organisations and organisations whose revenue strategy is comprised mainly of self-generated resources, the degree of market orientation does not vary in the same direction as hypothesised. These results led to the rejection of *H4*. Contrary to what was expected, organisations that depend predominantly on public resources are more market-oriented (donors and users) than those that are predominantly dependent on self-generated resources. This may be better understood in the light of previous research, which claims that the process of securing and managing public funding requires NPOs to develop organisational capacity and sophistication (Grønbjerg, 1997). Accordingly, at the very least, NPOs must develop rudimentary mechanisms for budgeting planning and review to construct contract proposals. In order to meet reporting requirements, NPOs must track their own performance levels, while audits and monitoring by public agencies require them to keep track of adequate records and paper trails. Thus, public resource funding may provide the conditions for acquiring the necessary skills, which may explain a higher degree of market orientation when compared with organisations predominantly based on self-generated resources. These organisations are less able to reduce uncertainty, especially if they are small (Bielefeld, 1992) and if they incorporate a simple organisational structure. Moreover, organisations that rely mainly on self-generated resources have no means to implement a market-oriented strategy on a systematic basis, which partly explains the lower degree of market orientation evidenced by these organisations.

### **Conclusions, contributions and implications of the study**

This study contributes to a better understanding of the implementation of the marketing concept in the specific context of non-profits by analysing the degree of adoption of market orientation and by examining its link with the type of resource dependence.

While it has been unanimously assumed that NPOs undertake marketing activities directed towards different stakeholders (funders and donors, trustees, volunteers, staff and users/beneficiaries), previous research has failed to incorporate these groups in the measurement of market orientation. This study attempts to fill this gap by assessing the market orientation construct towards donors and users.

Results from the present study emphasise that Portuguese NPOs are more market-oriented for users/beneficiaries than for donors, revealing a less proactive behaviour in relation to their donors when compared to users. Moreover, the analysis of the MARKOR dimensions presented significant differences for intelligence generation, dissemination of intelligence and responsiveness. Although NPOs operate in a monopolistic situation (Bruce, 1995) concerning their users/beneficiaries (the demand for their services often exceeds supply), this does not endanger an effective customer orientation approach. Ultimately, NPOs provide services to people who are, in general, incapable of making their voices effectively heard.

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Of more interest, however, are findings related to the effects of resource dependence on market orientation, which is the central focus of this study. In fact, resource dependence theory has proven to be an important theoretical tool for understanding market orientation strategies in the specific setting of NPOs. At a time when competition for resources has increasingly intensified, it is expected that the adoption of a market orientation will benefit from a diversified revenue strategy, although the present study only partially confirmed this.

This study reveals that the type of resource dependence influences NPO market orientation in the sense that a higher degree of market orientation towards donors is found in those organisations which primarily depend on private resource providers. This is particularly evident when comparing predominantly private funded NPOs with those organisations depending predominantly on public sources of revenue. However, in relation to user market orientation, results are somewhat inconclusive since statistical significance was only obtained with respect to the responsive dimension.

Additionally, analysis of market orientation between predominantly state-funded organisations and those relying mainly on self-generated resources revealed that, contrary to expectations, the former evidenced a higher degree of market orientation than the latter. This might be due to the fact that organisations relying primarily on self-generated resources were small in size, presented a simple organisational structure and had no means of implementing a market orientation strategy as a way of reducing uncertainty. The fact that state-funded organisations are more market-oriented than those with self-generated funding may also be derived from the state favouring those causes and electorates which may be translated into votes. As Blois (1993) maintained, it is critical that NPOs pursue activities that raise the electorate's interest and support for their core organisational missions. In this context, it is likely that the state agencies will be more supportive of NPO appeals for funding.

The results of the present study have relevance for both non-profit marketing theory and practice. From a theoretical perspective, this study addresses key arguments that link resource dependence (associated either with public sector funding, self-generated funding or private funding) and the degree of market orientation towards users and donors. Drawing on relevant literature, it takes into account claims that non-profit income does not derive exclusively from the state and that different revenue strategies can be found within non-profit organisations. Given the fact that the Portuguese non-profit sector has been acknowledged as highly dependent on financial resources (Macedo, 2005), the Portuguese situation provides an interesting case study, which might be applicable to other countries with similar social and cultural backgrounds.

From a practical perspective, the present study may assist public policy makers to design more adequate policies and allocate resources to non-profit organisations. The study revealed that there is a lack of a well-defined policy towards the non-profit sector. In fact, during follow-up interviews, several managers claimed there to be no clearly defined criteria upon which resources are provided. Since most activities run by NPOs are embedded with a public and social purpose, it is relevant for policy makers to understand the effects of different types of resource strategies on these organisations.

Several key factors beyond the scope of this study arise as opportunities for additional research. First, since the present study relied on a single respondent analysis, the use of multiple respondents is suggested for enriching the analysis of

different levels of marketing orientation and resource dependencies. The need for a diversified use of multiple sources and informants has also been recognised by Jaworski and Kohli (1993). Second, findings in this study are mainly based on cross-sectional data. Future research should analyse the dynamics of resource dependence and its implications for market orientation from a longitudinal perspective. Additionally, the scope of the present study may be widened to include other European countries.

Third, although this study advances a step forward in the assessment of market orientation by considering two different stakeholders (i.e. donors and users/beneficiaries), further refinement of the adequacy of the MARKOR scale within the context of the non-profit sector stands out as an avenue for further research.

Most importantly, it is hoped that the present analysis will pave the way for future research regarding the effects of resource dependence on market orientation.

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