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Market Orientations in the Nonprofit and Voluntary Sector: A Meta-Analysis of Their Relationships With Organizational Performance

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In their effort to improve performance, many voluntary and nonprofit organizations (VNPOs) have turned to market mechanisms, hoping to learn and implement innovative ideas and methods that proved useful in the private sector. This article adopts the businesslike concept of "marketing" into the arena of VNPOs by offering a meta-analysis to assess the marketing orientation (MO) in the VNPO sector. The article attempts to answer three questions: (a) What is the theoretical grounding and rationality for using MO strategies in the VNPO sector? (b) Can the VNPO sector benefit from an MO approach? (c) Is the MO perspective applicable for organizations without "profit" as a main goal? The findings were compared with findings in the for-profit sector and were found to be stronger. Finally, using a second, methodological meta-analysis, boundary conditions on the MO-performance link were assessed. The implications for VNPOs are discussed and directions for future research are outlined.

Keywords: *nonprofit and voluntary sector; marketing orientation; organizational performance; meta-analysis*

Marketing orientation (MO) is an essential construct of healthy business firms competing in highly demanding and sophisticated modern economies. The meaning and importance of MO has been studied extensively in the for-profit sector (e.g., Kohli & Jaworski, 1990; Narver & Slater, 1990), but it is a relatively

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new concept in the nonprofit and voluntary sector. This article deals with MO from the less studied perspective of voluntary and nonprofit organizations (VNPOs; Kara, Spillman, & DeSheilds, 2004; Vazquez, Alvarez, & Santos, 2002). Applying an advanced methodology of meta-analysis, we explore the MO → performance link in this unique sector. Our theoretical grounding is based on a process of new managerialism that has affected most Western democracies in recent decades (Pollitt & Bouckaert, 2000). VNPOs have become increasingly aware of the advantages of MO-based management and have reformulated their strategies according to it in adjusting to demanding and evolving environments. For-profit marketing and management concepts have thus become acceptable concepts in the nonprofit sector realm. This legitimization process has been characterized by an increased attention to professional managerialism, the needs of citizens as clients, the formation of citizens' charters, the improvement of human resource strategies, and the greater willingness to build on competitive skills to improve social services. Installing and improving MO is one possible implementation of the new managerialism- and marketing-based approaches in VNPOs (Deng & Dart, 1994). High-MO VNPOs can anticipate and react to their marketlike contingencies more accurately to achieve outstanding performance.

The contributions of this article are thus fivefold. First, it reviews papers on MO in the VNPO sector, with an emphasis on previous quantitative research. Second, it meta-analyzes previous empirical research and provides an estimate of the impact of MO on performance across study contexts. Third, it compares MO's impact between the for-profit and VNPO sectors. Fourth, using a second, methodological meta-analysis, it assesses boundary conditions for the MO-performance link. Finally, the article draws implications for the VNPO sector in support of the elementary tenets of the new managerialism doctrine.

The article first lays the theoretical rationality for bringing MO into the VNPO context. We then review the theoretical underpinnings of the MO-performance relationship and previous empirical research in the for-profit sector and demonstrate how this relationship has been studied in VNPOs. Building on this rationality, we report the results of a substantive and a methodological meta-analysis of the MO-performance link using 15 previous studies. The article concludes with a discussion and directions for future research.

THE NONPROFIT AND VOLUNTARY SECTOR IN A MARKETPLACE ARENA: THEORETICAL BACKGROUND

The VNPO sector is a growing field of research in modern societies and economies. It has been studied recently from diverse perspectives, including a managerial-administrative one that highlights new forms of managing VNPOs and bringing them closer to their clients, objectives, and goals (i.e., Lovelock & Weinberg, 1984; Rados, 1996).

An evident result of managerial thinking in VNPOs is initiating and improving their MO. In the for-profit sector, MO emphasizes the attainment of competitive advantages based on the correct identification of customer needs. It is aimed at enhancing customers' satisfaction through the development of commercial offers that provide higher value to the market than the competition (Vazquez et al., 2002). The VNPO sector could benefit from "market-" and "marketing-based" strategies. Thus, such approaches have been increasingly used in recent VNPO studies in the United States, Europe, and other modern or modernizing nations (i.e., Bode, 2003; Kaul, 2001; Marwell & McInerney, 2005; Offenheiser, Holcombe, & Hopkins, 1999). Scholars have suggested that VNPOs need to adopt businesslike models to guide aspects such as fundraising (Clohesy, 2003), relationships with citizens (Gwin, 1990), professional management, and the management of paid employees and volunteers (Sherer, 2004).

Clohesy (2003) suggests that "nonprofit organizations are as liable to institutional hardening and bureaucratization as any other organization . . . and . . . they can commercialize their services because they face the same economic pressures to survive as any business" (p. 131). His approach presents a theoretical dilemma of for-profit stockholders versus NPVO stakeholder-based theories. Although the first leads to a market-based understanding of the sector, the second extends it to include other social-based considerations. Nonetheless, according to both the stockholder and the stakeholder theories, VNPOs need to market their economic and social vision in a complex environment in competition with other private and public sector organizations in the marketplace. This recognition implies a socioeconomic approach that emphasizes social and economic values associated with VNPOs (Quarter, Sousa, Richmond, & Carmichael, 2001). It is also in line with the civil society approach, a dominant framework for studying VNPOs. In the civil society framework, voluntary associations are granted an important role in strengthening the economy. Hence, they should rely on market-based mechanisms such as MO (Putnam, 1996, 2000; Quarter et al., 2001). For this reason, VNPOs' MO is essential for survival and success.

Lovelock and Weinberg (1984) summarize five major characteristics of VNPOs that contribute to the specific nature of their operations and influence the way in which MO could affect organizational outcomes and performance and their measures: (a) the need to attract resources to attain their objectives; (b) the existence of multiple relevant publics; (c) the potential conflict existing between the organizational mission and consumer satisfaction; (d) the existence of external pressures—legal regulation; and (e) the frequent coexistence of several groups involved in the organizational management. Thus, an extensive study of market mechanisms in VNPOs is essential to better understand and more effectively manage such systems. Such a study should be conducted in light of the current empirical knowledge about the relationship between MO and performance in for-profit organizations with the expectations that this knowledge is transferable to nonprofit organizations.

THE RELATIONSHIP BETWEEN MARKET ORIENTATIONS AND PERFORMANCE

The impact of MO on organizational performance and outcomes has been studied mainly in the for-profit sector in many countries and across contexts. Two theoretical approaches to MO have been used widely. The first approach was presented by Kohli and Jaworski (1990) and later developed by Kohli, Jaworski, and Kumar (1993). It suggests that MO includes *generation* of market information, cross-departmental *dissemination* of information, and *responsiveness* to disseminated information. According to the second approach (Narver & Slater, 1990; Slater & Narver, 1996), MO includes *customer orientation*, *competitor orientation*, and *interfunctional coordination*.

Cadogan and Diamantopoulos (1995) argued convincingly that the two MO approaches overlap. Specifically, they used a three-by-three juxtaposition to assess the extent to which the three Kohli and Jaworski (1990) dimensions and the three Narver and Slater (1990) dimensions are related. They concluded that there exists considerable conceptual overlap (except for the responsiveness and customer and competitor orientations). Moreover, there exists considerable operational overlap as well, except for two pairs of facets: (a) intelligence generation (Kohli & Jaworski, 1990) and competitor orientation (Narver & Slater, 1990), and (b) intelligence dissemination (Kohli & Jaworski, 1990) and customer orientation (Narver & Slater, 1990).

Notably, most conceptualizations of MO apply to the business sector. The nonprofit sector is unique. Some of its for-profit dimensions might apply only to NPVOs providing services in a competitive environment such as health care (customer orientation, competitor orientation, and generation of market information). Because the NPVO studies reviewed below followed in the for-profit tradition, they may have included dimensions that are only relevant to some NPVO. Moreover, for many donor- or volunteer-dependent NPVOs, MO should include *donor* and *volunteer orientations*, both excluded from the studies meta-analyzed here. We revisit this issue in the Discussion section of the article.

Most previous research has dealt with the MO-performance relationship in the for-profit sector in numerous countries (e.g., Cadogan, Diamantopoulos, & de Mortanges, 1999; Deshpande, Farley, & Webster, 1997; Golden, Doney, Johnson, & Smith, 1995; Jaworski & Kohli, 1993; Narver & Slater, 1990; Rose & Shoham, 2002; Selnes, Jaworski, & Kohli, 1996; Shoham & Rose, 2001). However, the impact of MO on performance of not-for-profit organizations has been underresearched and has not been reviewed or meta-analyzed to this date. We note at this point that using a straight profitlike operationalization of performance is problematic. We recognize that NPVO performance is difficult to measure. In other words, what is the for-profit performance equivalent for welfare organizations or for advocacy groups? Most of the studies discussed below focus on one "industry" (hospitals, social service agencies, etc.). We meta-analyzed them disregarding the operationalizations they used for performance and revisit the issue in the Discussion section.

MO firms track, identify, and react to changing customer needs, leading to enhanced performance. As a result, such firms could capitalize on these needs while enhancing their performance compared to less market-oriented firms. Three theoretical arguments underlie the positive MO-performance relationship: an evolutionary perspective, industrial organization theory, and a resource-based theory (Barney, 1991; Lusch & Laczniak, 1987; Knight & Dalgic, 2000; Porter, 1991; Prahalad & Hamel, 1990; Wernerfelt, 1984).

According to the *evolutionary perspective* (Lusch & Laczniak, 1987), organizational characteristics that make firms fit their environment become a part of their future evolution only when replicated. Such replications are achieved through cultural transmission. MO provides organizations with a winning philosophy that when selected, increases the probability of survival. Second, *industrial organization theory* examines the fit between an organization's strategy and its environment and supports the MO-performance link (Knight & Dalgic, 2000). Organizations manage their relationship with the environment to maximize performance as a matter of necessity. Thus, they create MO and encourage the behaviors associated with it to manage their environment and enhance performance (Scherer & Ross, 1990). Finally, the *resource-based-view* proposes that differential organizational resources underlie strategy and performance. Superior resources drive performance when they are durable, non-transparent, nontransferable, and nonreplicable (Barney, 1991; Porter, 1991; Wernerfelt, 1984). Because MO is a complex construct embedded in organizations' culture, it answers these requirements and can enhance performance. Performance could be enhanced through esprit de corps, commitment, or at the direct organizational level.

MO has been reported to affect various aspects of performance positively (e.g., Cadogan et al., 1999). Yet, its impact has been inconsistent (Deshpande et al., 1997; Selnes et al., 1996; Slater & Narver, 1996), an issue revisited in a later section of this article. Several aspects of performance are examined in the literature. For example, employees' sense of belonging, direction, and feelings of a worthwhile contribution toward achievement of firmwide goals are enhanced by MO, leading to greater commitment and esprit de corps. The positive impact of MO on esprit de corps and teamwork (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Zeithaml, Berry, & Parasuraman, 1988) arises from the indirect sequence of MO → esprit de corps → employees' psychological and social benefits → teamwork. Thus, empirical research has established the positive impact of MO, the strongest predictor of the antecedents tested by Jaworski and Kohli (1993) on esprit de corps (Rose & Shoham, 2002; Shoham & Rose, 2001). MO also enhances organizational commitment. By providing a sense of belonging and uniqueness, MO can make employees feel they are proud members of an organization, enhance their identification with its collective goals, and reduce exit behaviors (Hirschman, 1970). Empirical findings suggest that MO affects organizational commitment positively (Jaworski & Kohli, 1993; Rose & Shoham, 2002; Shoham & Rose, 2001). A well-developed MO can also serve as initiation and socialization mechanism for

the workforce when teamwork is centered on highlighting the “us” spirit against external forces. Therefore, MO serves as a basis on which organizational tasks can be carried out within a firm.

MARKET ORIENTATIONS AND PERFORMANCE IN VNPOS: HYPOTHESES FOR A META-ANALYSIS

Although most of the MO literature is based on the for-profit sector (Shoham, Rose, Kropp, & Ruvio, 2004), the MO-performance link in the VNPO sector is underresearched. Vazquez et al. (2002) argue that the literature on the management of VNPOs concurs that MO should increase and improve their results (i.e., Balabanis, Stables, & Phillips, 1997; Kotler & Andreasen, 1996; Rados, 1996), but the empirical evidence is scarce. Only a few studies have tested this relationship in VNPOs. Bhuian et al. (2005) supported a model that includes curve linearity in the moderating effect of entrepreneurship on the MO-hospital performance relationship. Notably, we believed a priori that MO's impact on performance would be stronger in VNPOs than in for-profit organizations. This expectation was based on the origins of MO studies rooted in the for-profit sector. Consequently, the concept has had more time to diffuse in the for-profit sector than in the VNPO sector, accentuating its early and strong impact in the latter. It is notable that shorter diffusion time might also result in less effective implementation of MO. Given these competing possibilities, we did not formulate a hypothesis.

A computerized search in scholarly academic databases (with no limits on publication year) for research in this context yielded few papers, and the number of empirical papers was even smaller. In this section, we provide an overview of the results of our search.

Conceptual papers. Our search identified five theoretical/conceptual/case study articles about MO in the VNPO sector (see Table 1). As will become apparent, these papers share only two things in common—dealing with MO and the VNPO context.

Drummond, Ensor, Laing, and Richardson (2000) qualitatively analyzed three case studies in their paper (police services, the Internal Revenue Service, and music services) and identified MO as central to turnaround strategies. Such strategies are needed to counteract customers who are unwilling or reluctant to use the services provided by VNPOs. Gonzales, Vijande, and Casielles (2002) modified Kohli and Jaworski's (1990) and Narver and Slater's (1990) models, which included competitor, environmental, and donor and beneficiary orientations as an improvement for the VNPO context.

Hurmerinta-Peltomaki and Nummela (1998) discussed MO in a specific and narrowly defined public sector niche. They assessed MO's relevancy to public sector organizations providing expert services to small- and medium-sized enterprises (SMEs). Martinsons and Hosley (1993) studied the planning

Table 1. Conceptual Papers on Marketing Orientation (MO)-Performance in the Not-for-Profit Sector

<i>Paper</i>	<i>Method or Approach</i>	<i>Illustrative Issues or Arguments</i>
Drummond, Ensor, Laing, & Richardson (2000)	Three case studies (police, Internal Revenue Service, and music services)	MO was central to the success of turnaround strategies in all three case studies. Turnaround strategies are needed in the face of customers reluctant to use the services provided.
Gonzalez,Vijande, & Casielles (2002)	Model development and conceptual	The central argument was that MO as conceptualized was insufficient for the not-for-profit sector. Competitor-, environmental-, and donor/beneficiary-orientation should replace the conceptualization of MO developed for for-profit organizations.
Hurmerinta-Peltomaki & Nummela (1998)	Theoretical discussion	How should MO conceptualization be modified to fit the context of public sector organizations catering to expert service needs of small- and medium-sized enterprises?
Martinsons & Hosley (1993)	Hong Kong hospital case study	The authors developed a planning process for information systems. Management information systems were seen as tying together the components of MO.
Liao, Foreman, & Sargeant (2001)	Theoretical	They argued that performance operationalizations should differ for not-for-profits.

process for information systems in market-oriented NPVOs. Their approach was based on a nonprofit hospital case study in Hong Kong. For this purpose, they argued that the MO hospital studies recognized critically required internal and external information, tied together by a strategic management information system. Finally, Liao, Foreman, and Sargeant (2001) contrasted societal and marketing orientations in the VNPO context. They argued that studies that identify a positive MO-performance link are flawed since MO conceptualizations differ for for-profits and VNPOs. Hence, its operationalization should also be VNPO-specific.

In sum, the conceptual papers reviewed cover a diverse set of topics and do not seem to have much in common. In fact, their contribution is marginalized by being “one-shot” contributions with no theoretical thread to tie them together.

Empirical papers. Our search identified 17 empirical articles about MO in the VNPO sector, summarized in Table 2. We first comment on the findings

Table 2. Empirical Papers on Marketing Orientation (MO)-Performance in the Not-for-Profit Sector^a

<i>Paper</i>	<i>Context</i>	<i>Method</i>	<i>Results</i>
Flavian & Lozano (2002)	MO in the Spanish education system	141 schools	MO enhanced performance
Gainer & Padanyi (2005)	MO in Canadian social service, community support, and art organizations	559 organizations	MO-based activities enhanced performance indirectly (through MO-based culture)
Padanyi & Gainer (2004)	MO in social service, community support, and art organizations in Toronto and Montreal	453 organizations	Client-based activities and culture enhanced reputation and resources gained
Pinho & Macedo (2002)	MO for Portuguese not-for-profits	No details provided	The authors inferred that MO improves performance
Macedo & Pinho (2004)	MO for Portuguese not-for-profits	392 organizations	The authors reported low MO levels, especially for donors
Bennett (1998)	U.K. charitable organizations	270 charities	MO enhanced performance in a regression model

a. These papers were excluded from the meta-analysis because they did not contain the required information.

of papers excluded from the meta-analysis for reasons described in the methodology section. Similar to the assertion made about conceptual and theoretical papers above, we note that these papers have little in common in the way of country, conceptualization, and operationalization of MO, sample used, and method of analysis. However, most identified a positive MO-performance link.

Flavian and Lozano (2002) studied MO in the Spanish education system. Specifically, their study was concerned with Spain's vocational training system. Based on a sample of 141 vocational schools in the autonomous community of Aragon, they concluded that the MO of the departments surveyed enhanced their performance. A paper by Gainer and Padanyi (2005) assessed the relationship between MO activities and culture on one hand and, on the other hand, improvement in customer satisfaction and in comparative customer satisfaction in Canada. Their sample included 559 social service, community support, and arts organizations in Toronto and Montreal. Their findings suggest that market-oriented activities affect performance indirectly (through MO-based culture) and that MO-based culture affects

performance, as conceptualized. Their paper focuses on the cultural facets in the MO-performance link, which will be discussed later.

Gainer and Padanyi (2002) evaluated the impact of MO on performance for a sample of 453 social service, community support, and art organizations in Toronto and Montreal. They found that client activities and culture were positively related to performance, which was operationalized as reputation and resources. In addition, Pinho and Macedo (2002) suggest that MO enhances performance but provided no details about their Portuguese study. Macedo and Pinho (2004) discussed MO for 392 Portuguese nonprofits and documented a low level of MO for their sample, especially for donors (compared to users of their services). Unfortunately, this later study provided no information about the MO-performance link. Finally, Bennett (1998) studied the MO of 270 charitable U.K. organizations. Yet, his study only provided the results of a regression model, and the correlation coefficient between MO and performance was not available.

In sum, the few empirical papers that did not include the information needed for a meta-analysis were identified and excluded. When the MO-performance relationship was assessed, it was positive and significant. We now turn to the meta-analyzed papers. We identified 11 papers that assessed the MO-performance link in the VNPO context that included the information needed to summarize them quantitatively (see Table 3). As our purpose is not to review the literature but to meta-analyze it, we briefly describe each paper. The 11 papers included a total of 1,589 VNPO organizations in local governments, universities, the arts, and hospitals that originated in Australia, New Zealand, Spain, the United Kingdom, Canada, and the United States. The within-study averaged MO-performance correlation coefficient was positive in all cases but varied widely across studies (.02-.61).

A remarkably high correlation between MO and performance was found in several studies, all of which used the Kohli and Jaworski (1990) MO operationalization. First, Caruana, Ramaseshan, and Ewing (1999) reported on a study of Australian public sector organizations. They found a correlation coefficient of .61 between overall MO and organizational performance. Second, Caruana, Ramaseshan, and Ewing (1998b) reported on Australian universities and public sector organizations. They found correlation coefficients of .60 and .52 between overall MO and public sector organizations' performance and .26 for universities. The averaged coefficient is thus .46. Third, Balabanis et al. (1997) studied a sample of U.K. charity organizations. The MO-performance correlation was .41, averaged from two coefficients for two performance measures.

Other studies reported medium-strength positive MO-performance correlations in the VNPO sector. Vazquez et al. (2002) found that MO affected positively the level of activities directed to beneficiaries and the monetary resources acquired by these organizations. It also contributed positively to the organizations' ability to fulfill their missions. Using Kohli and Jaworski's (1990) operationalization, they reported a correlation coefficient of .32 for their sample of Spanish VNPOs. Bennett (1999) included small U.K. charities

Table 3. Meta-Analyzed Empirical Papers on Marketing Orientation (MO)-Performance in the Not-for-Profit Sector

<i>Paper</i>	<i>Context</i>	<i>Method and Sample</i>	<i>Reported MO-Performance Correlation Coefficient</i>
Balabanis, Stables, & Phillips (1997)	U.K. charities	58 organizations	Averaging .41
Bennett (1999)	Small U.K. charities	147 charities	.24
Caruana, Ramaseshan, & Ewing (1997)	Australian public sector	134 heads of state government departments	.36
Caruana, Ramaseshan, & Ewing (1998a)	MO in New Zealand and Australian universities	84 universities	Averaging .39
Caruana, Ramaseshan, & Ewing (1998b)	Australian universities and public sector organizations	171 organizations	Averaging .46
Caruana, Ramaseshan, & Ewing (1999)	Australian public sector	171 organizations	.61
Cervera, Molla, & Sanchez (2001)	MO in the Spanish local government	177 organizations	.35; .40
Vazquez, Alvarez, & Santos (2002)	Private not-for-profits in Spain	191 organizations	.32
Gainer & Padanyi (2002)	Canadian cultural organizations	118 organizations	Averaging .22
Voss & Voss (2000)	Theatre artistic organizations	134 nonprofit professional theatres	Averaging .02
Wood, Bhuian, & Kiecker (2000)	U.S. not-for-profit hospitals	237 hospitals	.08

in his sample. Using a proprietary MO operationalization, he reported a correlation of .24 between MO and performance (relative fund-raising success). Cervera, Molla, and Sanchez (2001) studied MO, its antecedents, and its performance implications for Spanish public sector (local government) organizations. They reported two sets—one for a global performance indicator and one for citizens' participation—of four correlation coefficients—one each for four components of Kohli and Jaworski's MO. The averaged correlation coefficients across the four were .35 and .40 for the two sets, respectively.

Caruana, Ramaseshan, and Ewing (1998a) measured MO and performance for New Zealand and Australian universities using Jaworski and Kohli's (1993) operationalization. They reported two correlation coefficients for two performance measures—.26 and .52—for an average of .39. In addition, Caruana, Ramaseshan, and Ewing (1997) assessed the MO-performance link for the Australian public sector. Using Kohli and Jaworski's approach, they sampled heads of state government departments in Australia and reported a correlation coefficient of .36 between MO and performance. Finally, Gainer and Padanyi (2002) sampled Canadian cultural organizations. Their model was a multistep, positive nomological sequence (MO activities → MO culture → [growth in reputation; growth in customer satisfaction] → growth in resources). MO was operationalized by items from Jaworski and Kohli and Narver and Slater (1990). They reported six correlation coefficients {market-oriented culture; Market-Oriented Activities × Growth in Customer Satisfaction, in Reputation, and in Resources}. The averaged correlation coefficient across the six was .22.

In contrast with these papers, other studies found low or no MO-performance correlation between in the VNPO sector. Voss and Voss (2000) studied the MO-performance link for theatre artistic organizations. Based on a sample of nonprofit professional theatres, they reported 21 correlation coefficients (three components of MO × seven operationalizations of theatre performance). The low averaged coefficient was nonsignificant (.02). Wood, Bhuiyan, and Kiecker (2000) used U.S. not-for-profit hospitals and provided an MO-organizational performance correlation coefficient. Using an adopted version of Kohli and Jaworski's (1990) scale, the correlation was low and nonsignificant (.08).

In sum, the impact of MO on performance of not-for-profits appears to be positive, but with high deviation. However, the strength of the MO-performance relationship can only be established through a meta-analysis, the details of which are provided below.

A SUBSTANTIVE META-ANALYSIS

PROCEDURE

At this point, we note that quantitatively summarizing empirical results from previous research requires that such research provide information for one of two options. Either correlation coefficients between the focal variables could be used or *t* and *F* statistics could be transformed into correlation coefficients' estimates. Unfortunately, six of the identified papers did not include the information needed to calculate the MO-performance correlation. We contacted the authors of these papers but could not obtain such correlation coefficients.

A pooled MO-performance correlation coefficient was calculated for the constructs following Hedges and Olkin's (1985) procedure. First, the correlation coefficients were averaged within each study that reported multiple coefficients. Then, each study's averaged correlation coefficient was z-transformed according to the following formula:

$$Z_{ijk} = \frac{1}{2} \ln \left(\frac{1 + r_{ijk}}{1 - r_{ijk}} \right), \text{ where}$$

Z_{ijk} = z-transformed correlation for variables i and j in study k ;
 R_{ijk} = reported correlation for variables i and j in study k .

We averaged the z-transformed correlations after weighting them by an estimate of their variance. This was done to increase the weight assigned to accurate estimates according to the following formula (Hedges & Olkin, 1985):

$$Z_{ij} = \frac{\sum (N_k - 3) \times Z_{ijk}}{\sum N_k - 3}.$$

Then, we reconverted the pooled and transformed effects to a correlation coefficient to arrive at a meta-analysis estimate for the strength of the MO-performance link (Hedges & Olkin, 1985). This was done according to the following formula:

$$r = \frac{e^{2 \times Z_{ij} - 1}}{e^{2 \times Z_{ij} + 1}}.$$

COMPARING THE FOR-PROFIT WITH THE VNPO MO IMPACT

A calculation of the MO-performance relationship in VNPOs based on the meta-analysis procedure as presented above yielded an estimated coefficient of .33. Recently, Shoham et al. (2004) reported a meta-analyzed MO-performance correlation coefficient of .279. Their meta-analysis covered papers pertaining mostly to for-profit organizations. This estimate serves as a benchmark against which the estimated VNPO pooled and weighted correlation coefficient is compared. We find that the estimated coefficient for VNPOs (.33) is higher than for-profits' coefficient (.279). The former is 18% higher than the latter, and a one-way t test for the difference between the two is significant ($p < .05$).

A METHODOLOGICAL META-ANALYSIS

BACKGROUND

Given the stronger impact of MO on performance in the VNPO sector than in the for-profit sector, we assessed the boundary conditions for the relationship by a methodological meta-analysis. Such an analysis uses reported correlation coefficients as a dependent variable in a model in which methodological variables are used as independent variables. Thus, we used the original correlation coefficients and three methodological variables.

We examine three potential moderators of the MO-performance relationship: location (United States versus other nations), MO operationalization (Kohli & Jaworski and other), and the performance measure used (subjective or combined subjective and objective). These variables were selected based on their potential impact on the MO-performance relationship. Because few theoretical contributions are available to guide the second meta-analysis, moderators are discussed using exploratory terminology.

Study location can determine the strength of relationships in meta-analyses (Farley, Lehmann, & Ryan, 1982). MO should have its greatest effect in a nation with a highly dynamic and competitive business environment (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990). Although initial tests of the impact of MO were conducted in the United States, other nations may provide a less dynamic environment, mitigating its performance consequences. Thus, MO may have a stronger influence in the United States.

Deshpande, Farley, and Webster's (2000) five-country study of MO (Japan, United States, France, England, and Germany) documented differences (see Deshpande & Farley, 1998, for an exception). Selnes et al. (1996) reported differences between U.S. and Scandinavian samples. Cadogan et al. (1999) reported differing MO-performance relationships for U.K. and Dutch exporters. Thus, cross-nation studies have yielded differing MO-performance relationships (Matsuno & Mentzer, 2000). Notably, Deshpande and Farley (2000) concluded: "Market Orientation can be especially effective in a transforming economy, although this proposition requires much more testing" (p. 26).

In sum, findings about the impact of study location have produced mixed results. Thus, the second meta-analysis could potentially resolve these mixed results.

MO operationalization can influence the strength of its impact on performance. Kohli and Jaworski (1990) and Narver and Slater (1990) offered two widely used measures of MO, both of which are theoretically sound. Although each measures different aspects of MO, they have proven to be reliable and valid. Cadogan and colleagues (Cadogan & Diamantopoulos, 1995; Cadogan et al., 1999) compared and integrated the two conceptualizations and identified many common themes. Although MO can be viewed as a business philosophy or as a behavior-guiding orientation, Kohli and Jaworski emphasized behavior and Narver and Slater emphasized a combination of the philosophical

and behavioral facets of the MO construct. Cadogan and Diamantopoulos (1995) found that the two MO conceptualizations share a nomological network. Customer orientation, competitor orientation, and interfunctional coordination tap a similar domain as intelligence generation, dissemination, and responsiveness. Thus, given the similarities and differences discussed above, we included the MO operationalization used as an explanatory variable in the methodological meta-analysis.

Performance has been operationalized *objectively* as market share, profitability, return on assets or on investment, change in market share or profitability, new product success, and composite measures of these variables in the for-profit sector. It has been operationalized *subjectively* as efficiency or effectiveness, attainment of short- or long-term goals, or similar such measures. Most studies in the VNPO sector used subjective or a combination of subjective and objective measures. Subjective measures tap into managers' assessment of the performance of their organizations. Such measures could account for environmental conditions. For example, managers may rate their organizations' effectiveness relative to similar organizations'. Objective measures, in contrast, assess the actual performance of organizations on absolute scales.

In the for-profit sector, Schlegelmilch and Ram (2000) found that MO affected perceived, but not actual, return on investment (ROI). Jaworski and Kohli (1993) found that MO had a positive impact on subjective performance but not on an objective measure of performance. They argued that subjective performance might be more accurate in MO studies because they account for the particular strategies of an organization. They concluded, "Based on these considerations, the authors tend to place more confidence in the results obtained using judgmental measures of performance" (p. 64). Given these differences, we used a subjective and objective combination MO operationalization (no study used objective measures exclusively) as the final explanatory variable in the methodological meta-analysis.

ANALYSIS AND RESULTS

The general linear model was significant (Type III sum of squares = 0.19; $df = 3$; $F = 5.46$; $p < .03$) and accounted for 67.2% (unadjusted) and 54.9% (adjusted) of the variance in explained performance. Consequently, the individual impacts of study location, scales used, and performance measures used on explained variance in firm performance were examined.

We examined whether the relationship between MO and performance differs between the United States and other nations. Study location was significant ($F = 5.17$; $p \leq .05$, two-way) and the correlation coefficients averaged .15 in the United States and .38 in other countries.

Next, we examined differences in the strength of the MO-performance relationship across Kohli and Jaworski's scale and other scales (combinations or proprietary). The model was one-way significant ($F = 4.66$; $p < .04$); we used a one-way test because we expected, a priori, that the use of non-standard scales, not subject to rigorous reliability and validity tests, would

result in a weaker MO-performance relationship). The correlations averaged .37 for the Jaworski and Kohli (1993) scale and .16 for other scales.

Finally, the MO-performance relationship did not differ for studies using subjective versus subjective and objective combinations ($F = 0.01$; $p > .94$). Not finding a significant difference between correlation coefficients of .35 for studies using subjective measures and .02 for studies using both types might be due to the fact that only one study used the latter.

DISCUSSION AND SUMMARY

In recent years, criticism toward the management of VNPOs has intensified to argue that these organizations do not cope properly with market mechanisms. Many studies have suggested that an important aspect of better managing the VNPO sector is instilling MO in constituent organizations, which can lead to higher performance (Kotler & Andreassen, 1996; Rados, 1996).

Some may argue that that adherence to markets is less important in the VNPO sector due to its special societal role and detachment from conventional "markets." However, our meta-analysis-based averaged estimate supports the notion that MO affects VNPOs' organizational performance positively. As will be discussed below, these findings have special implications for critics of new managerial reforms and doubters of their usefulness. Moreover, the MO-performance link is stronger in VNPOs than in for-profits, making it robust across organization type yet accentuating its importance for managers of VNPOs.

IMPLICATIONS FOR THE MO-PERFORMANCE LINKAGE

The core methodological aspect in all meta-analyses is the operationalization of constructs. It is apparent that many studies, including those in this research, adopt different strategies for operationalizing the dependent and independent constructs. For example, there are many ways to operationalize MO and organizational performance. As a result of the very limited number of studies that empirically linked MO with any performance operationalization, we examined the effect of three contextual variables on the strength of the MO-performance relationship in our second, methodological meta-analysis, namely, study location and the MO and performance measures used.

Two of these variables affected the strength of this relationship. In general, U.S. samples exhibited a weaker MO-performance relationship than samples from other countries. This result is intriguing, because the conceptualization and operationalizations of MO were developed in the United States. Our first meta-analysis indicates that the MO-performance relationship is relatively robust and generalizes across nations. Yet, the strength of its impact depends on the country setting. MO may have its greatest effect in nations where high standards of consumer service and expectations are still evolving. Alternatively, assuming diminishing returns to MO and accounting for its earlier U.S. diffusion, we expect MO to provide higher organizational performance in non-U.S. settings.

The choice of performance measures might be an important consideration in determining the effectiveness of MO (Jaworski & Kohli, 1993). We find that the impact of MO on subjective measures of performance is stronger than its impact on combinations of subjective and objective measures. Subjective measures can provide a context-relevant assessment of performance because managers incorporate environmental considerations into their performance judgments. Researchwise, it is important to use performance operationalizations that capture an organization's goals to avoid weakening the MO-performance relationship. One innovative approach to examining differences involves using multiple measures of performance in every study. Researchers would then pick the most relevant performance item for each firm according to its strategic thrust. Alternatively, because goals differ between for-profits and not-for-profits, performance should at least be operationalized differently according to such goals, and future research should fit the operationalization of performance to the sampled not-for-profits.

One approach to operationalizing performance for not-for-profit organizations builds on strategic reference points (SRP) theory (Fiegenbaum, Hart, & Schendel, 1996; Shoham & Fiegenbaum 1999, 2002). According to this approach, performance should account generically for an internal dimension (the means not-for-profit organizations use and the desired ends), an external dimension (important external stakeholders and their perspectives, e.g., clients, political leadership), and a temporal dimension (performance benchmarked against past achievements, present plans, and future goals). Such an approach was developed by Ruvio, Shoham, Vigoda-Gadot, and Schwabsky (2003), and example items are provided in the appendix. The appendix also provides example items for the changes needed to make the three MO components more applicable to not-for-profits.

Finally, the scale used moderated the MO-performance relationship. In contrast to previous theoretical expositions on the similarity of approaches to operationalize MO (Diamantopoulos & Cadogan, 1996), using Jaworski and Kohli's (1993) scale resulted in a stronger relationship than using proprietary scales. This supports the importance of using previously validated scales with proven reliability.

A question arises about the potential indirect impact of MO on performance, which was not tested in this study and should be considered in future studies. Shoham et al. (2004) argued and documented that the total impact of MO on organizational performance is stronger than its direct impact may suggest. Specifically, their meta-analysis showed that beyond its direct impact, MO also affected organizational performance indirectly. One such impact was through the sequence MO → team spirit → performance; another was through the sequence MO → organizational commitment → performance. Unfortunately, the papers reviewed and integrated here provided insufficient information to enable us to assess these two indirect links. Thus, team spirit and organizational commitment should be included in future studies of MO—performance in the not-for-profit sector. When sufficient studies include these mediators, it will be possible to assess the full impact of MO on performance.

Moreover, other potential partial mediators of the MO-performance relationship should be assessed in future research. For example, Siguaw, Brown, and Widing's (1994) study of U.S. salespeople suggested that role conflict and role ambiguity, which affect job satisfaction and organizational commitment, might also partially mediate the MO-performance link. Hence, role ambiguity and role conflict should be included in future research and their mediating impact assessed. Similarly, job satisfaction might also mediate partially the MO-performance link and should be included in future studies. In sum, assessing moderators and mediators remains an important future research topic in order to establish boundary conditions for the MO-performance relationship. Once primary research on such mediators and moderators accumulates, it will become possible to meta-analyze them as well.

INNOVATIVE MARKET ORIENTATIONS FOR THE NONPROFIT SECTOR

As our meta-analysis shows, only few papers treated innovative MO as a prominent topic in VNPO studies. However, it is evident that some of the findings in the private sectors in developed countries are transferable to the VNPO sector. For example, Vigoda (2003) suggested that new managerialism was advanced as a relevant and promising alternative in an attempt to "liberate" the public sector from its old conservative image and moribund practice. For almost two decades, the literature on management of VNPOs has tried to recognize and define new criteria to help determine the extent to which nonprofit agencies succeed in meeting growing public and social needs. In the public sector, new public management has continuously advocated the implementation of market mechanisms and, in the United States, developing performance indicators (PIs) to create a performance-based culture with matching compensatory strategies has received attention (Pollitt, 1988). A consensus exists today that VNPO operations are characterized by an increasing demand for their services, a reduction in traditional governmental financial support, and a growing number of participants competing fiercely to raise funds (Balabanis et al., 1997).

Therefore, MO and its emphasis on organizations' awareness of citizens' needs and demands is suggested as a core element of better managerialism in VNPOs. MO could be used to enhance managerial *and* financial efficiency in the nonprofit sector. Like the private sector, increasing external outcomes can affect internal control mechanisms, making VNPOs' managers more "market" sensitive, highlighting their duties as social servants, and enhancing their commitment to serving various types of publics as clients or customers (Pollitt, 1988; Smith, 1993). MO in the VNPO sector requires the adoption of a particular conception of the exchange, focused on satisfying the needs of the target public to a higher degree than existing alternatives (Vazquez et al., 2002).

SUMMARY AND FUTURE RESEARCH

As was noted earlier, MO's conceptualizations are more in tune with the business sector. Replicating them without proper exclusion of irrelevant

dimensions and inclusion of additional relevant dimensions is problematic. Future conceptualizations and operationalizations of MO in the unique VNPO sector should recognize that some for-profit dimensions (e.g., competitor orientation) might apply only to VNPOs operating in competitive environments (e.g., hospitals). Moreover, for many donor- or volunteer-dependent VNPOs, future research on VNPOs' MO should conceptualize donor and volunteer orientations as extensions. Because both have been excluded from the studies meta-analyzed here, an operational effort is needed as well.

In addition, as was noted earlier, using a straight profitlike conceptualization or operationalization of performance is problematic. Due to its unique characteristics, conceptualizing and operationalizing performance of organizations in the VNPO sector is difficult. Welfare organizations and advocacy groups were used earlier to suggest how complex the construct of performance might become in the VNPO sector. Many of the studies meta-analyzed focused on hospitals or social service as "industries" disregarding their operationalizations for performance. New measures of VNPO performance are needed and should guide future research to make it more sector-specific.

The first meta-analysis presented here confirms that MO is a driver of organizational performance directly, more so for VNPOs than for for-profit organizations. The issue of how to encourage an MO culture is thus managerially important. Relatively little research has studied *MO antecedents* in the for-profit and VNPO sectors. Kohli and Jaworski (1990) listed antecedents such as formalization, centralization, connectedness, top management risk attitudes, and reward systems geared toward building MO. Because research about them is sparse, antecedents remain an important task for future research; Such research should assess how VNPOs can best build and maintain MO. An important question in the VNPO sector is how to encourage MO in low-market-oriented cultures such as large bureaucracies in public administration agencies or other VNPOs.

Our meta-analyses supported the findings by Vazquez et al. (2002) and Kara et al. (2004) and provided a potential to generalize from existing primary research about the performance implications of MO in the VNPO sector. The findings indicate that MO affects VNPOs' performance even in environments that are usually perceived as market detached. This impact tends to be even stronger for VNPOs than for for-profit organizations. Moreover, as documented in the second meta-analysis, its impact is stronger in non-U.S. settings, especially when validated scales operationalize MO. Thus, our concluding remark is normative. VNPOs that do not consider their market as such should begin doing so. This recommendation applies to all countries, but especially pertains away from the United States and mostly in less developed countries. In the Kohli and Jaworski (1990) tradition, they should generate information about their markets, disseminate it across organizational units and individual employees, and respond to the gathered and disseminated information. Moreover, once started, recognize that building and maintaining an MO with citizens as clients is a continuous and never-ending process but with promising potential benefits.

Appendix Example Items for Performance and for Marketing Orientation Operationalizations

	Relative to its plans for these 3 years		Relative to the political leadership expectations		Relative to perceived users' and citizens' advocacy groups' expectations	
	Very poor	Very good	Very poor	Very good	Very poor	Very good
Overall performance	1	5	1	5	1	5
Overall performance of this department has been	1	5	1	5	1	5
In relation to the resources committed, the improvements achieved by this department have been	1	5	1	5	1	5
The level of users' service made possible by this department has been	1	5	1	5	1	5
The level of cost-effectiveness achieved by this department has been	1	5	1	5	1	5
<i>Information generation, dissemination, and responsiveness</i>						
We do a lot of our own research about users of our services.	1	5	1	5	1	5
We are slow to detect changes in the preferences of the users of our services.	1	5	1	5	1	5
We poll users of our services at least once a year to assess the quality of our services.	1	5	1	5	1	5
We are slow to detect fundamental shifts in our service field.	1	5	1	5	1	5
We have interdepartmental meetings at least once a quarter to discuss changes in the needs of our services.	1	5	1	5	1	5
Customer-care personnel spend time discussing service users' future needs with other departments.	1	5	1	5	1	5

(continued)

Appendix (continued)

<i>Information generation, dissemination, and responsiveness</i>	<i>Definitely disagree</i>		<i>Definitely agree</i>
When something important happens to major users of our services, all of us know about it in a short period.	1	2	4
Data on satisfaction of users of our services are disseminated at all levels of our organization on a regular basis.	1	2	4
For one reason or another we tend to ignore changes in the needs of our service users.	1	2	4
We periodically review our service development efforts to ensure they are in line with what our service users need.	1	2	4
If there is a major change in our service users' needs, we would implement a response immediately.	1	2	4
Complaints of users of our services fall on deaf ears here.	1	2	4

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