

Nonprofits in Post-Soviet and Developed Economies: Comparative Study of Marketing-driven Efficiency

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Objective

- Even though initial goal of **nonprofits** is not wealth creation, they are **crucial** as they meet **social needs** that are ignored by for-profit organizations
- **Business-like techniques** became useful to NGOs, since consumer & market orientation helps to achieve goals, and leads to a more **effective** service to the society (Andreasen & Kotler, 2003; Dolnicar et al., 2008; Kara et al., 2004; Macedo & Pinho, 2006; Padanyi & Gainer, 2004; Sargeant et al., 2002)
- While developed countries have decades of **experience**, NGOs in post-Soviet states have started to emerge only after proclamation of their independence in early 90-ies

NGOs is a fast-growing sector that creates jobs and



9.6 % of GDP in the USA



6.7 % of GDP in the UK



4.3 % of GDP in Australia

Approximate number of NGOs



1.8 million \approx 1 NGO for every 200 individuals



200,000 \approx 1 NGO for every 300 individuals



700,000 \approx 1 NGO for every 50 individuals

Number of NGOs in Ukraine



646	1,300	31,000	323,300
<i>1995</i>	<i>2000</i>	<i>2005</i>	<i>2010</i>

- thus in 2010 \approx 1 NGO for every 150 individuals,
- **but** experts estimate that only **10% are actively operating**

- ? Was a 20-year's period enough to bridge the knowledge gap on how to create and run an effective nonprofit ?
- ? Is there still a difference in the way nonprofits function in these two groups of economies ?

If assumed that social marketing is a way to boost NGO's efficiency, then by testing the three **following hypotheses** for the developed and the post-Soviet countries we can obtain a better understanding of these general questions

H1: nonprofit organizations use consumer-oriented marketing approach;

H2: social marketing is performed by a professionally trained staff;

H3: market pressure, created by competition, is molding NGOs' external operational environment

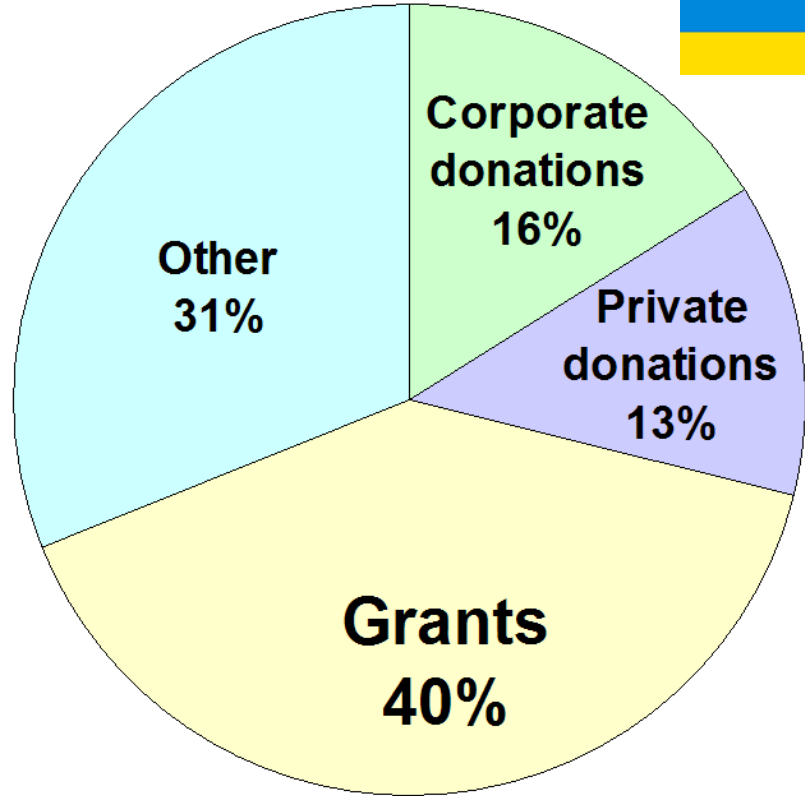
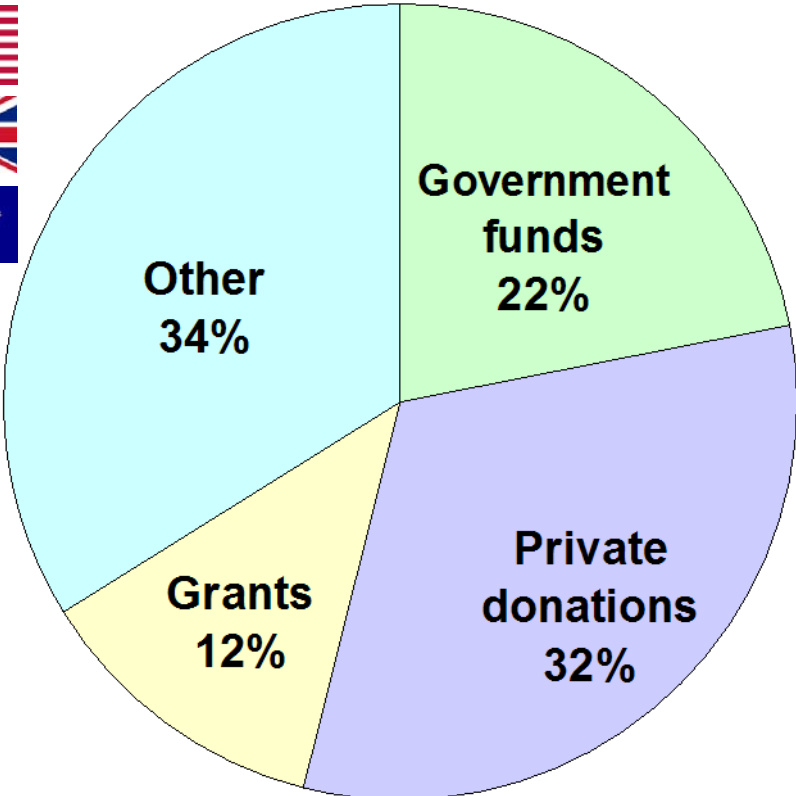
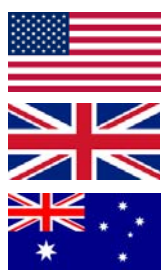
Methodology

- Two **surveys** have been conducted in 2010-2011
- **220** respondents from all the 24 regions of **Ukraine**
 - respondents have 5 years of experience in nonprofit sector
- **130** respondents : 36 from the **UK**, 33 from the **USA**, and 67 from **Australia** (Dolnicar & Lazarevski, 2010)
 - 6,5 years of experience in average
- Surveyed NGOs are reporting to:





UN or other international organization	0 %	19 %
National nonprofit body	0 %	6 %
State / Local Government	23 %	10 %
Board of trustees	42 %	9 %
Industry group	3 %	3 %
Other	26 %	16 %
None of these	6 %	38 %

- In both types of countries almost **70% of NGOs' funding** comes from **three main sources**



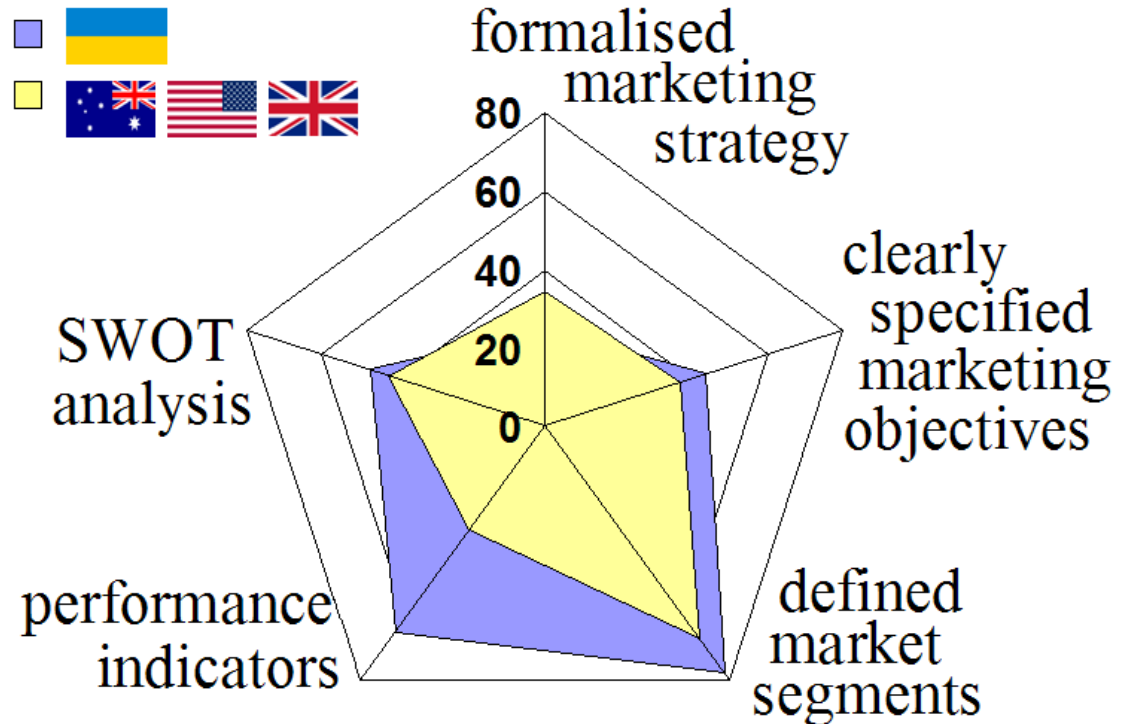
- In terms of other funding sources, all surveyed nonprofits did poorly in collecting service fees, getting investment income and receiving revenues from their products sales, related enterprises, and membership dues

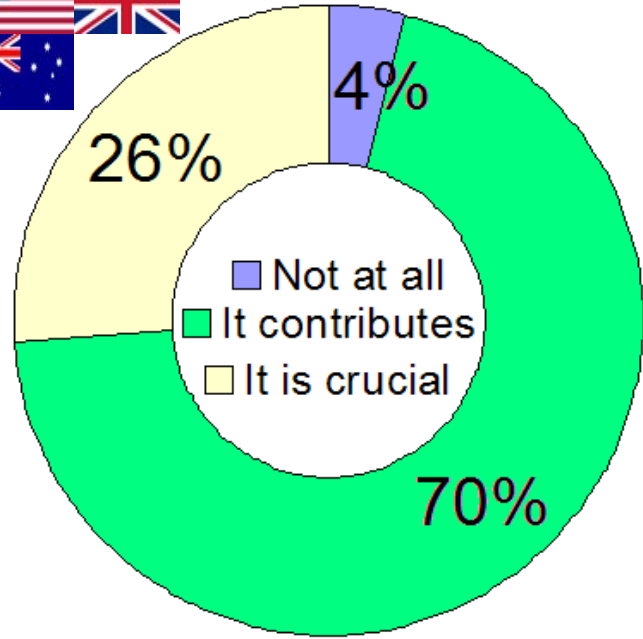
Respondents' estimation of the NGO's marketing efforts

		
Not much	39%	82%*
A fair bit	48%	15%
Very much	12%	4%

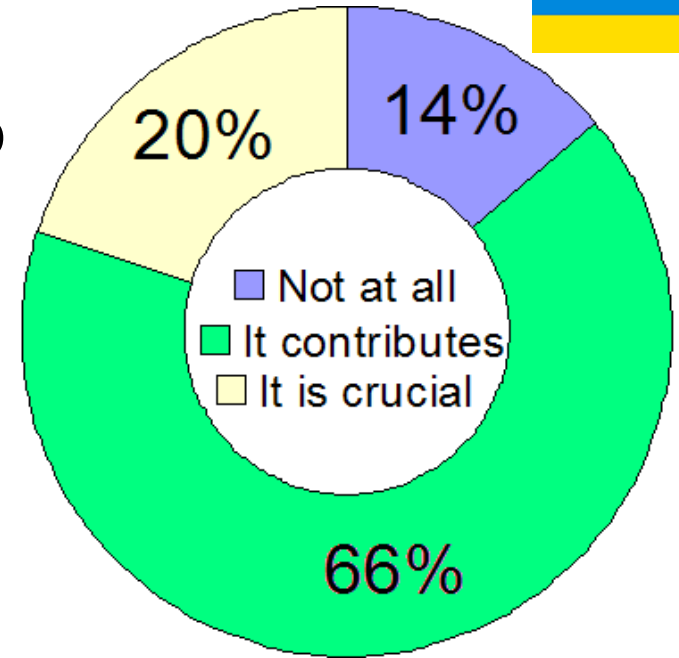
* incl. 25 % that use no social marketing at all

Respondents who indicated that their organization has done and / or is currently doing the following (in percents):






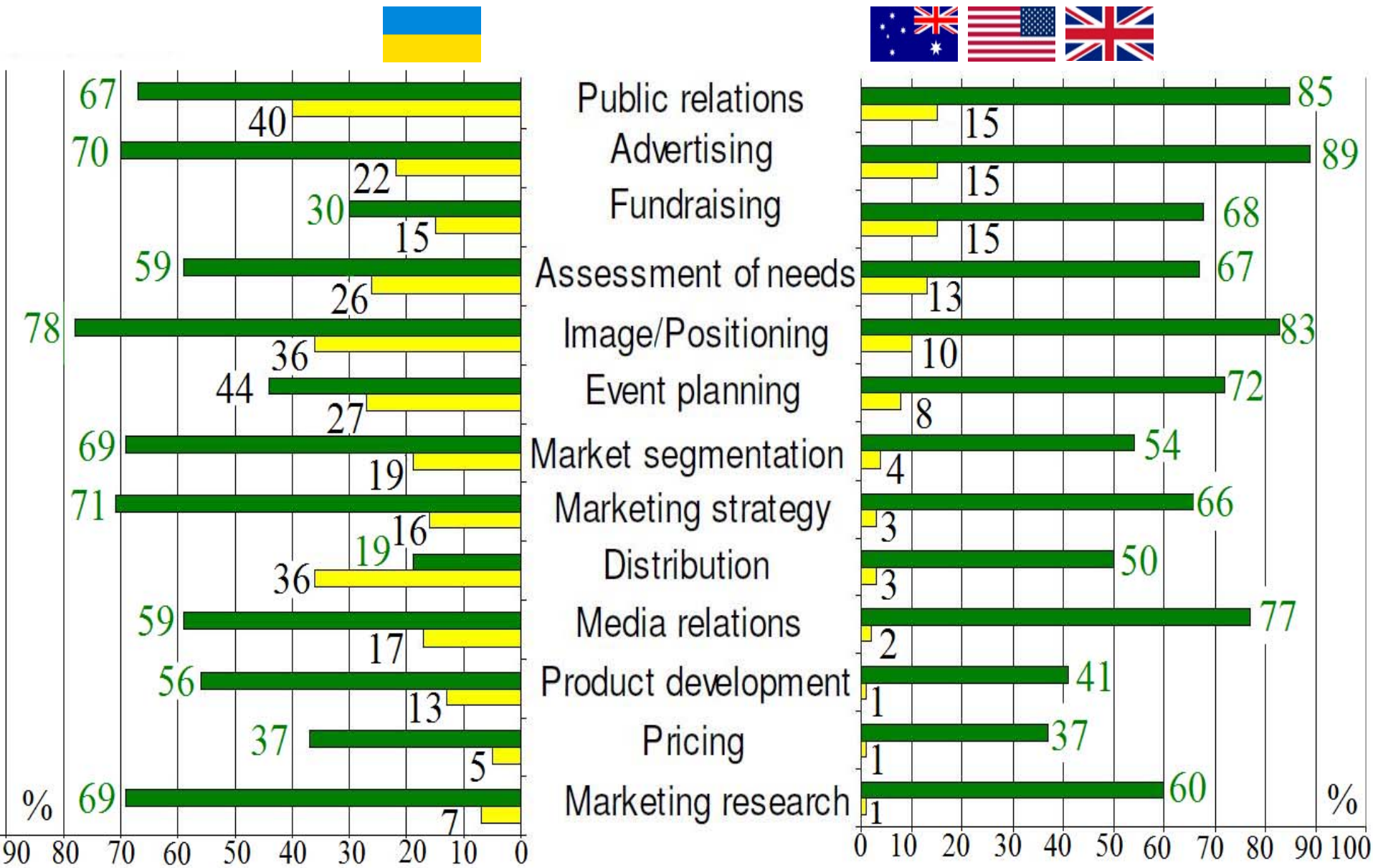
Does social marketing help to achieve NGOs mission more effectively?



How often does your NGO get engaged in market research?

		
Never	71%	47%
Every few years	10%	13%
Less than once a year	2%	10%
Approximately once a year	10%	11%
More than once a year	7%	19%

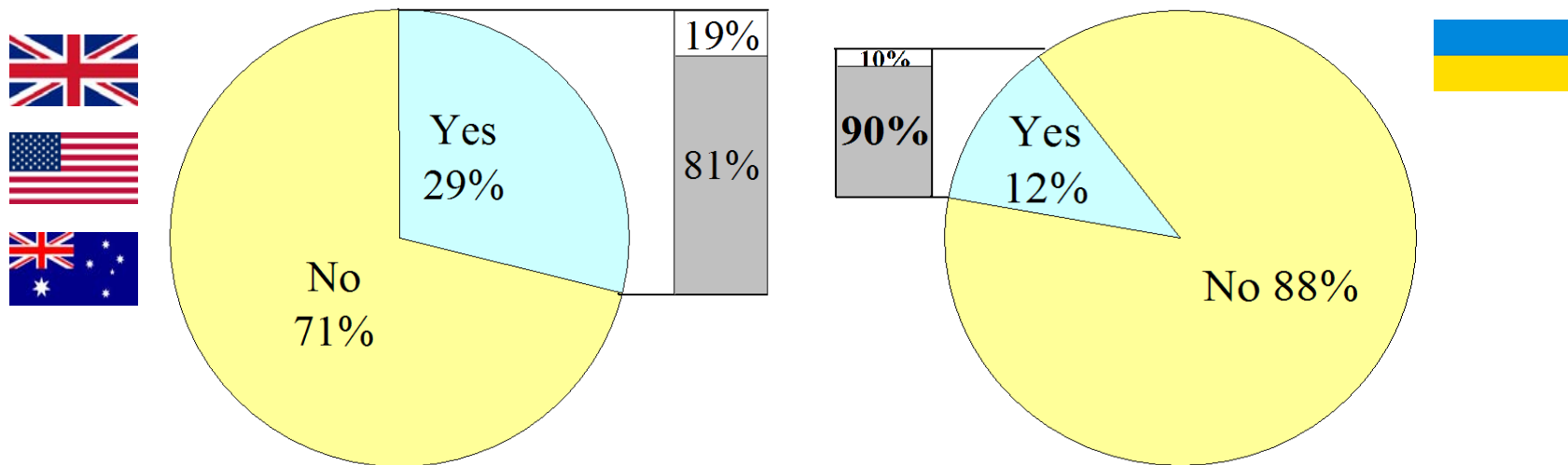
Areas recognized by NGOs as a part of social marketing (■) and those perceived as the most important (■)



H1 : Results

- **For both the developed and the post-Soviet countries H1 is rejected:** NGOs are still dominated by an organization-centered mindset and guided by a narrow definition of social marketing
- Minor role is given to consumer and market research: Services are mainly provided based not on the needs of the society, but on funding requirements organization is capable to meet
- NGO employees in Ukraine are less awareness of social marketing efficiency. Non the less they are more willing to attribute all marketing components to their activity. This shows eagerness to study and to comply with the need of changes in the current functioning of the NGO

Does your NGO employ a marketing manager (s)? If yes, have they studied in marketing (□), or not (■)?



Where have they been trained in marketing?

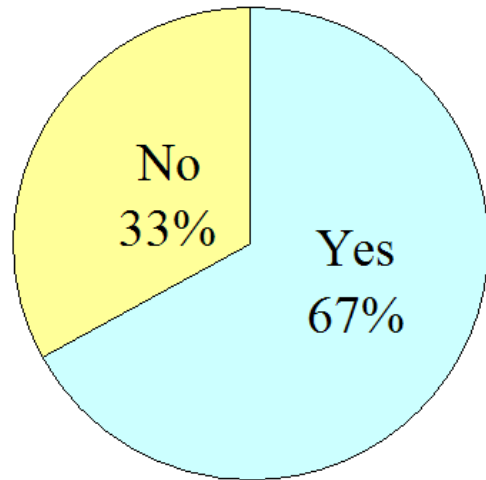
	Developed Countries (UK, USA, Australia)	Ukraine
High school	4 %	7 %
University	15 %	40 %
Place of work	10 %	32%
Other	71 %	21%

In Ukraine NGOs offer additional internal marketing training more often than in developed countries (18 vs 10%)

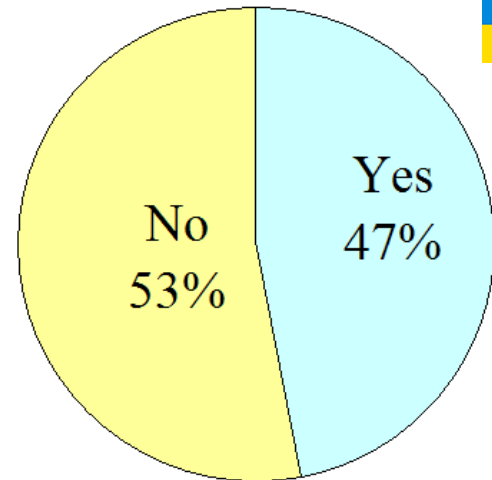
H2 : Results

- All surveyed nonprofits have a small proportion of marketing-trained staff, thus **H2 is rejected for both developed and post-Soviet countries**
- While nonprofits in developed countries employed more staff members dedicated to marketing activities, the fact that only 1/5 of them has formal marketing training. This might explain why NGOs' mindset remains unchanged
- Having starting functioning since the early 1990-ies, the NGOs improved their marketing operations significantly. Thus, countries like Ukraine have higher number of NGO employees who don't consider business-like techniques, including social marketing, productive

- Nearly **70 %** of respondents believe that all countries have **different conditions** and this influences their functioning
- The key difference is in the perception of competition



Does your organization face competition?



- **However**, in all the countries only **1/3** of NGOs take **actions to secure** or improve market position.
- Interesting question is “Why is there no correlation between NGO’s estimation of completions and its reaction to it?”
Possible answer is “NGOs prefer to treat others as **cooperative organizations**”

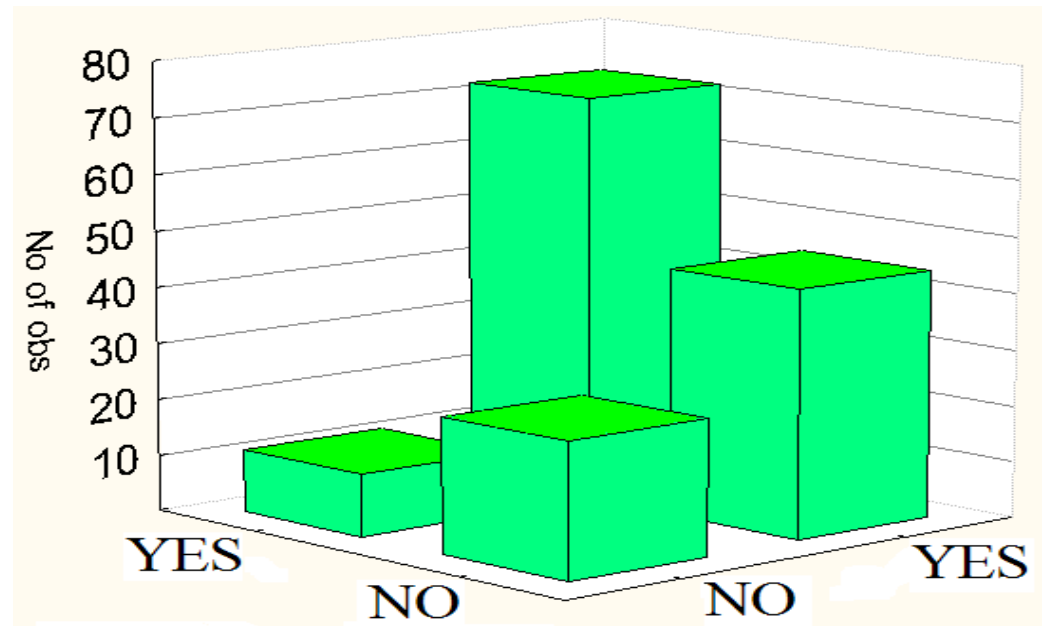
- The main **competition** is between NGOs with similar missions and the main object of competition is **funding**

What are the NGOs competing for?



Grants	21 %	Volunteers	11 %
Publicity	16 %	Private donations	9 %
Government funding	15 %	Service fees	7 %
Corporate donations	11 %	Other	10 %

- The majority of those who recognize competition in nonprofit sector is using performance indicators to track efficiency of their organization



Your organisation:
faces competition

uses performance indicators

H3 : Results

- Nonprofits in all the countries experience the increasing competition for both volunteers and funding. The study of Dolnicar & Lazarevski (2010) implies the regulatory differences in the US, UK, and Australia have less effect on marketing than the market pressure. Thus, **H3 cannot be rejected for the developed countries.** Ukrainian NGOs do not take market pressure as a crucial part of the external operational environment. Thus, **H3 should be rejected**
- Competition between the global NGOs may have negative effects on the society (Aldashev & Verdie, 2010). On the local scale competition mostly boosts the NGOs efficiency. In Ukraine, 60 % of respondents not recognizing existing competition do no conduct any type of marketing, thus limiting their NGOs efficiency

Conclusions

- Nonprofits of the 21st century are expected to make transition from an organization-centered philosophy to a consumer-centered (market-oriented) philosophy, which includes constant study of societies' needs, evaluation of possibilities to meet them, and construction of realistic tangible goals to monitor the NGO efficiency
- Till now neither NGOs in the developed, nor those in the post-Soviet countries have been able to change their philosophy. The 20-years' period was not enough to close the knowledge gap, but a lot has been done and principles of NGOs functioning in these countries became more similar
- Professionalization of the workforce around the world should assist in increase of efficiency in a nonprofit sector