INFLUENCE OF STAKEHOLDER ORIENTATION ON FUNDRAISING OF NON-PROFIT **ORGANISATIONS**

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Abstract

In this paper, authors discusses the characteristics of stakeholder orientation in non-profit organisations of lifelong adult education in Croatia and it relationship with fundraising of mentioned organisations. The relationship implied by research objectives will be empirically analysed on a random sample of Croatian institutions of lifelong adult education. In consideration it will be taken changing environment in which multiple constituents acting, under which to focus marketing and managerial efforts which consequently affect the fundraising of the institutions stakeholders, which is one of the most important performance components of these institutions. It is expected that the results of this study imply the existence of a relationship between market oriented activities towards multiple stakeholders in lifelong adult education institutions and fundraising of mentioned institutions, within the specific context of education 'industry'. Special considerations should therefore be applied to the universal applicability of the obtained results in other fields of non-profit sector.

Keywords: Fundraising, non-profit organizations, multiple stakeholders, market orientation, education

Introduction

Appropriate marketing management activities performed through market orientation toward multiple stakeholders can enhance fundraising as an organizational performance of educational institutions. Literature on marketing presents a large body of research on the concept of market orientation based mostly on the studies of for profit firms. It has to be pointed out that in spite of the initial consideration of applications in sectors guided by economic results, there is an increasing number of studies cantered on contexts where the expected benefits are not of monetary or commercial nature and they primarily connected with nonprofit organizations (Cervera,

Molla, & Sanchez, M., 2001; Vazquez, Alvarez, & Santos, 2002).

Stakeholder orientation

Market orientation can be interpreted as the implementation of marketing concept through organizational behaviour (Kohli & Jaworski, 1990). Others link market orientation with company culture. They suggest that market orientation is an organizational culture focused on customer satisfaction (Liu, Luo & Shi, 2001) Some affirms that market orientation is the implementation of corporate culture or philosophy (Gray & Hooley, 2001). Other authors see market orientation as business culture (Hurley & Hult, 1998; Narver & Slater, 1990). Kohli and Jaworski consider market orientation as an activity of processing market information (Kohli & Jaworski, 1990). Therefore, those who identify the most with this point of view understand market orientation as a form of behavior or conduct more

Jaworski, 1990). Therefore, those who identify the most with this point of view understand market orientation as a form of behavior or conduct more than an attitude, as the concept is more identified with the implementation of marketing concept. In this way, the perspective is identified with action and associated with terms such as operational or behavioral strategy. Numerous studies have been carried out within the behavioral perspective, thereby contributing to its development (Atuahene-Gima, 1996; Greenley and Foxall, 1998; Matsuno & Mentzer, 2000; Rose & Shoham, 2002; Asmat-Nizam, et al., 2006; etc.) The implementation of specific market oriented activities can illustrate their gain and thus determine the emergence of marketing culture in the organization (Kotler and Fox (1985.; Carr and Lopez, 2007).

It is clear that market orientation is either implicitly or explicitly seen as a potential managerial solution to the changes undergone by education institutions. In a study published in the International Journal of Quality and Service Sciences, Bugandwa-Mungu-Akonkwa (2009) highlights the way market orientation rhetoric or research is emerging as a new management paradigm in higher education, and provides a relevant critic in the way market orientation is being introduced into the sector. The point in this work is not to dismiss the relevance of the above strategy for higher education but to criticize its theoretical transpositions in such a particular sector. Kotler and Fox (1985) demonstrate that higher education institutions resort to marketing when their markets or more globally their environment undergoes changes need to diversify funds, rise of stakeholder control in terms of quality control and accountability, professionalization, crumbling public funding, increasing competition, technological changes, increasing requirements from students and other stakeholders, etc. To face these changes, institutions have adopted different responses: some of them have increased recruitments budgets as is the case

sense of mission, etc.). Non-profit and public organizations such as universities generally balk at seeing similar organizations as competitors (Kotler and Andreasen, 1996), they are aware that competition is a major step of marketing implementation process (Kotler and Fox, 1985; Wood, Bhuian and Kiecker, 2000). Although the customer orientation dimension has been used by several researchers in their analysis of market orientation strategy in higher education (Siu and Wilson, 1998; Caruana, Ramaseshan and Ewing 1998a; 1998b), it still raises different views in the marketing literature; Franz, 1998). This problem led a number of authors to reject the dimension customer orientation in the conceptualization of market orientation preferring that of stakeholder orientation (Sargeant Foreman orientation, preferring that of *stakeholder orientation* (Sargeant, Foreman and Liao, 2002; Gainer and Padanyi, 2002; 2005; Greenley and Foxall, 1998).

This paper considers eleven stakeholders: Students, Potential students, Economy sector, Teaching staff, other levels of educational institutions, competent ministry, Local and regional self-government units, Adult education committee, Adult education agency, Croatian employment service, Competition. The operational importance of services marketing management activities is connected to its known effects on organizational performance. This paper suggests that marketing management activities might be an effective tool for improving fundraising as a component of overall performance of educational institutions.

Fundraising as an organizational performance of non-profit educational institutions:

The issue of identifying and interpreting performance in organizations from public and non-profit sectors, including education, is particularly demanding, especially by taking into account an almost unanimous agreement about the necessity of introducing and maintaining effective systems of managing performance in such environments (Poister 2003, p. 3-21). According to Herman and Renz, organizational performance in non-profit organizations is multidimensional and consists of both financial and non-financial indicators (Herman & Renz 1997, p. 185-206). It is suggested that these dimensions are separate variables (more than one component of the overall concept of performance), because they reflect different priorities of various stakeholders, as well as changing beliefs among stakeholder groups about what constitutes effectiveness in the non-profit sector (Cutt 1996, p. 45-67; Herman & Renz 1997, p. 185-206; Herman & Renz 1999, p. 107-126).

The performance of educational institutions, therefore, is socially

The performance of educational institutions, therefore, is socially created by different stakeholders, who perceive the social role of these institutions in changing (or even competitive) ways. Also, it seems that the

measures of effectiveness are more related to organizational systems and factors close to management (Callen & Fulk, p. 48-65). It seems that the effectiveness of many non-profit organizations is strongly mediated by organizational and management-related factors. The development of appropriate organizational and management systems, as a result of orientation toward stakeholders (or stakeholder demands) should, therefore, increase the organizational effectiveness, as well. The non-profit sector organizations maintain relationships with many different stakeholders, although users and donors are often singled out as the most important ones. Non-profit performance is comprised of four key dimensions: peer reputation, fundraising (resource acquisition), client satisfaction and outcomes. Fundraising (resource acquisition) is so important that it should be considered an organizational performance objective, along with client satisfaction, reputation and outcome measures (Herman, 1990).

It is difficult to use market mechanisms (e.g. profit) for determining the performance of educational institutions and the economic value of the educational input and output. Furthermore there is no general agreement on what is the input and output of the educational process (Doherty 2005). In the case of high education, some authors define the efficiency of research and teaching separately and mutually on the level of a department (Beasley 1995, p. 441-452). At the other hand, in a study on the best ranked MBA programs in the USA, Colbert, Levary and Shaner focus only on teaching and defining relative efficiency of teaching (Colbert, Levary & Shaner 2000, p. 656-669). It is necessary to emphasize the management of educational institutions not only as an administrative process, but also as a form of socially responsible activity, which is linked both to organizational performance of schools, as well as to more widely defined social interests (Heck & Hallinger 2005, p. 229-244). In addition, the effectiveness of non-profit organizations

orientations of marketing orientation toward different stakeholders (Kara, Spillan & DeShields, p. 59-72). This is why Chan and Chau suggested that the performance of non-profit organizations can be measured on the bases of the capability of the organization to *attract funds or donors of financial means* (Chan & Chau, p. 15-28).

In non-profit sector in general, as well as in education, evaluation of many activities demands a *mild judgment*, which cannot be offered by the strict measurements. The main reason for such a situation is the fact that it is difficult to identify suitable measurements for a sector, such as education. Each of the subjective and objective measurements has own values, but taking into account the impracticality of objective measurements, this study uses the subjective measurements of performances. Furthermore, in literature on non-profit organizations, there is no general agreement regarding specific dimensions or measures, which should be used in determining the effect of the management process or non-profit performances (Ritchie & Kolodinsky 2003, p. 367-383). Thus, performance of educational institutions in this study was primarily operationalized by using three dimensions satisfaction of the user, fundraising and peer reputation.

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Forbes in the conceptualization and measurements of efficiency of non-profit organizations states one or some combinations of three main approaches: achieving the goal, the source of the system that emphasizes the fundraising for the organization, or the reputation approach. They connect the efficiency with usual evaluations of key actors, such as users, other stakeholders or service professionals (Forbes 1998, p. 183-202). Collecting funds is recognized, not only as a key non-profit goal, but also as a goal that receives significance as the government's financing decreases and the competition grows within the sector. (Herman 1990, p. 293-306). The pressures of responsibility towards the public enlarge the problem of measuring performance in non-profit organizations. Too often, that pressure makes the management look for that which is measurable, rather than what is important in terms of achieving the mission and the relevant goals. Out of those reasons, it has been proposed that it is better to evaluate non-profit organizations towards the level of achieving both short-term and the long-term goals (Andreasen & Kotler 2007, p. 26).

Methodology

Empirical part of the research applied a multivariate data analysis on a representative sample with the use of a questionnaire as the instrument of research. Fundraising, performances were measured in five components: funding received from the state; funding received from local and regional government, amount of funds received directly from students and employers; the size of the annual operational budget of the institution and the number of

paid employees. The questionnaire has been altered and adapted to the nonprofit sector, education and Croatian institutions of lifelong adult education. Population gathered all non-profit institutions of adult education in the Republic of Croatia, 178 of them. The sample choice was carried out in accordance with the list and categorization of adult education institutions of the Agency for Adult Education. The questionnaire was answered by 89 institutions which makes 50 % of the population. Managers of institutions of adult education were used as research subjects. This research included eleven stakeholders, mentioned before, with whom institutions establish or should establish effective relationships. The data processing has been guided by the theoretical and empirical hypotheses customary for this type of research and the specificities of the questionnaire. Thus, while measuring market orientation (MO), individually by stakeholders and the overall market orientation, equal significance was given to all components of market orientation/questionnaire (data gathering, distribution and responsiveness) (Kohli & Jaworski, 1993). In comparison to other similar research related to educational sector (Vazquez, Alvarez & Santos, 2002.) as well as the overall non-profit sector (Hager et. al., 2003), where a response of 25-35% is typical for this type of research as well as sufficient enough for the research to obtain certain conclusions, the response in this research considerably exceeds the afore-mentioned numbers.

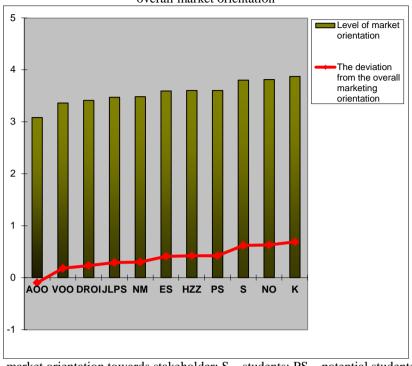
Research results

Table 1 and Picture 1 show the degree of deviation of market orientation to individual stakeholder from the overall market orientation. Based on the data presented it can be concluded that all deviations for all stakeholders, except for adult education agency (AEA), are above average compared to the overall market orientation of (3.18), but no stakeholder is above the average of more than 1, and does not exceed the limit of 4.00.

Table 1. The deviation of market orientations towards individual stakeholders from the

	AEA	AEC	OLEI	LRSG	CM	ES	CES	PS	S	TS	C
Level of MOS	3,08	3,36	3,41	3,47	3,48	3,59	3,6	3,6	3,8	3,81	3,87
Deviation from avarage	-0,1	0,18	0,23	0,29	0,3	0,41	0,42	0,42	0,62	0,63	0,69

 $MOS-market\ orientation\ towards\ stakeholder;\ S-students;\ PS-potential\ students;\ ES-economy\ sector;\ TS-teaching\ staff;\ OLEI-other\ levels\ of\ educational\ institutions;\ CM-competent\ ministry;\ LRSG-Local\ and\ regional\ self-government\ units;\ AEC-adult\ education\ committee;\ AEA\ ,\ adult\ education\ agency;\ CES-Croatian\ employment\ service;\ C-competition$

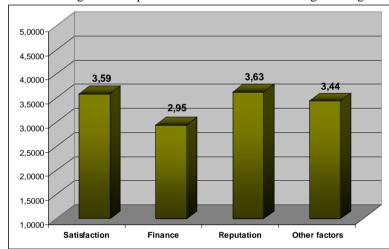


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As indicated in the previous part of the study, the overall performance of institutions of lifelong adult learning consists of four components: the satisfaction of participants; fundraising (finance); reputation; other factors (employee commitment, co-operation of employees and departments, achieving the goals and mission, the growth of the institution). The level of performance was measured by Likert, on a scale of one to five. In determining the average level of performance, each component of performance and overall level of performance made a simple calculation of the arithmetic mean because the deviation was the same. In determining the overall level of performance for these institutions in Croatia, firstly, performance value for each of the four components has been calculated. Based on the analysis of means, the following values for each component of performance, measured during the period of five years, were found: the satisfaction of participants (3.59) fundraising (finance) (2.95), reputation (3.63) other factors of performance (3.44) (see Figure 2). The values of the degree of performance of institutions of lifelong learning (on a

scale of 1 to 5) were in the range of 2.95 to 3.63, with an average value of 3.0, which represents a neutral value (i.e., scores above 3.0 indicate increasing, while results below 3.0 show decrease performance). The overall level of performance was 3.40. Figure 2 shows that the highest performance of institutions of lifelong learning is achieved in components related to reputation and user (student) satisfaction. The *lowest level of performance* (below the middle limit of 3.00) is related to *fundraising*, which is the only declining component of performance for Croatian institutions during the previous five-year old period For these reasons, this research is covered in more detail in component of fundraising performance, and also since it has the lowest level, and taking into account factors of which it is composed. Figure 2. The average level of performance for Croatian lifelong learning institutions



Below, in Table 2 it can be seen the degree of fundraising performance for each factor that makes this component performance. Table 2. show the average level of performance as measured in the last five years by the four dimensions of performance of fundraising (financing). Within the dimension of the performance in securing financing (fundraising), it can be seen that the first and second items used in the survey have values of 2.22 and 2.42. These two items are related to the amount of funding received from the state, as well as local and regional government, which demonstrates that the amount of funding from these sources has declined in the past five years. The third, fourth and fifth item are related to the amount of funds received directly from students and employers, the size of the annual operational budget of the institution and the number of paid employees. When viewed according to those three items, performance in the last five years has increased, while the most significant increases in the amount of funding was received directly from students and employers.

Table 2. The average level of fundraising (finance) performances by items

Questions that describe every factor	Fundraising (Finance)
Item 1	2,22
Item 2	2,41
Item 3	3,41
Item 4	3,32
Item 5	3,37

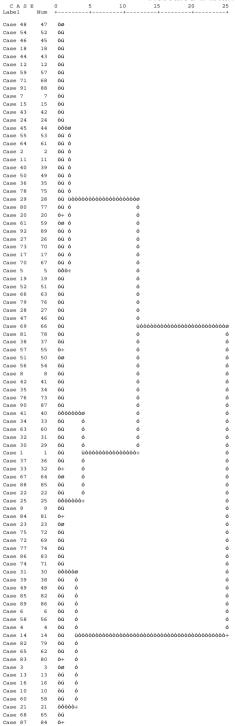
After determining the average performance level of fundraising, clustering was carried out for institution of lifelong adult education according to the level of the overall market orientation towards multiple stakeholders and for the purpose of connecting clusters with fundraising performance (financing) (Figure 3). Hierarchical cluster analysis may be performed on observations and variables and in this case, observations have been cauterized. The intention of the analysis of institutions, namely observations, is to establish whether institutions of adult education group in clusters with a higher and lower degree of market orientation to multiple stakeholders. The process of clustering was based on the use of Ward's method which is appropriate for obtaining clusters that are heterogeneous among themselves and homogenous within themselves (Hair et. al., 2006). Similarities between the values of variables were calculated by the Euclidean distance. Furthermore, the values were previously standardized so the data could be intercomparable. In the last iterative step, hierarchical analysis ends in one cluster while initially, the clusters were absorbed in new clusters according to their similarities. The greatest distance appears when two clusters pass into one, thus establishing that the optimal cluster number is two.

Table 3. ANOVA for the degree of overall market orientation between two clusters of MO institutions 1 and MO institutions 2

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	Sum of Squares	df	Mean Square	F	Sig.	
Between Groups	9,832	1	9,832	101,525	,000	
Within Groups	8,426	87	,097			
Total	18,258	88				

Figure 3: Dendrogram computed according cluster analysis using Ward's method with Euclidean metric.

Rescaled Distance Cluster Combine



Following the hierarchical cluster analysis of observed institutions, it was ascertained that 63 institutions of adult educations have a lower and 26 institutions have a higher degree of market orientation. Eventually, it has been established that a group of institutions that are less market oriented (MO institutions 1) have a mean degree of market orientation of (2,96) which is under the mean limit of (3,00) and it can be concluded that *they are not market oriented*. The second group of institutions that are more market oriented (MO institutions 2) have a mean degree of market orientation of (3,69). The afore-mentioned clustering is particularly important for the effect that market orientation has on reputation of adult education to be determined afterwards. ANOVA was performed in order to determine the existence of significant differences between two mean degrees of market orientation of two groups of institutions of adult education. Table 3. shows that there is a significant difference in the degree of market orientation between the two groups of institutions (MO Institutions 1 and MO Institutions 2).

After establishing the two clusters of institutions of adult education (MO Institutions 1 and MO Institutions 2) a mean performance degree for fundraising performance was determined for the afore-mentioned institutions. After the analysis, it was determined that the group of MO institutions 1 which are not market oriented with the degree of market orientation of (2,96) has a mean degree of *fundraising* performances of (2,93), while the group of MO institutions 2 which has a mean degree of market orientation of (3,69) has a mean degree of *fundraising* performances of (2,93), see Table 4. Everything stated shows that the fundraising performances of institutions of lifelong adult education which are more market oriented towards multiple stakeholder groups are the same as the fundraising performances of institutions of lifelong adult education which are less market oriented towards multiple stakeholder groups.

Table 4. The connection between market orientation towards stakeholders of two clusters of institutions of adult education and their fundraising performance

	Clusters			
	MOS Institutions 1	MOS Institutions 2		
	Mean	Mean		
Performance fundraising	2,93	2,93		

Conclusion

Many previous studies have shown a positive impact of market orientation on performances in profit sector and also on performance of various non-profit organizations. By factor analysis from research results, it has been first established that all marketing orientation toward all eleven considered stakeholders constitute overall market orientation. From the result it can be seen that the highest performance of institutions of lifelong adult

learning is achieved in components related to reputation and user (student) satisfaction. The lowest level of performance (below the middle limit of 3.00) is related to *fundraising*, which is the only declining component of performance for Croatian institutions during the previous five-year old period. From the results of fundraising performances it can be seen that the first and second items used in the survey (*funding received from the state*, as well as *local and regional government*) are the lowest ones, which demonstrate that the amount of funding from these sources has declined in the past five years. The third, fourth and fifth item are related to the *amount of funds received directly from students and employers*, the size of the annual operational budget of the institution and the number of paid employees and they have increased in the last five years, while the most significant increases in the amount of funding was received directly from students and employers. In the end, the fundraising performance of institutions of lifelong adult education which in greater degree uses marketing management activities towards multiple stakeholder groups are the same as the fundraising performances of institutions of lifelong adult education which uses the same activities in lesser degree. Thus, in this case it can be concluded that market orientation didn't have positive effect on fundraising as a component of performances of institutions of lifelong adult education.

However, if we connect these final results with previously theoretical and empirical analyses and researches, but also if connect them with the research results of the average degree of market orientation towards multiple stakeholders of institutions of lifelong education (Table 1), with the results of the average level of performance (Figure 2) and with results of the average level of performance as measured in the last five years by the four dimensions of performance of fundraising (Table 2), it can be concluded that the institution of lifelong adult education inefficiently balance its stakeholders. This is particularly expressed in state institutions such as the competent ministry, other levels of educational institutions, local and regional self-government units; adult education committee; adult education agency; Croatian employment service, and are not sufficiently oriented towards them. This all together result in inefficiency of market orientation towards multiple stakeholders against this element of overall performance and in lower fundraising performance. It is not enough to focus on client satisfaction or effective governance, it is also necessary to make sure that these achievements are perceived and assessed positively by other managers in education. It is necessary that the institutions effectively balance with their key stakeholders and also to recognize changes in the environment and adapt to them. In particular, this refers to the establishment of better relations with all state institutions, of which substantially live and depend. With this

approach market orientation towards key stakeholders can have a significant impact on fundraising performance of these institutions.

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