

The Application of Stakeholder Theory to Relationship Marketing Strategy Development in a Non-profit Organization

Simon Knox
Colin Gruar

ABSTRACT. Non-profit (NP) organizations present complex challenges in managing stakeholder relationships, particularly during times of environmental change. This places a premium on knowing which stakeholders really matter if an effective relationship marketing strategy is to be developed. This article presents the successful application of a model, which combines Mitchell's theory of stakeholder saliency and Coviello's framework of contemporary marketing practices in a leading NP organization in the U.K. A cooperative enquiry approach is used to explore stakeholder relationships, dominant marketing practices, and to surface differing perceptions about the organization's marketing strategy. Resolving

these differences sets the scene for developing choices in marketing strategy for the future.

KEY WORDS: empirical study, non-profit organization, relationship marketing strategy development, stakeholder saliency

Introduction

In the last decade or so there has been a shift in emphasis of marketing theory and practices towards relationship marketing which views the business as a coalition of stakeholders (Christopher et al., 1991; Payne et al., 2001; Polonsky, 1995; Polonsky et al., 2002) and focuses on building closer customer relationships (Berry, 1983; Grönroos, 1997). Relationship marketing theory, therefore, does offer a reformist agenda for stakeholder management since it places an emphasis on stakeholder collaboration beyond the immediacy of market transactions. According to different authors, the theory involves creating exchanges of mutually beneficial value across salient stakeholder groups (Christopher et al., 2002), interactions through direct relationships and within networks (Coviello et al., 1997; Gummesson, 1999), and building mutual commitment and trust (Morgan and Hunt, 1994). Kotler and Armstrong's definition of relationship marketing (1999, p. 50) makes specific reference to strong stakeholder relationships:

“Relationship marketing involves creating, maintaining and enhancing *strong relationships with customers and other stakeholders*. Relationship marketing is orientated towards the long term. The goal is to deliver long-term value to

Simon Knox is Professor of Brand Marketing at the Cranfield School of Management in the UK and is a consultant to a number of multinational companies including Levi Strauss, DiverseyLever, BT and Exel. Upon graduating, he followed a career in the marketing of international brands with Unilever plc in a number of senior marketing roles in both detergents and foods. Since joining Cranfield, Simon has published over 100 papers and books on strategic marketing and branding and is a regular speaker at international conferences. He is a Director of the Cranfield Centre for Brand Management Development in the School and is currently looking at the impact of Corporate Social Responsibility on Brand Management. He is the co-author of two recent books, "Competing on Value", published by FT Pitman Publishing in the UK, Germany, the USA and China, and "Creating a Company for Customers", FT Prentice-Hall, in the UK, Brazil and India.

Colin Gruar is currently studying for his Doctorate of Business Administration at the School. His thesis is concerned with developing marketing strategy across stakeholder groups in the Not-for-Profit sector. Formerly Head of Marketing at a major UK medical research charity, Colin has also had senior roles in sales, marketing and operations management in a range of sectors including manufacturing, financial services and energy supply.

customers and the measure of success is long-term customer satisfaction.”

However, in their seminal study of relationship marketing practices in over 300 U.S. and European firms, Coviello et al. (2002) conclude that their current marketing practices are pluralistic; relationship marketing has not fully replaced conventional transactional marketing as the dominant practice but is used where appropriate, as is database and network marketing to a less extent. These researchers focus their research on marketing to customers and do not explore how marketing has evolved across other stakeholder groups, although other researchers (Day and Montgomery, 1999; Webster, 1978) extol the benefits of engaging in wider stakeholder marketing practices. Payne et al. (2005) argue that stakeholder marketing is essentially an espoused theory more than a theory-in-action currently, which is the conclusion we also draw from our literature review; as far as we are aware, there are very few substantive empirical studies of the nature of stakeholder marketing practices. One such study is the pioneering work of Murphy et al. (2005) on stakeholder relationship marketing in which the future financial performance of 33 businesses is found to be a reflection of their long-term economic, social, and environmental performance. By regressing a stakeholder performance appraisal of the company against an ROI forecast provided by the CEO, their work suggests that higher stakeholder perceptions presage a more effective relationship marketing strategy across stakeholders and higher ROIs among those businesses attempting to balance their stakeholder management activities.

Our article contributes to both stakeholder theory and relationship marketing practices through the application of an integrated model, which enables market strategy development in the NP sector. Initially, we discuss contemporary marketing issues in NP organizations, the rationale behind our research model for such organizations, and how it can be operationalized in the context of our research setting, a major medical research Charity¹ in the U.K. Then we discuss our chosen methodology, the stages and types of our collaborative interventions we make during this longitudinal study, and our main research findings; an outline of the saliency of the Charity's external stakeholders and the dominant

marketing practices the organization uses to influence them. In this section we also discuss the emergence of three, differing ‘worldviews’ among the management team and conclude by drawing together the main choices open to the management for relationship marketing strategy development. Finally, we explore the implications of our work for theory and practice, its limitations and suggest future research directions.

Marketing in NP organizations

In contrast to the gradual refocusing of a firm's relationship marketing strategy to engage more fully with stakeholders, NP organizations often face a bewildering array of dilemmas as they deal with interacting and recurring stakeholder pressures on a regular basis (Tschirhart, 1996). Gallagher and Weinberg (1991) argue that in NP organizations, stakeholders generally have a greater importance than is the case with commercial businesses since they often have complex inter-organizational relationships with NPs and many are intimately involved in the achievement of organizational goals and marketing strategy development. For this reason, marketing strategies within NP organizations differ from commercial businesses. For instance, NPs will often pursue multiple, non-financial marketing objectives; they market for social change, which Liao et al. (2001) refer to as a ‘societal orientation’; and they garner more public attention, both positive and negative, than the average business (Shapiro, 1973). Arguably, this makes marketing in NPs more contingent upon a wider range of influential stakeholders, with the determination of stakeholder saliency a crucial preceding step in marketing strategy development (Gallagher and Weinberg, 1991).

Ten years after Kotler and Levy (1969) first proposed broadening the marketing concept beyond commercial organizations, Kotler (1979) published a paper specifically about how NPs could introduce marketing into their organizations. Some 27 years later, the NP sector is now undergoing something of a reformation in which marketing principles and practices are being widely, but perhaps not universally, adopted (Andreasen et al., 2005); there still remain corners of the NP sector where

marketing is considered anathema and a marketing vocabulary is avoided.

So why are the more market-savvy NP organizations now choosing to embrace both closer stakeholder relationships and contemporary marketing practices? There are a growing number of factors that contribute to this aspect of change in the NP sector. First, NP organizations are increasingly eager to control their own financial destiny in which self-funding is the new mantra (Dee, 1998). This is partly due to the fact that they face new competition from private sector challengers in areas like education and health care and partly because there is intensifying competition from other NP organizations for a 'share of purse' both among donors and government departments. Second, NPs have learned significantly more about the value and techniques of marketing through 'cause-related' marketing partnerships between businesses and NP organizations. These alliances have come about as a result of the new approach of firms to develop their CSR agenda (Porter and Kramer, 2002; Knox et al., 2005). Corporate alliances of this type bring pressure on NPs to change, especially when money for these joint activities comes from marketing or human resource budgets; corporate marketers and HR professionals will expect deeper involvement in the NP organization and their joint projects than traditional donors may have expected or wanted. Third, the NP sector has produced a significant number of large organizations that are led by professional CEOs who are highly committed to the NP's mission and can see the need for contemporary marketing practices across stakeholders (Drucker, 1989). Such organizations can not only see the need for stakeholder marketing strategies, they can also afford to set up marketing positions and pay the requisite salaries that top marketing executives command. For instance, the Salvation Army in the U.S.A. has revenues of more than \$2bn per annum and the American Cancer Society turns over about \$800m (Chronicle of Philanthropy, 2003). Such leading-edge NP enterprises are very sophisticated and do not hesitate to use marketing concepts not just in traditional areas such as direct mail and fundraising, but also in achieving their basic social goals (Andreasen and Kotler, 2003).

In order for NP organizations to develop an effective relationship marketing strategy, which

reflects such environmental shifts, we would argue that there are two fundamental tasks which the senior management team needs to address prior to articulating any new marketing strategy. These are:

- Develop a rigorous approach to determining and agreeing stakeholder salencies across the organization.
- Audit their current marketing practices across each of these stakeholders and assess their efficacy.

Research model, context, and objectives

To enable this process within the NP sector, we have developed an integrated model, which incorporates both aspects of this proposed systematic review of marketing strategy. This model is presented in Figure 1 and seeks to link Mitchell's theory of stakeholder classification and saliency (Mitchell et al., 1997) with Coviello's framework of contemporary marketing practices (CMP) (Coviello et al., 2002).

In our initial search for appropriate theory and practices surrounding stakeholder marketing, we considered other stakeholder models and relationship marketing approaches. For instance, Frooman's seminal paper (1999) on resource dependency theory in stakeholder management was appraised alongside Mitchell's work, however, since it views these relationships from an 'outside-in' perspective—the development of influencing strategies among stakeholders—and Mitchell adopts an 'inside-out', the latter fits better with our research protocol since we choose a managerial focus in identifying stakeholder influences. Similarly, Christopher et al. (1991) have developed the 'six-markets' model, which identifies the saliency of certain stakeholders in developing relationship marketing practices. Although this model has been cited extensively in the relationship marketing literature, we concluded that its specificity both in prescribing which stakeholders can be regarded as salient (without prioritizing them) and in their assumption that relationship marketing is the dominant practice simply does not fit with our knowledge of the NP industry. Our understanding of the saliency of stakeholders among

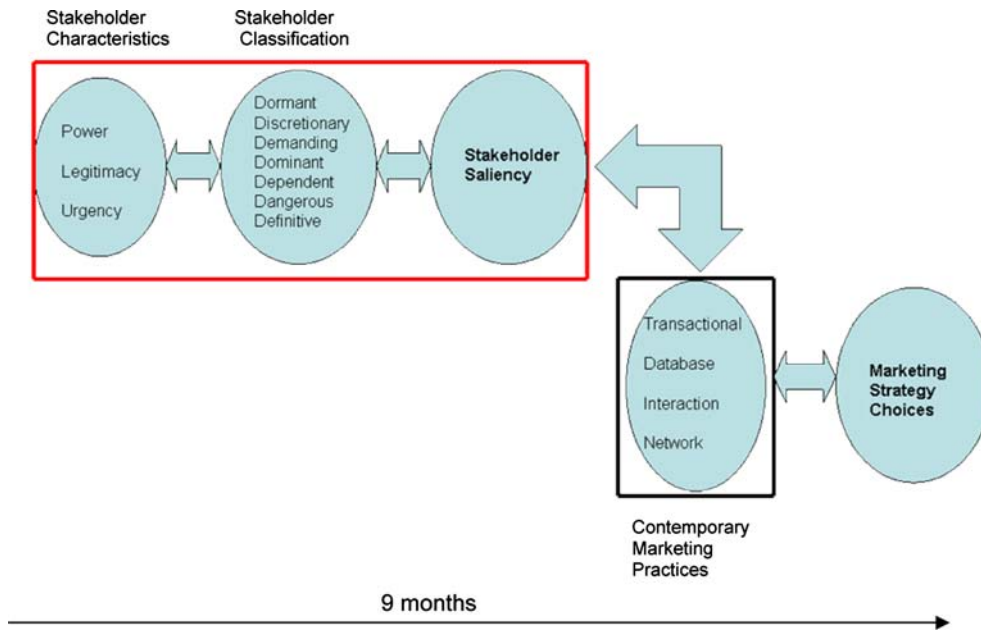


Figure 1. An integrated model for marketing strategy development in the non-profit (NP) sector.

NPs suggests that it is both contingent and temporal and that their marketing practices are pluralistic rather than purely relational. In the end, we chose the Corvieto framework on the basis of its broader approach to relationship marketing despite the fact that we needed to adapt their research instrument to explore stakeholder marketing practices (see our 'Research methodology and protocol' section and Appendix A for the adapted Corvieto research instrument).

The unit of analysis of our research is a leading U.K. medical research Charity (the Charity) and it was selected as a single participating organization to explore a defined process (Eisenhardt, 1989; Yin, 2002), made possible because of the privileged access granted to the researchers (Balmer, 2001). This defined process is about building and testing a new approach to relationship marketing development across the stakeholders of a NP organization. Our purposeful sample has enabled our collaborative study to be carried out on a longitudinal basis and fits our method of descriptive and explanatory enquiry (Patton and Appelbaum, 2003). However, in case study research of this type context is also important (Patton and Appelbaum, 2003); the theoretical sample of industry is NPs and choice of participant company is based on an acceptance by the Charity's

management of the need for change in their stakeholder marketing strategy. This change is being driven by a history of successful research solutions which has resulted in fewer people dying from the medical condition and increasing numbers of people living with its debilitating effects. This environmental shift is forcing the organization to review its strategic direction, placing greater importance on resource allocation for education and care solutions. Increased education and care activities change the topography of stakeholders for the Charity and their relative saliencies, which become instrumental in any revision of the Charity's marketing strategy. Thus, our research objectives are:

1. To explore the validity of our model in enabling managers of a NP organization to systematically review their current marketing strategy in the face of shifting organizational goals.
2. Through our collaborative enquiry approach, to facilitate the development of marketing strategies deemed to better fit this changing environment.

In developing this marketing strategy, the management will have to have a clear view of *who* and

what really matters before carefully managing the consequences of any strategy shift. In reviewing their existing marketing strategy, they will have to judiciously reallocate the organization’s limited resources based on their understanding of the saliency and needs of its various stakeholder groups in the future. Many of the Charity’s key stakeholders are depicted in Figure 2.

Within the Charity, there is currently no defined approach to resolving these issues across the organization and consequently a number of different perspectives (or what the authors term ‘worldviews’ in the findings section) exist across the management team regarding the issue of stakeholder saliency and resource allocation. This management challenge is getting more complex because of increasing turbulence in the external health environment resulting in unpredictable change and a greater number of competing stakeholders with different interest areas calling upon the same pool of limited resource. As a result of the combined effect of uncertainty and greater need, it is becoming more difficult for the Charity’s management to agree upon a clear definition of the organization’s marketing objectives and its relationship marketing strategy. Consequently, a more systematic approach to the assessment of the saliency of its stakeholders and how this supports the direction of marketing development has been recognized as urgently needed. It is this state of readiness among the management team that makes our research objectives realistic and our

proposed methodology of collaborative enquiry using a soft systems approach achievable provided evidence of staged progress can be demonstrated to managers.

The research methodology and protocol

Soft Systems Methodology (SSM) was originally developed by Checkland (Checkland and Scholes, 1990) and has been used by researchers in business, the civil service and other NP organizations, notably the U.K.’s National Health Service, for over 30 years (Checkland, 2000). SSM research has also been reviewed extensively in the academic literature over the years and is generally acknowledged as a robust methodology (see Bergvall-Kareborn, 2002a, b; Flood, 2000; Flood and Romm, 1996; Munro and Mingers, 2002). Soft Systems Methodology was chosen here for a number of contextual reasons. First, it has a defined epistemology and an established set of constitutive rules which are declared ‘in advance’ of the intervention (Checkland, 2000). Applying the epistemology and adhering to the constitutive rules enables any new knowledge to be recoverable and translated to other problem contexts, enhancing the ability to generalize the learning. Second, SSM also has the advantage of a set of methods and intellectual devices (Root definition;² CATWOE;³ Activity Systems⁴ etc.), which can be selected and used to consciously explore, understand

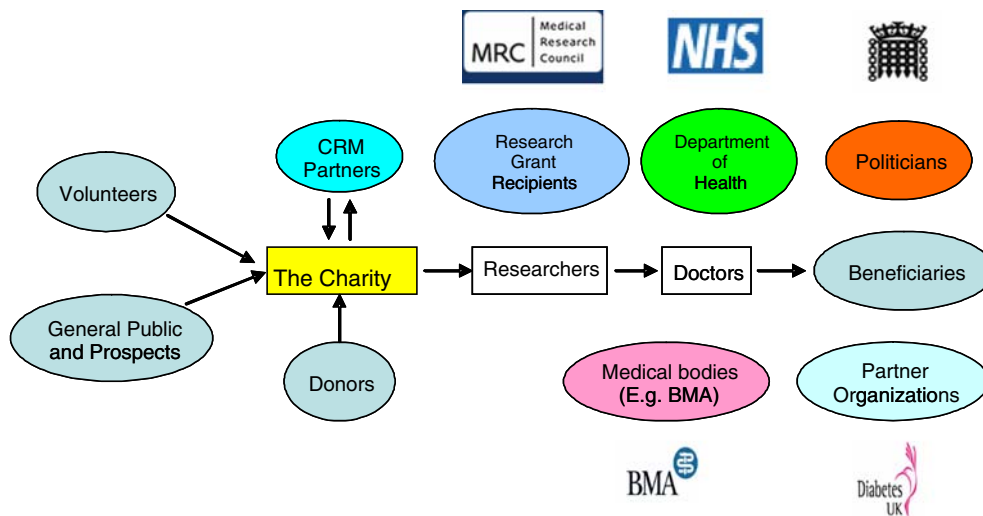


Figure 2. The Charity’s key external stakeholders across the value chain.

and act in a situation using a wide variety of different types of data. Third, SSM is a collaborative enquiry methodology that supports a longitudinal approach, involving observation of change and the study of the problem situation over time. This enables researchers to compare ‘before’ and ‘after’ states and to draw out the learning from this as well as engage with practicing managers as ‘researchers’ on the journey, allowing the real life complexity of an issue to be fully explored.

Checkland advocates a seven-stage approach to soft systems applications, from problem situation identification to the actions resulting, and the ethnography of these seven steps is illustrated in Appendix B (using an example from our research in which actions are agreed to improve the prominence of a particular stakeholder across the NP organization). For parsimony in reporting, this seven-stage process has been reconfigured around the key stages of researcher intervention, which has led to the results reported here. As the linear flow of Figure 1 suggests, there are *three* key stages of researcher intervention over the nine-month period. These stages are:

- First, to establish among *individual* managers of the Charity the saliency of stakeholders aligned to their functional areas and then to surface the perceived contemporary marketing practices (or lack of) currently applied to these stakeholders.
- Second, to reach a *team-based* consensus about stakeholder saliency across the Charity and its existing relationship marketing practices and
- Third, to identify the *team’s* view of the alternative choices⁵ open to management as they develop their relationship marketing strategy in response to the environmental shifts discussed earlier.

To ensure the validity and reliability of the *individually* assessed measurement instruments, such as Mitchell’s stakeholder saliency and Corviallo’s contemporary marketing practices and the *team-based* discussions and reflections within the SSM, a constant comparative method borrowed from grounded theory was utilized (Barnes, 1996). The responses from a representative sample of managers within the same NP organization were compared against each other, field notes, and secondary sources.

The sample frame

Due to the size of the management population in the Charity (25 in total), it was first necessary to determine a representative sample. The researchers defined four selection criteria for this purpose:

1. Actively engaged in driving change.
2. Contact with external stakeholders.
3. Users of marketing practices and
4. Relevancy of the issue to their work.

An initial assessment of managerial eligibility (High, Medium, and Low) was made based on the researchers’ knowledge of the organization and its structure. A filter of two or more ‘Low’ scores was used to exclude potential respondents from the research sample. This yielded a research sample of 14 managers. The basis of sampling, the assessment criteria, and the assessments made were then sense-checked with other managers and agreed as acceptable.

Soft systems protocol: operationalizing the integrated model

Although Mitchell’s theory of stakeholder saliency has been widely accepted by researchers, his work has had limited application in practice: the authors could not find any substantive, published studies of its use in the NP sector, which Mitchell has confirmed through personal communications. So we chose to operationalize Mitchell’s work through the following soft systems protocol.

An initial pilot sample of three senior managers from the Charity was asked to identify and prioritize the top three stakeholders they consider to be essential in carrying out their duties. Each manager was then given a definition of the three saliency characteristics (*Power, Legitimacy, and Urgency*) and asked to rate their priority stakeholders using a graphical instrument designed to encourage them to think more deeply about the relative impact of the three characteristics for each priority stakeholder and their responses were calibrated on three 7-point scales (see Figure 3 for the prototype Mitchell instrument used in this pilot).

To be able to apply Mitchell’s theory in practice, it was first necessary to use the score profiles

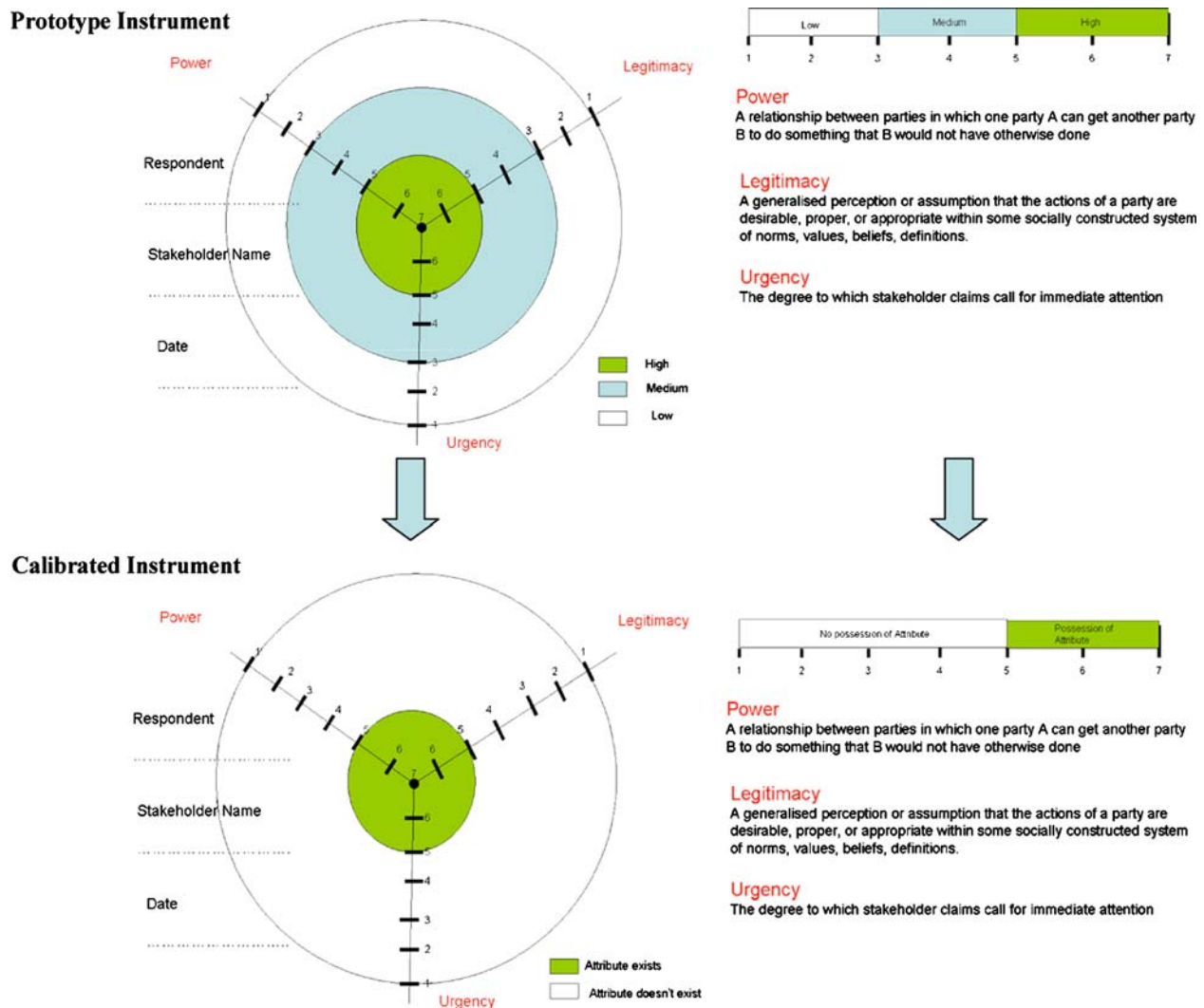


Figure 3. From prototype to calibrated instrument: operationalising Mitchell's stakeholder saliency in the Charity.

relatively to identify how Mitchell would classify that particular stakeholder and then to 'sense-check' this classification with the manager. Where Mitchell's predictions didn't resonate, the next step was to 'recalibrate' the point on the scale at which any of the attributes (*Power*, *Legitimacy*, and *Urgency*) were deemed to exist (and below which that attribute was not perceived to be present). A score of ≥ 5 across the three scales yielded the most consistent alignment between these theoretical predictions and managerial experiences. Thus, the validity and reliability of the prototype Mitchell instrument was developed through inductive iteration in the pilot study until the instrument yielded the best predictions. This calibrated instrument (also

shown in Figure 3) was then used across all 14 managers. At the same time, individual managers were also asked to complete an adapted form of Coviello et al.'s questionnaire (1997) of contemporary relationship marketing practices.⁶ In order to make it easier for respondents to understand the nuances of the organization's marketing practices to stakeholders, the questionnaire was adapted in two ways:

1. Marketing 'jargon' was converted to plain English.
2. The questions were modified to represent the general case of stakeholders rather than the specific case of 'customers', which has been

the main focus of the Coviello questionnaire in the past.

Again, the modified questionnaire was piloted with three respondents and took about 1.5 hours to complete. Minor difficulties were identified and corrected. Otherwise, the questionnaire remained unchanged and was used without problems to record the views of all 14 participating managers across the top three stakeholders they regularly deal with (see Appendix A for the modified Coviello questionnaire and Appendix C for an example of responses from three respondents). This instrument captures qualitatively the most dominant form of marketing practice, which each manager considers representative of their exchanges with these stakeholders. Depending on managerial function, this could range from engaging in the recruitment of regular donors, to lobbying for funds from the Department of Health or seeking sponsorship of a TV commercial by a corporate partner. The response from individual respondents produced many divergent forms of marketing practices not currently covered by Coviello’s existing classification framework. This is only to be expected since marketing in this NP organization is about affecting changes in social behaviors, such as smoking cessation, substance abuse, etc. rather than selling products or services. However, at this stage they were specifically asked not to come to judgment about the efficacy of these marketing practices since the majority of respondents, although familiar with the basics of marketing, were non-marketers.

In the second stage of our research protocol, a soft systems approach was again adopted in the form of an interactive workshop. The purpose of this workshop was to provide the basis for a common understanding of stakeholder saliency across the organization and to initiate team discussions about whether or not each were considered to be covered by the Charity’s existing market practices. As an outcome, there was broad agreement about the saliency of stakeholders and whether or not these stakeholders were reached through the organization’s dominant marketing activities.

Finally, the results from this second-stage workshop were discussed with the management team. Our agreed purpose was to synthesize a view of the level of disagreement about the direction of the

Charity’s marketing strategy, i.e., to articulate the nature of the differing ‘worldviews’ across the management team about *who* really matters among stakeholders and *how* marketing strategy is being deployed to influence them. Appendix D illustrates one of the artifacts produced when the SSM was applied to surface these differing worldviews.

Despite differences in opinion about the primacy of these distinctive (and sometimes conflicting) worldviews, a consensus view was reached about the choices the management has for developing a new relationship marketing strategy. It was acknowledged that these choices needed to reflect the changing environment discussed earlier and may also cause shifts in the topology of the Charity’s stakeholders. Our research findings are discussed in the next section.

Research findings

The saliency of priority stakeholders

Mitchell’s theory of stakeholder saliency has proved instrumental in enabling the organization’s priority stakeholders⁷ to be identified in a more systematic way. The results are shown in Figure 4, which lists who these priority stakeholders are and their saliency classification based on Mitchell’s theory

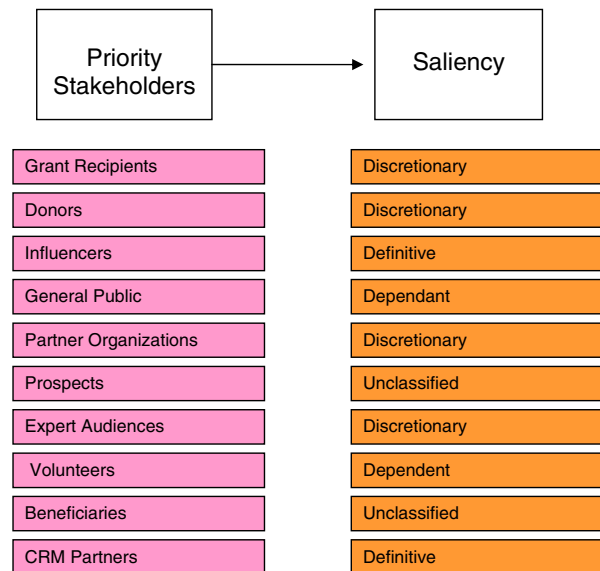


Figure 4. The Charity’s priority stakeholder and their saliency classification.

(see Appendix E for a full explanation of this classification system). An additional classification (unclassified) was added to cover the situation where a stakeholder was identified qualitatively as a priority but was not deemed currently to possess any of the three attributes of Power, Legitimacy, or Urgency.

Not surprisingly for a medical research Charity, the most important stakeholders are perceived to be the *Grant Recipients* who apply for and secure the research grants. The need to raise the money through *Donors* is seen as being the next priority since without this money, there would be no funds to distribute. *Influencers* are perceived to be in third place because they can create the right external environment for the Charity, particularly in terms of promoting awareness of the need for its work among the *General Public* (which in turn helps raise more money). Next comes *Partner Organizations* who increase the reach of the Charity's work, providing joint programs and further funding opportunities. Further growth in fundraising activity can come from attracting new donors and hence *Prospects* are seen as being next in importance. *Expert Audience*, such as the British Medical Association, can augment the authority of the Charity's work and represents an influential network of opportunities to promote key policy decisions. Without *Volunteers*, the operations of the Charity's shops and other community fundraising would grind to a halt and the money available to *Grant Recipients* would be severely reduced. Finally, the level of funds raised is further augmented through relationships with *CRM Partners*. The biggest surprise of all is the relatively low managerial perception of the importance of *Beneficiaries* (the people the organization is ultimately trying to help), although some respondents did emphasize that they were actively trying to amplify the 'voice of the beneficiary' across the organization.

Next we report on the *classification* of each salient stakeholder group using Mitchell's stakeholder theory. Again, the model appears to have a good fit with practice, based on the observed alignment between managerial perceptions of stakeholder influences and Mitchell's theoretical predictions. Three of the seven Mitchell classifications (*Definitive*; *Discretionary*; *Dependent*) are found to be relevant to the priority stakeholders identified by the management team. *Definitive Stakeholder* (command imme-

diately management attention) is felt to be an appropriate classification for *Influencers* (particularly journalists with an important story or politicians and legislators working on important policy initiatives) and *CRM Partners* (such as the high street retailer Tesco) who offer the potential of large funding arrangements. *Discretionary Stakeholder* (no pressure for managers to engage although they can choose to do so) is felt to be an appropriate classification for the saliency of *Grant Recipients*, *Donors*, *Partner Organizations*, and *Expert Audiences*. In all cases, the management felt that they initiate and sustain interaction with these groups. The *General Public* and *Volunteers* are felt to be appropriately classified as *Dependent Stakeholders* (depend on the advocacy of internal management and have no real voice within the organization). Both *Prospects* and *Beneficiaries* were *Unclassified*. This reflects the fact that while managers regard them as being priority stakeholders, they did not register as possessing any of the three Mitchell characteristics. The reasons for this were discussed with the management team and it became evident that there are differing views attached to the importance of *Prospects* and *Beneficiaries*. Some feel these stakeholders are inadequately represented in the organization and consider it important to keep them as a priority, hence the 'unclassified' category. Managers could also think of relevant examples of Mitchell's stakeholder classifications which had not come to light initially (e.g., Dormant = some potential partner organizations with whom strategic alliances could be formed in the future; Demanding = some lines of press enquiry, from time to time; Dominant = the Charity Commission; Dangerous = possibly PETA, the anti-animal research organization), although these were generally considered to be distant neighbors of the priority stakeholders identified here.

The dominant marketing practices across stakeholders

The third main result to report was a clear understanding of the dominant marketing practices adopted by the Charity's managers in their stakeholder relationship activities. These dominant marketing practices are shown in summary form in Figure 5 and the descriptive statistics, which are used to identify both the Charity's dominant and

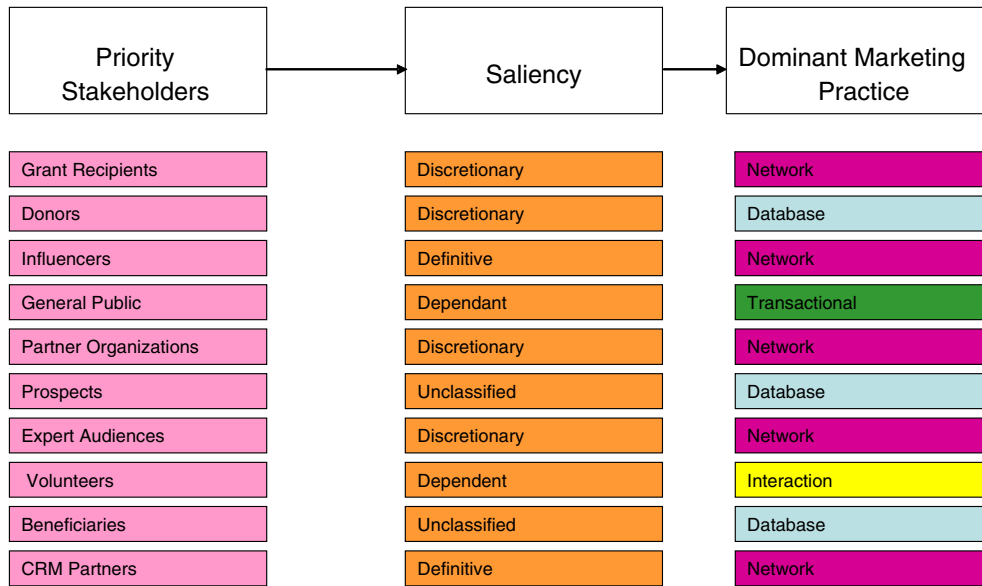


Figure 5. The Charity’s dominant marketing practice by stakeholder group.

contemporary marketing practices, are presented in Table I below.

These results have a high level of resonance with the Charity’s management, showing that Coviello et al.’s CMP framework is instrumental in explaining observed practice. The observed fit between Coviello’s classification of exchanges and managerial practice is also good. All types of these marketing exchanges are identified as being used (transactional; database; interaction and network marketing), demonstrating a pluralistic approach to the Charity’s relationship marketing among its priority stakeholders. Network marketing was the most common approach being used. *Grant Recipients, Influencers, Partner Organizations, Expert Audiences, and CRM Partners* are managed through personal contact or contacts making it possible and, therefore, productive to establish strong relationships with key individuals. Database Marketing is used for the mass-market activities to *Donors, Prospects, and Beneficiaries*; all of which typically involve less personal communications with large numbers of people. In situations where there are no connections through relationships (e.g., communicating with the *General Public*), the dominant marketing practice becomes transactional. The only anomaly in these results appears to be with the Charity’s *Volunteers* who were regarded as being marketed to through interaction. This was felt to be

more of an aspiration than reality; with over 10,000 volunteers, the level of personal contact between the organization and the volunteer is not likely to be high. Individual managers would know some volunteers personally which may help explain this result. However, it transpires that there is no single point of responsibility for managing volunteer staff; consequently, there is no mechanism to develop more formal marketing practices for communicating with these volunteers such as database marketing.

The emergence of differing worldviews about the existing marketing strategy

An interesting and unexpected finding, which came to light during the interactive workshops, was that stakeholder saliency is clearly a social construction on the part of the Charity’s managers. In other words, differing groups of the management population have very different perspectives on the question of ‘*who and what really matter*’ to the organization. Our analysis of the transcripts and artifacts generated by these workshops led us to the conclusion that *three* distinct worldviews can be identified, each describing the perceived importance of a stakeholder according to how the goals of the organization were variously interpreted. The sche-

TABLE I

Summary Statistics of the dominant and contemporary marketing practices across the Charity's main stakeholders

Stakeholder	Top 3 stakeholders: frequency of mention by managers	Dominant and contemporary marketing practices			
		Transaction	Database	Interaction	Network
Grant recipients	5	6	4	14	21
Comment: On aggregate, managers place an emphasis on Network and Interaction marketing practices with Grant Recipients. This makes intuitive sense as the established practice is for researchers to interact with the organization either as a member of a group of researchers (Network) or as individuals (Interaction).					
Donors	4	16	18	2	0
Comment: This profile reveals a managerial emphasis on Database and Transactional marketing practices with Financial Supporters. This makes intuitive sense as voluntary donations are secured either from an 'exchange' such as money in a tin or from a targeted mail shot generated using database technology.					
Influencers	3	5	4	6	12
Comment: This profile reveals the emphasis put on Network marketing in managing relationships with Influencers, again appropriately reflecting established practice.					
General public	3	11	9	2	5
Comment: This profile reflects the emphasis put on Transactional and Database marketing when dealing with the General Public, reflecting established practice and the use of appropriate techniques for dealing with a mass market.					
Partner orgs	2	2	2	6	8
Comment: This profile represents the use of Network and Interaction marketing techniques when dealing with Partner Organizations, reflecting established practice. For instance, individual managers will interact and groups of managers will form business networks to 'spread the gospel'.					
Prospects	2	8	10	0	0
Comment: This profile reflects the extensive use of Database technology to identify, score and target the most attractive prospects					
Expert audiences	2	0	0	4	14
Comment: This profile reflects the role of personal and professional influence on Expert Audiences and is consistent with established Network practices.					
Volunteers	2	4	5	8	1
Comment: This profile represents the variety of ways in which the Charity communicates with Volunteers, with the higher Interaction level probably reflecting the close relationship between a manager and certain volunteers.					
CRM partners	1	3	1	2	3
Comment: This profile is pluralistic. CRM partners are managed in a variety of different ways, depending on the nature of the specific relationship (strategic, tactical, and transactional) and the stage in development of the relationship. For instance, Database marketing techniques may be used in the transactional/early stages of the relationship. Network marketing may be used for a more strategic/established relationship where the higher investment in resources is easier to justify and offers a higher return.					

mata shown in Figure 6 were created to capture these worldviews.

Each worldview represents the interests of different managers who compete for resources.

Worldviews are rarely articulated but represent the tacit ways of thinking that managers have developed over time to simplify the complexity of their real-world situation. By way of example, should

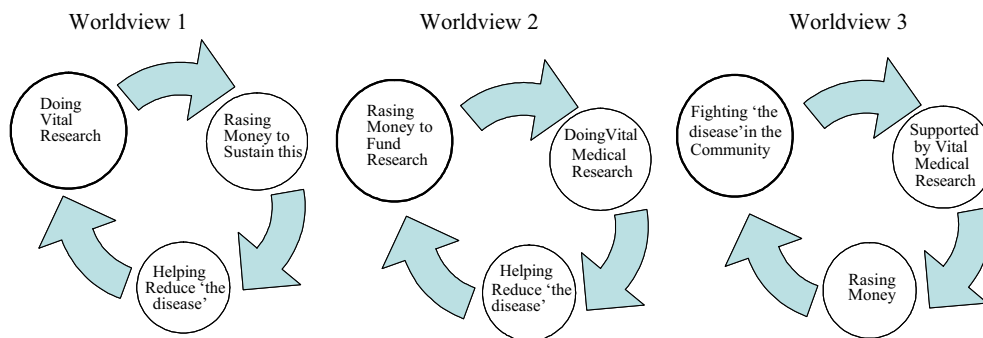


Figure 6. The three coexisting worldviews of the Charity's management.

'Worldview 1' dominate management attention overall, then the organization will be driven by satisfying the interests of the research community (*Grant Recipients*) and the marketing strategy would be focused primarily on them. Thus, marketing practices would adopt a medical research perspective. If 'Worldview 2' dominates, then the organization will be driven by the need to do the work that appeals most to *Donors* and to justify this through its marketing strategy, which would have a donor perspective. For 'Worldview 3' to dominate, the marketing strategy would need to focus on the promotion of large social marketing programs to the general public. These marketing practices would be about promoting a healthy living and health care activities in the community.

These results are significant as the direction of the organization's overall relationship marketing strategy is contingent upon which worldview garners most management attention within the Charity. We conclude by proposing a number of differing marketing strategies each of which are regarded as realistic for the organization to achieve.

Identifying relationship marketing strategy choices

The SSM we adopted to surface the tacit knowledge and routines within the Charity has resulted in a greater consensual awareness of the strategic tensions that exist and in a commitment to foster an integrated approach to marketing strategy development. At the moment there is a simple rule, which states that 70% of expenditure should be directed towards research activities and 30% towards non-research activities (such as education and care). This rule is

heuristic, based on the judgment of the management team and has served to guide strategic direction over a period of years.

However, as results of the work reported here, particularly the output from the final workshop and a subsequent post-workshop debrief, the following range of marketing strategy choices has been identified by the Charity's management for further discussion:

- Strategy Choice 1: Maximize the Charity's medical research activities and constrain non-research activities to the level of 'surplus' funds available at any point in time. Continue to grow funds primarily for research purposes.
- Strategy Choice 2: Focus on prevention of the medical condition by determining the optimum mix of medical research versus education versus community care activities against predetermined goals. Seek to raise the funds necessary to cover this new mix of activities.
- Strategy Choice 3: Focus on 'root cause' prevention by maintaining current research expenditure levels (but with a more focused and selective research agenda) while seeking to grow education and community care activities to a similar level within the next 5 years. In effect, this strategy would double the size of the Charity and would require doubling the funds needed to achieve this mix.

In articulating these strategy choices, they have been deliberately polarized by the management team in order to promote thought and a wider debate in the organization. However, the

evaluation of these different marketing strategies and what impact they may have on stakeholder relationships is currently an open question and the subject of further research beyond the scope of this article. The purpose of our article is simply to report on the *choices* the Charity has in developing a future relationship marketing strategy and concludes our research findings.

Implications for theory and practice

The work we report here contributes to theory development in three ways. First, Mitchell's work has been successfully operationalized and applied in the NP sector for the first time. Second, Coviello's CMP framework has been applied in a new sector (NP) and successfully adapted to accommodate a broader constituency of stakeholders, rather than solely to customers as it has been previously used. Finally, using both applications together across stakeholder groups, researchers and managers alike now have the tools to advance relationship marketing theory through management action which is recognized as a research gap in our introductory comments.

Our work has also contributed to management practice since it surfaces the importance of stakeholder management in a NP organization in shaping the development of its relationship marketing strategy. It has started a process of engagement and reeducation among the Charity's management team by changing patterns of thinking and actions that are presently well-established; the study has begun to challenge the status quo and to sensitize management to the need for a change in direction of their relationship marketing strategy as the external environment changes. At a broader level, there is considerable scope for other senior management of NP organizations to review their stakeholder marketing strategy by deploying this integrated model, particularly among research-led charities that compete for their donors' 'share of wallet'. Moreover, such a systematic review is likely to surface the presence of any 'tribal' behaviors, which may not fully manifest the organization's central mission in their marketing to different stakeholders. If a consensus agreement is reached about how the marketing strategy is imple-

mented across priority stakeholders, then this central mission will translate more readily into enduring brand values of the NP as the strategy will have developed from a common starting point (Van Riel, 1995). As the NP's brand values build, stakeholder awareness and affinity is likely to increase since new information can be more readily processed when it is communicated consistently. This increased awareness and affinity is likely to result in greater loyalty across stakeholder groups, which can lead to improvements in both the organization's efficiencies and its effectiveness (King, 1991).

Limitations and future research directions

The main limitation of the work reported here is in the choice we made to focus on only one organization in the NP sector. However, it is a defensible position since our research findings are concerned as much with methodology and protocol as they are about output of stakeholder saliency and relationship marketing strategy development. In our view, it is important to seek validation of both Mitchell's theory and Coviello's CMP framework in the NP sector first and to report on these findings in detail so that replication across other NP organizations becomes possible. Indeed, given the embryonic nature of stakeholder theory and stakeholder marketing practices in businesses generally, it would seem to us that this model could now also be readily used by senior managers in profit-seeking firms.

Although we acknowledge the nature of our study does limit the generalizability of our results, other methods that could possibly have engaged a more representative sample of NP organizations, such as quantitative survey techniques, would simply lack the necessary depth. To unravel the complex issue of identifying priority stakeholders across functions by surfacing tacit knowledge and formulating a consensual view of marketing strategy development requires cycles of management reflection and action; a very difficult task to quantitatively achieve through surveys or many other qualitative techniques for that matter.

However, the generalizability of our research methodology is a different question. We suggest that most managers of NPs will recognize the

management conundrum outlined in this paper and they, too, will be facing a bewildering array of poorly defined (and potentially conflicting) stakeholder needs and competing for the allocation of insufficient resource. Knowing *who* their most important stakeholders are—their needs and influences over future successes in changing social behaviors—and *what* resources should be allocated through an agreed relationship marketing strategy will also be acknowledged by other NP managers as a critical strategic issue to resolve. Indeed, many NP managers will have wrestled with these issues but few, if any, will have developed a utilitarian approach with a rigorous theoretical basis (Gruar, 2005). For this reason alone, we offer our integrated model and research approach to others for general use in the NP sector.

Finally, we have identified a number of areas for further research:

- Continue to investigate the case of *internal* stakeholder saliency in NPs and to develop Mitchell's theory to cover this research gap.
- Develop an application of Coviello's CMP framework to these *internal* stakeholders.
- Continue to research the link between stakeholder saliency and contemporary marketing practices by looking specifically at the *relationship* between saliency and the portfolio of relationship marketing practices (or level of marketing resources) applied by marketing management in the NP sector.

As businesses in general move towards engaging with their stakeholders more effectively, this future research agenda may well find application in profit-seeking firms as well.

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Appendix A

Coviello adapted CMP Questionnaire: Stakeholder Communication Practices

Respondent:

Company:

Department/Role

Priority Stakeholder ID:

1. The purpose of communicating with this stakeholder is to:

- Generate income or other forms of support or provide beneficiaries with information, help, or support.
- Acquire supporter⁸ or beneficiary information.
- Build a long-term relationship with supporters or beneficiaries.
- Forming strong relationships with a number of partner organizations⁹ engaged in the field of health improvement.

2. Our communication activities with this stakeholder involves:

- Communicating to the mass market.
- Targeting specifically identified segment(s) of supporter(s) or beneficiary(s).
- Individuals at various levels in our organization personally interacting with stakeholders engaged in health improvement.
- Senior managers networking with other managers from partner organizations engaged in health improvement.

3. Contact with this stakeholder is best described as:

- Impersonal (e.g., no individual or personal contact).
- Somewhat personalized (e.g., by direct mail).
- Involving nominated individuals in the one-to-one management of the activity (e.g., account management).
- Interpersonal (e.g., involving the establishment of strong relationships often between key decision makers on a one-to-one basis).

4. When we communicate with this stakeholder the interaction is such that we believe they expect:
 - Impersonal contacts with no future contact as a result.
 - Some future personalized contact with us (e.g., direct mail).
 - One-to-one personal contact with us.
 - Ongoing one-to-one personal contact with people in our organization and our partner network.
5. The interaction we have with this stakeholder is best described as :
 - Mainly formal contact at arms length through correspondence, adverts, and mailers.
 - Formal with occasionally direct contact with nominated individuals.
 - A named contact or individual who is responsible for the overall relationship with limited social contact.
 - A mixture of formal and social contact with the development of the relationship being important to both parties.
6. Our departmental communication activities with this stakeholder are primarily intended to:
 - Attract new or retain existing supporters or beneficiaries.
 - Get information to new supporters or beneficiaries.
 - Develop stronger relationships with existing supporters or beneficiaries or other stakeholders.
 - Coordinate activities between ourselves, customers, and other parties across our wider network of partners engaged in health work.
7. Our communications planning¹⁰ for this stakeholder is focused on issues relating to:
 - The mass market.
 - Particular groups of supporters or beneficiaries.
 - Specific individuals in the general population or decision makers in organizations we deal with whose support we need.
 - The relationships between individuals and organizations in our partner network.
8. Our communication resources (e.g., people, time, money) for this stakeholder are invested in:
 - One or several of our core activities of Education, Awareness, Fundraising, Community Care.
 - Technology & systems to improve communication with any of our audiences.
 - Establishing and building one-on-one personal relationships with individuals.
 - Developing our organizations relationships across our Partner network.
9. Our communication activities for this stakeholder are carried out by:
 - Functional marketers (e.g., marketing manager, head of marketing, Marketing Director).
 - People who have primary responsibility for other aspects of the business and undertake communication activities as part of a broader remit (e.g., Legacy Manager).
 - Many employees across the business.
 - The senior management team (Director General, Directors, and Heads of Department).

Appendix B

An illustration of the ethnography of Checkland's seven-step, soft systems applied to the Charity.

SSM process ¹¹		Research mechanism	Researcher reflections
Step 1	Problem situation identification	A series of meetings with key managers as part of the Charity's annual planning process where the process of the allocation of resources was underway	The starting point was a recognition of the need to prioritize stakeholders (i.e., define the 'who') and understand how the saliency of the key stakeholders might affect 'what' the organization chooses to do.
Step 2	Problem situation expressed	Definition of scope and agreement to conduct the research	Having gained recognition of the problem situation, the second step was agreeing the scope of the research work which was defined as part of a bigger project of rebranding the Charity.
Step 3	<i>Root definitions of relevant purposeful activity systems</i>	<i>Root definitions and 'holons' were drawn up collaboratively between the researchers and the relevant managers and reviewed by a group of managers in a SSM workshop.</i>	<i>Exposure of SSM to the managers was held in the background, with the focus being on discussing the problem situation. Managers generally found the approach easy and useful to work with. A few managers expressed interest in acquiring greater knowledge of the methodology and went on to use the approach in other problem situations.</i>
Step 4	<i>Conceptual models of the systems (holons) named in the root definitions</i>		
Step 5	Comparison of models and the real world	SSM workshop	Managers commented on the 'power' of the 'holons' to describe what had previously been seen as a complex, almost indescribable problem and how it 'opened – up' discussion about cross – functional improvements.
Step 6	Changes: systematically desirable and culturally feasible	SSM workshop and subsequent meetings	The need to strengthen the 'voice of the beneficiary' was surfaced and has become a strategic priority for the organization, forming a cornerstone of the 3-year business plan.
Step 7	Actions: to improve the problem situation	Business planning process	An initiative to amplify the 'voice of the beneficiary' has started. This includes adding to the representation of beneficiaries at Council level and at other forums.

Appendix C

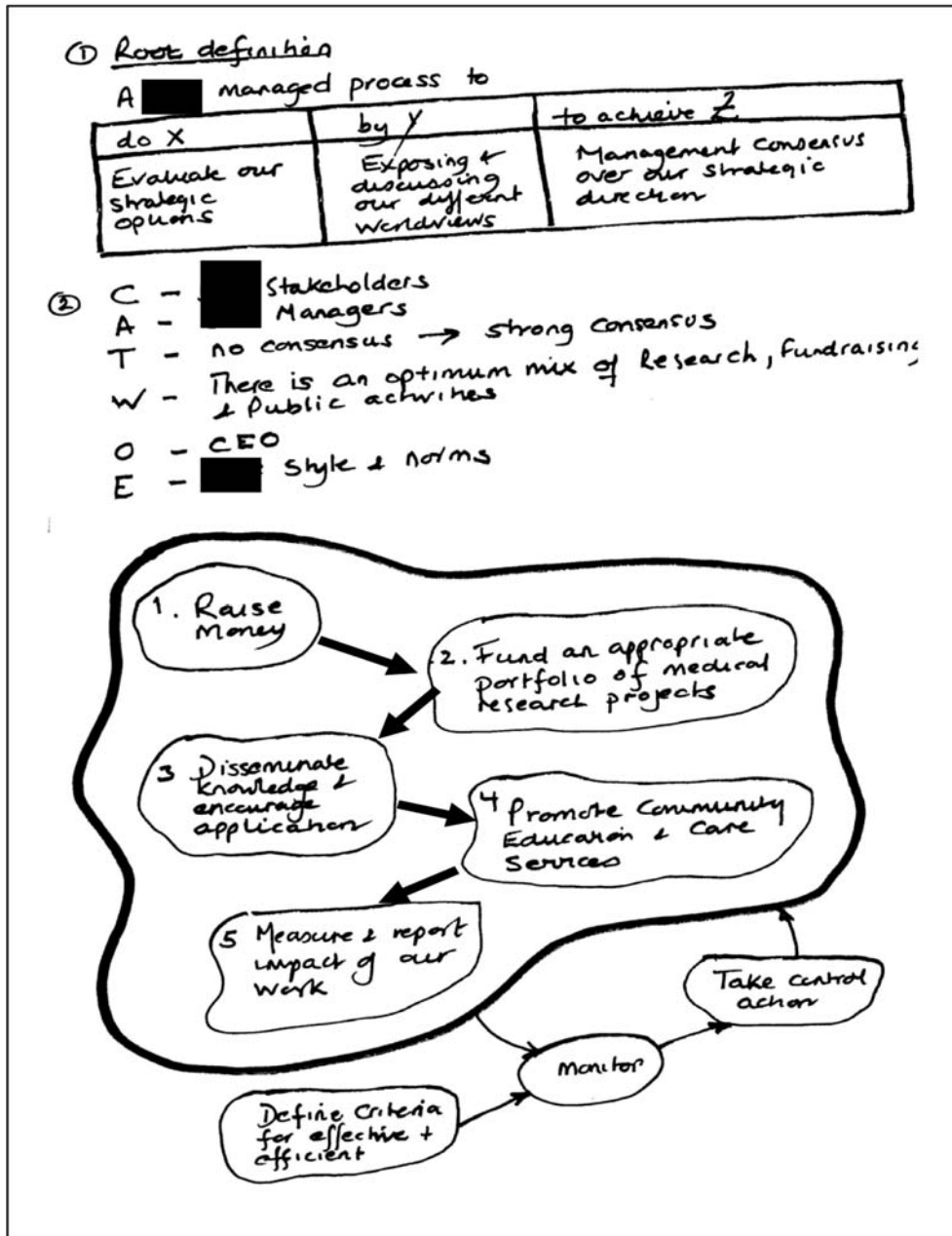
Illustrative responses to the Coviello questionnaire from three respondents

Respondent	Stakeholder Group	Contemporary Marketing Practice			
		Transaction	Database	Interaction	Network
R1	Financial Supporters	5	4	0	0
	Comment: This profile reveals the emphasis placed on Transactional and Database marketing to communicate with this audience. It also illustrates the lack of use of Interaction and Network marketing, which is to be expected with a mass market situation. The profile reflects the way in which donations are secured; either through a face to face transaction such as 'money in a collection tin' or through the use of targeted mail shots using database technology.				
	Prospects	5	4	0	0
	Comment: This profile reveals there is little difference between the treatment of current supporters and prospects in terms of the contemporary marketing practices adopted by management.				
	Community Care	2	2	2	3
Comment: This profile is pluralistic and to be expected. Community Care provides a range of services which are delivered in a variety of ways, transcending the gambit of contemporary marketing practices. E.g. the purchase of medical monitors (transactional); the mailing of registered patients with health advice (Database); the visit of a nurse to a patient (Interaction); and the work of a nurse with Partner Organizations to progress health education in the community (Network)					
R2	Financial Supporters	4	5	0	0
	Comment: This is a different manager illustrating a similar profile to respondent 1.				
	Prospects	3	6	0	0
	Comment: Here, the respondent puts a greater emphasis on database marketing when dealing with prospects (compared to Respondent 1); reflecting a different type of prospect within the prospect stakeholder group				
	Volunteers	2	3	3	1
Comment: This profile is pluralistic. Volunteers are subject to a variety of marketing practices including transactional (agreeing the hours of work); database via newsletters; Interaction through working with their colleagues; and Network marketing through their work with other partner organizations (Network)					
R3	Influencers	1	1	2	5
	Comment: This profile reveals the emphasis the manager places on Network marketing to communicate with this stakeholder group				
	Partner Organizations	0	0	1	8
	Comment: This profile reveals an even stronger emphasis placed on Network marketing by the respondent				
	Expert Audiences	0	0	1	8
Comment: This manager communicates with Expert Audiences using similar practices as those he uses for Partner Organizations					

Appendix D

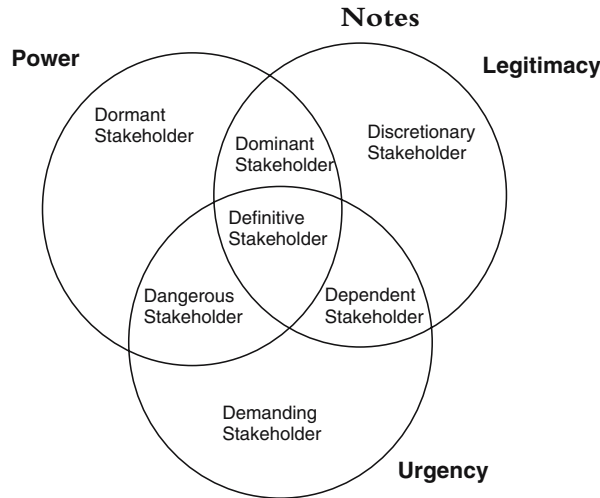
An example of a soft systems artifact about the Charity: root definition, CATWOE, and activity systems in marketing strategy development

■ To preserve the anonymity of the Charity



Appendix E

Mitchell et al. (1997) stakeholder classification by saliency and description



Stakeholder typology	Stakeholder classification	Description & managerial implications
'Latent stakeholders'	Dormant	Possess power , but no legitimate claim or urgent need. Their power is unused. Dormant stakeholders have little or no interaction with the firm. Management should be cognizant of their potential to acquire a 2nd attribute.
	Discretionary	Posses legitimacy but not power or urgency. There is no pressure on managers to engage although they can choose to do so. This group is most likely to be recipients of 'corporate philanthropy' such as non-profits and CRM.
	Demanding	Possess urgency but not legitimacy or power. These are the 'mosquitoes buzzing in the ears of managers' irksome but not dangerous; bothersome but only warranting passing attention.
'Expectant stakeholders'	Dominant	Possess both power and legitimacy and therefore influence. This group matters to managers. They will have a formal mechanism to interact with managers. They expect and receive much management attention.
	Dependent	Possess legitimacy and urgency but no power. Depend on advocacy, guardianship or internal management values for influence.
	Dangerous	Possess urgency and power but not legitimacy. Coercive and possibly destructive. The corporate terrorist. Management need to contain.
'Definitive stakeholders'	Definitive	Possess power , legitimacy and urgency . Command immediate management attention. Most likely occurrence is the movement of a stakeholder from expectant to definitive under certain conditions. Managers need to understand/predict these conditions/situations.

¹ The organization has asked for its identity not to be disclosed.

² Route definitions are a method used to clarify the general definition of a purposeful activity.

³ CATWOE is a mnemonic that defines in greater specificity the elements of a purposeful activity.

⁴ Activity Systems are a diagrammatic representation or models of a defined purposeful activity.

⁵ A detailed discussion of the *implementation* of any of the new marketing strategies discussed in the conclusions section is considered outside the scope of this paper and will be reported elsewhere.

⁶ Coviello et al. (1997) Contemporary Marketing Practices Framework is classified into one of four exchange categories: [Coviello, N.E., Brodie, R.J. and Munro, H.J.: 1997, "Understanding Contemporary Marketing; Development of a Classification Scheme", *Journal of Marketing Management*, 13, 501–522.]

Transactional: an economic transaction, at arm's length and impersonal.

Database: information and economic transaction, personalized yet distant.

Interaction: an interactive relationship, often face-to-face and based on trust.

Network: connected relationships between organizations, active and adaptive.

⁷ Although it has also been possible to identify *internal* stakeholders, such as employees and trustees, they have not been reported here and are the subject of further research.

⁸ A supporter is someone or something (a corporate) that gives time (e.g., volunteer), money (e.g., donor) or voice (e.g., political lobbyist) to the cause.

⁹ Relevant organizations could include government, regulators, auditors, policy influencers, medical research institutions, professional bodies, the NHS, and other voluntary organizations.

¹⁰ Marketing planning in this context is the process of deciding 'who' we are most interested in talking to (the target audience) and what we are going to say to them (the offer we will make).

¹¹ Real world activities are shown in bold; systems thinking about the real world are shown in italics (Steps 3 and 4).

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Simon Knox and Colin Gruar
Centre for Advanced Research in Marketing,
Cranfield School of Management,
Cranfield, Bedford,
MK43 OAL, U.K.
E-mail: s.knox@cranfield.ac.uk

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