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MARKETING ORIENTATION, SOCIETAL ORIENTATION AND ORGANISATIONAL LEARNING, IN THE NOT-FOR PROFIT/PUBLIC SECTOR

Leanne Carter
Macquarie University

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Introduction

This paper examines the link between the marketing and societal orientation literature and the organisational literature in a not-for-profit context. Specifically, it discusses the similarities between them but also the potential links. The application of these theories is then extended into the not-for-profit/public sector introducing societal orientation theory. To this end, a conceptual model is proposed to link the marketing and societal orientations to organisational learning theory in this context.

The Public Sector and Market Orientation

It is often presumed that the public sector consumes a great quantity of cash, is inefficient, and lacks a professional approach. This is usually attributed to bureaucratic and centralised structures, as well as inefficient management and staff. It is also commonly assumed that privatising these organisations and introducing professional management will solve the problems (Andreassen 1994). In many countries around the world there is a shift to privatisation and deregulation in many markets. This shift assumes benefits are brought to the customers in terms of lower prices and wider ranges of services. Improvements in performance due to deregulation or privatisation can be explained by the use of new management styles and techniques that are required as well as changes in organisational efficiency and design. Kohli & Jaworski (1990) support these findings claiming that a market orientation that is adopted as a result of this change are largely assisted by top management support, interdepartmental relationships and the structure of the organisation itself.

Towards a Societal Orientation in the Not-for-Profit/Public Sector

A number of studies have considered the relevance of the marketing orientation construct and its applicability to the public sector and broader not-for-profit organisations. Siu and Wilson (1988) suggest that it may be necessary to modify the marketing orientation theory in terms of replacing the concepts of profit and competition, and replace them with “employee orientation” and “long term survival requirement”. It appears that the education sector has received the most attention in this area. In consideration of the public education sector, Stewart (1991), Kotler (1976), and Kotler and Fox (1985) suggested that a market orientation will allow institutions in public education to attract and retain students. Bennett (1998) and Caruana et al. (1998) identified that where market orientation exists, there was more likelihood of seeing improved performance of the organisation. It is however, important to note as highlighted by Sargeant et al. (2002), much of this earlier research was based on the assumption that the marketing orientation construct and its associated measures of performance are relevant to the non-profit/public sector context. This still needs further investigation.
Kotler (2003) suggests that the societal marketing concept allows marketers to build social and ethical considerations into their marketing practices. It is the task of the organisation to “determine the needs and wants and interests of the target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer’s and the society’s well-being” (Kotler 2003). Marketers who follow this concept must find a balance between the three considerations of company profits, consumer want satisfaction and public interest (Kotler 2003).

The notion of exchange is inappropriate in the public and not-for-profit sectors, as often there is little or no exchange taking place. In the non-profit context the organisation is more focussed on the longer term benefits to society rather than customer satisfaction (Blois 1987). Diggle (1998) extends this to suggest that some organisations will further their mission often to the detriment of short-term satisfaction. So while customer satisfaction is important it is not the only consideration in the non-profit and public sector contexts. However, there are two customers to consider: the donors and the beneficiaries, each with different needs.

The notion of competition is also different. The demand for the goods and services provided by not-for-profits can often be never-ending. Therefore to regard other organisations as competitors can be seen as inappropriate in many circumstances (Bruce, 1998). In addition, there are often many more stakeholders to consider than in the for-profit sector. Therefore the market orientation can be far too simplistic for the non-profit and public sectors (Lovelock & Weinberg 1984). For these reasons noted, Sargeant et al. (2002) suggests that the implementation of marketing orientation in these sectors should be termed ‘societal’ orientation. Links can then be established between societal orientation and the organisations’ efficiency and effectiveness.

**Not-for-Profit/Public Sector and Organisational Learning**

With an increase in the application of market and societal orientations to the not-for-profit sector, there is also a growing interest in organisational learning in this sector. Organisational learning can be defined as “the capacity of a company to grow and change simultaneously through superior learning and capability without being limited by organisational systems and culture” (Murray 2002a). Murray (2002a) labels this as unbounded learning. It is intended to operate as a continuous cycle of change and growth. The importance of organisational learning is acknowledged in management literature (Argyris 1977(a); Argyris 1977(b); Argyris & Schon 1974 & 1978; Fiol & Lyles 1985; Levitt & March 1988; Senge 1990; Huber 1991), yet the public sector and other not-for-profits are rarely viewed as a foundation of learning. However, given the rapid state of change in these sectors, the need for organisational learning has grown rapidly. These organisations are being asked more frequently to provide measures of outcomes and performance. This focus on outcomes will lead to organisations needing to learn in a superior way. They will need to acquire meaningful information and apply it to manage their organisations more effectively (Buckmaster 1999). Learning is “derived from a process of experiences, reflection, hypothesis building and testing” (Buckmaster 1999).

**Marketing and Societal Orientations as resources in Organisational Learning**

An understanding of how organisations process marketing information and determine appropriate behaviour in response to this information can be understood by applying
organisational learning theory. Organisational learning can be considered in terms of behavioural change and knowledge transformation. Garvan (1993) proposes that a learning organisation is skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights (Garvin in Murray 2002b).

Organisational learning is the development of new knowledge or insights that can ultimately influence behaviour (Fiol and Lyles, 1985; Sinkula, 1994). It is seen as a three stage process which includes the acquisition of information, dissemination of information and shared interpretation (Sinkula, 1994). Slater and Narver (1995) concluded that although marketing orientation and organisational learning are similar in many important respects, they are not identical constructs. Where a marketing orientation as a business philosophy exists within an organisation, then it is likely that learning outcomes will be achieved within the organisation. Day (1994) agreed concluding that a market orientation is highly compatible with knowledge and learning that allows an organisation to quickly respond to the market to gain a competitive edge. However, an organisation must be careful not to discount the potential of other learning sources that come from other stakeholders and others who may hold important information about the business (Slater and Narver, 1995). This includes considering other corporations who apply the societal marketing concept to their strategy in supporting the not-for-profit sector. They do this to build good corporate image and to build their brands. There are many stakeholders in the not-for-profit sector. There is a wide range of “target publics” (Collins 1993).

Marketing and societal orientation theories can be distinguished from the traditional marketing concept when considered in the context of organisational learning theory. Market intelligence, market integration, and the dissemination and the responses to that intelligence, cannot function or be implemented without the application of organisational learning principles. This is especially important in the not-for-profit/public sector where adaptability and flexibility is required in times of changing structures and systems. While the philosophy of organisational learning does not change the functions of marketing and societal orientation theory, it does affect the manner in which it is implemented and the quality with which it will be applied. Without consideration of individual and organisation competencies, the development and impact of market orientation theory will be constrained, thus the effects they will have on the organisation’s performance.

**Discussion**

Ignacio et al. (2002) have concluded that where not-for-profit organisations adopt a market orientation as a philosophy as well as a behaviour, there is a greater chance of resulting in higher fulfilment of the organisational mission. In this way, a market orientation is seen as a resource that will lead to improved organisational learning. Further investigation into not-for-profit organisation literature reveals that societal marketing also has a role to play, both in terms of the not-for-profit organisation, but also the donors. In addition these orientations can only be operationalised when a culture and climate exists for organisational learning (Slater & Narver 1995). Figure 1 introduces a model that combines organisational learning as well as marketing and societal orientations in a not-for-profit context. Market orientation, and societal orientation affect and are affected by the donors and the beneficiaries.
The not-for-profit organisations’ market orientation also affects the donors and the beneficiaries. In addition, the inputs to the model that allow for the behavioural elements of the market orientation (i.e. intelligence dissemination and interpretation) practised by not-for-profit organisations include donors, competitors, beneficiaries and other environmental factors. This all takes place within a learning environment. The knowledge gained from the inputs of this model would not be possible if there was not a learning philosophy. Without the learning philosophy, marketing and societal orientations cannot be operationalised as a process in these organisations (Slater & Narver 1995). The marketing function however, has a key role to play in the creation of the learning organisation. Marketing does have an external focus that supports the values and culture of a learning organisation.

Given the relationship discussed between these philosophies and practices, there are many ways in which organisational learning adds to a market and societal orientation. Improved learning systems such as knowledge communities (Hustad 1999; Olson & Craig 2001; Mohrman et al. 2002) would enable the marketing orientation and societal orientation to acquire knowledge more effectively and involve a wider spectrum of stakeholders. The existence of knowledge communities allow for and benefits from cooperation across formal organisation borders (Hustad 1999). The result of the knowledge development process can be traced back to the cooperating organizations, regardless of their formal status as donor, beneficiary, competitor, staff member or volunteer. All involved in the model can take part in the development and the use of the knowledge. It is therefore important to recognise that
knowledge cannot be locked up inside organizations if learning is to occur, and that collective knowledge development is more dependent on co-operation between parties.

The market orientation philosophy and behaviour can be linked to number of organisational learning subsystems, including cultural change through shifts in values, continuous quality improvements, benchmarking and increasing public relations efforts to communicate to the broader community. A culture that values knowledge provides an environment in which learning is likely to take place (Hamel & Prahalad 1991). Effective learning is contingent on a culture that promotes inquiry, openness and trust (Slocum et al. 1999). Therefore learning mechanisms and shared values and beliefs need to exist within an organisation. In the not-for-profit context, these mechanisms must also exist with the donors, and other stakeholders with whom they can and should co-operate (O’Keefe 2002). It is within this culture that knowledge and individual expression is valued in the name of superior performance and outputs. A study of public hospitals has demonstrated that the internal culture has a large impact on the success of a continuous quality improvement program. Whilst external influences were supportive and co-operative with the not-for-profit organisation, this was not enough for success (le Brasseur et al. 2002).

While all members of an organisation are involved in learning, helping others to learn and sharing the learning, the degree to which an organisation can be classed as a learning organisation does not depend on the collective learning of each individual’s learning but on the learning of the slowest link (O’Keefe 2002). Therefore, by expanding individuals’ skill sets, developing their world views (for example in terms of teamwork and their use of learning styles), then a market orientation can be more efficiently operationalised as well as entrenching the orientation a philosophy within the not-for-profit organisation. It is however, more complicated in this context as the success also depends on the co-operation with other stakeholders.

Conclusion

The marketing function has a role to play in the creation of the learning organisation in the not-for-profit/public sector. It has an external focus that goes beyond the organisation for learning new knowledge. Information is then disseminated throughout the organisation as well as with other stakeholders. It is particularly pertinent given the greater interest of the wider society and greater number of stakeholders concerned in this sector. Further quantitative research may consider the conditions that lend themselves to a marketing and societal orientation, and how this is affects and is affected by organisational learning theory in a not-for-profit/public sector context.

Further research might also measure the ability of learning theory to add to the societal orientation model in terms of the measurement of links between marketing and societal orientations. While the literature states that those firms who are faster to learn than their competitors are thought to have a sustainable competitive advantage, this needs to be considered in the context of not-for-profits and the public sector through further research. Further quantitative research may investigate whether societal orientation allows the traditional definition of marketing being more appropriate in a not-for-profit organisation and the public sector. When combined with organisational learning, this may be substantially more valuable as a model for understanding these establishments.
Bibliography


