

# **Identifying the Factors that influence Positioning Strategies in UK Charitable Organizations that provide public services: Towards an Integrating Model**

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## **Introduction**

Charitable organizations (COs) in the UK are operating in increasingly challenging and competitive external environments (National Council for Voluntary Organizations, NCVO 2004a,b; 2005). Of particular significance is the impact of external environmental drivers both on these organizations' resource attraction and resource allocation activities, and on their ability to manage new patterns of relationships with public and private sector organizations in the new millennium (Deakin 2001). COs, as part of the wider sector of Voluntary and Non-Profit Organizations (VNPOs)<sup>1</sup> in the UK, have continued to survive by adapting themselves to changing operating landscapes and implementing internal organizational restructuring (Wilson 1994). Increasingly in recent times, they have adopted the use of professional management approaches in their planning (Leat 1995a). Chew (2003, 2005) has shown elsewhere that COs in the UK perceive their greatest competition from the growing number<sup>2</sup> of charities and other VNPOs for resources in the new millennium compared to past decades. These external pressures have persuaded a growing number of COs to embark on 'professionalisation'

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<sup>1</sup> Charitable organizations (COs) or charities are defined in this paper as VNPOs that meet the strict conditions required for charity registration as defined by the Charity Commission for England and Wales. The Charitable Uses Act of 1601 (later Charity Law 1960) stipulates that charities must be established for charitable purposes and for 'public benefit'. Charitable purposes are at present categorised under four broad headings: relief of poverty, advancement of education, advancement of religion, and other purposes beneficial to the community (Charity Commission website [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk), accessed 29 July 2006).

<sup>2</sup> There were over 185,000 registered charities in the UK at the end of 2005 (Charity Commission 2005). An average 7,000 new charities were registered each year with the Charity Commission since the mid 1990s (Facts and Figures 1997 to 2004, Charity Commission, 2003; 2004).

of management practices, including the use of strategic planning, marketing planning and positioning. These are designed to help them address the problems of raising and maintaining funding, to compete with other charities and arguably with organizations in the private and public sectors (Chew 2005, 2006a,b). However, as argued by Hibbert (1995), charities often lack clearly defined positions and experience low public awareness levels in the market, thereby making it hard for them to differentiate from other COs offering similar services. Bruce (1998) suggests that most cases of positioning by UK charities are done unconsciously, rather than consciously. This lack of attention to positioning in the charity sector generally and within specific sub-sectors could pose a major longer-term problem for resource attraction and building the charity's brand identity because the relevant target audiences recognize the 'cause' but not the specific charity delivering these services/activities.

Despite this, the current VNPO literature lacks adequate theoretical/conceptual models that can better accommodate their particular contexts, and guide management research and practice in charities. This current paper seeks to address this gap by proposing a theoretical model of multi-dimensional factors that influence the positioning strategy in COs, and which has been shaped from our empirical research.

This paper is presented in five sections. The first section provides an overview of strategic positioning in COs in an increasingly competitive and challenging external environment. The second section identifies the methodology utilized in developing the model. The proposed model and its derivatives are presented in sections three and four. Section five presents a discussion on the emerging themes arising from the model. It concludes with implications for positioning theory and practice, and offers some directions for future research.

## **Strategic positioning in charitable organizations**

The concept of positioning is increasingly advocated for VNPOs (Chew 2003). Yet, the majority of theoretical underpinnings of positioning found in the strategy/marketing literature have been derived from the context of commercial (for-profit) organizations.

The literature also tends to describe the process of developing a positioning strategy in similar ways as found in the commercial marketing/strategy literature. Andreasen et al. (2005) argue that sectoral differences and in particular differences in organizational characteristics and culture between non-profit and for-profit organizations are potential barriers to transferring marketing concepts in their entirety, including strategic positioning to the former. Yet a growing number of authors have in contrast acknowledged the need for adaptation of positioning strategies for COs (e.g. Saxton 1996; Bruce 1998; Sargeant 1999; Maple 2003).

Some authors have argued that a positioning strategy is a key component of the strategic marketing planning process for non-profit organizations in a similar way as for commercial ones (e.g. Kotler and Andreasen 1996; Lovelock and Weinberg 1989). A positioning strategy in this context is the outcome of the strategic marketing planning process and is aligned with organizational goals, internal resource capabilities and external market opportunities (Lovelock et al. 1996; Hooley et al. 1998b; 2001). The process of strategic positioning helps to create the position of the organization and its offerings in the marketplace (Kotler 1994). Hudson (2002) argues that the CO's strategic position is an outcome of a formal review of its external environmental trends and internal organizational capabilities. The aim is to find a fit between organizational strengths and external opportunities (Johnson et al. 2005, p. 61).

Chew (2005, 2006a,b) distinguishes between positioning at the organizational level and positioning at the operational levels in COs. The role of strategic positioning at the organizational level is to effectively differentiate the CO from other providers. The organization's strategic position is a statement that explicitly or implicitly identifies the key direction for its core positioning (its distinctiveness) and provides guidance to develop its positioning dimensions (key strengths and core competences to differentiate the organization from other providers). It embodies the 'strategic intent' or overriding ambition of the organization to reach its desired position (Hamel & Prahalad 1989, p. 64). Strategic intent for positioning by commercial organizations is often viewed in the extant literature as focusing on competitive goals, in particular, to strive for a leadership position by winning over rival providers. However, there is currently a lack of research

into understanding the strategic intent for positioning in organizations other than for-profit ones. Through our theoretical model, we provide an arguably first attempt to understand the motives for strategic positioning in COs.

## **Methodology – developing the model**

Our proposed theoretical model draws upon emerging empirical findings from earlier works by Chew (2005, 2006a,b) on the positioning activities of British General Welfare and Social Care (GWSC)<sup>3</sup> charities that provide public services. We chose this sector as the focus of our research because of the high proportion of charities in this sector involved in the delivery of public services in the UK. Because of the scant existing literature and paucity of research in this topic, a three-stages methodology was employed as essential building blocks for the model. An initial conceptual framework of the factors that could influence the positioning strategy of COs was drawn up during the literature review stage. This early conceptualization of influencing factors draws insights from three broad theoretical perspectives of the forces that shape strategy development/positioning in organizations (see Figure 1). They are:

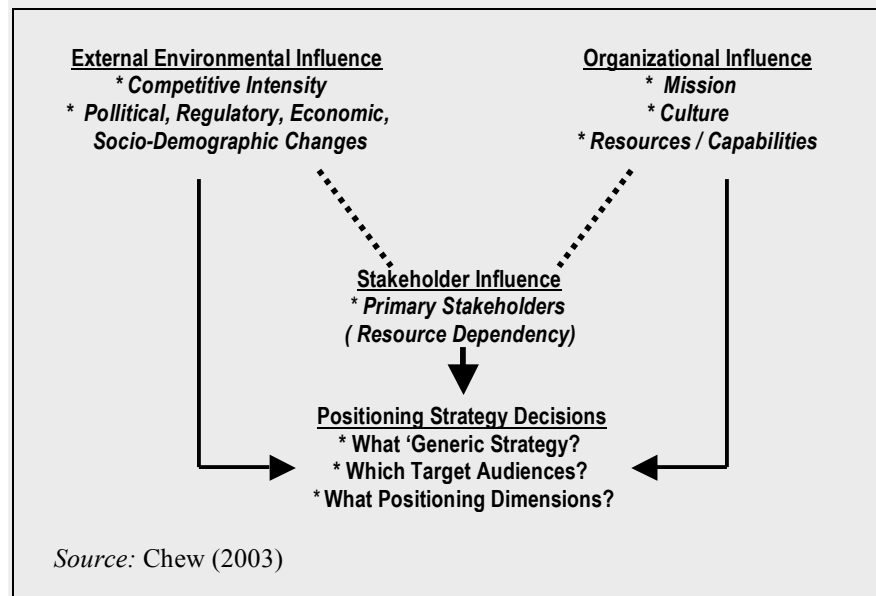
- Competitive Forces/ Market Orientation Perspective (Porter 1980, 1985; Hooley et al. 1998a, 2001);
- Resource-Based View (Wernerfelt 1984; Grant 1991; Barney 1991; Amit and Schoemaker 1993; Peteraf 1994); and
- Stakeholder Theory/Resource-Dependence Perspective (Pfeffer and Salancik 1978; Freeman 1984; Clarkson 1995; Mitchell et al. 1997).

A detailed review of these perspectives and the organizing framework is found in Chew (2003).

### **Figure 1: Initial Organizing Framework for Examining the Key Factors Influencing Positioning Strategy in Charitable Organizations**

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<sup>3</sup> This paper uses the Charities Aid Foundation's (Charity Trends 2003) classification of General Welfare and Social Care (GWSC) charities, which are categorized under six sub-sectors: Other General Welfare, Children, Benevolent Funds, Elderly Care, Service/Ex-Service and Religious General Welfare.



The second stage of our study utilized an exploratory postal survey to map empirically the extent of strategic positioning activities in a sample of GWSC charities (see Chew 2005, 2006a). An initial picture of the influencing factors in the context of COs emerged at this stage of the study. These factors were investigated in greater depth using four case studies at the third stage of the research (Chew 2006b). Analytic comparison of emerging themes across the cases unveiled similarities and variances in the influencing factors. The use of a multi-methodology approach at different stages of our research provided both data and methodological triangulations, and aimed to enhance the reliability and validity of the findings. The resultant theoretical model generated from our empirical results attempts to integrate the complex combination of external environmental factors and internal organizational factors. It provides a foundation, grounded on empirical evidence, upon which future research into strategic positioning and the influencing factors in the context of VNPOs/COs could be developed. The next sections present the proposed integrating model and explain its components.

### **Anatomy of Positioning Strategy for COs**

An essential starting point in explaining our model is to identify the components of positioning strategy (PS) in COs. We argue that establishing these are fundamental to locate the particular context within which COs operate. Three major inter-related

components of PS are suggested on the basis of our research: the generic or core positioning strategy, the key target audience(s), and the choice of positioning dimensions through which the organization seeks to distinguish itself in support of its generic positioning strategy (Hooley et al. 1998b; Chew 2003). Positioning at the organization level is distinct from but provides direction for positioning at the other (lower) levels. For example, we found that in our case studies, a strong organizational-level position created/supported certain core values in the CO, which translated into its distinctive range of services/offerings and unique relationship with other stakeholders (users/beneficiaries, statutory funders and other partner organizations). It had also provided the framework for communicating its key strengths and distinctive competences in the charity's fundraising and advocacy campaigns. PS therefore provides the vehicle through which the CO's desired strategic position is communicated to its external and internal audiences (Chew 2006a).

### ***Generic or core positioning***

Porter (1980) advocates 'differentiation positioning', 'focus positioning and 'low-cost leadership' as three generic or core positioning strategies for commercial (for-profit) organizations. We found that COs do indeed adopt generic or core positioning strategies, with differentiation and focus positioning being demonstrably more evident (Chew 2005; 2006a, b). Our study found that differentiation positioning was used by two thirds of COs, while a third of them adopted focus (or niche) positioning as their core positioning strategy. This finding supports the assertion by some authors that differentiation and focus positioning strategies more appropriate for COs (for example Wray 1994; McLeish 1995; Saxton 1996; Bruce 1998). Differentiation positioning entails establishing some positively distinctive ways in which the organization's offerings meet the needs of their target audiences, and are demonstrably valued by them (Porter 1980). Focus or niche positioning is focusing on serving a particular group of users/beneficiaries, geographic area, or providing a type of service better than other providers of similar service (ibid). Because of the inherent resource dependency of COs on external parties for funding and other resources, low-cost positioning where the organization leads the market with low prices of its services is arguably less appropriate for them (Chew 2006a). Moreover, it requires the CO to be a dominant player or to

occupy a monopoly position in its sector/sub-sector. Sustaining a low-cost leadership position is therefore difficult, if not impossible for COs, over the long term (Bruce 1998).

### ***Key target audiences***

Our study revealed that COs recognized the important influence of two key groups of external stakeholders in their positioning activities. Users/beneficiaries of their services were categorised as their primary target audience, while secondary target audience comprised of a number of different parties, such as donors/funders and government funding agencies who provide essential financial resources to enable fulfilment of their mission. Mason (1984 cited in Leat 1995, p. 55) argues that COs, unlike commercial (for-profit) organizations, require separate organizational structures or processes to manage their resource attraction and resource allocation functions to effectively serve the different needs and expectations of these two groups of target audiences. Bruce (1998, p. 45) goes further to suggest that the CO has to develop a consistent positioning strategy that is acceptable not only to users and donor/funders, but also to other stakeholders (government, supporters and wider community) as well. This does not imply that COs adopt dual or multiple positioning strategies. On the contrary, our study found distinct efforts by COs to communicate their strategic position to different groups of target audiences, whilst maintaining focus on their *raison d'être*.

### ***Positioning Dimensions***

Positioning dimensions are key differentiators based on major organizational strengths that are distinctive of the CO, and which provide long-term strategic advantages (Chew, 2003; 2005). Differentiators are the specific instruments through which the CO distinguishes itself from other providers (Chew, 2006b). However, they require appropriate supporting resources if they are to sustain the core positioning over time (Hooley et al. 1998a, 2001). We found that COs utilized a range of dimensions to distinguish themselves and to support their core positioning strategy. Different positioning dimensions draw heavily on the assets and capabilities available to the organization in different ways (Hooley et al. 1998a). These dimensions are not static but

could change over time as the organization adapts to its external and internal environments. Some dimensions in the COs in our study appeared to be similar to those advocated in the marketing literature advocated for VNPOs, such as quality service, superior product benefits to users, provision of specialist services (Lovelock and Weinberg 1989; McLeish 1995; Kotler and Andreasen 1996). Yet, other dimensions did not, such as the charity's mission, strong relationship with statutory, other VNPOs and private sector organizations, and network of branches and volunteers. The variations suggest differential in sub-sectoral/organizational contexts and underscore the limited applicability of generic positioning typologies for VNPOs/COs in our study.

## **Factors that influence Positioning Strategy in Charitable Organizations**

### **Empirical findings**

Table 1 shows the factors that were most frequently cited by respondents in the exploratory postal survey and those that have emerged from the case studies in our research. It reveals a complex set of external and internal factors. There are several factors that were common in both the survey and in all the case studies. However, there are other factors that were specific to either some or only one of the case studies. This differentiation between the factors is critical in our model building because it enabled us to include those factors that we could generalise across COs, whilst recognising the influence of other factors that are contingent on different organizational or sub-sectoral conditions.

**Table 1: Key Factors Influencing Positioning Strategy in Charitable Organizations**

Key Factors influencing Positioning Strategy in GWSC Charitable Organizations	Mean Frequency of factor cited by postal survey respondents (N=51)	Mean Frequency of factor cited by interviewees in case studies (a) (n=4)
Governmental influence ( <i>funder, policy maker, legitimizer</i> )	16% (b)	85% *
Other External Environmental Factors ( <i>other than government/political e.g. shifts in social-demography, economic, technology, international developments, media influence</i> )	67%	59% *
Needs of Users/Beneficiaries	78%	41% *
Mission of the organization	82%	38% *
Organizational Resources ( <i>include availability of funds, skills and capabilities</i> )	69%	68% **
Competition ( <i>other than statutory</i> )	37% (c)	60% **
Trustees/Chief Executive of the organization	38%	40% **
Organization size ( <i>number of branch offices, number of staff, total income and assets</i> )	NA (d)	<i>Factors particular to some cases</i>
Needs of Donors ( <i>non-statutory</i> )	53%	
Needs of Volunteers	10%	<i>Factors particular to one case only</i>
Organizational Culture	31%	
One of more non-governmental funding organization(s)	8%	<i>Factor not cited in all cases</i>
<p><b>Notes to Table 1:</b></p> <p>(a) Factors in the case studies were further differentiated between those that influence the core positioning strategy (cells with *) and those that influence the positioning dimensions of the strategy (cells with **). The survey did not make this distinction.</p> <p>(b) Governmental influence was cited in the postal survey as government funding agency only.</p> <p>(c) This factor includes other charities and VNPOs other than charities in the survey.</p> <p>(d) This factor was cited in the postal survey but only cited in three of the four case studies.</p>		

### **Towards a theoretical model of factors influencing positioning strategy**

Figure 2 presents our theoretical model that integrates the multi-dimensional factors that have emerged from our empirical findings. It identifies three groups of factors that could influence the positioning strategy of COs: internal organizational factors, external environmental factors and mediating factors. Several factors are similar to those suggested in the organizing framework (see Figure 1), while other factors have emerged from our empirical exploration, some of which are not commonly cited in the commercial marketing/positioning literature. They include the charity mission, the needs

of two distinct groups of stakeholders – users/beneficiaries and donors/funders, influence of the Board of Trustees/Chief Executive, needs of volunteers, and government influence. This section reviews the factors and offers plausible explanations as to their significance.

**[Figure 2: Integrating Model of Influencing Factors on Positioning Strategy in Charitable Organizations – insert here]**

**Internal organizational factors**

Three possible influences on positioning strategy within the organization are suggested by our research model: the charity mission, organization-wide or corporate plan, and organizational resources.

- ***Charity Mission***

Mission is defined here as the fundamental purpose of a CO: what the organization exists for and what it does (Hudson 2002). In strategic management perspective, mission helps direct organizational efforts and resources to achieve its ideal view of the world; its vision and purpose. Zineldin and Bredenlow (2001) show that mission, vision and strategic positioning of a VNPO are interrelated. Frumkin and Kim (2001) argue that positioning around the charity’s mission could be a unique way for COs to differentiate themselves in a competitive fundraising environment.

Our study found that the charity’s mission plays a crucial role in the CO’s strategic positioning as it acts as both a major positioning differentiator and a primary influencer in the choice of PS. Mission could guide or constrain PS choices by establishing its strategic intent, determining its primary target audience and the scope of its operations. It provides the key direction for the CO’s core positioning strategy (how to be distinctive), identifies its primary target audience (users/beneficiaries), and guides the development of its positioning dimensions (resources and core competences) to differentiate the organization from other charities/providers.

*“The charity’s mission – what the charity stands for and what it aims to do – is the lynch pin to its positioning. If somebody asks what does our charity stand for and what we do? I will read to them our mission statement.”*

*(Marketing & Public Relations Manager - regional grant-making charity)*

Moreover, COs have a much stronger sense of mission than their counterparts in the private and public sectors (Hudson 2002). Two explanations are offered. First, charitable purpose is explicitly required by charity law<sup>4</sup> in the UK to conform to specified categories, and to demonstrate ‘public benefit’. This means that charities must serve either the community as a whole or a sufficient section of it (Charity Commission 2006). They are legally prohibited from distributing surplus generated from their activities, which must be re-invested to further their mission or cause. Second, the missions of some COs are implicit because they are part of the accepted values and ethos of people working in these organizations (Hudson 2002, p. 100). These two levels of shared values (the charitable/sector culture, which explicitly specifies how COs should behave towards various stakeholders and the organizational culture implicit to the individual CO) combine to make the charity mission a potent influence on its strategic positioning activities. In contrast to for-profit organizations, the charitable status of a CO therefore requires substantive and often intangible mission, which is more resistant to change without damaging its purpose for existence (Leat 1995a). The findings in our study support this assertion. We found that in all our case studies, the core positioning strategy of COs, which reflected their mission, remained basically unchanged over time. However, they have adapted to external environmental changes in their respective ways by embarking on changes in their structure, operations and resources in order to remain relevant to their cause, as reflected in the quotation below.

*“The strategic position of the charity has not changed – the purpose and core values of the organization today are the same when it was set up 180 years ago. How the charity provides the services has changed for us to remain relevant to changing times.” (Regional Manager – sea rescue charity)*

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<sup>4</sup> The Charitable Uses Act 1601, which was later updated by the law courts (1891) and refined in the Charities Act 1960, provides an illustrative list to define charitable purposes under four broad categories: relief of poverty, advancement of education, advancement of religion, and other purposes beneficial to the community. It is currently being reviewed in Parliament as part of the government’s wider reform of the legal framework for charities and VNPOs. Two particular areas in the reform concern [1] expansion of categories to define charitable purpose and [2] test of public benefit in charities (Draft Charities Bill 2005, Cabinet Office).

### ***Organization-wide corporate plan***

The charity's corporate plan could shape the process of strategic positioning. Our study found that a CO's positioning strategy emerged from the organization-wide or corporate planning process rather than developed separately or as part of a conscious and deliberate strategic marketing planning process as advocated for non-profit organizations by, for example, Lovelock & Weinberg (1979), Kotler & Andreasen (1996) and Hooley et al. (1998b). Larger COs tended to have dedicated marketing functions within their organizations. However, they played mainly an operational role in the strategic positioning process. They were tasked to communicate the charity's positioning messages to various audiences once these had been defined by senior management and approved by the Board of Trustees. Changes to the CO's corporate plan or strategy could affect the strategic direction of the organization, for example, its scope of operations, geographic location, primary target audiences (users/beneficiaries). This would necessitate a shift in the charity's core positioning or positioning dimensions.

For example, an emergency sea rescue charity decided to expand its core services into beach lifeguarding in an effort to reach new and younger audiences. This change in direction in its corporate strategy had compelled the CO to compete with other charities/VNPOs and for-profit organizations for local government contracts that fund the service and to employ paid lifeguards to deliver the service. These new developments were alien to this charity. It had traditionally depended on volunteers to deliver its sea rescue services and contribute to its fundraising efforts. In a similar vein, a change in government policy had provided strategic opportunities for a regional grant making charity to manage an increasing number of grant projects under its revised corporate plan for local government agencies. There were increasing efforts by its senior management to 'professionalise' the charity's approach to delivering services, evidenced in improving service quality standards, providing customized training for staff, and establishing performance targets. These had partly been necessitated by service requirements of the contracts that it delivered for government. These two examples illuminated the COs' desire to realign their

resources and distinctive competences (positioning dimensions) in order to support the new strategic direction as mandated by their corporate plan.

- ***Organizational resources***

These include the financial, physical, human assets and capabilities that an organization have acquired or built over time and that managers have access to develop the organization's distinctive advantage (Wernerfelt 1989; Fahy 2000). Several authors (Grant 1991; Barney 1991; Hall 1993) differentiate between assets and capabilities of an organization. Assets comprise of tangible and intangible resources (for example capital equipment, employee skills, brand name and reputation), while capabilities (such as organizational routines, teamwork, values, and leadership) facilitate the effective deployment of assets in developing the organization's competitive advantage (Grant 1991). Together they provide the foundation for the organization's distinctive or core competences (Hofer and Schendel 1978; Prahalad and Hamel 1990).

Organizational culture has been classified as a key resource and a "strategic asset" by some scholars because it is difficult to imitate (Reed & DeFillippi 1990; Amit & Schoemaker 1993), takes time, skill and capital to develop (Dierickx & Cool 1989) and investment in it is irreversible (Peteraf 1993). It sets the internal context within which strategic decisions are made (Webster 1994). Hooley et al. (1998a, 2001) suggest that marketing resources and capabilities play key roles in establishing competitive advantage of for-profit firms in the marketplace. However, for COs that are arguably more dependent on external parties for resources (especially funding) than their for-profit counterparts, developing capabilities such as a strong culture, mission and values, and organizational leadership is arguable crucial to maintain their strategic position over time.

### **External environmental factors**

These comprise of a complex set of macro-environmental influences external to the organization that are not within the direct control of its management but could influence

its strategies unexpectedly (Learned et al. 1979; Andrews 1980; Johnson et al. 2005). On the basis of our research, we identify three external factors that could influence the PS of charities: governmental influence, other external environmental factors, and competitor factor.

- ***Governmental influence***

Government influence was the most significant factor that had emerged from the case studies. We found that the degree of government influence on the CO's strategic positioning differs depending on the perceived role that government played in the relationship with the charity (whether as funder, policy maker or legitimizer). This influence would also depend on the nature of the services provided by the charity, the extent to which the organization leaders engaged with government as a partner in delivery of public services, and its actions to maintain independence and strategic autonomy (Chew 2006b). The COs' particular relationships with national and local government agencies perhaps reflect the evolution of the UK government's policy of partnership with and contracting of public services delivery to COs over the past decade. Proposals to strengthen the 'Compact'<sup>5</sup> governing formal relations between the government at all levels and the voluntary sector in both policy design and public service delivery signal the commitment of both parties to develop strategic relationships (Osborne 2002; Osborne and McLaughlin 2004).

NCVO (2004a) observes that the voluntary sector is becoming increasingly dependent on contract income from statutory sources as the government expands the role of the voluntary sector in public services delivery. Chew (2005) suggests that the resource dependency of COs on external parties makes it imperative that they build long-term relationships with resource providers, including central and local governments. A major concern raised (Pharoah 2003<sup>6</sup>; Leat 1995b; NCVO 2004b) is

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<sup>5</sup> The 'Compact' was launched in 1998 after extensive consultation with VNPOs. It provides the formal framework for partnership working between the UK government and VNPOs. The government has undertaken to safeguard the voluntary sector role and independence, while VNPOs agree to operate in a transparent and accountable way, embracing diversity. (NCVO, May 2005)

<sup>6</sup> Comments by C. Pharoah, Director of Research in CAF as reported in Third Sector, 'Are there strings attached to government's shillings?' (Issue 2 July 2003).

the potential influence of government as a dominant funder on COs' strategic choices and independence as part of the wider voluntary sector. Our study suggests a complex set of dependencies. As long as the COs remained focussed on their mission, they were able to work with various local/central government agencies as partners despite their funding and public service contract dependencies. We further suggest that governmental influence was not so much as a competitor for the CO's organizational resources but as its policy maker and legitimizer.

*“Government does not influence the charity’s core positioning directly, but only operational issues, for example funding through local authorities for beach lifeguarding services, legitimizing the charity’s role for this public service, and statutory requirements for search and rescue training qualifications that it provides to its crew and volunteers.”*

*(Beach Lifeguarding Officer - sea rescue charity)*

Our study also found that COs have to contend with other strategic effects from this influence, such as the difficulty of raising funds from voluntary sources and financial vulnerability in the long term. McLaughlin (2004) suggests that the 2002 Treasury's 'Cross Cutting Review' on the role of the UK voluntary sector offers, she argues, an opportunity for COs to rethink their strategic position within this changing policy context even while it poses a threat to the sector's distinctive competences. In such a climate, strategic relationships between central and local statutory organizations and those COs that deliver key public services could be an increasing trend in the future (Chew 2006a).

- ***Other external environmental factors***

These comprise of other factors external to the organization that are not within the direct control of its management, for example economic conditions, technological changes, and demographic changes. It has been established above that the external operating environment of COs in the UK is increasingly challenging and competitive. Critical trends in the external environment, besides government and political influences, could provide opportunities or impede the strategic directions and positioning of the charity. These include social and demographic changes (for

example, an aging and increasingly pluralistic population, shifts in the demographics of service users and funders, and how their needs will change); changes in the national and international economic environments (recessionary or growth trends); and technological changes had availed cost-effective electronic/internet capabilities for fundraising and service delivery (Bruce 1998; Hudson 2002). The CO's core positioning and positioning dimensions would need to be reviewed in light of shifts in its corporate strategy as the organization adapted to changes in its external environment.

- ***Competitor Influence***

COs in the UK perceive increasing competition for both funding and other organizational resources (Chew 2005; 2006a, b). The main competitors were perceived to come from other charities and VNPOs, and to a lesser extent commercial and statutory organizations. Competitive intensity for resources is arguably high among COs where there exist high degrees of similarity of goals and tasks between them (Saxon-Harrold 1990). This scenario is increasingly evident in many UK charity sub-sectors where often a number of COs serve the same cause, offer similar types of services (such as general welfare for children or accommodation service for elderly persons) or operate in the same geographical or user segments. Charities Aid Foundation (CAF 2003) reports that among the top 500 British fundraising COs in 2002, 23% of them were in the GWSC sub-sectors. Within these sub-sectors, nearly 25% of the charities target the children and young people welfare segment alone.

However, the drivers of competition could vary depending on the nature of services the charity provides and their historical orientation. For example, our study found that COs that derived a high proportion of their income from statutory (central or local) funding had to compete with other COs/VNPOs and private sector operators for both statutory funding and government service contracts. More critically, they competed for both legitimacy and attention from government funders (Chew 2006b). In contrast, other COs that depended on voluntary sources of funding, such as

individual donations and corporate sponsorships, were challenged by an increasingly discerning general public and media.

Saxon-Harrold (1990) argues that competitive forces and resource dependency on external parties have significant impact on the strategic choices of COs. Her (ibid) study on the strategic choices of VNPOs in Britain concluded that strategy was less likely to be shaped by internal organizational forces than from variations in the intensity of competition and the degree to which the charity was dependent on resources (in particular funding) from external parties. Furthermore, we have argued earlier that the number of registered charities in Britain has continued to rise since the 1990s. This has resulted in increased pressures on COs in their search for new and continuing funding and other resources in pursuance of their mission/purpose.

### **Mediating Factors**

Our research model suggests that the external environmental factors described above do not necessarily influence the CO's positioning strategy directly. These influences are mediated by other factors, which could amplify or reduce their impact. Mediators are conceptualized in this model as those factors or variables that intervene between stimuli and response (Baron and Kenny 1986). This model suggests that an external antecedent (stimuli) may indirectly affect the response (choice of or change in a particular positioning strategy) through the mediating factor (James and Brett 1984). Two main groups of mediating factors are identified: influential stakeholders and critical 'trigger' events.

- **Influential Stakeholders**

The literature provides various definitions of a stakeholder depending on how broad or narrow the impact of its relationship on the organization. Freeman (1984, p. 46) defines a stakeholder as those groups that are vital to the survival and success of the organization. Bryson (1999, p. 5), on the other hand, provides a broader definition of a stakeholder as 'any person, group or organization that can place a claim on the organization's attention, resources or outputs, or is affected by that output'.

Additionally, stakeholders have been identified based on their power and legitimacy over the behaviour of the organization (Mitchell et al. 1997). They can also come from sources that are external or internal to the organization. Several authors have suggested that the number and type of stakeholders of CO are greater and more varied compared to for-profit organizations (Bryson 1995; Leat 1995). Their degree of influence would vary depending on the charity's sources of income and legitimacy, as well as the power, visibility and vocality of the stakeholders themselves.

Influential stakeholders are defined in this paper as those groups or organizations who possess the power and legitimacy to influence the organization's behaviour by virtue of their resource dependent relationships with it (Mitchell et al.1995), and without whose continuing participation the CO cannot survive (Clarkson 1995). They are therefore considered the CO's primary stakeholder. Three potential groups of influential internal and external stakeholders that could mediate the impact of specific external environment forces on the choice of PS in charities are suggested.

***[1] Internal Influential Stakeholder (key decision maker)***

Depending on their degree of involvement in the CO, the Board of Trustees and its Chief Executive, play important roles in shaping the charity's strategic positioning. Among the distinguishing features of a CO are its entirely non-executive and voluntary composition of its governing Board of Trustees and the unique relationship between the Trustees and the Chief Executive (Leat 1995a). Hudson (2002) argues that there are overlapping responsibilities between the governance responsibilities of a CO's trustees and the management responsibilities of its Chief Executive. Leat (1995a) argues that the roles of the Chair of the Board of Trustees and the Chief Executive are more important in a CO than in a for-profit organization. Together, they make decisions about the charity's mission, its corporate plans and strategies.

The comments below reveal the different perspectives of these two key stakeholders' influence in the charity's strategic position.

*“Strong leadership shapes the corporate culture. A leadership change, especially a new Chief Executive, will affect the types of corporate strategies pursued, and could affect the charity’s positioning. Our current CE is very mission-orientated.” (Head of Fundraising - drug treatment charity)*

*“Since 2001, the board of trustees has been increasingly involved in planning, developing and reviewing the strategic directions of the charity. A change in that direction could affect the way the charity positions itself. For example, if the corporate strategy decides that the charity begins to provide day accommodation only, this will influence where our competition is, and consequently where our positioning lies.” (Chief Executive - children’s charity)*

Our study demonstrates that strong organizational leadership often initiates more formalised process for positioning activities in the CO, and lead its strategic reviews. They decide on the CO’s strategic directions -and how resources are acquired, developed and allocated to support these initiatives. They are particular influential when they are knowledgeable in business and management approaches, or supportive of their applications in the CO’s operations.

**[2] External influential stakeholder (resource dependency)**

We have argued above that resource dependency on external parties has significant impact on the strategic choices of COs (Saxon-Harrold 1990). The extent of influence would depend, in part, on the degree to which the CO is dependent on resources (in particular funding) from these stakeholders. In terms of strategic positioning, our study found that certain external stakeholders to whom the CO depends on for critical resources could have the power to directly influence its strategic decisions and actions. Two groups of external stakeholders stand out from our findings: government agencies that provide financial resources (grants and public services contracts), and volunteers who provide essential services to the CO. These are reviewed below.

- **Government funding agencies** – we had suggested earlier that government is regarded by COs as an increasingly influential external stakeholder because of its role as their funder (grants and contract income), policy maker, and legitimizer for its operations/services provided to target audiences. Many COs are dependent

on substantial financial support (grants and contract income) from central and local government. NCVO (2004b) reports that 37% of the total annual income of general charities<sup>7</sup> came from statutory sources (grants and contract income) in 2001-02, compared to 27% a decade ago. Government grants amounted to 42% of the top 500 charities' annual new income in 2001-02, with central government giving three times as much in grants compared to local authorities (CAF 2003). These trends perhaps reflect recent UK government initiatives aimed at engaging VNPOs, including charities, to deliver more public services. This has been done by providing what is proclaimed to be a more enabling political environment and by increasing statutory funding in grants and contract income for public services delivery (HM Treasury 2002; Strategic Unit 2002).

The degree of financial dependency by COs on government funding however appears to be sub-sectoral specific. For instance, the top 500 charities in the social care sub-sector received the highest proportion of total annual income (30%) from government grants and contract fees in 2002-03 (CAF 2004). The growth of these charities appeared to be significantly linked to government policy on development of social care, both at national and local levels. On the other hand, charities operating in the international and environment sub-sectors tended to rely more on private donations from individuals and corporations. They received 56% and 43% respectively from this voluntary source of income over the same period (CAF 2004).

Governmental influence would also depend on the extent to which the CO's leaders decide to engage with government as a partner or act to maintain organizational independence and autonomy (Chew 2006b). The increasing trend of COs delivering public services under contracts from government does not necessarily imply that they are becoming more dependent on this source of funding (Leat 1995b) or losing their independence (Blackmore 2004). On the

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<sup>7</sup> General charities are defined by NCVO as registered charities but exclude those considered part of the government apparatus, financial institutions considered to be part of the corporate sector, and organizations that deliver only private benefit. An estimated 153,000 general charities were registered in the UK in 2002. (NCVO, *Voluntary Sector Almanac 2004*, pp 17 & 29) and 169,000 in 2004 (*Voluntary Sector Almanac 2006*).

contrary, it could suggest that COs are becoming more ‘savvy’ in their understanding and adoption of strategic approaches to secure resources to support their operations in response to changing demands for their services, and at the same time, maintaining credibility and legitimacy (Leat 1995b, p. 161).

- **Volunteers** - Volunteers play different roles in VNPOs/COs. Osborne (1998, p. 16) argues that the defining characteristic of VNPOs is the ‘voluntary value’ that they hold. For charities, this means that they should show some form of ‘public benefit’, such as participation of volunteers in service delivery, fundraising or distinct management of the organization. However, we found that the extent to which volunteers can influence the strategic position of the CO would arguable depend on the value it placed on its volunteer ethos and how critically dependent it is on their services. For example, a national charity in our case studies had relied on volunteers to operate over 95% of its emergency sea rescue services and fundraising activities since its inception 180 years ago. It had arguably developed a heavy reliance on this resource. However, this CO regarded its volunteers as more than an economic resource. Strong volunteer ethos was part of its mission statement and core values. This ethos had, in part, shaped the CO’s strategic position by differentiating it from other charities/private sector organizations that provide similar services.

*“The volunteer ethos is part of the charity’s core positioning. Without the volunteers we will not be who are, and without them this will affect our strategic position or the way we communicate it to our donors and supporters.” (Information & Research Manager - sea rescue charity)*

In contrast, a drug treatment charity had decided to employ more paid staff to deliver its drug treatment services to substance mis-users. This decision had in part, been influenced by its corporate strategy to take advantage of the Labour Government’s policy to increase funding and programmes for treatment of drug misuse in the country. In order to support the change in its corporate strategy, its organizational operations have evolved from one that was primarily reliant on volunteers to deliver the services to one that has become increasingly

‘professional’ and staffed by qualified personnel. However, this does not necessarily imply that paid staff were less committed or focused on the charity’s mission.

*“Our strategic position has changed structurally and operationally over the years. Overall, the organization is more sophisticated and professional today with more paid staff dealing with different aspects of treatment services, and less dependent on volunteers like in the early years when it was more of a membership association charity.”*

*(Development Director - drug treatment charity)*

- **Critical ‘trigger’ events**

Changes to a CO’s strategic positioning may also be ‘triggered’ by particular external or internal events that happen unexpectedly, over which its management has little or no control. Our study revealed that these unanticipated events would trigger changes in positioning activity in the CO. These events included a change of organizational leadership, shift in governmental policy or changes on provision of public services and other specific external environmental changes.

Quinn (1978, p. 9) terms these events as ‘precipitating events’, which could cause the organization to respond with urgent, piecemeal and interim decisions that inexorably shape its future strategic position. This phenomenon was particular prevalent in our case studies over the past decade. We found, for example, sudden changes in the external operating environment could impact the CO’s core services and financial resources adversely: the economic down turn in the UK in the late 1990s and early 2000 had resulted in declining investment returns of major donors, such as large corporations (CAF 2003). Voluntary and legacy income declined for COs that relied heavily on voluntary income for their survival. Competition for government (local or central) contracts for specific types of public services had increased as more charities vie for this source of income to compensate for the loss of voluntary income. These events had ‘triggered’ review of the strategic position of these organizations by their senior management. Moreover, a leadership change in the CO, such as the arrival of a new Chairman of the Board of Trustees or a new

Chief Executive who brought strategic management thinking into the organization's planning approach could trigger a change in its positioning activities or in initiating the process of positioning itself in the CO.

## **Discussion**

This section offers four major premises that underpin our theoretical model. It discusses their relevance in the context of COs.

### **Interaction of external and internal influencing factors**

First, we have shown that a complex combination of external and internal factors interacts to influence the positioning strategy in COs. We have suggested in this paper that the factors that could influence PS in the charity context are drawn from multiple theoretical perspectives. Our empirical findings support the assertion by other researchers (Henderson and Mitchell 1997; Fahy 2000) that no one particular theoretical perspective can adequately explain all influences on strategy development and choices.

Hooley et al. (1998a, 2001) argue that both the external industry/market orientation perspective and internal organizational/resource-based perspective are necessary for effective development and implementation of a positioning strategy in commercial (for-profit) organizations. Our findings lend broad support to these two perspectives in so far as to enable us to differentiate between influences that are external and internal to the organization. However, we argue that a third perspective is equal, if not more crucial to explain other factors influencing positioning strategy in COs, that is, the stakeholder/resource dependence perspective. We have shown that certain external and internal stakeholders of the CO may impose their influence on its strategic position in different ways. Our model therefore offers a new perspective into understanding the interaction of various influencing factors that stem from different theoretical lenses in the charity context.

### **Distinctiveness of theoretical model in the charity context**

Second, we have shown earlier that our model depicts specific factors that we consider to be unique to the charity context. Wilson (1994) argues that strategy in a CO is more likely to be influenced by a combination of factors, and suggests that variations in these organizations stem from their contextual differences rather than the homogeneity that specific theoretical perspectives suggest. We argue that the variations in the factors in the charity context compared to those prescribed in the commercial marketing/strategy literature stem from fundamentally three distinct differences: positioning goals, the process of developing PS, and the role of marketing in strategic positioning. These are discussed below.

#### ***[1] Positioning goals***

The motivations for strategic positioning in COs in this study were multiple and differed from the often singular purpose of gaining competitive advantage attributed to for-profit organizations. The literature suggests (Andreasen and Kotler 2003; Lovelock and Weinberg 1989) that PS is a key outcome of the strategic marketing planning process in a non-profit organization. This assertion is based on the premise that positioning is used for competitive reasons commonly advocated in commercial marketing literature (Porter 1985; Webster 1992; Hooley et al. 2001). However, the primary goal for adopting a particular positioning strategy in CO in this study was often not for deliberate competitive reasons as in the case of for-profit organizations, but a combination of competitive and co-operative/collaborative motives.

Although there are different schools of thought on the notion of VNPOs/COs adopting competitive strategies (for example Herman 1994; Courtney 2002; Saxon-Harrold 1990; Balabanis et al. 1997; Hibbert 1995), this study found little evidence to suggest that positioning strategies in COs were created or pursued for purely competitive motive. Whilst it may be difficult to achieve extremes in either perfect competitive strategies or truly collaborative ones in VNPOs/COs compared to their commercial counterparts (Wilson 1994, p.77), we argue here that in terms of strategic positioning, there is a tendency for COs to strive towards co-operative/collaborative motives because of their

inherent mission for existence and their legal obligations to maintaining their charitable purposes.

This condition is perhaps reflective of Behn's (1988) argument that VNPOs that are involved in public services were founded or created because the market or government will not/cannot provide these services or provides them more efficiently and effectively. Their inherent mission is therefore to exist beyond survival. Mere survival for them, unlike for-profit organizations, is not sufficient.

*“Increase in competition from other charities for non-government funding won't be a major influence on our strategic position/mission. If someone out there is able to offer their services better than we can, we are not going to be out of the drug treatment service, we're going to still want to provide that service because of our mission.” (Head of Fundraising - drug treatment charity)*

The comment above indicates the general perception of COs in our study about their charity's fundamental purpose for existence, that is, to exist for their 'cause'. They have adapted to changing environmental conditions, which included positioning themselves in niches to avoid competition (Mintzberg 1987) or by co-operating with other parties, even 'would-be competitors' in pursuit of their mission (Astley and Fombrun 1983, cited in Mintzberg 1987, p. 15).

*“We are in direct competition with two other non-profit organizations – Royal Life Saving Society and the Surf Lifesaving Association. Despite this, at the corporate level, we have a co-operative partnership with them, for example agreement for them to provide volunteer beach lifeguards on busy weekends and during holidays under our umbrella.”*  
*(Beach Lifeguarding Officer – sea rescue charity)*

This quotation above suggests that COs do indeed co-operate with other organizations that are considered their competitors in pursuance of their mission or strategic expansion. Wilson (1994) argues that the particular institutional and policy contexts of British COs warrant a more co-operative/collaborative strategic approach in working with other organizations in voluntary, public and private sectors. The heterogeneity of

potential influences from multiple stakeholders on COs would preclude their adopting generic competitive strategies (ibid, p 76).

## ***[2] Process of developing positioning strategy***

We found that developing an organization level PS is more likely to be embedded in the CO's corporate strategy planning process rather than the marketing planning process as suggested in the marketing literature (Lovelock and Weinberg 1989; Hooley et al. 2001; Andreasen and Kotler 2003). Hudson (2002) and Johnson et al (2005) argue that the organization's strategic position is an outcome of management's review of its external environment and internal organizational capabilities.

*“The positioning direction and positioning statement of the charity were developed within the corporate strategy planning process, which are reflected in the mission statement and in its strategic intent today.”*

*(Chief Executive - children charity)*

Moreover, the PS of charities in our study is often not the result of a deliberate or pre-planned process but has emerged from actions taken in response to external environmental influences and internal organizational change. Emergent PS stimulates organizational learning and paves the way for more deliberate approaches to strategy development (Mintzberg and Waters, 1985). We found that in larger and more established COs, there were extended periods of learning from experimentation and past experiences in their positioning strategy activities (Levitt and March 1988; Brodtrick 1998). In relatively younger COs this process had evolved quite unconsciously and unplanned, mainly in response to the rapidly changing external environment. Their experiences reflect Behn's 1988's concept of management by “groping along” where the CO avoided detailed planning ahead but encouraged adaptation and adjustments to their strategic position over time. The rational model of developing a PS as suggested in contemporary strategy literature appears to have limited application in the charity context. Both emergent and deliberate PS are thus capable of becoming realized ones for the COs in our study (Mintzberg 1987).

*“There is an emerging process of strategy planning – where there were processes in place previously; some worked, some did not. The organization learned as it grew and improved on those that worked, and removed those that did not. Management techniques changed as the organization grew and staff changed. That forces some changes on the process of planning and positioning as well. Now, the planning processes are being strengthened; taking the best and putting them together.” (Corporate Planning Manager - sea rescue charity)*

### **[3] Role of marketing in strategic positioning in COs**

Marketing plays a supporting rather than leading role in the case study organization’s strategic positioning process, mainly in communicating their strategic position to the various target audiences. This role appears to differ from what the marketing literature prescribes for for-profit and non-profit organizations in general (Hooley et al 1998; Lovelock et al 1996; Lovelock and Weinberg 1989). Marketing’s responsibility is portrayed in the literature as playing a dominant role in identifying the components of PS, defining its competitive positioning, allocating marketing resources to support the goal of pursuing competitive advantage over rival providers, and sustaining the position over time.

Two possible reasons are offered to explain this variance. First, different COs are arguably at different stages of organizational development, thus exhibiting varying degrees of orientation towards strategic management and marketing practice. Our study found that COs have indeed begun to undertake strategic marketing planning activities, albeit moderately. Whilst many larger COs have dedicated marketing functions, their role appeared to be an operational one in the strategic positioning process, that is, to communicate the positioning messages once these were defined by the senior management team and Trustees, rather than taking the lead in the process itself. This situation was evident in all the four case studies in this study, and is exemplified in the comment below by one of our study’s interviewees.

*“Marketing has positive contributions to the changes in the organization, especially in developing consistent external communications, re-branding and fundraising. But these can be better, for example, we need to be clearer about the role of marketing for the organization. We need to clarify how marketing links*

*throughout the organization. Who are the ones that we want to communicate our position to? Also the importance of internal marketing to our internal audiences about our corporate and strategic plans and how to deliver these well.”*

*(Development Director - drug treatment charity)*

The other plausible reason is the contextual difference between charities and other non-profit/commercial organizations, which managers ignore at their peril. As we have argued above, the positioning goals of COs appear to be multiple rather than focused on the singular motive of gaining competitive advantage commonly attributed to for-profit firms. Andreasen et al (2005) argue that potential barriers to transferring marketing knowledge to non-profit organizations are the lack of marketing skill and difference in organizational characteristics compared to for-profit organizations.

### **Influence of mediating factors**

Third, we suggest that the direct influence of external environmental factors on positioning strategy in the CO may be mediated by the actions/decisions of influential internal stakeholders, such as the Board of Trustees or Chief Executive, and external stakeholders to which the CO depend on critical resources, such as dominant funders and in some instances, volunteers. The other mediating influence may come from critical events, such as change in organizational leadership who brought a strategic orientation into the charity's planning philosophy or declining financial resources. These could trigger a review of the organization's distinctive competences/key strengths and initiate changes to its strategic positioning. The process of identifying and solidifying the CO's strategic position may therefore not be formalized in the organization until a key decision maker or a dramatic event triggers that urgency.

This model does not, however, assume “*complete mediation*”, which implies that *all* the effects from the external antecedents on the positioning strategy are caused by the presence of the mediating factor (James and Brett 1984, p. 307). It is acknowledged here that under certain conditions the mediating factor(s) may assume a moderating role. Moderators are influences that do not intervene in the relationship between antecedent and outcome, but could affect the direction and/or strength of that relationship (Baron and Kenny 1986). As explained above, the CO's dependency on government funding or

volunteers as critical resources was found in our study to be contingent on other factors, such as, the sub-sector that the CO operates in, organizational culture, size and its funding pattern. These conditions are reflected in the quotations below from interviewees in different case study organizations.

*“Funding new types of services will affect the capacity and infrastructure of the charity to meet these requirements. When we are a large organization, we need to decide if we want to undertake some government contracts or not. For example, in the prisons tendering system where the commissioners for that funding decided stringent form of paying out of services and will impose sanctions on us if we don’t deliver the required standards.” (Development Director – drug treatment charity)*

*“Being independent (not managed or funded by government) is absolutely vital for this charity so that it has no government messing around whatsoever. We are not politically tied, not operate at the whims of government. That is one of the most frequently asked questions when we are fundraising on the streets. I feel passionate that we are independent and for the reasons that it does such a good job.” (Branch Fundraising Volunteer - sea rescue charity)*

### **Pre-eminence of the charity mission**

Fourth, we have argued that the charity mission, as a key internal organizational factor, plays a crucial role in the CO’s strategic positioning because it acts as both a positioning differentiator and as a primary influence on the choice of positioning strategy (Chew 2005; 2006b). Despite contrasting histories and features, the COs in our study have developed a strong sense of mission, vision and values, which were communicated openly to external and internal audiences. These provided the key direction for the development of positioning strategy in the CO. However, other research suggests that a fundamental challenge for COs compared to commercial organizations is the tension between mission and the needs/demands of external stakeholders, in particular, the external stakeholders that they depend for resources (Leat 1995b; Hudson 2002). Our study has revealed that the primary target stakeholder for positioning by COs was the service user/beneficiary. Donors/funders were considered secondary stakeholders in their positioning strategy.

NCVO (2004b) cautions VNPOs that increasingly deliver public services that they risk mission drift in their search for funding. It argues that, whilst VNPOs have a wide range of stakeholders, the user/beneficiary should be the most important stakeholder that drives their work and not the funder or government partner that provides contracts for delivery of public services (Blackmore 2004). In a similar vein, Alcock et al (2004) suggest that VNPOs, including COs, that increasingly undertake service delivery contracts for government need to consider the extent to which these contracts match their organizational mission and are beneficial to their users. We found little evidence of mission drift in the case organizations in our research. They have maintained their strategic positions, which were guided by their mission, despite making changes to their organizational structure, operations and resources support over time. It was apparent in our study that the COs' leaders and managers were very aware of the potential threats of embarking on strategies that strayed from their mission and strategic position, as suggested in the comments below.

*“Our new 5-year corporate plan reinforced the organization’s core positioning and was done to ensure that the organization, its people and resources are focused in that direction and not straying too much into government funding and services.” (Grants Manager – regional grants making charity)*

Our study suggests that COs have embarked on strategic positioning without straying from their mission. They have maintained their focus on serving their key target audience (the users/beneficiaries) by developing strengths and distinctive competences that were unique to their organization. They have been able to implement changes in their organizational structures, operations and resource support in pursuance of their mission, including building new or strengthening well-established collaborative links with organizations in the wider voluntary, public and private sectors to support their strategic position over time.

## **Conclusions**

This paper began with an acknowledgement that there is lack of adequate theoretical and conceptual models to guide positioning research and practice in the context of VNPOs, and in particular COs. At the same time, we have argued that the extant literature and

theoretical perspectives on positioning that are derived from the context of commercial (for-profit) organizations have limitations when applied to the charity context. A major contribution of this paper is therefore in overcoming these deficiencies by proposing a theoretical model that is shaped from our research, and which integrates the various factors that influence the positioning strategy in COs. It offers new insights into these factors that draw upon multi-dimensional theoretical perspectives to explain their significance. Charity managers could benefit from a better understanding and appreciation of the particular context within which various factors could influence the strategic positioning in their organizations.

Our paper has suggested an anatomy of positioning strategy for COs. It has also identified that the CO's positioning strategy can be influenced by a complex combination of internal organizational and external environmental factors. These influences could however be mediated by other factors, which we argue, are unique to the charity context. We have further argued that the variations in these factors in the charity context compared to those advocated for commercial organizations stem from three distinct differences: the positioning goals, the process of developing positioning strategy and the role of marketing in strategic positioning. These differences underscore the need to appreciate the particular context of VNPOs in general and COs in specific by both management researchers and practising managers, when attempting to transfer marketing/management approaches into these organizations. Arising from our discussion in the preceding section we offer three implications for positioning research and management practice in the charity context:

- No single theoretical perspective, and consequently, no single factor can adequately explain all influences on positioning strategy in COs. A combination of perspectives and influencing factors are therefore needed to accommodate the unique context of COs in research and practice. At the same time, our study has demonstrated that existing theoretical models and conceptual frameworks in positioning and strategy development that are derived from the context of commercial (for-profit) organizations have limitations when prescribed for VNPOs in general and COs in specific. They would either require adaptation or

re-interpretation. More research is therefore needed to develop management theories and governance models that are appropriate and useful for these organizations.

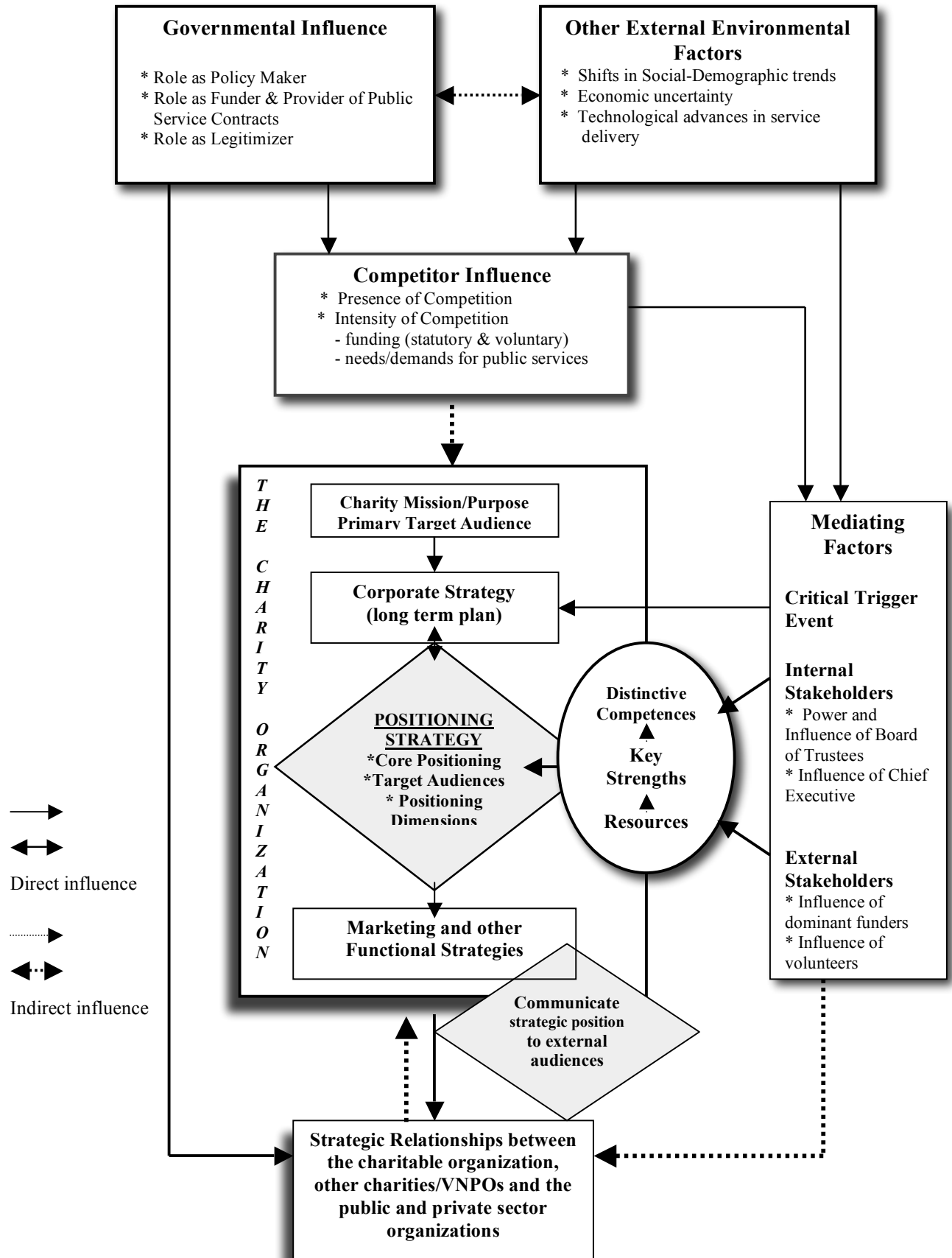
- A complex combination of collaborative/cooperative and competitive motives underpins the positioning goals for strategic positioning in COs. These motives and goals are moulded by the charity's mission, which can enable or constrain strategic choices. In order to avoid mission drift, charity managers would need to adopt a strategic position for their organization that best reflects its mission, enables it to effectively differentiate the organization from other COs/VNPOs, while at the same time, be open to learning from the external environment and from its own experiences.
- The profound changes taking place in the UK policy context could offer COs potential opportunities for growth, while at the same time, challenge their strategic positioning at both the sectoral and organizational levels. The government's modernization agenda (Cabinet Office 1999) to reforming public services in the UK entails a change in relationship between the state and the voluntary sector, and this is particularly evident in the enlarging role that VNPOs/COs can play in delivering public services under contracts from government (NCVO 2005). McLaughlin (2004) suggests that the 'Cross Cutting Review' (HM Treasury 2002) offers COs opportunities to be involved in policy development and delivery of public services. At the same time, it may pose a threat to the charity sector's distinctiveness competences.

In this paper we have highlighted recurring concerns raised elsewhere (Leat 1995a, b; NCVO 2004b; Alcock et al. 2004) about mission drift in COs, the potential loss of their independence to make strategic choices and preserving the freedom to campaign for their causes in the changing policy context. We have found little evidence of these happening in our case studies. Blackmore (2004) argues that the crucial issue in this debate is not about independence of COs *per se*, but about how they are able to manage strategic relationships with their

various stakeholders, including government funders. There have been proposals to strengthen the 'Compact' governing formal relations between the government (central and local) and VNPOs/COs in both policy design and public service delivery (Osborne 2002; Osborne and McLaughlin 2004). These developments have reinforced the importance of embarking on strategic positioning by COs in a way that preserves their charitable values and independence, while enabling them to build strategic relationships between public and private sector organizations in pursuance of their mission.

In conclusion, we offer two important caveats about our theoretical model in general. First, we have identified PS at the organizational level in the charity context. This is distinct from, but provides guidance for, positioning at the operational or product levels. Second, the influencing factors suggested in our model have been generalised from our empirical research. There could be other influencing factors under specific circumstances. Consequently, we recognise that our model may not include all influencing factors. At the same time, it is shaped by research that is both exploratory and inductive. Future research is needed to validate the model and its constituents in COs/VNPOs in other organizational and sectoral contexts. Longitudinal study into the process of developing positioning strategy in these organizations could also be conducted in order to examine the critical trigger events that catalyse non-linear shifts in strategy and culture, the causal relationships between the influencing factors, and their effects on strategic relationships between COs, the wider VNPOs and the public/private sectors in more detail.

**Figure 2: Integrating Model of Factors Influencing Positioning Strategy in Charitable Organizations**



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