

TO WHAT EXTENT DO CURRENTLY ACCEPTED FOR-PROFIT NEW
PROJECT DEVELOPMENT SUCCESS FACTORS APPLY IN THE
SMALL NONPROFIT CONTEXT IN THE UK?

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2. Thesis Summary

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The Third Sector in the UK continues to grow. Many nonprofit organisations are being influenced by the for-profit sector in several areas. The importance of innovation in this increasingly competitive environment is becoming more apparent, though the benefits of applying well developed for-profit New Project Development (NPD) frameworks to this context are still unknown.

This study aimed to provide an insight into NPD practices in small nonprofit organisations in the UK by exploring how accepted "Best Practice" dimensions manifest themselves in this context.

The first stage of the study was an exploratory within Case-Study looking at Christian Education Movement (CEM) as part of a Knowledge Transfer Partnership (KTP). This was then encompassed within a wider cross-case comparative study with 11 small nonprofits. A purposive sampling method was used to identify these organisations. Face to face and telephone interviews were conducted and transcribed. All data was coded using broad pre-determined categories and a matrix analysis identified themes and patterns.

In some ways, small nonprofits mirror for-profit organisations in their need for a flexible yet formalised process, their dependence on market knowledge and the necessary consideration of project feasibility. Small nonprofits also resemble project-based and service organisations in their overlapping Concept Testing and Product Development. However, new development issues were identified, like the clear impact of limited resources leading to a tendency to work in partnership, the necessity of staff taking on multiple roles, and the influence of funding availability.

Small nonprofits tend not to consider many of the issues raised in this study, so it provides an opportunity to reflect on some of the things they do intuitively. Overall, an increased awareness of the individual stages of the NPD process and the efficiency of their execution would be beneficial for all managers in this context.

Most nonprofit marketing literature is based on larger organisations, so does not consider the impact of resource restrictions on organisational activity. This study also extends contextual understanding in for-profit NPD literature. It provides an insight into possible reasoning behind, and consequences of nonprofit activity, proposing a testable framework and suggestions for further research, in order to make a step closer to a nonprofit "Best Practice" framework for successful NPD.

Key words

Charitable innovation, NPD, SME, Resource-dependent development

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4. List of Contents	Page No.
1. Title Page.....	1
2. Thesis Summary.....	2
3. Acknowledgements.....	3
4. List of Contents.....	4
5. List of Tables.....	6
6. Chapter 1 – Setting the Scene.....	7
6.1. Introduction.....	7
6.2. Vision for the Third Sector in Britain.....	7
6.3. Trends in the UK Charity sector.....	8
6.4. Need for successful innovation.....	9
6.5. Innovation in Charities.....	10
6.6. Summary.....	11
7. Chapter 2 – Literature Review.....	13
7.1. Introduction.....	13
7.2. Organisation-related factors.....	15
7.2.1. Table 1 : Classification of New Products.....	16
7.3. Process-related factors.....	20
7.4. Summary: Aims & Objectives.....	23
8. Chapter 3 – Research Strategy.....	26
8.1. Introduction: Philosophical Underpinnings.....	26
8.2. Methodology.....	27
8.2.1. Stage 1: Exploratory Case Study.....	27
8.2.2. Stage 2: Wider population exploration.....	30
8.3. Data Reliability.....	33
8.4. Communication Strategy.....	34
8.5. Summary.....	35
9. Chapter 4 – CEM Case Study.....	36
9.1. Introduction.....	36
9.1.1. Table 2: CEM Income Comparison.....	37
9.2. Organisation-related factors.....	38
9.2.1. Strategy, Portfolio Management and the role of New Projects.....	38
9.2.2. Table 3: CEM Project Case Studies.....	39
9.2.3. Organisation for NPD: Leadership and Multiple Roles.....	39

9.3. Process-related factors.....	40
9.3.1. Market Research.....	40
9.3.2. NPD Process (including Metrics & Performance Measurement).....	41
9.4. Summary.....	46
10. Chapter 5 – Wider Small NFP Study.....	50
10.1. Introduction.....	50
10.2. Organisation-related factors.....	50
10.2.1. Strategy, Portfolio Management and the role of New Projects.....	50
10.2.2. Organisation for NPD: Leadership and Multiple Roles.....	52
10.3. Process-related factors.....	55
10.3.1. Market Research.....	55
10.3.2. NPD Process (including Metrics & Performance Measurement).....	56
10.4. Summary.....	63
11. Chapter 6 – Findings and Discussion.....	65
11.1. Introduction.....	65
11.1.1. Table 4: Findings and new insights.....	65
11.2. Discussion.....	67
11.2.1. Organisation-related factors.....	67
11.2.2. Process-related factors.....	71
11.3. Summary.....	79
12. Chapter 7 – Summary, Conclusions and Framework Development.....	81
12.1. Introduction.....	81
12.2. Literature summary.....	81
12.3. Methodology Summary.....	83
12.4. Main conclusions & Theoretical contribution.....	84
12.4.1. Table 5: Framework development.....	87
12.5. Managerial implications.....	89
12.6. Study Limitations.....	91
13. List of References.....	93
14. Appendices.....	101
14.1. Appendix 1 - Percentage of UK Charities in each income band.....	101
14.2. Appendix 2 - Interview Protocol (adapted from Barczak et. al. (2006)).....	102
14.3. Appendix 3 - Tailored Communication Strategy.....	103
14.4. Appendix 4 - CEM Product-type Case Studies.....	104
14.5. Appendix 5a – Cross Matrix Display Excerpt 1.....	105
14.6. Appendix 5b – Cross Matrix Display Excerpt 2.....	106
14.7. Appendix 5c – Data Triangulation Matrix Excerpt.....	107

5. List of Tables	Page No.
7.2.1 Table 1 : Classification of New Products.....	16
9.1.1 Table 2: CEM Income Comparison.....	37
9.2.2 Table 3: CEM Project Case Studies.....	39
11.1.1 Table 4: Findings and new insights.....	65
12.4.1 Table 5: Framework development.....	87

6. Chapter 1 – Setting the Scene

6.1 Introduction

This Chapter serves as an introduction to the rest of the dissertation by placing the study within its context. It briefly addresses current trends in the UK Third Sector, as well as highlighting the increasing significance of innovation in this area.

6.2 Vision for the Third Sector in Britain

The Third Sector is considered a vital component of a fair and enterprising society, where individuals and communities feel empowered and enabled to achieve change and to meet social and environmental needs (HM Treasury, 2006). The Government defines the Third Sector as non-governmental organisations that are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. The UK Third Sector clearly now differs from the country with which it is often grouped – the US. One of the most important factors is that the UK sector has not had to respond to systematic public “defunding” of welfare services by massively extending its reliance on fees and charges (Kotler and Andreasen, 2003). In fact, the final report of the Third Sector Review set out by UK Prime Minister, Gordon Brown, announced major new commitments to boost the sector and has set out £515m funding over the next 3 years (Cabinet Office, 2006).

Like the public and private (for-profit) sectors, the range of work carried out in the Third Sector is vast. It is characterised by a staggering variety of organisational types, structures and activities (Kendall and Knapp, 1995). The Government's list of the type of organisations in the Third Sector includes voluntary and community organisations, charities, social enterprises, cooperatives and mutuals (Cabinet Office, 2006). A way of further capturing this diversity is to break the voluntary sector's contribution down according to field of activity or 'industry' (Charity Commission, 2006). Much of nonprofit literature uses the International Classification of Nonprofit Organisations (ICNPO) to do this. According to this system, the following subsectors exist within the industry:

- » Culture and recreation

- » Education and research
- » Health
- » Social services
- » Environment
- » Development and housing
- » Law, advocacy and politics
- » Philanthropic intermediaries
- » International activities
- » Religious congregations
- » Professional associations, trade unions etc.
- » Not elsewhere classified

Such diversity in the voluntary sector is a key strength, but can also be a hindrance to those looking to study the sector (Sargeant, 1999). Industry variations within this subsector is accounted for through the research strategy in the current study.

6.3 Trends in the UK Charity sector

Over the last decade, the Charity sector in the UK has grown significantly: the number of registered charities rose from around 120,000 in 1995 to over 190,000 in 2007 (Charity Commission, 2006). Charitable giving has kept up with growth in GDP in recent years; with a combined annual income of £38 billion, the sector now represents 3.4% of total GDP (Charity Commission, 2006). The increasing importance of the voluntary sector also became apparent as employment grew significantly during the second half of the 1990's. During this time, the sector experienced much faster proportionate change than the private or public sector (Kendall, 2003). The sector now employs over 600,000 paid staff and 900,000 trustees (Charity Commission, 2006). Although this may seem promising, not *all* charitable organisations have grown.

Small charities

Recent analysis of Charity Commission data by the National Council of Voluntary Organisations (NCVO) highlights the rapid growth of many large charities, but also the

decline in the income of many small and medium-sized charities (NCVO, 2007). When the income of the charitable sector is broken down, we find that many are very small organisations indeed. In fact, the financial wealth of registered charities, measured by their annual income, is concentrated in just a few very large charities. This is demonstrated by the following Charity Commission figures:

- » the majority of registered charities have an income of £10,000 or less. They represent nearly 60% of registered charities but have less than 1% of the income recorded.
- » around 8% of charities receive over 90% of the total annual income recorded.
- » Only 651 charities (0.39% of those on the register) attract over 49% of the total income.

Source: Charity Commission (2006)

Given that charities with an income of more than £1m represent just 2% of the total number of active charities (Society Guardian, 2007), a number of threats still exist for the vast majority of charities in the UK despite the promise of state support for much of the Third Sector. In recent years, all charities, large and small, have been encouraged to adopt a more business-oriented approach to try to tackle some of the difficulties they face; one example of this is more effective innovation.

6.4 Need for successful innovation

One impact of rapid environmental changes like globalisation and increased competition is the need for firms to implement changes to help speed products through development, and improve process efficiency and overall NPD effectiveness (Griffin, 1997; Dicken, 2003). Higher rates of obsolescence and shorter product life cycles mean that firms cannot solely depend on their current products (Langerak et. al., 2004; Huang et.al, 2002; Wind and Mahajan, 1997). Customer demands have increased and they are now in a much stronger position than ever before, as more options and information become readily available. The successful development of products that fit these customer needs leads to superior new products, which in turn has a significant positive relationship with organisational performance (Langerak et. al., 2004). In fact, one major determinant of sustaining competitive advantage

is the ability of the firm to develop and launch successful new products in the market (Brown and Eisenhardt, 1995; Song and Parry, 1997).

6.5 Innovation in Charities

In terms of measuring the impact of charitable work in the Third Sector, a number of difficulties are clear. To illustrate, a 2005 survey of public trust and confidence in charities showed that 90% of people believed they hadn't received assistance from a charity when in fact, three quarters actually had (Charity Commission, 2006). Given that charitable activity is often intangible, this view is hardly surprising. Additionally, the previously discussed variety of activity within the sector means directly comparing the effectiveness of activity across organisations is practically impossible, making comparative new project "success" tricky to define. Despite these difficulties, innovation in providing products and services seems to be becoming as important for nonprofits as for profit-making businesses. Industry organisations in the UK like the Charity Commission suggest the best charities are constantly reviewing the way they work to see if they can change for the better. As the sector becomes increasingly competitive, commissioners continue to prioritise funding bids they regard as innovative. So much so, the survival of many charities now depends on this; one Third sector employee remarked back in 1994: Things have to be innovative for the funding body, whether they are needed or not. It's just dressing things up as innovative to get money (Aldridge, 2007).

Ability to innovate

In one of his speeches, Stuart Etherington, Chief Executive of the NCVO stated that many charities start from the point of innovation. They are established because of a gap in provision, or a need going unmet. The people involved are able to see a way of filling these gaps, and a way to do something that others cannot (NCVO, 2007). Despite this, it has been reported that innovation is on the decline in the Third sector; in 2006 only 19% of organisations were undertaking innovative activity, compared with 38% in 1994 (Osborne, 2006). Etherington went on to question the future of the charitable sector: "What about in a few years time, when charities are filling the same gaps but doing so in the same ways? Are they still being innovative then?" (NCVO, 2007). This introduces the concept of sustainable

innovation. To enable this, some charities are trying to become less reliant on funding and donations and be more innovative in their own methods of revenue generation (Foster and Bradach, 2005). Some now produce additional tangible “offerings” to complement their services, such as videos, brochures, books etc. (Lovelock and Weinberg, 1984; Kotler and Andreasen, 2003). By selling these additional products, many charities are becoming more like independent commercial enterprises (Barczak et. al., 2006). In this respect, it has been suggested they should apply traditional marketing techniques to their context.

In a nonprofit context, innovativeness has been defined as the implementation of an idea, service, process, procedure, system, structure or product new to prevailing practices (Jaskyte, 2004). This definition covers both product and process innovation, but this would go beyond the scope of the current study. For simplicity, this dissertation broadly defines innovation as the development of small nonprofit new projects, and will be abbreviated to New Project Development or NPD. Due to the variety of activity in the sector, all parts of a small nonprofit project come within this loose definition. That is to say, the concept of a “project” will encompass both tangible and intangible parts making up the entire value proposition developed by small nonprofits. For example, case study organisation CEM develops literature and resources alongside the provision of a new training course (See Chapter 4)

6.6 Summary

The Third Sector in the UK is showing increasing potential. However, there are risks for certain players, particularly the smaller organisations fighting for survival amongst the larger more powerful minority.

New project development for charities now goes beyond looking to successfully raise funds by *promising* innovative activity; even when an organisation is granted funding for a project, they must then transform that potential into the specified project. This introduces a slightly different concept of marketing to Charities; one which had previously been delivering a

convincing pitch to potential funders, now covers all stakeholders and the entire project development process.

The benefits of nonprofits adhering to practices used by leading for-profit organisations are still poorly understood. It is also unknown which other factors play a role in this context and in what way they have an effect on the nonprofit NPD process. The next Chapter will explore some of the main factors highlighted in the NPD literature, and specifically in the framework by Barczak et. al. (2006). Some of the concepts discussed will be extended and explored in greater depth to establish the key areas of investigation for the study to follow.

7. Chapter 2 - Literature Review

7.1 Introduction

Innovation is a broad topic addressed in a variety of academic disciplines. Marketing is well positioned to participate in this, because a primary goal of innovation is to develop new products for enhanced profitability (Hauser et. al., 2006). NPD is a much researched area of for-profit marketing activity and there is now a solid body of literature guiding NPD decisions in this context. Reflective of the overall marketing literature, it has developed into a body of knowledge where the ontology, or belief about the nature of reality, is very much objectivist; reality is seen to be factual and apprehensible. Investigating innovation in its entirety would go beyond the scope of the current study, so it will look at the strand of innovation which Brown and Eisenhardt (1995) call the organisations-oriented tradition. Here, the interest is in the structures and processes by which individuals create products (Brown and Eisenhardt, 1995). The underlying rationale is that where market changes can never be fully controlled, proactive product development can influence the competitive success, adaptation, and the renewal of organisations (Brown and Eisenhardt, 1995).

Various versions of an NPD "Best Practice" framework have now been developed. Although most firms employ a systematic and formal new product process, it is the nature of the process and the way it is implemented that are considered the true keys to success (Cooper and Kleinschmidt, 2004). The discussion has now reached the stage where research is necessary to determine which processes are best for which context (Hauser et. al., 2006). It has been suggested that the applicability of individual dimensions included in currently accepted frameworks may likely depend on the industry, organisation and other characteristics (Barczak et. al., 2004). Although many studies on innovation have promised to determine whether differences exist in NPD practice or performance across the different industry segments, most fail to do this effectively (and in fact go on to suggest investigating contextual differences as suitable for future research!). One such under-researched context is the charitable context. The idea of applying the marketing concept to nonprofit organisations began in a series of articles by Kotler and Levy, Kotler and Zaltman and

Shapiro between 1969 and 1973. Throughout the 1980's both academic and non-academic publications appeared and new journals were developed, including the *Nonprofit and Voluntary Sector Marketing* journal. However, academic research on NPD in a nonprofit context remains relatively primitive and there are currently no formalised frameworks for managing and designing effective NPD processes within the sector (Barczak et. al., 2006).

One article that has attempted to apply an established for-profit NPD framework to the nonprofit sector is by Barczak et. al. (2006). The authors outline a set of baseline practices prescribed by previous studies and by the Product Development and Management Association (PDMA). They propose that the following six NPD dimensions could be equally important for nonprofits:

- Strategy
- Portfolio Management
- Process
- Market Research
- People
- Metrics & Performance measurement

Barczak et. al. (2006) suggest that a systematically managed NPD process is necessary regardless of whether a primarily tangible or intangible offering is being developed (Barczak et. al. (2006). Thus, the definitions used in the current study (as described in Chapter 1) mirror this framework. This framework was chosen because it covers the main themes highlighted in the literature, at the same time as being simplified enough to provide a structured overview. Although no groundbreaking empirical evidence is presented in the findings of this case-study based research, it did uncover a number of interesting ideas, which had not previously been examined in this area. By their own admission, only tentative managerial prescriptions can be offered by their findings, as the study is exploratory and descriptive in nature. Barczak. et. al. (2006) make propositions, such as nonprofits uniqueness in their heavy emphasis on mission, their desire for flexibility, the strong

influence of external sponsors and their difficulty in assessing long-term programme success. These are valuable insights, but Barczak et.al. (2006) only look at the *direct* transfer of NPD best practice to nonprofits and do not investigate potential contextual differences.

The following Chapter will discuss this for-profit framework, as well as further exploring some key issues that the research fails to address, including factors that affect the proficiency with which the NPD process is executed. More specifically, it will explore two categories: organisation- and process-related factors (Cooper, 1979; Cooper and Kleinschmidt, 1987; Montoya-Weiss and Calantone, 1994; Henard and Szymanski, 2001). At the end of this Chapter, a summary of the literature is given and the main research questions formulated.

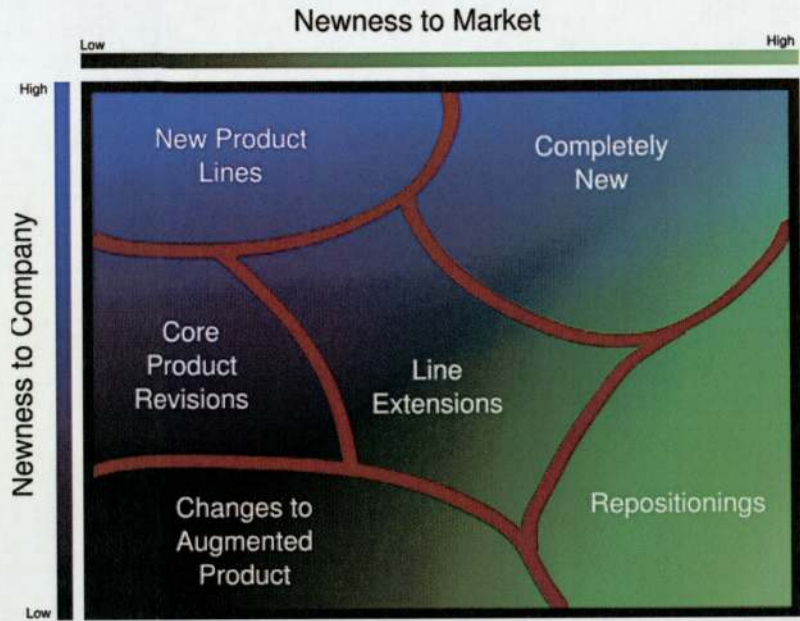
7.2 Organisation-related factors

Strategy & Portfolio Management

Two NPD dimensions identified by Barczak et. al., (2006) are Strategy and Portfolio Management. In the study by Adams-Bigelow (2006), Kuczmarski suggested that strategy is one of the most important NPD dimensions highlighted by Barczak et al. (2006). New product strategy defines the role of new product development in the company's overall strategy to achieve the goals of the organisation (Cooper and Kleinschmidt, 1995; Cooper, 2001; Dwyer, 1990; Kleinschmidt, 1994). Most academics and practitioners now agree that planning and communicating a clear new product strategy guides successful NPD; in fact those firms which don't formulate and communicate such explicit, consistent strategies in the first instance, display lower quality NPD activities (Cooper and Kleinschmidt, 1995; Griffin, 1997; Cooper, 2001; Huang et. al., 2002). Product strategy is defined by Trott (2005) as the creative process of recognising genuine business opportunities that the business might be able to exploit, otherwise known as 'Opportunity Identification'. The areas of strategic focus can be new or existing markets, product areas, industry sectors or technologies (Cooper and Kleinschmidt, 2004). This leads on to one context specific factor affecting new project development highlighted in the literature; whether the project is innovation within the current business, or whether it is opening a new space (Barczak et. al. 2006). The idea of

categorising new projects according to their “newness to market” and their “newness to the company” originated from research by Booz, Allen and Hamilton (1982).

7.2.1 Table 1 : Classification of New Products



Adapted from Booz, Allen and Hamilton (1982)

Radical Vs. Incremental innovation

Most firms continue to pursue less innovative projects such as improvements or additions to existing lines where marketing, technical and operational expertise are familiar to the firm (Griffin, 1997; Fredericks, 2005). Risk adversity is defined as the capacity for risk, ability to take risk and willingness to do so. Research has shown that more radical products have a greater success rate than incremental product developments (Griffin, 1997) and risk adversity is known to inhibit product innovation due to its high cost, uncertain return and questionable value to clients and supporters (Covin and Slevin, 1998; Hull and Lio, 2006). Despite this, firms are still reluctant to invest in more radical innovations.

For each successful product launch, risk is inherent and failures will be many (Griffin, 1997). In fact, the process begins with 6-10 concepts that are evaluated and either rejected or improved as they move from opportunity identification to launch (Hultink et. al., 2000). So, there is a current hypothesis that firms are most successful if they have multiple product

concepts in the pipeline at any given time, forming a portfolio of projects (Hauser et. al., 2006). However, many academics including Barczak et. al. (2006) also agree that limiting the number of projects underway at any one time to match the available resources and even cancelling weaker projects, increases the chances of success, so the mix of new projects under development must be actively managed (Griffin, 1997). This Portfolio Management is defined by Cooper (2001) as the decision-making process where an organisations mix of projects is updated, revised and prioritised and resources are allocated to the projects on the list. Effective selection procedures to choose which projects to develop from the opportunities identified contribute to ultimate success (Cooper, 1998; Cooper, 2001; Wheelwright and Clark, 1992). In fact prioritising high-value projects (or killing poor ones) through this process is the activity which had the biggest impact on performance in an NPD study by Cooper and Kleinschmidt (2004).

There have been few studies on the interrelationship between the implementation of the NPD process and an organisation's capability to do so, given their organisational resources. These concepts have often been explored in isolation, resulting in a lack of context-specific knowledge related to resource availability (Brown and Eisenhardt, 1995; Laforet and Tann, 2006). A clear gap in the literature here relates to innovation in small organisations, which are directly affected by such resource availability issues. Although they can be more flexible and motivated in their NPD (Nooteboom, 1994), SME's have fewer managerial, financial, and technological skills and resources (Rothwell, 1989; Voss et. al., 1998), which in turn has a significant impact on the quality with which NPD activities are executed (Huang et. al., 2002).

Resources, Skills and Culture

Barczak et. al. (2006) highlight People as a key dimension contributing towards successful NPD, covering all practices for managing people during NPD endeavours. Looking more widely, People only represent one aspect of organisational resources; the availability and allocation of other NPD resources like Development resources, Testing resources and Launch resources is also essential for NPD success (Cooper and Kleinschmidt, 1987, 1995; Becherer and Maurer, 1999). NPD literature now suggests that new product decisions should

always consider Resource Based View theory (RBV), which can be traced back over four decades (more recently by Barney, 1991; Grant 1995; Wernerfelt, 1995). In addition to being suitable and acceptable, new projects must be feasible given the firm's background resources (Smith et. al., 1996; Teece et. al., 1997; Helfat and Peteraf, 2003; Hull and Lio, 2006). Firms are considered heterogeneous with respect to these resources or factors of production they control, which often constitute the source of a firm's competitive advantage (Helfat and Peteraf, 2003). For strategy to be sustainable, it needs to be embedded in the firm's resources and capabilities (Grant, 1995; Mahoney, 1995; Wernerfelt, 1995). Cooper and Kleinschmidt (1987, 1995) took this further and emphasised the importance of making these resources and skills available for new projects. In fact, adequate resource allocation to the development of new products is now seen as essential for new product success (Smith et. al., 1996; Teece et. al. 1997; Helfat and Peteraf, 2003). One resource-based success factor highlighted in the literature is the availability of relevant expertise (Brown and Eisenhardt, 1995; Cooper, 2001; De Brentani and Ragot, 1996; Griffin, 1997). Technical ability, knowledge and expertise are often seen as a core competence. However, to achieve sustainable competitive advantage in changing markets, a firm must consider its ability to innovate over the longer term by aiming to continuously develop these organisational resources (Helfat and Peteraf, 2003; Teece et. al. 1997).

Successful NPD also requires an entrepreneurial climate for innovation and top-management commitment to new products (Cooper and Kleinschmidt, 1987, 1995; Becherer and Maurer, 1999). Particularly in project-based firms, this climate depends on the support from senior management, which is now considered a crucial success factor (Cooper and Kleinschmidt, 1987; Gupta and Wilemon, 1990; Katz and Allen, 1985; Zirger and Maidique, 1990; Brown and Eisenhardt, 1995; De Brentani and Ragot, 1996; Wheelwright and Clark, 1992; Blindenbach-Driessen and van den Ende, 2006). When top management is committed, they will positively influence the level of resources devoted to an NPD project and invest in organisational learning, which as discussed, increases the chances of ultimate success (Cooper and Kleinschmidt, 1995; Gupta and Wilemon, 1990).

Context specific factors affecting the NPD process

Most recently, wider literature suggests there are additional context-specific factors affecting the nature of the NPD process an organisation chooses to implement, which are less well understood by authors like Barczak et. al. (2006), and so tend not to be acknowledged in their frameworks. A few examples of how some of these might affect NPD are given below:

Organisational variable: Functional Vs. Project-based

Firstly, how an organisation is organised for project development will affect the process employed. Most innovation management literature typically concerns functionally organised firms (Montoya-Weiss and Calantone, 1994; Blindenbach-Driessen and van den Ende, 2006). Project-based firms are set up around projects, which they develop to provide unique and complex services to their clients (De Brentani and Ragot, 1996; Gann and Salter, 2000; Hobday, 2000; Principe et. al., 2003).

Industry variable: Fast vs Slow industry clock speed

In rapidly changing industries, more experiential tactics, including frequent iterations of product designs, extensive testing of those designs, and short milestones improve process performance (Eisenhardt and Tabrizi, 1995).

Product variable: Physical goods vs Services

Griffin (1997) suggested that processes for service firms are less complex than for manufactured goods, and so are less likely to contain some steps required for developing tangible products; on average, it was found that best practice service development only requires 4.7 steps and not 6.5 like in best practice manufactured goods firms. More specifically, testing and validation are less likely to occur in service development processes, which were found to take half the time to develop (Griffin, 1997). Obvious differences are that services are highly perishable and that the service user is a participant in the manufacturing process. Rather than a formal process, most are informal and others use none at all. However, Menor et. al. (2002) reviewed service development and suggested that the challenges for physical goods do apply to services, but with the added complexity of

developing the means to handle the unique nature of services within either sequential or spiral product development processes. This is still a relatively under-developed area of research.

The performance of NPD process is also driven by the amount, variety, and problem solving organisation of information available to the team (Brown and Eisenhardt, 1995). This is partly dependent on the proficiency of organisations in another key dimension highlighted in Barczak et. al.'s (2006) framework, Market Research.

7.3 Process-related factors

Market Research

Successful innovation rests on first understanding customer needs and then developing products that meet those needs (Hauser et. al., 2006). Information is often accumulated and stored internally at the market research stage, including knowledge of market size and potential, information on customer needs and wants and competitive information to uncover latent customer needs and stimulate new product ideas (Montoya-Weiss and Calantone, 1994; Brown and Eisenhardt, 1995; Ernst, 2002; Langerak et. al. 2004). So right from the outset, pre-development homework to investigate commercial feasibility is essential to guide new project decisions, to achieve the right balance and number of projects in the portfolio (Ernst, 2002) and ultimately maximise the chances of success.

Regardless of whether a sequential, spiral or overlapping process is implemented, it is now accepted that Market research should be conducted throughout, as markets are not static, but dynamic. There are a variety of different tools and techniques that can be used, each generating different types of information. However, it is then how this is utilised within the NPD process which affects the proficiency of this success factor. Information only becomes "useful" when it is integrated within the organisation through cross-functional communication and inter-disciplinary collaboration (Allen, 1971; Souder, 1981; Gupta et. al., 1986, 1987; Brown and Eisenhardt, 1995; Griffin and Hauser, 1996; Song et al., 1997). Despite the

benefits of doing Market Research, this dimension is still one of the most poorly executed by many firms (Barczak et. al., 2006). Only 11.4% claim product definitions are truly based on market research and one third spend only 5% or less on doing research before development (Cooper and Kleinschmidt, 2004).

Process (incl. Metrics & Performance Measurement)

A third factor identified by Barczak et. al. (2006) in their framework is the development Process itself, which has a well-established foundation linking innovation development success and overall business achievement (Cooper, 1990). Success in new product development depends on the firm's ability to exploit and combine resources through its organisational processes (Kandemir et. al., 2006). Teece et. al. (1997) use the term organisational capabilities to refer to the abilities of an enterprise to organise, manage, coordinate or undertake this specific set of activities.

Over the years, a set of stages making up the new project development process has been accepted in NPD literature; the multi-functional stage gate process, including Idea Generation, Idea Screening, Concept Testing, Business Analysis, Product Development, Test-Marketing, Commercialisation and Monitoring and Evaluation, was originally defined by Cooper (1979) and has evolved very little since. One interpretation to come later from Cooper and Kleinschmidt (1987) separated "technical" activities towards the start of the process from "marketing" activities making up the later stages, which was mirrored with the labels "Initiation" and "Implementation" by Johnes, (1984), Nakata, (1996) and Olson et. al. (2001). In the main, network models of NPD have gained credibility, where inputs from functions like R&D and Marketing feed into this core process (Trott, 2005); ideally firms should be able to use resources effectively and coordinate technical and marketing activities to achieve higher levels of NPD success through functional collaboration (Kandemir et. al., 2006).

To be successful, it was considered essential to implement a high quality new product process that is complete and thorough (Cooper and Kleinschmidt, 1995). However, interest

in the NPD process has now turned to not just whether or not particular stages of the process exist, but to *how* they are implemented and the quality of their execution. So the big debate now is the challenge of achieving a process structure, while maintaining flexibility for innovation (Nicholas and Ledwith, 2006). On the one hand, consistently following the project execution process from project to project and not skipping steps is seen to increase the probability of its success (Booz et. al., 1982; Wind et. al., 1990; Cooper, 1990; Griffin, 1997). Although Brown and Eisenhardt (1995) suggest rationalising these stages, they still support the ordering of steps in a sequential way. However, Keegan and Turner (2002) point out that the application of such traditional linear practices actually has a negative impact of the success of innovative activities, suggesting the importance of flexibility. Cooper and Kleinschmidt (2004) explained three generations of product development processes, the third and current generation realising a need to remain flexible, with less rigid decision-points and more fluidity between stages. This may include spiral process with feedback loops, and in some contexts, certain combinations of stages have overlapped to allow at least partially simultaneous execution. By squeezing the development process together, process performance has been found to improve (Clark and Fujimoto, 1991).

Barczak et. al. (2006) mention having metrics to measure performance as a contributing factor leading to NPD success. In this study, Metrics and Performance Measurement will be equated with Monitoring and Evaluation, the final part of the process mentioned above.

There is now a whole body of literature on the benefits of measuring NPD performance. Unless a firm does this, it cannot determine either how well it is doing, or whether it is improving or declining in performance (Griffin, 1997). Despite this, research has shown that not all organisations place great emphasis on this final stage of the process; even where goals are set, firms do not always go back and evaluate actual performance (Griffin, 1997). A distinction can be made between project level performance and organisational performance. At a project level, Cooper and Kleinschmidt (2004)'s definition of a "Best Performer" is a project that is profitable, meets its objectives, is successful versus competitors, time efficient and opens up new markets, technologies and product categories. The time to market may

also be used, from idea generation to launch, or whether or not the project stays within budget. However, almost half of new products miss scheduled launch date, just under this figure are over budget and more than 40% fail to meet profit, sales and market share objectives (Cooper and Kleinschmidt, 2004). Firms now also assess non-financial measures, such as the uniqueness of new product, the extent to which it satisfies customer needs or how well it fits company strategy (Griffin, 1997).

At an overall business level, quantitative measures may be used like the percentage of revenue and profit from new products, or the portion of revenue growth from new product development (Griffin, 1997, Cooper and Kleinschmidt, 2004). Some argue that even if a new product is a failure at the project level, the learning outcomes from it may bring forth strategic capabilities at the firm level, which improve overall organisational performance (Pattikawa et. al., 2006).

7.4 Summary: Aims & Objectives

Interest in nonprofit marketing is growing rapidly, but a critical research challenge still remained in understanding when it is appropriate to modify currently accepted “Best Practice” NPD frameworks for appropriate use in this context (Hauser et. al., 2006). Studies of NPD best practices had been conducted predominantly with for-profit organisations (Barczak et al, 2006). Although many of the NPD dimensions discussed above may be as relevant to NFPs as to for-profit making organisations, this remained uncertain, and a slightly different approach to managing innovation in nonprofits was still needed. This study aimed to look more closely at this by addressing the dimensions from the study by Barczak et. al. (2006), as well as a few left under explored from the wider literature. More specifically, it will look at the strand of innovation which Brown and Eisenhardt (1995) call the organisations-oriented tradition, whereby the interest is in the structures and processes by which individuals create products (Brown and Eisenhardt, 1995).

Under organisation-related factors, the dimensions Strategy and Portfolio Management will be explored, including the framework by Booz, Allen and Hamilton (1982) to assess the type

of new project in terms of its “newness” or how radical it is. Another organisation-related issue highlighted through the literature review concerns small nonprofit organisation for NPD. Both for-profit and nonprofit NPD literature, including that by Barczak et. al. (2006), has focused on large organisations. Academic samples are often refined to give convenience samples of larger firms, which have the resources required to carry out NPD processes “properly” (Huang et. al., 2002, Barczak et. al., 2006). However, development process concepts and strategies from large firms are not always appropriate for small firms (Nicholas and Ledwith, 2006). So by excluding SME’s in academic studies, it is not clear whether findings can then be applied to such contexts. Thus there is a lack of empirical research into the impact of variables like resources and skills on the quality and completeness of NPD in small organisations (Huang et. al., 2002). Linked to this, literature now suggests that new project decisions should always consider Resource Based View theory (RBV), looking at the affect of organisational resources, such as People, on the proficiency of their innovative activity.

Process-related dimensions are also represented in current “Best Practice” frameworks for new project development, including Market Research, Idea Generation and Screening, Concept Testing, Product Development, Test Marketing, Commercialisation, and Metrics and Performance measurement. In general, these individual stages have not radically changed over the years. Interest now lies with how the stages are executed, including the extent to which they are implemented and their order of operation, whether they overlap or if they are executed simultaneously. An important issue with respect to the context being studied was identified in Metrics and Performance Measurement. The literature review also noted a few contextual factors affecting new project development activity, including whether the organisation is functionally- or project-based and differences across development processes for physical goods and services. Other factors relate to the external environment, such as whether the industry has a fast or slow clock speed, or wider contextual differences between countries. The majority of previous NPD research, both for-profit and nonprofit, has been conducted in the USA context. Although a full exploration of the potential impact of market

variables in NPD would go beyond the scope of this study, the potential impact of these latter factors is important to acknowledge.

This study will use the dimensions highlighted above to further understand how the Barczak et. al. (2006) framework could be adapted to be more suitable for the small nonprofit context in the UK.

Research questions

To what extent do currently accepted for-profit NPD success factors apply in the small nonprofit context in the UK?

- How are small nonprofits in the UK organised for NPD and what factors affect the proficiency of their process execution?
- How do the following Barczak et. al. (2006) dimensions manifest themselves in a small nonprofit context in the UK and how could they be adapted for this context?
 - Strategy
 - Portfolio Management
 - Market Research
 - Process incl. Metrics & Performance measurement
 - Resources incl. People, Skills and Culture

The next chapter will detail the methodology employed in this study.

8. Chapter 3 - Research Strategy

8.1 Introduction: Philosophical Underpinnings

In academia, research must be based on a philosophy of knowledge regarding the view of “reality” or different ways of looking at the world. A paradigm is the entire constellation of beliefs, values, techniques and so on shared by the member of a given community (Kuhn, 1973). There are two main paradigms – positivist and interpretivist. Where positivists assume that truth can be measured with statistical precision, and attempt to reduce complex information to numbers, interpretivists believe that all other things are never equal and they view reality as a subjective social construction. Positivists ignore that which is difficult to quantify and seek general rules, often ignoring subtleties or unusual cases (Rubin and Rubin, 2005). In the well developed field of marketing research, the paradigm is generally positivist in nature; as concepts are well researched, they are increasingly being tested empirically to confirm or reject various hypotheses. This becomes clear when we look at the body of literature reviewed in the survey of ten years of academic marketing research by Hanson and Grimmer (2007); more than 70% of research in three top marketing journals is quantitative (Hanson and Grimmer, 2007). In reality, the definition of the positivist paradigm has altered over the years and “True” positivism died out in the 1960's. It has been argued, that empirical observation can never prove knowledge and that we interpret theory and observation through our own perspective. As in most fields of research, realism is now the most widely accepted paradigm in marketing. Realists believe in the existence of a single reality, but that we interpret observations of this reality; the world is not observed in a perfect way and we can measure unobservables in a useful manner. As a result, interest in qualitative research in academic marketing has risen in recent years, partly due to the apparent increase in practitioner-conducted research in major marketplaces such as the UK (Hanson and Grimmer, 2007; Malhotra and Peterson, 2001; Milliken, 2001; Nancarrow et. al., 2001).

This Chapter sets out the research methodology used in the current study, and describes in detail how it was conducted. The main issues are addressed, such as sampling technique, approach strategy and mechanisms of data collection. Issues surrounding the reliability of

any study findings are also considered, before a summary and brief Communication strategy to close the Chapter.

8.2 Methodology

Nonprofit new project development research can be considered to be at the birth stage, with the focus on antecedents and outcomes of a new construct (Denscome, 2003). The paradigm adopted in previous literature connecting nonprofit NPD activity is therefore mainly interpretivist, where qualitative methodologies like case-studies have been adopted (Barczak et. al., 2006). In this area, reality is very much a subjective social construction; current knowledge consists of rich ideographic descriptions which are subjectively interpreted in their social context. For this reason, the current study began in a similar format. The aim was not the generalisation of results, and it did not try to impose standard definitions across all organisations, as this can be misleading and confusing (adapted from Rubin and Rubin 2005). By adopting a more interpretivist paradigm with a constructivist ontology, the axiology aimed to further understand NPD activity in a small nonprofit context. The following section will discuss the two research stages. Firstly an in-depth case study; in the current study, a “Case Study” was defined as an in-depth study of one unit of analysis, or one organisation. The second stage was a wider study of 11 organisations spanning different industries within the Charitable sector.

8.2.1 Stage 1: Exploratory Case Study

The aim of a Case Study is to provide an analysis of the context and processes which illuminate the theoretical issues being studied (Cassell and Symon, 2004). Case Studies are the preferred strategy when “How” or “Why” questions are being posed, as they represent a reflective analysis to attempt to explain why particular outcomes have arisen, often by reference to theory. Since such a study seeks to capture people as they experience their natural everyday circumstances, it can offer the researcher empirical and theoretical gains in understanding larger social complexes of actors, actions and motives (Feagin and Orum, 1991).

Case selection for the study was on a pragmatic basis (Denscombe, 2003), as the case organisation was accessible as part of a commissioned 2-year Knowledge Transfer Partnership (KTP) with Aston University. The partnership aimed to implement an integrated marketing strategy into the case organisation, the educational charity Christian Education Movement (CEM). KTP programmes appoint an Associate working on behalf of a knowledge-based institution, to uncover and solve real-world business problems in an SME. From an organisational point of view, there was a substantive gap in internal marketing knowledge within CEM, so the value of the research was its practical application. CEM represented an ideal unit of analysis to explore the contextual knowledge gaps identified in the NPD literature from the previous Chapter.

Data collection within the case study

In qualitative research, theory is supposed to be an outcome of an investigation rather than something that precedes it (Glaser and Strauss, 1967). Therefore, much of the data collected throughout the Case Study was unstructured and some concepts completely new to CEM. As Marketing Manager, I contributed towards development activity from the start. As Wolcott (1990) suggests, I began with some general questions:

- What was going on, what could I see?
- What did these people need to know in order to do what they're doing?
- What were the social practices and how were social phenomena being locally produced?

A Case Study's unique strength is its ability to deal with a full variety of evidence (Yin, 2003). This was collected from the following data sources:

1. Direct Observation and Participant Observation

Much of the information gathered was through observing current practices within the organisation and taking part in the events being studied. Participant observation provides certain unusual opportunities for collecting data (Yin, 2003). Trust and working relationships were built with CEM staff, so I was able to perceive reality from the viewpoint of someone 'inside' the Case Study rather than external to it. Heidegger (1962) suggested that the study of experience is inseparable from it and that the key to understanding experience is living

that experience. He stated you can never stand outside the experience to analyse it objectively. Partaking in all marketing activity gave me the opportunity to witness development practices first hand and my increased involvement in the strategic side of CEM decision-making gave an overall insight. Primary data resulted from interaction with CEM employees, both face-to-face, via email, through official meetings and through informal conversation. I made no secret of my intention to study events and continuous communication with key CEM staff allowed for opportunistic insights into new project development practices.

2. Documents

The most important use of documents is to corroborate and augment evidence from other sources (Yin, 2003). With access to all internal documents, archival records and files within CEM, I could collect minutes from product development meetings, new project proposals and discussion papers. Over a period of twelve months, these were collated, analysed and brought together to develop a complete picture of NPD activity within CEM, making the study more longitudinal in nature and to allow for data triangulation.

3. Investigation & Questioning

To make the research more credible, experienced and knowledgeable CEM personnel were actively approached to represent a variety of different perspectives and minimise single source bias; this provided a balanced and fair view of NPD from different vantage points, enabling a well informed study (Rubin and Rubin 2005). Email questionnaires were sent to key decision makers within CEM, and reflected upon objectively. One topical face-to-face interview was also conducted (and recorded) with the CEO.

Data analysis: Within-Case Display

In a within-case display, one wants to know what is going on and how things are proceeding. A “description” in Bernard's (1988) terms means making complicated themes understandable by reducing them to their component parts. The condensed data drawn from the full range of CEM staff, events, and processes were presented in Check List matrices in which the

variables of interest were defined before data collection. Activity within CEM was then compared to broad descriptive categories from the literature, and the data was triangulated across information sources. Analysis of the horizontal rows and vertical columns within the matrices identified themes, which were subsequently written up as analytic text for presentation in the next Chapter. Studies in one situation can be used to inform other situations, so findings from the CEM Case Study were used to help refine questions for next phase of the current study, a wider exploratory study of further small nonprofit organisations.

8.2.2 Stage 2: Wider population exploration

Even though my study only looked at UK nonprofits, taking a random sample of the entire national population was impractical due to the difficulties in accessing full information. This would have also been inappropriate at this stage due to the complex, fragmented nature of the diverse sector being explored. So, a non-probability sample was identified through a purposive multi-stage sampling process. Initially, two organisations were chosen by the CEO of CEM as an appropriate comparison to the Case Study organisation. Secondly, a Charity Choice¹ filter identified further organisations for approach; Charity Choice describes itself as the premier guide to Charities in the UK, Scotland and Northern Ireland, allowing users world-wide to access over 10,000 charities and nonprofit organisations. It was assumed that data taken from this source was reliable and accurate. A *Category* filter identified organisations within “segments” of this total population. Additional screening using Charity Commission listings informed further refining of the sample to only include organisations (or subsidiaries of organisations) operating with an annual turnover of £1m or less. Finally individual organisation websites identified hybrid organisations producing both products and services to approach for interview. Although using this sampling method did not result in completely generalisable findings, as mentioned, this was not an aim of the research at this stage. So, this was consistent with the strategy as a whole and thus justified. Furthermore, this method generated findings from a wider sample of 11 small nonprofits that were more comparable across the chosen units of analysis.

¹<http://www.charitychoice.co.uk/searchresult.asp>

Data Collection

In-depth interviews involve questioning or discussing issues with people, in order to gain an insight into their thoughts on any particular theme or topic of analysis (Cassell and Symon, 2004). This research method is useful, as data can be collected which would not usually be accessible through other techniques (Cassell and Symon, 2004).

Interview Design

In-depth interviews can take a structured, semi-structured or an unstructured format. Structured interviews encourage a more neutral role for the interviewer, as they use pre-established questions with preset response categories. However, they allow for few open-ended questions as there is little room for variation, thus limiting the field of enquiry. At the other extreme, unstructured interviews may generate little meaningful information (Rubin and Rubin, 2005). Given the nature of this research and its aims at this stage, the approach taken by the current study was in between these, as semi-structured interviews were conducted. Themes from the literature were used to validate standardised comparisons (adapted from Punch, 1998), whilst remaining flexible so that new themes (and new knowledge) could be uncovered. Open, introductory questions were used, followed by probing questions depending on interviewee response. Critical incident technique was also used to make it easier for the informant to describe activity, with additional structuring questions when discussion deviated too far off topic (See Appendix 2 - Interview Protocol). The interviews were topical, where the research problem was made highly visible at the beginning of the study. The aim was then to work out a coherent explanation by piecing together what people said, while recognising that each person might have his or her own construction of events (adapted from Rubin and Rubin 2005).

Key informants and approach strategy

Gaining initial entry into the participating organisations presented a challenge for my research, given the sensitive nature of the data being collected. Internal team members are often dubious about having an external party participate in the product development process (Bstieler, 2006). To begin data collection, I had to negotiate access to the organisations

identified. In the first instance, CEM's CEO helped me arrange interviews with senior management at the first two organisations. With the other organisations, I established initial contact by telephone, where I fully explained the objectives of the research, how similar studies have been beneficial in the past and how any findings might be used. Where necessary, this was followed up with an email with a full description of the study for their reassurance. An informant should be someone who can generalise about patterns or behaviour, and summarise observations and expectations (Rubin and Rubin, 2005). To ensure interviews were conducted with the "right" respondents to generate the best possible informed responses, this was mentioned in the initial conversation. To review this afterwards, I included the following questions in the interviews (See Appendix 2 – Interview Protocol):

- How long have you been in your current position?
- Do you consider yourself to be knowledgeable on NPD?

Ultimately interviews were conducted with 11 small nonprofit organisations. Four of these interviews were conducted over the telephone, and lasted between 25 and 50 minutes. The other seven respondents were visited at their offices around the UK for a face-to-face meeting, lasting around an hour. Three organisations in the study were identified under *Education*, three of those studied were classified within *Children and Youth*, three came under *Religious Congregations* and the final two were related to *Family Welfare*.

All face-to-face interviews were recorded using a Dictaphone. Although some argue this can cause interviewees to become anxious, note-taking can also make the respondent conscious about what is being said (Cassell and Symon, 2004). Recording the interviews in this way allowed me to maintain eye-contact without being distracted by taking notes, ensuring a more comfortable environment for everyone. From a technical point of view, recorded data can also be re-used and re-analysed after the interview has taken place, offering endless opportunity to redefine themes and categories (Silverman, 2001). Notes were made during the telephone interviews to record the main points of conversation.

Time was taken after all interviews to reflect on them and help shape how I made sense of the data. Recordings were transcribed and notes written up as soon as possible after data collection, so that the interviews were still fresh in my memory. All the data analysis and write up was done by the researcher to maximise contextual knowledge. As part of this, insights gained during the initial CEM Case study were used to inform how questions were developed and discussed. Findings built upon and developed previous insights, resulting in an evolutionary approach to data analysis.

Before analysis could begin, data reduction was necessary. All transcripts were read and raw data was selected, focused, simplified, abstracted and transformed, which was done by coding (Miles and Huberman, 1994). Labels were added using coding inspired by the same set of pre-determined categories used in the CEM Case Study taken from Barczak et. al. (2006). Another descriptive Checklist Matrix was also appropriate for this stage of the study, where direct quotes were placed into a framework for analysis. This made a large amount of data accessible and meaningful whilst doing justice to the complexity of the data by enabling cross-site comparisons (Miles and Huberman, 1994). Using the matrix, relationships and patterns were identified, as well as points of contrast or similarity across row and column labels within the matrix. This was then interpreted with care to produce analytic text in the form of meaningful conclusions written up in the next few Chapters.

8.3 Data Reliability

The reliability of research often refers to how well it has been carried out and the extent to which other researchers would get similar results if the research was carried out again (Peräkylä, 1997). Throughout the study, I developed various interview skills and techniques to prepare for data collection. To further minimise errors and potential biases (Becker, 1958), a multiple-respondent approach was employed in the CEM Case Study, so that data could be triangulated and the possibility of inaccurate representations could be reduced. This pluralist perspective also provided an organisation-wide analysis, which enabled me to describe and analyse competing versions of one reality seen by different “actors” (Silverman, 2001). This improved reliability and validity (Cassell and Symon, 2004; Silverman 2001).

Compared to field notes of observational data, recordings and transcripts can offer a highly reliable record to which researchers can return (Silverman, 2001). For this reason, interviews were recorded where possible. The accuracy of respondent memories often comes under scrutiny during personal interviews, potentially detracting from the reliability and validity of data collected. However, this was helped by giving interviewees advance warning of the nature of the interview, so that respondents could prepare adequately for the questions to be discussed (adapted from Silverman 2003). There were also a number of ethical issues to consider during the current study. Volunteer consent forms were signed by all participants, informed consent was received and respondents were fully briefed on confidentiality and anonymity issues, as emphasised by Rubin and Rubin (2005) for interview-based research.

8.4 Communication Strategy

The current study aimed to communicate insights to a number of different audiences. The main stakeholders likely to be interested in the findings of this study include:

- An important interest group is **CEM**, the Case Study organisation. After data was gathered and analysed, findings and learning points were reported back to management in a meaningful way to guide future NPD activity.
- As part of a commissioned piece of research, stakeholders within the **Knowledge Transfer Partnership (KTP) community** were also interested in this study. Research councils and funders like the **ESRC** may be encouraged by the outcomes of their investment as part of such a programme.
- The **nonprofit industry**, within which the current study was conducted, may also benefit from insights gained. Strategic decision-makers in other NFP's will be interested in activity similar organisations, with the prospect of better informed decision-making.
- **Academics** studying NFP activity or general Marketing philosophy in nonprofit contexts will also benefit from the findings of this study. Within Aston University, the current study falls under the vision of Knowledge, Diversity and Innovation, so its contribution is of interest here.

A different message has been communicated to each of these audiences (See Appendix 3).

8.5 Summary

The vast majority of academic marketing literature is positivist in nature, where theories are being tested empirically to confirm or reject various hypotheses. However, the current study touches upon an area where there is a contextual knowledge gap. Due to this primitive state, an interpretivist approach was more suitable for the current study. Furthermore, an increase in practitioner-based research is known to aid much-needed contextual understanding, which was one of the main aims of this research.

The first stage of the current study was an exploratory within Case-Study looking at Christian Education Movement (CEM) as part of a Knowledge Transfer Partnership (KTP). Data was collected through multiple sources, including participatory and observational methods, as well as formal mechanisms such as questioning and documentation. A within-case matrix was used to simplify and analyse the large amounts of raw data, which was coded and written up according to the predefined categories from the Barczak et. al. (2006) framework. The CEM Case Study was then encompassed within a wider comparative interview study with 11 small nonprofits representing a good mix of industries. Respondents included some from the *Education, Children and Youth, Religious Congregations* and *Family Welfare* sectors, which were identified using a multi-stage purposive sampling strategy. This filtered the organisations down to a relevant sample of the entire population. A full approach strategy was followed to maximise response from potential participants. Semi-structured face-to-face and telephone interviews were then conducted based around the same set of predefined categories as previously used. Conducting interviews which were not too structured left room for new knowledge to be uncovered. All necessary ethical issues were considered, including volunteer consent forms and a full briefing prior to any data collection. All interviews were written up and transcribed, before coding the data through a check list matrix analysis. This identified themes and patterns in the data. Multiple stakeholders may be interested in findings from the current study, so an appropriate communication strategy was also developed. The next Chapter covers the first stage of the current study, the within-case study based on CEM.

9. Chapter 4 - CEM Case Study

9.1 Introduction

This Chapter discusses new project development activity within Christian Education Movement (CEM), and relates it to the main issues highlighted in the previous Chapter. Provisional questions are then presented for further exploration in the wider, interview-based study in subsequent Chapters.

"But we don't do any new project development really"

CEM colleague, January 2007

Background

Christian Education Movement (CEM) is a registered charity and a company limited by guarantee. It is independent of Government and is reliant on earned income from the sales of its publications and services and the generosity of supporters, whether charitable foundations, churches or individuals.

Staff roles and structure

CEM has a flat structure made up of a small team of 14 people; 9 head office staff and 5 working from home in different locations around the UK. The Board of Trustees is responsible for the charity and meets around 5 times a year to review organisational developments. The Board has appointed the Chairperson, Vice-Chairperson and Treasurer as the Business Planning Group to work with the Chief Executive Officer (CEO). In practice, the CEO is the gatekeeper for all decision-making regarding CEM strategy and resource allocation, and fundamentally takes the lead in most business development activity. The CEO has been with CEM for over 5 years. Prior to taking up this position, he ran a team of 12 people as the communications secretary for the national HQ of the Quaker organisation within Britain. Before that, he was a youth worker and also a teacher.

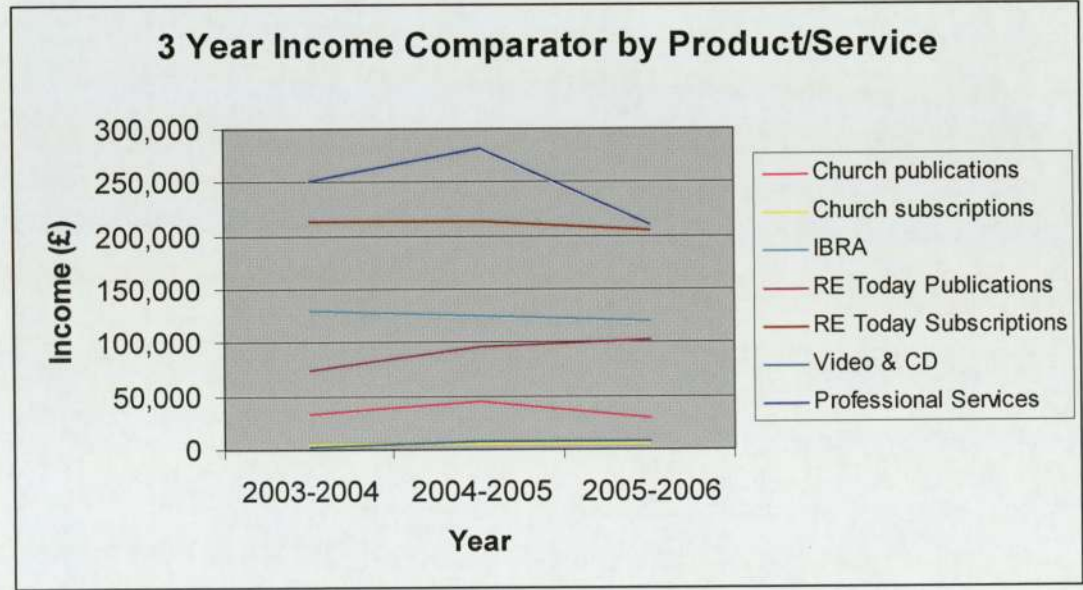
Product portfolio & Income breakdown

CEM provides advice, resources and opportunities for teaching and learning in the school, the church and the family group, focusing on Religious Education in a multi-cultural society. CEM operates under two distinct brands. Under *RE Today*, it publishes multi-faith RE books

for teachers (RE Today Publications) and distributes multi-faith subscription packages to individuals and schools (RE Today Subscriptions), as well as providing RE consultancy and in service training to the education sector (Professional Services). Under *Christian Education Publications*, CEM runs three streams of activity; Church publications, Church Subscriptions, and activity under the sub-brand International Bible Reading Association (IBRA), all of which supply educational resources to the Christian community. CEM also produces various multi-media resources to compliment this range of products. CEM's annual turnover of around £1 million can be considered relatively high for a small charity. In fact, a newly appointed treasurer feels that CEM is cash rich. From a commercial background, he thinks the organisation should be investing rather than hold onto resources against “a rainy day”.

Over the last few years, sales had been in decline in most of CEM's business streams, as shown in Table 2:

9.1.1 Table 2: CEM Income Comparison



A dedicated Marketing function has been created through the introduction of a Knowledge Transfer Partnership (KTP). This chapter provides a summary of findings following data collection and analysis described under Chapter 8.2.1. Resource issues were found to affect all parts of the CEM development process, so their impact is explained under different dimensions. The dimension of Metrics and Performance measurement is reported here under Process: Monitoring and Evaluation, as the last stage in the NPD process.

9.2 Organisation-related factors

9.2.1 Strategy, Portfolio Management and the role of New Projects

Short-term

Findings showed that the CEO has the main responsibility of planning Strategy for CEM. Despite a clear desire to plan ahead by some respondents including the CEO, it was also suggested that longer term development plans frequently change and are affected by uncontrollable events. Market-facing respondents in particular linked the trend towards short-term planning to increased flexibility and the ability to be responsive to external market stimuli. Being aware of the fast-changing environment, one respondent on the technical side of CEM claimed that planning happens “*on the hoof*”. Another theme identified within Strategy, was that planning ahead in a detailed way takes time that CEM does not have. This was both explicitly stated and implied through all data sources.

Niche Focus

Future CEM strategy and resource allocation is based on past performance, resulting in organic strategy development built up experientially. As a result, there is a tendency for CEM to pursue projects similar to previous developments; these are seen to be easier to develop because they are more familiar and use fewer resources. For many of CEM's regular projects, there is a routine process in place. A mixture of well tried and tested systems mean CEM staff feel confident about doing these. This affects the extent to which the organisation focuses on current scope of activity, and how far it diversifies. In the current study, the CEO's response differed from that of the technical function. Despite his willingness to grow by looking beyond immediate areas of expertise, technical staff are reluctant to diversify too far. This is seen by the supportive and entrepreneurial CEO as a “*resistance to change*”. However, this was justified by technical staff by a need to focus on organisational strengths throughout project development and maintain CEM's strong market position. They want to nurture the brand and niche specialism by focusing on a narrower project portfolio.

9.2.2 Table 3: CEM Project Case Studies

<p><i>Incremental New Product: IBRA Bible Reading Notes</i></p> <p>The International Bible Reading Association (IBRA) is part of CEM. Each year, IBRA produces Bible reading notes for its loyal readership, which have changed very little over the years. In 2008, the annual volumes were relaunched in a new format with a few distinctive changes from the previous year, including a page-a-day layout and better quality paper. This can be classified as an Incremental New Product.</p> <p><i>New to the Organisation: Hillytown Biscuit Church</i></p> <p>In May 2008, Christian Education launched a new Children’s fiction book called <i>Hillytown Biscuit Church</i>. Traditionally, CEM has never published anything for this market, so this can be classed as a New to the Organisation Product.</p> <p><i>New to the World: Tackling Tough Questions</i></p> <p>Sponsored by The John Templeton Foundation, <i>Tackling Tough Questions</i> was a one-off project developed by CEM under the brand RE Today and was launched in January 2008. The DVD and teacher’s booklet resource fits a clear gap in the market and can be classified as a New to the World Product.</p> <p>The process differences for the development in each of the above cases will be noted where appropriate through this Chapter. A more detailed breakdown of development stages is listed in Appendix 4.</p>

Mission

Where mission plays an important role for some respondents in CEM, data triangulation (see Appendix 6 – Data Triangulation Matrix Excerpt) showed this was less explicitly documented elsewhere and came down to personal viewpoint. CEM senior management has the most involvement with strategic planning, and is more concerned with new project strategy making “commercial sense” than being led by mission. Thus the role of CEM’s mission in guiding strategy is an apparent, but underlying one.

9.2.3 Organisation for NPD: Leadership and Multiple Roles

Leadership

The entrepreneurial leadership within CEM is ambitious and open-minded. The CEO has created a culture for innovation, whereby Senior Management support is always given for new projects. The CEO has autonomy for most operational development decisions

Multiple Roles

CEM has no dedicated function for NPD. Rather than having one individual innovator, Project Managers are appointed to drive projects forward. It is clear that there is an over-reliance on key individuals to proactively push projects forward, but there is a shortage of time to do this effectively. Although technical staff are usually responsible for this, products have in the past been championed by the CEO, who is usually involved in everything in one way or another. His hands-on management approach was also indicated by other data sources, such as email questionnaires and action points in meeting minute documents.

This theme did not stop with the CEO; all CEM staff carry out multiple roles and have a lot of different responsibilities. Employees have other commitments and priorities, resulting in a lack of focus on NPD. One consequence of this was hinted at by staff; CEM has *“always struggled to bring a new idea quickly to the market.”* A lack of focus and over-stretched team were linked to project delays. A less explicit, though highly evident theme highlighted by other CEM data sources were project quality issues resulting from resource restrictions.

Expertise, Experience & Partnerships

Although senior CEM staff have had minimal NPD training, all key decision makers are well experienced with a background in the industry. This expertise is very important for CEM. However, internal skills and expertise are unbalanced across business streams, resulting in an uneven portfolio of projects. It was highlighted by respondents that projects have sometimes required expertise and skills beyond immediate CEM capabilities. In these cases, CEM has identified and bought in externally expertise to fill knowledge gaps.

9.3 Process related factors

9.3.1 Market Research

Knowledge, Networks & contacts

Market awareness is considered strong across technical CEM staff with regular customer contact. As larger scale research is not feasible for CEM due to limited resources, current market knowledge informs development.

“Research identifies what we already know and evidences our hunches”

CEM Staff Member

As already mentioned, the technical expertise within CEM is complimented through knowledge-sharing amongst industry contacts and networks. Other data sources backed up the importance of this to feed in information, including links with Government. However, the current study also showed that this consultation of external sources comes mainly through informal conversations, rather than being an official part of CEM's NPD process. Only the CEO and one technical respondent even mentioned collecting market information, implying that this is done unconsciously rather than proactively.

The amount of information collected by CEM is also dependent on individuals' industry position and their ability to communicate insights in a meaningful way throughout the team. Such internal collaboration across CEM and between the multiple stakeholders is affected by time restrictions and by its remote organisational structure.

9.3.2 NPD Process (including Metrics & Performance Measurement)

“Best or most articulated track for development...”

CEM Chief Executive

A familiar internal process for development is preferred by CEM, because there are systems in place that it is confident with. The general new project development process in CEM is thought to *“all come about in the same sorts of ways”*, which will now be explored.

Idea Generation & Idea Screening

A theme across all data sources within CEM was the abundance of new project ideas. It was directly suggested by one respondent that the organisation is *‘not necessarily short of ideas’*

and another claimed that *'ideas have outstripped capacity.'* The importance of this initial process stage was also recognised by a particularly innovative staff member; *'If we don't have ideas, we don't have anything.'* Furthermore, a greater time allocation for idea generation was suggested as an improvement for CEM project development.

All CEM employees asked, including the COE, technical and operational staff emphasised the variety of potential sources for these new ideas. The most mentioned external source was industry developments and contacts. Internally, the open, supportive culture within CEM encourages innovation from multiple stakeholders, though there was a clear tendency for the technical, customer-facing staff to generate most suggestions based on their experience and expertise. This is informal and based largely on market awareness as previously highlighted. Being at the forefront of the industry, CEM has in the past pre-empted market needs to identify suitable projects. Looking at the different types of CEM project in Appendix 4, the different new idea sources tend to generate projects at different levels of innovativeness. Incremental innovations are usually planned by CEM with internal funding. More radical innovations pursued by CEM are usually opportunistic, externally generated and funded ideas.

All data sources highlighted an emphasis on the team effort in Idea Screening. Approval is usually sought from groups of staff or a Committee, implying consensus decision-making through consultative meetings and discussions. However, this also appeared a relatively informal stage in CEM's new project development process and technical interviewees suggested an intrinsic screening based on market awareness. Ultimately, CEM priority goes to being cost-effective and the most common screening criterion mentioned by all respondents and indicated across all data sources was funding availability. Pursuing opportunistic projects with funding attached is viewed positively by the CEO, so this has previously influenced whether or not a project proceeds. As a result, CEM tends to be money-led. External funding has also been correlated with the willingness to make riskier project decisions. However, one respondent on the technical side of the organisation suggests CEM is *'perhaps over-influenced by what [they] can get money up front to do'*. CEM

sometimes finds it difficult to decline such projects; by the CEO's own admission, a recent project proposal was *'too good to say no to'*. Nevertheless, externally funded projects have not always in the past been under CEM control, and have actually caused some difficulties. Negative impacts on project quality, delays to overall development time and doubtful market suitability of money-led projects were mentioned in the current study as outcomes of this. Strategic Mission does not consciously affect new project acceptance in CEM, but is more of an underlying factor guiding it. Within CEM, there is a balance to be made between what the market wants and what the organisation thinks it *should* do. One respondent described this as being *'driven by a tension between market and vision.'*

Concept Testing, Product Development & Test Marketing

The current study indicated a usual lack of testing by CEM to get feedback on potential projects before they are accepted and developed. Only recently has such testing been acknowledged as important and only technical CEM staff were aware of this at all. The extent to which this Concept Testing is executed is dependent on funding availability. For example, in Appendix 4, internally generated incremental new projects with limited resources are rarely tested before development. Occasionally, CEM has *"tried out the idea with a focus group of teachers"*, but for most this is none existent and the project is developed before clear potential markets are even identified. With more recent projects, customers have been contacted and the project adapted accordingly throughout the development process to ensure it matches market requirements. However, this tends to only be the case with well funded projects like the externally generated, radical new project highlighted in Appendix 4, where testing is built into the original project proposal. Other data sources confirmed the trend of limited testing at this early process stage, where the concept is very broadly defined. Final Concept testing actually occurs later in the process and is more like Test Marketing, whereby an already well developed concept is marketed on a small scale to reassure of its effectiveness before launching it nationally. Again, this is resource- and project-dependent (See Appendix 4).

Iterative development & External collaboration

Product development in CEM involves multiple iterations to get the final project right and there are often many different contributors involved in this process. There was a mixed response across CEM data sources to working in partnership. Technical staff in the study see this collaboration as imperative to getting the project right in this development stage. Their view of working in this way was essentially positive, emphasising the much needed funding and support brought by partners. Projects developed in this way were noted as being '*shared risk*'. The differences in development across project type are clear in Appendix 4. Where internal stakeholders are consulted for incremental project changes, the more radical projects require extensive external collaboration at this stage.

An explicit preference for internal project development was expressed by the CEO. There is a reluctance to outsource any part of project development unless absolutely necessary. Although the benefit of working with organisations with complimentary strengths was noted earlier as being a necessity for CEM, this is more costly. As previously noted, a main operational priority for senior management in CEM, and a basis for the majority of production decisions, is cost. This was emphasised by other data sources, which indicated that cheaper development mechanisms are constantly being sought. Thus the emphasis is on cost-oriented NPD. In the past, CEM has also experienced practical difficulties with developing projects in partnership. Both the CEO and an internal respondent corroborated, commenting on the longer time required for '*multiple part*' projects produced in conjunction with external stakeholders.

Commercialisation

Reflectivity

Previously, commercialisation of a new product has been an after-thought for CEM, meaning last-minute adhoc efforts have been more focused on 'selling' than as part of an integrated marketing plan. However, the clear concern regarding the organisation's marketing capability was evident through its commitment to the KTP project itself. Since embarking on the initiative to develop the marketing function, staff have been keen to channel their commercialisation ideas through to the Marketing Manager employed by the KTP structure.

Previously, they were unaware of the importance of having a coordinated effort at this stage, though they now acknowledge the potential benefits a centralised marketing function can bring. Project launch dates are still vague and often flexible, though there was a general feeling of frustration and apathy across respondents with regards to delayed launches. These are often beyond the immediate control of the organisation. Externally, brand awareness and market presence have been issues for CEM's small team, so the use of warm contacts and networks to disseminate new project information across the industry are of importance to CEM. This insight was corroborated by most data sources, including project planning documents and employee responses. As can be seen in Appendix 4, the extent to which CEM projects are effectively commercialised is resource-dependent. With less radical new projects, awareness is simply generated across the current market through the same channels. For more radical projects, CEM is aware that new channels must be identified.

Metrics & Performance Measurement

New project performance is measured on a small scale by CEM, and tends to be measured at organisational level rather than at project level. A mixture of quantitative and qualitative performance metrics are used to assess CEM new projects. All interviewees mentioned sales figures in units as a broad indicator of success, which was backed up by other data sources. However, this is quite relaxed with generally low expectations and few formal targets. Once again, differences were apparent across different product types (See Appendix 4). If something is being paid for by external funding sources, senior management in CEM does not see low sales as a big problem; *'if something is being paid for by other means, it doesn't matter if it doesn't sell terribly well.'* If a product breaks even, it is not classed as a failure. Qualitative performance is more important for CEM than quantitative measures; this was made particularly clear by customer-facing technical staff, who expressed a concern for market and industry response to CEM projects. The *"quality and integrity"* of project takes priority for CEM and some products have been classed as successful because they were deemed to contain *'high quality'* material. A link can be made between this performance measure and the mission of the Charity. Reviews were the most common source of

qualitative feedback highlighted by CEM as a means of indicating market response and gauging project success.

Project type: Product/Services

The CEO was the only one to compare CEM tangible product development with its Service provision. A few differences were identified. CEM service developments are seen as the most tricky in that the, *“checkpoints are less well defined”* and are thus *“less accountable”*. The CEO has little control over this process, which is negotiated by project managers who have autonomy over their development and implementation. As a result, they are delivered more informally. The CEO sees this informal process as a weakness and suggests that *“a formal process needs to be developed.”* However, it was also noted that CEM *“should aim to be flexible and responsive to opportunities, or trust funding.”*

Best practices under one set of conditions may not be appropriate under another (Peters, 2006). The following summary of CEM new project development highlights potential areas for further investigation in the next Chapter.

9.4 Summary

A clear theme surrounding CEM new project strategy is short-term planning. The debate here for CEM, and a discrepancy for investigation in the next phase of the study, is achieving a balance between the formal planning of a new project strategy and remaining market responsive. Portfolio Management decisions within CEM currently favour incremental new project development. CEM staff want to maximise strong organisational learning by focusing on a niche specialism, whereas Senior Management suggests diversification. This balance of focus while being open to new innovations is another compromise which needs to be explored.

Although funding availability guides initial project decisions in CEM, a general lack of person power has resulted in little focus and minimal commitment to NPD, and is a more significant implementation hindrance. CEM is in a strong position when it comes to industry experience

and expertise, but there is an over-reliance on all staff, not least the CEO. Despite a preference for in-house development, some outsourcing is therefore necessary for CEM. External partners must be sought to contribute to projects, the funding of which determines their effectiveness. This leads onto another area of debate still in need of exploration; namely the benefits and difficulties of outsourcing and working in partnership as opposed to internal skill and capacity development.

CEM staff are enthusiastic and passionate. However, indications showed that they might overestimate both their own and the organisation's capabilities as a result. This could be another area of interest in the wider nonprofit context. During the year the current study was conducted, CEM was significantly affected by human resource changes. This contextual factor could have influenced findings. Inherent market knowledge is used by CEM as a substitute for larger scale market research. The nature of the fast-moving and unpredictable environment surrounding CEM places doubt upon any benefits gained by investing in this area. However, some CEM sources indicated a need for more proactive Market Research, so this should be explored further in the wider context.

The development process within CEM is relatively flexible, although there still exists a desire in some areas to introduce more formal processes. Idea Generation itself is a key strength in CEM and a lot of emphasis is placed on this stage. However, Idea Screening appears more challenging for senior management. Although supply side projects have tended not to be as successful, these are still more readily accepted by CEM. The debate for investigation is the capability of small nonprofits to realistically assess the availability and adequacy of organisational resources to guide this decision-making process. It is apparent that Concept Testing, Product Development and Test Marketing are overlapping stages in CEM's new project development process. They form an iterative process in CEM, across both internal decision-makers and external partners. It is during these stages that there is most involvement of multiple stakeholders to feed in resources where necessary. Thus, this is the stage for CEM most affected by the above-mentioned debate surrounding the benefits and

practical difficulties of working with external partners. This reiterates the need to investigate this further.

In the past, Commercialisation has been a resource-dependent after thought for CEM rather than being a stage of the process in itself. As a result, this can be viewed as a weakness. There was an explicit link made between the lack of human resources and projects being slow to market. It could be interesting to look at the impact of this in the wider nonprofit context. CEM uses some basic Monitoring and Evaluation methods, but their expectations are generally low when it comes to new project performance. Funding source has been known to affect performance metrics used. Qualitative measures like quality and customer feedback are most important for CEM, where service performance was noted as harder to measure than tangible products.

This Case Study has identified some issues and key questions to be explored further through the wider study:

- How suitable is a short-term, responsive new project strategy for small nonprofits?
- Is it appropriate for small nonprofits to focus on their niche, resulting in incremental development and a portfolio of similar projects?
- Is it typical of the small nonprofit context for staff to take on too much and how usual is it for the CEO to be involved in all NPD activity?
- When do small nonprofits work in partnership, as opposed to developing internal capabilities?
- To what extent can small nonprofits rely on intrinsic organisational knowledge to replace proactive Market Research?
- Is Idea Generation a priority for all small nonprofits and do they all face challenges with Idea Screening?
- How conscious a screening criterion is Mission across small nonprofits?

- Are iterative and overlapping Concept Testing and Project Development stages representative of small nonprofit NPD. And are time delays a commonality across this context?
- Do all small nonprofits place a high emphasis on cost-oriented NPD?
- To what extent are small nonprofits aware of the importance of Test Marketing and Commercialisation activity?
- Is a mix of performance measures indicative of the small nonprofit context? Are all small nonprofits relaxed in their performance measurement?

The next two Chapters will aim to explore some of these questions through an interview-based study of other small nonprofits.

10. Chapter 5 – Wider Small NFP Study

10.1 Introduction

This Chapter explores the new project development process in a sample of 11 small nonprofits. It aimed to identify the main trends in their activity by addressing the dimensions highlighted in the NPD literature. It also indirectly highlights some of the impacts of external and uncontrollable factors on internal activity, so these are referred to where appropriate. Resources affected all parts of the new project development process in different ways, so their impact is also referred to here. Other small nonprofit contextual factors are noted in the individual sections to follow.

10.2 Organisation-related factors

10.2.1 Strategy, Portfolio Management and the role of New Projects

The current study indicated that product strategy is broadly planned by the sample small nonprofits. One respondent suggested this could be up to 5 years ahead. Despite this willingness to set out an initial strategy, it was common amongst those studied for frequent incremental strategy changes to be incorporated in response to developments in the external environment. Another theme of the current study was for organisations to remain relatively flexible by keeping planning short-term in practice. There was a distinct impression that such behaviour was inevitable for those in the study, and to a certain extent, necessary. Few of the 11 organisations studied generated their own income, so there was a significant reliance on funding that is often only committed short-term. According to respondents, any kind of forward planning is *“complete guess work”*. In fact, many projects are developed *“ad hoc”* and most agreed that *“there always has to be room for opportunism.”*

The small nonprofits studied implied that new initiatives tend to build on previous projects through organic development over time, and with experience. Eight of the eleven respondents referred back to past projects and explained how these have influenced more recent developments. Described as an *“evolutionary”*, or a *“rolling process”*, implicit learning

influenced future direction in these organisations, resulting in portfolios of projects that are fundamentally similar in nature.

Incremental v s. Radical debate

Although leaders in the sample organisations appear to be entrepreneurial and keen to try new things, by their own admission, they *“tend to do sort of ‘nice’ projects”* and *“usually stick to safe things”*. One respondent openly noted that this was in line with consensus opinion across their organisation: *“A lot of people here would like to develop similar projects to what we’re used to.”*

Eight of the eleven respondents strongly stood by focusing on their niche in this way; one respondent stated this explicitly: *“We’re not all things to all people; we have a very specific client group”*. Another noted that they prefer to stick to the area that *“they are known for”*. Linked to this, the most common reason given for pursuing familiar projects related to the strong market position they had established. More than half of the organisations referred proudly to the reputation and *“high profile”* they have built in their respective industries. Furthermore, it was argued that proficiency and *“professionalism”* at specialist activity actually represents their competitive advantage. The small nonprofits in the study appear to *“know what [they’re] good at”* and claimed to *“know what works”*, which they consider to lead to the development of a *“high quality”* project – also directly expressed as a top priority for nearly half of the small nonprofits studied and implied by all. Given this apparent source of competitive advantage, varying too far from their original *“reason for being”* was seen as undesirable by the small nonprofits studied. Furthermore, one respondent suggested *“There is a limit as to how innovative [small nonprofits] can and want to be... certain things are going to stay the same.”* Other reasons noted for less diversification, was the requirement of less time and money investment by small nonprofits with limited resources.

Nearly half of those studied here explicitly mentioned opportunities to transfer their experience and expertise to different contexts. One respondent suggested they’re *“constantly looking at lessons learned from previous projects and how to apply it elsewhere.”* This was

the most radical form of product innovation mentioned in the study. In effect, these small nonprofits manage their diversification by *“transferring some of [their] successful projects into different markets.”*

Much of the project portfolios developed by the sample organisations consist of ongoing projects and services. Four respondents in the study highlighted explicitly the importance of maintaining their current portfolio, and expressed a genuine concern with preventing the cannibalisation of current projects by new initiatives. Rather than jeopardising what has gone before, they aim to embed and maximise its impact, thus *“sustaining [their] existing portfolio of service provision and delivery”*. As a result, the small nonprofits in the current study also indicated a dislike for stopping projects and would rather continue them half heartedly than not at all. In fact, only two organisations in the study could remember an occasion where a project had been stopped mid-development, and only three consciously highlighted the danger of taking on too many projects in this way.

10.2.2 Organisation for NPD: Leadership and Multiple Roles

In terms of organisation-related factors, another theme indicated across the small nonprofits studied was that final strategy and resource-allocation decisions tend to be made (or at least approved) by the Board and/or Committee. The staff team is *“there to essentially implement the decisions of the Board.”* Thus the ultimate decision-makers were different to those physically implementing new projects in the sample organisations. Interesting to note was that strategy development is a consultative process in the small nonprofits studied, with the CEO or Director iterating between the decision-making unit (Board and/or Committee) and the implementers (Staff team).

Not one respondent in the current study reported having staff dedicated specifically to new project development. Findings showed that the CEO or Director tends to take ultimate responsibility for driving forward new initiatives. Most commonly, it was reported that Senior Management gets involved in both *“delivering and overseeing”* projects, with their *“hands on everything”* and essentially juggle both the *“operational running of the organization and the*

strategic management". In many of the cases studied, this was actually through choice, with one respondent stating *"as far as I can, I also like to have some input into the projects"*. In other cases, this was less desirable, but nevertheless seen as inevitable. Even in the one exceptional case where the respondent was from a business background, hadn't been with the organisation very long and claimed to be more *"hands-off"*, it was then also conceded that *"it'll come to [him] one way or another"*.

It was clear that all interviewee's were very knowledgeable and felt passionate about their organisation, as well as the causes they stood for. Most respondents had long backgrounds in their industry, often within the same organisation, and showed a clear personal interest in its activity. One respondent was the founder of the organisation. In a few cases, interviewees explicitly claimed having *"an extra incentive and desire to actually take things further"*. Linked to this, another aspect affecting new project development in the organisations studied was the heavy workload of staff. Small nonprofit resources tend to be *"spread thinly"* and *"clearly there is a capacity issue"*. Interviewees indicated that the dedicated internal staff teams work very long hours and often carried the responsibilities of multiple positions; the general feeling was that *"too many people do too many things"*. One even claimed *"a lot of [them] are doing 2 or 3 different jobs."* One consequence of this was implied by all respondents and explicitly stated by one; *"we rely too heavily on individual staff"*.

Project Teams

Overall, the small nonprofits in the current study indicated a lack of internal capacity. This was a common situation across cases, where internal functions – often seen as *"administrators"* – were allocated few project development resources.

A lack of stable core funding means it is often not feasible for those studied to allocate internally full teams made up of individual functions to their new projects. In fact, the thought of having such formal in-house functions was referred to more than once as a *"dream world"*. All organisations in the current study develop new projects that are *"managed and overseen by the core team"*, with over half using the job title *"Project Manager"* as their product

champion. One organisation even described a whole *“team of senior project managers, project managers, and coordinators”*. A trend across these project leaders was the autonomy they are given. One respondent explained how *“project managers work out what [they’re] going to be doing who [they’re] going to be working with, what’s going to be delivered etc.”* Another CEO in the study claimed to *“leave it to the judgement of the Project Managers.”* Most small nonprofits studied indicated that the Project Manager essentially *“pulls in the appropriate people”* to make up a project-dependent network of people. Projects described in the study tended to be executed by this external selection of bought in expertise, and interviewees noted that these can include freelance and part-time professionals – both paid and voluntary.

Partnerships & Business Relationships

A theme across all organisations in the study was the tendency to working in partnership with external parties during new project development. The significance of such partnerships was mentioned by all respondents in one way or another. The general feeling was that complementary organisational strengths achieve synergies and maximise the quality of the final project. One interviewee suggested that *“by running things in partnership with other organisations you can get far more out of it.”* It was accepted across the study that these mutually beneficial business relationships enable them to share knowledge and work towards similar goals with partners with similar interests. They look at *“what [external parties] are all about and what they could bring to the project.”* In most cases, partners mentioned were industry contacts, with which a relationship had already been established. As a result, potential future partners are continuously identified by those studied and many saw contacts made today as long-term investments for future projects. One respondent noted the importance of one such relationship, with which *“[they’re] not likely to be doing anything immediately together in terms of projects.”* Nurturing this goodwill in this way for possible future collaboration was explicitly mentioned by 4 of the 11 organisations.

Although this seems to be a common way of working for small nonprofits, it seems it is not without complications. The general theme amongst those studied was that projects in

partnership take longer, as there are more interest groups and multiple stakeholders to consult; one respondent claimed that *"things always take longer than you hoped for when you're dealing with a group of people."* Another reiterated directly that *"if partnerships are involved, it can take a long time to develop."* Difficulties were also highlighted by respondents with communication across parties and defining roles and responsibilities of each stakeholder. Some of those studied have previously had *"quite a lot of discussion about who would lead"* on some projects and noted the problems caused by different *"terminology"*. Only one respondent mentioned the creation of a formal contract to set out this agreement up front; this interviewee was the only one with a business background. However, the most common difficulty encountered by the small nonprofits in the current study was caused by the differing priorities of partners. Seven of the organisations studied mentioned the impact of partners having other commitments on the proficiency of their project development. In more than one case, the small nonprofits in the study expressed problems where partners displayed a lack of focus to a project, resulting in less successful project development effort. Where partners have had other interests, issues with project quality and delayed projects were the main outcomes noted in the study.

10.3 Process-related factors

10.3.1 Market Research

The majority of small nonprofits in the current study were not proactive in their Market Research and nearly half of the organisations were unaware of any form of such activity as part of their development process. The rest of the respondents referred to the importance of market research, but stressed they *"don't really look at it like that and [they] don't use the 'Market Research' terminology."* Despite its importance, some noted that information gathering is *"not necessarily for the sake of Market Research"* and one was quick to distinguish their activity from *"Market Research in the product sense"*. One respondent in the study called Market Research *"too sophisticated"* and others saw it as too expensive for small nonprofits to do on a large scale. The only such tool mentioned in the study was *"focus groups"*. However, these were more representative of Test Marketing, so will be addressed below.

10.3.2 NPD Process (including Metrics & Performance Measurement)

Formality vs. Flexibility

When exploring the individual NPD stages executed by the small nonprofits in the study, most concluded that *"a lot of [projects] are fairly similar in the basic process."* Most follow such procedures because they have developed *"organically over time"*, as the organisations have pragmatically learned *"how it works"*. It was clear to observe that the majority of respondents had not consciously thought about how everything comes together for their projects. For most, this seems simply instinctive. Although respondents indicated a preference for executing most, if not all stages addressed through questioning, one respondent admitted: *"we've had to cut corners and do it in less elaborated ways"* due to limited resources including time, money and people.

Timing

There was a trend across interviewees that highlighted a frustration with the *"lead time from thinking about a project to getting it up and running"*. The time scale mentioned varied from 3-5 years with the most common reason for this being the *"complex funding structure."* Not one organisation mentioned speed to market as a performance measure – see Metrics and Performance Measurement – and a few actually appeared apathetic about frequently delayed projects (it seemed this is now inevitable or even expected).

Industry/Sector-specific factors

It was also implied that the small nonprofits studied can sometimes be significantly affected by events beyond their immediate control. A few major consequences of this were raised by the studied organisations in the fast-moving Education sector; before some projects are fully developed, the market requirements change. For some organisations in the study, this has sometimes meant that projects have been launched which have not always been completely suitable. One admitted: *"the work we do is not always what is needed."*

Idea Generation

At the project initiation stage, there was a general feeling from those studied of an abundance of ideas. One respondent explicitly stated there is *"never any shortage of ideas"*. Generally, those noted in the study were either internally or externally generated:

1. Internally generated

All of the organisations studied either directly reported or implied having a *"flat"* or *horizontal* organisational structure with very little hierarchy. A definite theme throughout the study was the small, friendly team-based culture and *"inclusive"* environment nurtured in these organisations. In 6 of the 11 organisations, this was linked to the ability of ideas being generated from anybody in the organisation; one interviewee noted *"it's open to anybody to be able to put forward ideas."* A couple of respondents spoke of ideas getting *"bounced about"* in an *"informal"* atmosphere for innovation. However, in practice, most ideas taken forward by those studied were generated by either Senior Management or the technical staff. Being technically strong as previously discussed, individuals within the organisations studied feel they are in a good position to generate new project ideas in this way. Often being made up of industry professionals, some claim to just *"know what the market wants"*. So new ideas based on unconscious market knowledge seem to be intrinsic to those studied. Although such ideas appear to be market-led, they do not usually stem from conscious or formal market research as noted above. Instead, more than one respondent claimed *"it is all experiential"* and another reiterated *"we often know from experience what is going to work"*. One used the metaphor of having *"a finger on the pulse for market needs."* Informal conversations and opportunistic insights guide such project development. Reiterating their attitude towards Market Research highlighted above, it was claimed by one respondent that staff are *"not there for information gathering... but inevitably [they] learn a lot."* In terms of ideas generated, the small nonprofits studied preferred *"a kind of mixture of things that it would be good to see happen, but then it's a bit opportunistic as well"*. This highlighted another common source of ideas across the study - external market opportunities.

2. Externally generated

As mentioned above, awareness of and expertise in their niche areas means idea generation in the small nonprofit context is also embedded in their contacts and within industry networks. The overriding importance of Government links was made clear by most organisations in the current study and all respondents mentioned being responsive in some way to opportunistic project ideas generated through such connections.

Idea Screening

Although some small nonprofits recognised the importance of being internally proactive, there was a general trend across respondents towards being reactive in their new project development. That is to say the number of externally stimulated projects or those in response to their external environment outweighed those initiated and driven forward internally. As one respondent put it, *“Organizations are responding to external agendas as opposed to being in a position to scope out new areas for themselves.”*

Resource Availability

Another clear theme across the sample organisations was that funding availability significantly influences their new project screening decisions; four respondents mentioned this as the most important factor. It was implied that choosing to pursue internally generated projects means that financial resources must then be actively sought; these could be seen as being money-enabled projects. On the other hand, those studied indicated that externally sourced projects often come with money attached, making them more money-led. It was also reported that internally generated ideas have taken longer in their development than those prompted, supported and driven by external sources.

Charitable Mission

In screening ideas, the small nonprofits studied also consider what they *“ought”* to do, implying a sense of obligation to their mission. In most of the organisations in the current study, this came only in response to a prompt about the importance of mission. Thus mission was not consciously used as a screening criterion for their new project decisions. In fact, respondents indicated that strategy generally revolves around *“underlying”* organisational

values, which are “a given” in choosing any project. Respondents indicated that most ideas considered worthy of this mission are taken forward if possible, even if this means being put on the back-burner and delayed. One outcome of this consistently noted by those studied, is that they tended to take on too many projects; *“What we do least well is saying ‘No’ to things.”* Another conceded *“We almost take on too many projects... we’ve got so many going on at the moment”*. A possible consequence of this was also explicitly noted; *“It’s easy to take on too much, get diluted and not achieve the goals we set.”* Rather than saying “no” to projects, they try to make projects work given the resources either currently available, or potentially attainable. A possible reason for this keenness to accept projects was directly stated or indirectly implied by most respondents; *“We all have a strong passion for the work, so we demand a lot of ourselves”*. This echoed the sentiments previously mentioned with respect to their dislike of “killing” projects. Idea Screening decisions in the small nonprofits studied tended to be made in a consultative and informal way – both with internally and externally generated concepts.

Overlapping Concept Testing and Product Development

A commonality amongst organisations in the sample was that only a broad new project concept was developed in the first instance. Lacking a clear project definition at this stage, it appears there has in the past been no “prototype” as such to test. On the other hand, those studied also suggested that a well developed project concept is required to justify its worth to decision-makers and achieve resource allocation – be it for an internally generated idea or to win an external funding bid. Respondents described this process of moving from an initial idea to a better defined project as time-consuming. Those studied emphasised the importance of consulting special interest groups made up of industry experts and contacts to mould the concept further and match it to market requirements. Two respondents also mentioned the benefit of *“good links at grass root level”* to do this and most mentioned the involvement of end beneficiaries and representative groups to aid their *“bottom-up”* development. As a result of *“always doing it through discussion with other people”*, development at this stage was generally described as *“an iterative kind of process”*. In most

cases approval must be sought throughout this process and ultimately through a final proposal to the Board and/or the funding body before implementation.

A running theme of this research was also indicated here; the importance placed on product accuracy by the small nonprofits studied demands an *"attention to detail."* A theme across respondents was that they *"make sure [they've] consulted as widely as possible"* to the point where they've *"left no stone unturned."* Another used the phrase *"dotting all the I's and crossing all the T's"* at this development stage. One outcome of this was repeated throughout the study; *"the more people involved, the longer [project development] generally takes"*. That is to say the necessary consultation and the insistent accuracy of the project demanded by the studied organisations results in an increased development time for their projects. One respondent even mentioned a project which had been *"refined over a period of time"* and had consequently been *"in development over the last 6 or 7 years"*.

However, some small nonprofits studied also seemed restricted in this stage by time, particularly with externally funded projects. Pressure from sponsors has sometimes driven development forward and forced the adaptation of the project to suit the time available. For this stage of development some respondents noted this as a reason for the success of externally supported initiatives, as implied previously.

Test Marketing and Commercialisation

"Pilots" were mentioned by 3 of the respondents in the study as Market Research. However, this was more Test Marketing, in that the feedback does not significantly affect the project concept. It was implied that this is also only conducted on a small scale to *"try things out"* and *"ensure it has legs before development."* The general feeling was that this stage was more *"to see if [they're] on the right lines and reassure [them]selves."* One respondent conceded that they *"wouldn't pilot something if [they] didn't think it was gonna go ahead"*. Perhaps for this reason, complete testing is only done by the studied organisations when resources are available. It was clear in some organisations studied that there was sometimes an

assumption that projects will be successful due to the nature of their development (described above), making this stage redundant.

There was a mixed response in the current study to the concept of project commercialisation. Most respondents recognised the importance of getting to market, and some see this as “*educating*” internal and external teams to achieve “*buy-in*”. Only one organisation spoke of commercialisation in a negative way, though more than one linked the concept to “*selling*”, even if it was to “sell” the concept or overall benefit rather than a tangible product. One respondent mentioned a need for “*people on the road as essentially [their] sales team*”, and two organisations suggested they have found it easier to sell a concept by developing tangible products to support their work. Interestingly, these were both classified in the *Religious Sector*. Only a few of the organisations in the study actually exchanged their products and services for money, though one other respondent mentioned this as a possibility to become more self-financing (the respondent with the business background).

Six of the respondents claimed that the commercialisation of their projects could be executed more effectively. In most cases, communication to end consumers seems weaker than within industry circles, where there is a common “*lack of visibility*” for many of the organisations studied. A few reasons for this were mentioned by these respondents. Firstly, work is often carried out by external contacts working on behalf of these organisations, which tended to coordinate projects from ‘behind the scenes’. Another theme across these respondents was that work goes “*unseen*” due to a lack of time towards the end of the project to reach a large proportion of their market. In the majority of those studied, commercialisation activity is essentially seen as an add-on to the process and not part of core activity. Few of those studied had dedicated Marketing functions, so unless substantial resources were built into the original proposal, this stage was not a priority. Where two respondents didn’t comment on their commercialisation activity at all, three actually suggested they do not need to proactively commercialise their projects. One claimed that “*demand already outstrips supply*” and a lack of people power to fulfil this demand placed doubt over the need for any additional effort here.

Metrics and performance measurement

All organisations studied recognised the importance of monitoring the performance of their new projects in one way or another. However, only one respondent in the study suggested they were “*strong*” at doing so and three explicitly claimed this could be improved; one admitted “*we need to look at that with some sort of clarity.*” Three respondents also noted this is not a priority for their organisation in terms of the overall process and is not done on all projects. Four respondents admitted this is funding dependent, with one conceding they “*usually do the minimum required by the funder.*” Where projects are evaluated, it was implied by a few respondents that this can be executed outside of the planned project development time.

Across all organisations studied, there was no one consistent evaluation method for monitoring new project success; three interviewees talked about “*different levels*” of performance evaluation and one noted this area of nonprofit activity is still “*quite a debate*”. Overall, a mixture of quantitative and qualitative performance measures were used by the sample organisations to assess new project impact. It was also indicated that the metrics and evaluation methods used vary depending on funding source. Of the 8 to mention going back to original objectives, half of these emphasised that these had been set out by an external funding source. In general, short-term, quantitative project-level performance metrics were said to be prescribed by the funder, or built into the project proposal. However, it was also noted by one respondent that “*there is no pressure on [small nonprofits] to evaluate the project in the terms of coverage*” if the project is funded externally in this way.

Internally, all 11 organisations measured project success against qualitative performance goals linked to organisational objectives, and the end-beneficiary view was stressed more by respondents than numerical figures. A theme across those studied was that poorer short-term results are considered to be longer-term learning points, rather than project failures per se. All of the organisations studied indicated either directly or indirectly that the “*overarching*” aims of their project development can be linked to organisational mission, and include goals like “*furthering the Sector*”.

Despite this, some more tangible measurements were noted in the study. For example, four respondents highlighted *“project quality”* and accuracy as high priorities. Small nonprofits in the study *“work hard at getting it right”*, which supported the previous commonality of actually being *“known for the quality of the products”*. However, measuring this metric was noted by more than one respondent in the study as being problematic; *“to actually quantify the quality is obviously much more difficult.”* Measuring overall impact of new projects was also reported as difficult due to their long time scale; the benefit of current projects may not materialise for years to come. The only respondent to mention staying within the budget as a performance measure was that with a business background.

A wide range of informal and adhoc feedback methods were mentioned in the study, the most common being focus groups, surveys and questionnaires. Three organisations also highlighted the use of third party evaluations to get a more objective viewpoint. Another trend was that the reviewing of new project performance informs future planning. This simultaneous execution of performance measurement and strategy planning highlights again the rolling, incremental nature of the development process. One respondent even equated *“evaluation, consultation and market research”*.

10.4 Summary

A flexible and responsive new project strategy leading to opportunistic development was common across the sample. The niche focus in those studied indicated a preference for incremental project development, with the most radical projects being those where current expertise is transferred to new contexts. The interlinking of projects within the portfolio was indicated across the current study, resulting in a focus on ongoing projects due to a fear of their cannibalisation. Organisational mission had an underlying influence over NPD strategy across this sample. The small nonprofits studied tended also not to have dedicated NPD departments and their overstretched staff take on multiple roles and responsibilities. External teams are constructed and managed by Project Managers and the CEO is often involved at all levels. There is a common lack of internal core capacity, making the tendency to work in partnership inevitable.

Informal and unconscious information gathering replaces formal Market Research in the sample studied. Knowledge used to guide new project development is either collected through industry contacts or is intrinsic to the organisation. An open culture has been nurtured by the small nonprofits here, with new project concepts being initiated both internally and externally. Funding availability greatly influences the screening of these abundant ideas, so there is a tendency to go for projects generated and supported externally. There is a clear reluctance to say 'no' to projects in the sample organisations, and concepts are only tested late on in development.

Bottom-up project development is coordinated through iterative, consensus decision-making by the sample small nonprofit Boards and Committees. At this stage, project quality and accuracy takes priority over development time, often resulting in delays to subsequent stages. Commercialisation is seen as a resource and project dependent add-on by those studied. There were still some visibility issues noted, but increasing demand was seen by others as unsuitable for an already stretched organisation. When it comes to measuring ultimate new project performance, a mixture of quantitative and qualitative metrics are considered by the sample small nonprofits, including short-term sales and longer term impact on society.

The next Chapter will relate the insights discussed here to the literature, and look more closely at how they fit into the NPD framework used for analysis.

11. Chapter 6 – Findings and Discussion

11.1 Introduction

The discussion presented here will bring together insights from the previous Chapter and relate them to the “Best Practice” NPD dimensions highlighted in the framework by Barczak et. al. (2006). The questions and issues raised at the end of the Case Study in Chapter 4 will also be addressed, in order to assess how the dimensions manifest themselves in a wider small nonprofit context and speculate on a more appropriate approach to new project development. Testable propositional will be developed to take research in this field forward.

The following table summarises how the NPD dimensions highlighted in the Barczak et. al. (2006) framework manifest themselves in small nonprofits, and which insights extended previous knowledge of this context:

11.1.1 Table 4: Findings and new insights

Dimension	Nonprofit insights provided by Barczak et. al. (2006)	Did the current study support this?	New insights
Strategy	NPD is viewed as a tactical endeavour to achieve a nonprofit organisation’s mission. Current issues are emphasised in nonprofits rather than looking ahead to future developments.	Yes Short-term and responsive new project strategy.	
Portfolio Management	Traditionally weak in NFP’s where there is lower risk-taking. The adoption and use of portfolio management techniques will help nonprofit organisations.	Yes Killing projects is difficult for small nonprofits.	Small nonprofits prefer to focus on their niche. Incrementally developed projects are more common in small nonprofits.
Process incl. Market Research	An unsystematic or informal approach to development is adopted. Pilot testing is said to be determined by budget, time, geography and socio-economic distribution.	Yes Despite clear strategy intensions, flexibility is key for small nonprofits.	Unconscious Market Intelligence guides new projects in small nonprofits. A flat structure and open culture

	<p>Sources of new product ideas include: Local chapters, National HQ, Instructors, volunteers, end customers, the public, donors/sponsors, and senior management.</p> <p>A formal yet flexible NPD process is beneficial to successful nonprofit programs.</p>		<p>facilitates initial Idea Generation.</p> <p>Project Initiation is emphasised by small nonprofits more than Project Implementation.</p> <p>Quality and accuracy during Project Development in small nonprofits takes priority over speed to market.</p> <p>Concept Testing and Product Development stages overlap in small nonprofits.</p> <p>Less emphasis is placed on Marketing activity where projects are not exchanged for money.</p>
Resources incl. People	<p>Champions play an important, critical role in nonprofit NPD and deserve keen management consideration in the course of developing new programs.</p> <p>External sponsors and employees play an important role in the development and success of new programs.</p> <p>The inclusion of people who have knowledge and expertise appropriate to the program is important.</p>	<p>Yes</p> <p>Champions in the form of Project Managers play an important role in small nonprofit NPD.</p> <p>Partnerships play an important role in small nonprofit new projects.</p>	<p>Small nonprofit staff take on multiple roles and responsibilities.</p> <p>Funding availability is a very important screening criterion for small nonprofits.</p> <p>Small nonprofits prefer externally initiated and funded projects.</p> <p>There may be a need to achieve a balance of "Suitability for the Market" and "Feasibility for the Organisation" for small nonprofit new projects</p> <p>The amount of resources allocated to small nonprofit performance measurement</p>

			depends on resources available.
Metrics and Performance Measurement	<p>There is a common desire in nonprofits to get feedback on results and service program testing.</p> <p>Broad success criteria include fit with mission, funding availability, and availability of human resources, presence of a champion, brand maintenance and building, social impact and member appeal.</p> <p>Formal assessment of new program success is often neglected in nonprofits, informal and program dependent.</p> <p>Adoption and use of common guiding principles and metrics are an important component of nonprofit organisations ability to realise and sustain new program success.</p>	<p>Yes</p> <p>Despite the desire to do so, the success of new projects is not always measured by small nonprofits.</p>	<p>Over the short-term, small nonprofit new project success is measured using quantitative performance metrics.</p> <p>Over the longer-term, small nonprofit new project success is measured using qualitative performance metrics.</p>

11.2 Discussion

11.2.1 Organisation-related factors

Strategy & Portfolio Management

Key Question: How suitable is a short-term, responsive new project strategy for small nonprofits?

Findings in the current study suggest that strategy in small nonprofits is never set in stone, nor clearly defined in the first instance. Overall, short-term planning is more suitable in this context given their reactive nature, leaving room for opportunism. This goes against recommendations in the for-profit context, which generally presents such short-sightedness negatively (Hull and Lio, 2006). However, this tendency in small nonprofits does mirror previous nonprofit literature; in such a reactive environment Barczak et. al. (2006) suggested

that current issues are emphasised by nonprofits rather than looking ahead to future developments:

Research proposition: A short-term and responsive new project strategy leads to more successful new projects in small nonprofits.

Resources, Skills and Culture

Key Question: Is it appropriate for small nonprofits to focus on their niche, resulting in incremental development and a portfolio of similar projects?

Using the Booz, Allen and Hamilton (1982) product classification, the typical small nonprofit project would be classified as incremental changes to the core product. While previous research has highlighted the longer term dangers of complacency leading to core capabilities becoming core rigidities, small nonprofit niche specialisation actually represents their source of competitive advantage. By building internally on previous activity and retaining knowledge, they capitalise on long-running industry experience, placing their niche expertise as a strength rather than a weakness. As a result, small nonprofits aim to maximise this by transferring their expertise to other markets at their most radical, which would be classified by Booz, Allen and Hamilton (1982) as Repositionings. This issue is the subject of continuing debate from both for-profit and nonprofit literature, where there is an overriding preference for incremental innovation, pursuing activity that is familiar to the firm (Griffin, 1997; Fredericks, 2005). Authors like Blindenbach-Driessen and van den Ende (2006) had previously suggested that knowledge and experience lies in the specific area of operation familiar to the organisation for project-based firms. This had also been indicated in previous nonprofit literature, which found that most prefer to adopt innovations already proven in the market (Hull and Lio, 2006). It has been suggested that this restricted project innovation is a result of limited human resources and the lack of general expertise necessary. (Hull and Lio, 2006). Although for-profit literature suggests that riskier, more radical developments are likely to be the most successful projects (Cooper and Kleinschmidt, 2004), neither for-profit

literature nor the nonprofit insights given by authors like Barczak et. al. (2006) consider whether more radical development would actually be suitable for small nonprofits.

Research proposition: Competitive advantage can be gained by small nonprofits by focusing on a niche area.

Research proposition: Incrementally developed products are more successful for small nonprofits than radical projects, which require expertise beyond that currently available to them.

Resource Allocation

One aspect of Strategy and Portfolio Management that remained under-explored in nonprofit literature like the study by Barczak et. al. (2006), was exactly how resources are allocated in preparation for new project development (financial and human). Small nonprofits take on too many projects, which are beyond their capacity. However, they are reluctant to stop new projects mid-development if they are committed to them, as this would not be inline with fulfilling their mission. Where some for-profit literature suggests it is best to have multiple projects in the pipeline at any one time due to their high failure rate (Hauser et. al., 2006), other sources suggest limiting this number to match resources, and even cancelling weaker projects (Griffin 1997). The small nonprofit insights through the current study mirror those provided by Barczak et. al. (2006), who concluded that the process of “killing” projects that are of low financial value is not always an option for NFP’s. Stopping ongoing projects in favour of new initiatives introduces the concept of project cannibalisation. Although the danger of this was notably left unexplored by previous studies (Barczak et. al., 2006), this is a genuine fear for small nonprofits given their inter-related project portfolio. It was suggested that Barczak et. al. (2006) neglected the importance of a thorough Resource-Based-View (RBV) assessment to guide effective NPD. They maintain that project selection and subsequent resource allocation should be formally planned by nonprofits.

Research proposition: The adoption and use of portfolio management techniques, including a full RBV assessment, will help small nonprofits generate and sustain new project success.

Organisation for NPD: Leadership and Multiple Roles

Key Question: Is it typical of the small nonprofit context for staff to take on too much and how usual is it for the CEO to be involved in all NPD activity?

Taking on too many projects does not stop at an organisational level for small nonprofits. All staff are overstretched in their multiple roles and responsibilities, with Senior Management getting involved in both operational and strategic activity. By creating a culture for innovation in this way, small nonprofits support the for-profit NPD literature, which states that an entrepreneurial climate for innovation is nurtured in project-based firms. This passion of staff also supports the non-profit literature, which suggests that workers are less motivated by money and more by the societal change that they create through their work and the organisation, as well as the recognition this brings them (Rhoades-Catanach, 2000). However, it could be argued that over involvement of Senior Management at a micro management level could result in a lack of time for strategic thinking, proving detrimental over the long term.

Research proposition: Small nonprofit staff taking on multiple roles and responsibilities has a detrimental effect on their new project success.

To drive new projects forward, Project Managers act as Champions within small nonprofits, with high levels of autonomy. This supports project-based literature, in which responsible executives have the authority to heavily influence NPD (Blindenbach-Driessen and Van den Ende, 2006). Barczak et. al. (2006) also found Champions to play an important and critical role in nonprofit development.

Research proposition: Champions in the form of Project Managers play an important, critical role in small nonprofit NPD and deserve keen management consideration in the course of developing new projects.

Key Question: When do small nonprofits work in partnership, as opposed to developing internal capabilities?

Although internal resources are limited within small nonprofits, which lack the stable core funding to employ all functions required to execute project development, they also consider factors of production attainable elsewhere. Where it has previously been claimed that such teams in nonprofits are selected on the basis of availability rather than expertise (Pinto and Covin, 1989), small nonprofits work in partnership through mutually beneficial relationships that enable them to pool resources and customise an external, project-specific team, precisely on the basis of its specialist knowledge. The small nonprofit Project Manager coordinates this project 'team'. For profit literature is mirrored here, in that the availability of relevant expertise appears to be a success factor rather than a hindrance (Brown and Eisenhardt, 1995; Cooper, 2001; De Brentani and Ragot, 1996; Griffin, 1997). In this respect it could be argued this sourcing of expertise contributes to their competitive advantage (Grant, 1995; Mahoney, 1995; Wernerfelt, 1995). Blindenback-Driessen and Van den Ende (2006) highlighted the particular importance of this maximisation of human assets and expertise for project-based firms like NFP's. Hull and Lio (2006) believe this outside sourcing of innovation is the most beneficial choice for all non-profits. Thus small nonprofits support the proposal from Barczak et. al. (2006):

Research proposition: Partnerships play an important role in the development and success of new projects in small nonprofits.

11.2.2 Process-related factors

Market Research

Key Question: To what extent can small nonprofits rely on intrinsic organisational knowledge to replace proactive Market Research?

Small nonprofit proficiency at the Market Research stage of the development process is considered to be high, though this manifests itself differently than in the for-profit context. To

a certain extent, small nonprofit use of small scale focus group research backs up Barczak et. al. (2006). However, their study actually found Pilot Testing to be a more commonly used type of market research at this stage. Small nonprofits do use Pilots, but this is at a Test Marketing stage (See Test Marketing and Commercialisation). Barczak et. al. (2006) stated that nonprofits can and should gather information from plentiful sources, including Local chapters, National HQ, Instructors, volunteers, end customers, the public, donors/sponsors, and senior management. Few of these sources were mentioned in the current study. Small nonprofits rationalise the inappropriateness of undertaking formal Market Research, but hinted at the importance of gathering what for-profit literature would label Market intelligence. The majority of data informing small nonprofit development is not proactively sought, but is intrinsic to understanding the market and utilising tacit, embedded knowledge. Sharing knowledge across contacts and industry networks is an ongoing process and not a formalised stand-alone stage of new project development in small nonprofits, which follows recommended for-profit NPD practice. This activity also reflects project-based research, in which authors like Maidique and Zirger (1985) state that project-based firms know their market very well through personal contact of senior management, so can more readily rely on their gut feeling to determine the preferences of their customers. They suggest that where this external collaboration is strong, the importance of gathering additional market information is reduced and often made redundant. Some small nonprofits claim their projects are what the market wants, but others suggest projects are backward-looking upon launch due to the length of time taken to develop.

Research proposition: Increased awareness of the importance of unconscious Market Intelligence and its effective utilisation would enable small nonprofits to develop more customer-focused projects.

NPD Process (including Metrics & Performance Measurement)

Key issue: One of the big debates from previous new project development literature was achieving a balance between implementing a formal development process and maintaining flexibility.

Small nonprofits follow a formal process where possible, with potential for flexibility where individual projects differ. Small firms are traditionally seen as being flexible and innovative, while large firms are expected to have structured processes (Wakasugi and Koyata, 1997). In this respect, small nonprofits reflect recommendations by Tushman and O'Reilly (1997), who suggest that organisations must display characteristics of both small and large firms. Barczak et. al. (2006) also proposed that a formal yet flexible NPD process is beneficial to successful nonprofit projects:

Research proposition: A formal yet flexible NPD process is beneficial to successful small nonprofit projects.

However, it was also clear from this study that small nonprofits are unable to fully implement all stages of the new project development process as proficiently as would be ideal. Where some small nonprofit projects are modified or their development time extended, certain steps are sometimes completely skipped. These variations from the traditional for-profit development process will now be explored.

Process (incl. Metrics & Performance Measurement)

Idea Generation and Idea Screening

Key Question: Is Idea Generation a priority for all small nonprofits and do they all face challenges with Idea Screening?

Key Question: How conscious a screening criterion is Mission across small nonprofits?

Idea Generation is seen as a strength in small non-profits, as ideas are initiated through a number of sources. Early innovation is not restricted due to their lack of resources, as they take an optimistic view of what might be possible from internally and externally generated ideas. A culture for innovation is nurtured to encourage this.

Research proposition: Small nonprofit projects are more successful if there is a flat structure and open culture to facilitate initial Idea Generation.

From the abundance of potential projects to pursue, small nonprofits favour externally generated, money-led projects. In this respect, they are somewhat submissive to their environment. Lawrie (2002) would classify externally generated projects as "Supply side" projects, which usually have to be in place by a deadline and are developed because money becomes available. The importance of external Idea Generation in small nonprofits backs up current literature, which claims that external networking capabilities are important for all small firms (Hadjimanolis, 2000). This also backs up Barczak et.al. (2006), who identified funding availability as a broad criterion to screen projects at this stage.

The importance of fit with mission as a prerequisite for project acceptance backs up nonprofit literature. Sargeant (1999) suggests that developing the appropriate type of new product is all about creating a balance between resource availability and market demands, but also fit with overall mission.

Research proposition: Funding availability is the most important screening criterion for small nonprofits.

Research proposition: Externally generated and funded projects are more successful for small nonprofits due to their funding structure.

However, accepting projects based solely on external funding availability may not necessarily result in the most suitable projects being developed. For those studied to name idea screening as a weakness, they clearly feel they are not currently executing the projects they accept as effectively as possible.

Research proposition: Achieving a balance of "Suitability for the Market" and "Feasibility for the Organisation" is equally applicable to small nonprofit projects as it is in the for-profit context.

Concept Testing and Product Development

Key Question: Are iterative and overlapping Concept Testing and Project development stages representative of small nonprofit NPD. And are time delays a commonality across this context?

Key Question: Do all small nonprofits place a high emphasis on cost-oriented NPD?

At this early stage in development, small nonprofits tend not to have a clear concept vision. This means that there is no final concept to test until the project is fully developed at a Test Marketing stage (see below). These findings also supported the nonprofit literature, which stated that nonprofits place heavy emphasis on ideation, and less on concept development and testing (Barczak et. al., 2006; Hull and Lio, 2006). This gives an insight into another under-researched context-specific factor, namely the difference between developing physical goods and services. Small nonprofits are primarily service-based organisations. The literature suggests testing and validation are less likely to occur in service development than with tangible products, as they are abstract until realised (Matthing et. al., 2006).

Small nonprofit Concept Testing and Product Development process stages overlap. In effect, the project is continuously adapted after small scale concept 'testing' through participatory, bottom-up project development, which is consultative through iterative decision-making. Internal and external stakeholders converse until a comprehensive proposal is presented and project implementation can be justified. Although some for-profit literature suggests that a new project process should be implemented that is complete and thorough, the current study supports the 3rd generation of product development literature described by Cooper (1994), which accepts the simultaneous execution or compacting together of certain stages. This supports previous for-profit literature and backs up Market Research activity in nonprofits; it has been suggested that testing may be a better alternative where proactive market research is unlikely (Haglund et. al., 1995; Thomke, 2003). This also mirrors project-based literature, where experiential tactics with frequent iterations and built-in testing is seen to improve performance (Eisenhardt and Tabrizi, 1995).

Research proposition: Overlapping Concept Testing and Product Development stages in small nonprofits leads to more successful new projects.

During Project Development, delays to small nonprofit new projects are common. Insistent project accuracy and high quality, the need to seek constant approval from multiple stakeholders, and uncontrollable external variables all affect development time in small nonprofits. Linked to the nature of this process is another difference between products and services highlighted by Griffin (1997). It was suggested that services are less complex to develop with fewer development stages, resulting in a development time half that of tangible products (Griffin, 1997). So small nonprofit project development does not back up for-profit literature here. Although they compact some of their process stages, they also support Menor et. al. (2002), who suggested that much of the service development process is the same as for product development, just with the added complexity that services bring.

Research proposition: Quality and accuracy during Product Development in small nonprofits takes priority over speed to market.

Test Marketing and Commercialisation

Key Question: To what extent are small nonprofits aware of the importance of Test Marketing and Commercialisation activity?

As noted above, the small nonprofit final project concept is only really tested at this later stage, once it is fully developed. At this point, it becomes a Pilot project. As well as being fundamentally service-based (with the testing difficulties noted above), a lack of emphasis on Test Marketing could also be due to small nonprofit confidence that the project will succeed. In terms of Communication of any new project, generating too much awareness may be counterproductive for some small nonprofits. Despite visibility issues for those selling their goods and services, there appears to be little need for any proactive activity to stimulate demand for ongoing service offerings, given the capacity issues they face. Where the project initiation stages take a long time to get right in small nonprofits, their subsequent project

implementation appears relatively rushed and there is often little time for comprehensive Test Marketing or formal Commercialisation activity. This trend in small nonprofits does not support the importance placed on these stages by Hauser et. al. (2006), who named testing and launch as the main marketing activity required in the for-profit NPD process. Griffin (1997) also suggested devoting a larger percentage of the project development process to these later stages of activity.

Research proposition: The Project Initiation stage of small nonprofit new project development is of a longer duration than the Project Implementation stage.

Research proposition: Where a small nonprofit project is not exchanged for money, resource allocation to Test Marketing and Commercialisation is not as important for success as it is in the for-profit context.

Metrics and Performance Measurement

Key Question: Is a mix of performance measures indicative of the small nonprofit context?
Are all small nonprofits relaxed in their performance measurement?

For small nonprofits, the post-implementation evaluation stage is another area which is not considered a priority. Where they do measure new project performance, small nonprofits use a variety of metrics. Externally funded projects in small nonprofits tend to be quantitatively evaluated at an individual project level. Internally, the emphasis is placed on more qualitative performance measures like project quality and customer feedback. So at an organisational level there is a clear emphasis on longer term organisational learning rather than short term results.

For-profit literature suggests that where goals are set, firms do not always go back and evaluate actual performance (Griffin, 1997). Griffin (1997) also suggested that higher expectations of their NPD projects would be beneficial for all organisations. Although performance continues to have higher priority in the business sector, there has recently been strong signals to non-profit management that their executive teams need to become more

focused on performance results (Bannett et. al., 2005). Failure in a nonprofit organisation is much less acceptable than in a for profit context; if a non-profit organisation fails to provide an expected service or product, it has failed to uphold its social responsibility. Not only is this a failure on the part of the organisation to carry out its vision, but this failure also places the organisations future funding in jeopardy (Hull and Lio, 2006). The current study supported the Barczak et al. (2006) proposition formal assessment of new project success is often neglected by nonprofits. However, this is not due to ignorance on the part of small nonprofits. The nature and extent of their performance measurement is resource dependent.

Research proposition: The amount of resources allocated to small nonprofit performance measurement is proportionate to the resources available.

Furthermore, the longer term small nonprofit new project aims are difficult to measure. This mirrors Barczak et. al. (2006), who also found nonprofits had difficulty in assessing long-term project success. Small nonprofit projects are not measured against any of the traditional for-profit metrics. At project level, Cooper and Kleinschmidt (2004) define a best performing project as one which is profitable, meets objectives, is successful versus competitors, opens up new technology, is timely and within budget. However, the circumstances under which small nonprofits operate would make many of these unrealistic. The current study supports nonprofit literature, in that they have objectives that are mission-based and less tangible than the financially-oriented objectives in the for-profit sector (Herman and Heimovics, 1994; Kotler and Andreasen, 2003). Small nonprofits seem also to support Pattikawa (2006), who suggested that even if a project fails at product level, the learning outcomes at organisational level can improve overall performance.

Research proposition: Over the short-term, small nonprofit new project success is measured using quantitative performance metrics.

Research proposition: Over the longer-term, small nonprofit new project success is measured using qualitative performance metrics.

11.3 Summary

Few small nonprofits consider the strengths and weaknesses of their organisation for new project development and the effectiveness of the process they implement. In many areas, they are affected by uncontrollable variables. In the face of this, they are pragmatic in their activity, executing a new project development process as they know works. Although this approach has enabled small nonprofits to produce high quality projects, there is still a need to investigate how they can improve the proficiency of their process execution, so that it leads to new project success.

P1: A short-term and responsive new project strategy leads to more successful new projects in small nonprofits.

P2: Competitive advantage can be gained by small nonprofits by focusing on a niche area.

P3: Incrementally developed products are more successful for small nonprofits than radical projects, which require expertise beyond that currently available to them.

P4: The adoption and use of portfolio management techniques, including a full RBV assessment, will help small nonprofits generate and sustain new project success.

P5: Increased awareness of the importance of unconscious Market Intelligence and its effective utilisation would enable small nonprofits to develop more customer-focused projects.

P6: A formal yet flexible NPD process is beneficial to successful nonprofit projects.

P7: Small nonprofit projects are more successful if there is a flat structure and open culture to facilitate initial Idea Generation.

P8: Funding availability is the most important screening criterion for small nonprofits.

P9: Externally generated and funded projects are more successful for small nonprofits due to their funding structure.

P10: Achieving a balance of "Suitability for the Market" and "Feasibility for the Organisation" is equally applicable to small nonprofit projects as it is in the for-profit context.

P11: Overlapping Concept Testing and Product Development stages in small nonprofits leads to more successful new projects.

P12: Quality and accuracy during Product Development in small nonprofits takes priority over speed to market.

P13: The Project Initiation stage of small nonprofit new project development is of a longer duration than the Project Implementation stage.

P14: Where a small nonprofit project is not exchanged for money, resource allocation to Test Marketing and Commercialisation is not as important for success as it is in the for-profit context.

P15: Small nonprofit staff taking on multiple roles and responsibilities has a detrimental effect on their new project success.

P16: Champions in the form of Project Managers play an important, critical role in small nonprofit NPD and deserve keen management consideration in the course of developing new projects.

P17: Partnerships play an important role in the development and success of new projects in small nonprofits.

P18: The amount of resources allocated to small nonprofit performance measurement is proportionate to the resources available.

P19: Over the short-term, small nonprofit new project success is measured using quantitative performance metrics.

P20: Over the longer-term, small nonprofit new project success is measured using qualitative performance metrics.

The next Chapter will bring together all of the preceding Chapters into an overall summary, including theoretical contribution and framework development.

12. Chapter 7 – Summary, Conclusions and Framework Development

12.1 Introduction

The Third Sector is becoming an increasingly important part of UK society, showing growth potential and positive trends. By attracting further investment and funding, particularly from Government departments, nonprofits are in a good position to innovate. In fact, most charities started from the point of innovation, prompted by an existing gap in provision. However many are now facing similar problems to those in other sectors like the private sector, such as increased competition. A resulting need to be innovative and distinguish themselves in order to survive has led them to consider the effectiveness of their new project development (NPD) activity.

12.2 Literature summary

Overall, innovation literature is a well developed body of knowledge. Various “Best Practice” frameworks have been developed for the for-profit context, but there still exists a contextual gap in this knowledge when it comes to nonprofit innovation. Although many studies have aimed to determine whether differences exist in NPD practice or performance across the different industry segments, none have closely examined this nonprofit context in detail. Thus, the most appropriate and effective practices for these organisations are still unknown. Barczak et. al. (2006) made a valuable contribution towards this by directly applying an accepted for-profit “Best Practice” NPD framework to the nonprofit context through their case study based research. The current study used the same framework, which highlighted the dimensions Strategy, Portfolio Management, Market Research, People, Process, Metrics and Performance Measurement.

In the literature review, these broad categories were divided between organisation- and process-related factors. Under organisation-based dimensions, Strategy and Portfolio Management were addressed, as well as a few areas previously left under-explored. One such framework was by Booz, Allen and Hamilton (1982), which assesses the type of new

project in terms of how its “newness” or how radical it is. Another issue highlighted through the literature review concerns small nonprofit organisation for NPD. It is now suggested that new project decisions should always consider Resource Based View theory (RBV), looking at the affect of organisational resources on the proficiency of innovative activity. The People dimension noted by Barczak et. al. (2006) was encompassed within this broader Resources category. Addressing this specifically was the apparent lack of research in smaller organisations, with most NPD research being conducted with large firms. Strategies implemented by larger for-profit organisations are not always appropriate for small nonprofits to adopt, which could mean a lack of applicability of up 98% - the percentage of small nonprofits in the UK. The literature review also highlighted a lack of UK-specific knowledge and further contextual factors, including whether the organisation is functionally- or project-based, whether the industry has a fast or slow clock speed and differences across development processes for physical goods and services. The complexities and variations between these contexts had all been known to affect the overall NPD process, but remained under-explored. Process-related dimensions were then presented in the review of the literature, including Market Research, Idea Generation and Screening, Concept Testing, Product Development, Test Marketing, Commercialisation, and Metrics and Performance measurement. In general, literature on these individual stages has not radically changed over the years. Interest now lies with how the stages are executed, including the extent to which they are implemented and their order of operation, whether they overlap or if they are executed simultaneously.

The current study set out with the purpose of investigating this new project development activity in small nonprofits in the UK, in order to gain a better understanding of this under-researched context. The objective of the study was to generate a descriptive theory by addressing each of the above-mentioned issues, and ultimately answer the following questions:

To what extent do currently accepted for-profit NPD success factors apply in the small nonprofit context in the UK?

- How are small nonprofits in the UK organised for NPD and what factors affect the proficiency of their process execution?
- How do the dimensions in the Barczak et. al. (2006) framework manifest themselves in a small nonprofit context in the UK and how could they be adapted for this context?

12.3 Methodology Summary

Most marketing literature is positivist in nature, with more than 70% of research in three top marketing journals being quantitative (Hanson and Grimmer, 2007). However, interest in qualitative research has risen in recent years, partly due to the apparent increase in practitioner-conducted research in major marketplaces such as the UK (Hanson and Grimmer, 2007; Malhotra and Peterson, 2001; Milliken, 2001; Nancarrow et. al., 2001). Interpretivist studies based on practitioner research are becoming more popular to investigate different contexts, one of which is the nonprofit context. Research in nonprofit NPD can be considered to be at the birth stage, where reality is very much a subjective social construction and current knowledge consists of rich ideographic descriptions subjectively interpreted in their social context. For this reason, the current study was of a similar format.

Initially, data was collected through an exploratory Case Study as part of a 2-year commissioned project within CEM. Methods of data collection included, Direct and Participant Observation, Documents, Investigation and Questioning. Activity within CEM was then compared to broad descriptive categories from the Barczak et. al. (2006) framework through analysis in a within-case Check List matrix display. Data was triangulated across information sources to identify themes and patterns. Once written up, insights were used to develop the second phase of the study. Topical semi-structured interviews were conducted with 11 further small nonprofits using the same broad categories to validate standardised comparisons (adapted from Punch, 1998), whilst remaining flexible so that new themes (and new knowledge) could be uncovered. At this stage, open, introductory questions were used, followed by probing questions and critical incident technique, with additional structuring questions where necessary. The aim here was to work out a coherent explanation by piecing

together what people said, while recognising that each person might have his or her own construction of events (adapted from Rubin and Rubin 2005). Two sample organisations were initially chosen by CEM as appropriate comparative organisations. Using a multi-stage purposive sampling strategy, 9 further organisations in *Education, Children and Youth, Religious Congregations* and *Family Welfare* were chosen. A full approach strategy was employed to gain access to these organisations. All interviews were either recorded or notes made, which were then written up for coding using the same pre-determined categories from Barczak et. al. (2006) in a further descriptive Checklist Matrix analysis. The reliability of the study was enhanced by a multiple-respondent approach with comprehensive volunteer consent forms and full reassurance of anonymity and confidentiality.

12.4 Main conclusions & Theoretical Contribution

The current study set out with the purpose of making a step towards understanding what may eventually be established as “Best Practice” NPD for small nonprofits. It has done this by exploring current small nonprofit practices and developing a set of testable propositions based on a comparison to a for-profit framework and nonprofit insights from elsewhere.

Small nonprofits face many of the same issues in their new project development as for-profit organisations, but with added considerations and variables. More specifically, small nonprofits are particularly affected by issues such as resource availability.

Organisation-related factors

A few CEM case study Strategy findings were backed up by the wider nonprofit study. Firstly, a flexible and responsive strategy leading to opportunistic new project development was an organisational level commonality. A Portfolio Management theme mirrored in the wider study was the niche focus in small nonprofits leading to more incremental project development. For small nonprofits, the most radical project development came through transferring their expertise to new contexts. The CEM Case Study hinted at the affect of different levels of project “newness” on the nature of their development. For example, extra effort was required by CEM for commercialisation of more radical new projects developed for different, unfamiliar

markets. However, this was not expanded through the wider study due to a lack of detailed information, so the impact on different process stages of factors such as the level of risk and familiarity to the organisation, should be further explored.

Although not suggested by CEM, a subsequent interlinking of projects within the portfolio was indicated across the wider study. A resulting focus on ongoing projects due to a fear of their cannibalisation was the main theme here and organisational mission had an underlying influence over NPD strategy.

In terms of their organisation for new project development, small nonprofits tend not to have dedicated departments, with overstretched staff taking on multiple roles. External teams are constructed and managed by Project Managers, though typically, the CEO is involved at all levels. The common lack of internal core capacity is a clear issue for small nonprofits here. One affect which can be linked to this is the tendency to work in partnership. Although collaborating with other organisations may be a necessity for most, the small nonprofit preference for this did not support initial insights from CEM. Potential difficulties linked to working in partnership should be explored further.

Process-related factors

Informal and unconscious Market Intelligence in small nonprofits replaces a formal Market Research stage in the NPD process. Knowledge to guide new project development is either gathered through industry contacts or is intrinsic to the organisation. An open culture is also nurtured in this context, enabling strong Idea Generation whereby new project concepts are initiated both internally and externally. Funding availability greatly influences the screening of these ideas, so there is a tendency to go for projects generated and supported externally. There is a clear reluctance to say 'no' to projects, which can sometimes have an impact on market suitability of new projects. Concepts are only tested late on in development, meaning this stage is more like Test Marketing for final reassurance before full implementation. Bottom-up project development is coordinated through iterative, consensus decision-making by small nonprofit Boards and Committees. At this stage, project quality and accuracy takes

priority over development time, often resulting in delays to subsequent stages. As one of these later implementation stages, Commercialisation is seen as a resource and project dependent add-on by small nonprofits. For CEM, the increased importance of later Marketing-related stages could well be the result of the KTP project. These mixed insights imply this should be investigated further; on the one hand, visibility issues suggest additional Commercialisation investment would improve the success of new projects. On the other, increasing demand could cause further capacity issues for an already stretched organisation. When it comes to measuring ultimate new project performance, a mixture of quantitative and qualitative metrics are considered by small nonprofits, including short-term sales and longer term impact on society. Different factors affecting this evaluation stage were also identified, such as pressure from funding source and the more practical difficulties of measuring the achievement of longer term objectives. These are also areas in need of further investigation. Overall, many small nonprofit new project development stages are resource dependent, resulting in an emphasis on cost-oriented innovation.

Theoretical contribution

This study gives a good overview of current small nonprofit NPD practices. It used the framework highlighted by Barczak et. al. (2006) to build upon their insights and extend the 5 research propositions they developed. A number of more indepth insights were given within several areas of the Best Practice framework used. NPD research is now at the stage of exploring the nature of the process implemented; interest now lies in not just *whether* development stages exist, but *how* they are executed. To contribute to this, the current study did also not assume that the framework was directly applicable to the nonprofit context, as the Barczak et. al. (2006) study did. By also referring to the wider literature, possible reasoning behind current small nonprofit activity was considered, in order to further understand this context. From the literature review, few studies had investigated the link between the implementation of NPD and an organisations capability to do so. The study by Barczak et. al. (2006) notably failed to address one factor that affects this proficiency, namely the resources available. As only large organisations participated, the true impact of RBV was ignored in the Barczak et. al. (2006) study. Thus, contextual differences explored in the

current study contributed by exploring the small nonprofit perspective. Further insights were gained in terms of the type of new project developed. For example, by considering a common theme within the wider literature that Barczak et. al. (2006) did not, the current study makes a theoretical contribution with regards project radicalness.

Overall, the study resulted in the set of testable propositions in the table below. In order to make a further step towards a theoretical “Best Practice” framework that is appropriate for the small nonprofit context, these propositions should be tested:

12.4.1 Table 5: Framework development

Dimension	Barczak et. al. (2006)	Extended testable proposition
Strategy		P1: A short-term and responsive new project strategy leads to more successful new projects in small nonprofits.
Portfolio Management	P1: Adoption and use of portfolio management techniques will help nonprofit organisations	<p>P2: Competitive advantage can be gained by small nonprofits by focusing on a niche area.</p> <p>P3: Incrementally developed products are more successful for small nonprofits than radical projects, which require expertise beyond that currently available to them.</p> <p>P4: The adoption and use of portfolio management techniques, including a full RBV assessment, will help small nonprofits generate and sustain new project success.</p>
Process incl. Market Research	P2: A formal yet flexible NPD process is beneficial to successful nonprofit programs	<p>P5: Increased awareness of the importance of unconscious Market Intelligence and its effective utilisation would enable small nonprofits to develop more customer-focused projects.</p> <p>P6: A formal yet flexible NPD process is beneficial to successful nonprofit projects.</p> <p>P7: Small nonprofit projects are more successful if there is a flat structure and open culture to facilitate initial Idea Generation.</p> <p>P8: Funding availability is the most important screening criterion for small nonprofits.</p> <p>P9: Externally generated and funded projects are more successful for small nonprofits due to their funding structure.</p> <p>P10: Achieving a balance of “Suitability for the Market” and “Feasibility for the Organisation” is equally applicable to small</p>

		<p>nonprofit projects as it is in the for-profit context.</p> <p>P11: Overlapping Concept Testing and Product Development stages in small nonprofits leads to more successful new projects.</p> <p>P12: Quality and accuracy during Product Development in small nonprofits takes priority over speed to market.</p> <p>P13: The Project Initiation stage of small nonprofit new project development is of a longer duration than the Project Implementation stage.</p> <p>P14: Where a small nonprofit project is not exchanged for money, resource allocation to Test Marketing and Commercialisation is not as important for success as it is in the for-profit context.</p>
Resources incl. People	<p>P3: Champions play an important, critical role in nonprofit NPD and deserve keen management consideration in the course of developing new programs</p> <p>P4: External sponsors play an important role in the development and success of new programs.</p>	<p>P15: Small nonprofit staff taking on multiple roles and responsibilities has a detrimental effect on their new project success.</p> <p>P16: Champions in the form of Project Managers play an important, critical role in small nonprofit NPD and deserve keen management consideration in the course of developing new projects.</p> <p>P17: Partnerships play an important role in the development and success of new projects in small nonprofits.</p> <p>P18: The amount of resources allocated to small nonprofit performance measurement is proportionate to the resources available.</p>
Metrics and Performance Measurement	<p>P5: Adoption and use of common guiding principles and metrics are an important component of nonprofit organisations ability to realise and sustain new program success.</p>	<p>P19: Over the short-term, small nonprofit new project success is measured using quantitative performance metrics.</p> <p>P20: Over the longer-term, small nonprofit new project success is measured using qualitative performance metrics.</p>

The ultimate aim would be a tried and tested “Best Practice” framework. As it stands, the study gives small nonprofit managers an insight into the activity of other similar organisations, but only testing these research propositions will indicate whether this does in fact lead to greater new project success.

Practical use of this research may be seen in the fact it will enable us to better understand the NPD activity in a small nonprofit context. Despite its provisional nature, there are still a number of managerial implications and recommendations which can be derived in the light of the current study. Some of the insights that small nonprofit managers could begin to consider are outlined below.

12.5 *Managerial implications*

- Based on findings of the current study, small nonprofit managers should be careful to consider what is and what is not appropriate for their individual organisation. Given the responsiveness of new project strategies employed by small nonprofits, their managers should consider the suitability of time scales when planning in great detail over the long term. This could well be unrealistic and a waste of their already restricted time.
- Another area of interest in small nonprofits, which also has managerial implications, is the nature of their new projects. The potential benefits of developing completely new initiatives may be outweighed by the ability to gain competitive advantage by sticking to what they know. Small nonprofit managers need to be aware of their organisation's strengths in order to maximise them, whilst acknowledging the weaknesses they wish to minimise. Rather than trying to be all things to all people, it may be more beneficial to focus on their niche.
- Small nonprofit managers must also acknowledge the potential impact of an inevitable passion and dedication to their activity, which could be resulting in an over-estimation of what is realistic for them to pursue. Personal involvement and heightened levels of enthusiasm could be seen to dominate new project decisions in this context. It is recommended that small nonprofit managers consider the capability of their organisation and the feasibility of individual opportunities before projects are accepted. To do this, it may be that managers need to properly consider their organisational resources through a full and thorough assessment, and ensure staff do not take on too much for it to have detrimental affects.

- The benefits of pooling resources by working in partnership must be weighed up against the potential complications and practicalities. There is a whole body of literature on for-profit external collaboration, so small nonprofits might benefit from looking at this to try and minimise some of the difficulties they experience in this area. For example, they could look at how to choose the best collaborative partners by assessing their strengths and weaknesses.
- Where resources are scarce in small nonprofits, money-led projects are inevitably attractive. However, another important project recommendation would be for managers to consider whether new concepts are really what the market wants. An area of current interest in for-profit literature may also be useful here, namely how to uncover latent market needs to inform new project development. Doing this in a context where beneficiaries of new projects are not always aware of their *current* needs, could prove challenging. However, the benefits of information already available to them should also be acknowledged by managers in this context. Where small nonprofits may be taking a defensive stance with respect to formal Market Research that they associate with larger organisations or third party agencies, they could be underestimating or ruling out the potential benefits of the Market Intelligence available to them. It is essential for small nonprofit managers to ensure the organisation is aware of this information, which could be embedded within its staff, or accessible through contacts. Using this to then guide more market-oriented decisions is important, because developing unsuitable projects without a substantial market potential could be seen as a waste of limited organisational resources.
- Where projects are in development, small nonprofit managers may need to make a compromise between getting the project right, and getting it to market in a timely way. Although speed to market is clearly not a top priority for small nonprofits, managers must still consider the implications of delayed projects. These could be competitive or substitute products being launched before theirs, not meeting beneficiary expectations or even potential longer term negative impacts on brand and organisational reputation.

- Consideration of the final stages of the new project development process is another recommendation for small nonprofit managers based on the current study. To realise the potential benefits of marketing-related stages within their process, they need to get away from the negative connotations of such activity. Commercialisation is often linked with “selling” in a for-profit context. However, it is suggested that managers should look at this stage more as the final step in reaching the end beneficiary with their new project – ultimately their reason for being!

12.6 Study Limitations

There are many “Best Practice” frameworks available to guide for-profit NPD. Any one of these could have been used in this research, so the one chosen should not be accepted as the only one. However, the framework used encompasses the main broad categories taken from a collection of credible and well respected studies, so was deemed appropriate.

Some limitations intrinsic to the research strategy employed should also be noted here. The initial Case Study design has the usual limitations of any qualitative, exploratory research study. Critics claim that this type of research could be biased towards the researcher’s viewpoint, as it is partly shaped by their involvement. Where data is analysed by the researcher themselves, there is also a possibility of human error. However, the benefits of participatory research analysed by the researcher were seen to outweigh the potential disadvantages in this case. Furthermore, the “newness” of this research meant that this was the most beneficial strategy at this stage.

Another limitation of such small scale, qualitative research refers to its generalisability, or external validity. Only the Case Study part of this research was longitudinal in nature, so it is not possible to say whether the same results would be generated again if the research was repeated. Particularly given the project-based nature of small nonprofit activity, it should be acknowledged that examples given may not be completely representative of, and thus applicable to all future nonprofit projects. Linked to this, research like the current study is also often criticised for being too context-specific and not representative of the wider population.

However, this research aimed to provide an in-depth analysis of activity, which itself required a small number of cases to ensure the richness of data. Although findings may not be completely applicable in other settings, the wider study directly tackled this issue by providing a means of comparison and contrast, which in itself increases generalisability (Peräkylä, 1997; Yin, 2003). The multi-stage purposive sampling strategy chosen for this research also contributed to the research not generating a representative overview of the entire population. However, the sample was filtered to enable research to be conducted that is of most relevance to the research aim and objectives, one of which was to make it as useful as possible for research participants. Given these limitations, the researcher does not suggest findings are generalisable across all small nonprofit organisations. It is now up to the reader to interpret results and assess whether they can be applied elsewhere. Further work investigating more cases is required before any claims of generalisability can be made. The single interviews carried out within each sample organisation from the wider population was also a limitation of the current study. Deeming these single data sources to represent a case can be misleading, and the accuracy could be reduced due to single source bias.

The current study did not set out to look closely at uncontrollable environmental variables external to the participating organisations. Despite this, certain variables were noted in the research, which indicate a need to investigate further possible differences in NPD across industries. For example, small nonprofits in the Religious sector were the only organisations studied to be partly self-financing. While this could be a coincidence, it could also suggest a difference in their ability to win external funding for example. Although charities in the UK Third Sector are not considered to be as under threat as in the USA, becoming less dependant on external sources of funding in this way may be equally as important in an increasingly competitive environment where organisations continue to fight for survival. Overall, this study provided evidence to support the need for further research in the small nonprofit context. All of the limitations described result in a recommendation that similar research is conducted more widely to test the propositions given to verify their appropriateness and make further progress towards a “Best Practice” framework for small nonprofits in the UK.

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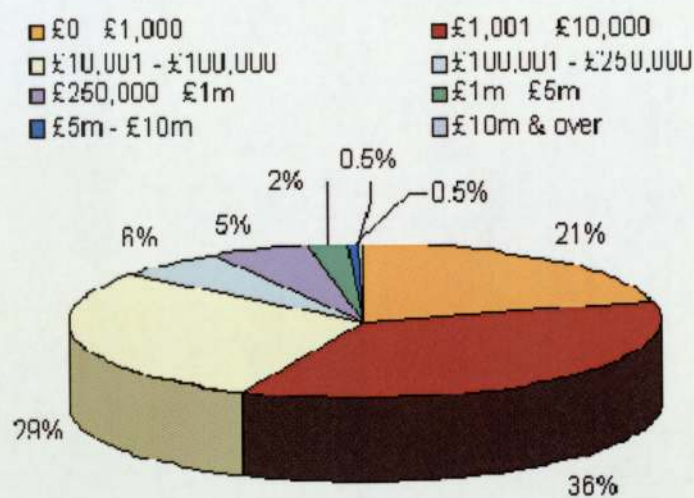
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14. Appendices

14.1 Appendix 1 - Percentage of UK Charities in each income band



This information is based on data from the register of charities.

Source: GB Charity Commission (2006)

14.2 Appendix 2 – Interview Protocol (adapted from Barczak et. al. (2006))

When referring to projects, please answer based on the nature of the majority of new projects developed.

1. What is your job title and background and how long have you worked in your position at the organisation?
2. What is your role in the “innovation and program development” programs?
3. Do you consider yourself knowledgeable on the organisation's processes?
4. Please explain the process your organization uses to develop new programs/services/products. Can you give us a typical example of how the process works? Please provide detail about the stages and activities within your process?
5. Who and which departments are involved with and responsible for coming up with new service and/or program ideas? Who leads the “innovation and program development” effort? Job titles?
6. How does the complexity of the project affect the length of time it takes to develop and launch the idea?
7. How does your organization decide which programs will be introduced? How do projects get killed/stopped? What criteria are used to make this decision? Who is responsible for evaluating the ideas/projects? How much does strategic mission influence the decision-making process?
8. Tell us about the team approach your organization uses for new program development. Who is on the team? How are leaders selected?
9. How does your organisation define new project success? How does your organization measure the success of a new idea or program after it is introduced to your constituencies?
10. Does the organization carry out any form of concept or prototype testing? Is this done on all projects? If not, why does it vary?
11. How do you decide which types of market research tools to use on a particular project? (e.g., telephone interviews, mail surveys, focus Groups, web surveys, VOC studies, field site visits, concept tests, beta tests, test markets, secondary research, prototyping, pre-market tests, other)
12. What does your organization do well in terms of developing new programs? What areas need improvement? If you could change your organization's approach to innovation and developing new programs, what changes would you make and why?

If time, we could ask these questions:

13. What training have you received on “Innovation and Program Development?” Have you read any books on the subject, attended courses, etc.? Have you heard of the PDMA (PDMA Certification)?
14. How does the process of New Product Development differ from that of New Service Development in the organization?

14.3 Appendix 3 – Tailored Communication Strategy

Target audience ranked by importance	Message
CEM	<p>Which parts of the NPD process according to the literature are applicable and beneficial to CEM?</p> <p>What benefits can be gained by adopting which practices?</p> <p><i>The communicated message aims to build awareness of the need for particular NPD considerations in CEM.</i></p>
KTP Stakeholders	<p>What are the effects of Case-based research and how can it be beneficial?</p> <p>What positive differences have been made in CEM in terms of NPD activity as a result of this research?</p> <p>How can KTP programmes help further organisations in the future?</p>
Research councils and funders	<p>What are the benefits of Case-based research projects?</p> <p>How can these be beneficial long term and why should they receive further support?</p>
NFP Industry and associations	<p>Which elements of NPD theory work in which context, what doesn't?</p> <p>What are the benefits of implementing any findings of the study?</p> <p>How can other NFP's improve their current NPD process and what are the benefits of doing so?</p>
Academia	<p>How can current knowledge be extended through further understanding of NPD in the not-for-profit context?</p> <p>Which currently accepted drivers of NPD are also indicative of the not-for-profit context?</p> <p>Which factors are not as applicable in the not-for-profit context?</p>

14.4 Appendix 4 – CEM Product-type Case Studies

Product NPD Stage	Incremental New Product: IBRA Bible Reading Notes	New to the Organisation: Hillytown Biscuit Church	New to the World: Tackling Tough Questions
Idea Generation & Idea Screening	In response to falling sales Trustees and Committees reviewed competitive products	Unsolicited manuscript from author Opportunistic acceptance Market and CEM portfolio gap identified Author was also the Illustrator Quality matched CEM standards Potential for further related books	External author and external funding Approached for complimentary expertise
Concept Testing	Publications committee shown the blurb / covers Experience / small scale market research	Publications committee was shown it and youth workers tested it in Churches Expertise sought from external contacts	Tested through contacts in schools Changes made based on feedback
Product Development	Publications committee provided an initial layout Changes made in- house by designer	External author and internal team CEO and publications department compared to other similar books	Internal and external technical expertise
Test Marketing	None	None	Tested through contacts in schools Changes made based on feedback
Commercialisati on	Launch planned by publications committee Extra activity to current contacts to generate awareness	Small scale launch Proactive author has helped WOM Added to annual catalogue	Fully planned IMC strategy incl. Launch events, Advertising, PR Personal Selling through advisers
Monitoring and Evaluation	Sales units Informal feedback through publications committee Letters	Sales units Reviews Positioning of the organisation and fulfilling mission	Sales units Feedback Questionnaire Regular reports for the funding body
RBV Considerations	Financial resources not fully considered	Limited resources	Generous external funding

14.5 Appendix 5a – Cross Matrix Display Excerpt 1

Issue Unit of analysis	Strategy	Portfolio Management	Market Research	People & RBV
Company 1	<p><i>R1: very flat organizational structure</i></p> <p><i>R1: we will take on an occasional small project that has no financial backing 'cos its kind our... business principle</i></p>	<p><i>R1: got things running at the moment that fit into all 3 categories</i></p> <p><i>R2: People tend to come to us because that's what we, we're known for</i></p> <p><i>R1: all going into the same product market at the moment</i></p> <p><i>R2: sometimes the simple ones actually just get slotted in here and there</i></p> <p><i>R1: very good at dealing with complex problems</i></p> <p><i>R1: we know what we're good at and we tend to stick to what we're good at</i></p> <p><i>R1: From a risk management level your initial SWOT analysis can pretty much identify the risk that's going to come in any given project.</i></p> <p><i>R1: If we've got time, if we've got the availability, we've got the money, we'll run with stuff</i></p> <p><i>R2: challenging to produce</i></p>	<p><i>R2: we knew what the market and what teachers would require</i></p> <p><i>R2: this is what we think will sell</i></p> <p><i>R2: [Market Research] Erm, I cant think of any others that we've done, no.</i></p> <p><i>R1: people just bought them to spend their money. Not because they needed them.</i></p>	<p><i>R1: background is in Primary education with 19 years in total</i></p> <p><i>R2: 20 years in teaching</i></p> <p><i>R1: seek outside funding</i></p> <p><i>R1: because of the reputation of the centre</i></p> <p><i>R2: there were some things they were good at and had some contacts</i></p> <p><i>R2: got in touch with two people that write for us</i></p> <p><i>R1: people come to us... for advice on how they should do it</i></p> <p><i>R2: pull in the appropriate people</i></p> <p><i>R1: a lot of us are doing 2 or 3 different jobs</i></p> <p><i>R1: in service, consultancy, going out to schools, meeting trust funds, all that kind of side of relationship stuff as well</i></p> <p><i>R2: sometimes... one will have very definite deadlines because we're working with people outside</i></p>

14.6 Appendix 5b - Cross Matrix Display Excerpt 2

Stage Unit of analysis	Idea Generation & Idea Screening	Concept Testing	Product Development	Test Marketing & Commercialisation	Monitoring & Evaluation
Company 1	<p><i>R1: That's really me isn't it [both laugh]</i></p> <p><i>R2: not in the initiating it</i></p> <p><i>R1: thought generation process comes from within the centre</i></p> <p><i>R2: discussion about this is what's needed... went away and sorted it out</i></p> <p><i>R2: our ideas</i></p> <p><i>R1: flesh out exactly what it is people want from us</i></p> <p><i>R1: I'm also responsible for all the thought generation processing</i></p> <p><i>R1: ultimate aim is to get more thought generation into the centre</i></p> <p><i>R1: very reactive rather than proactive</i></p>	<p><i>R1: project already designed</i></p> <p><i>R1: [with more staff] also got the capacity... to try out product ideas... do them in limited form</i></p> <p><i>R1: we have to wait 'til we've got firm financial case...</i></p> <p><i>R1: we're not...dipping our toe into the market with ideas</i></p> <p><i>R2: sent out to practicing teachers for their comments on them... always tested out</i></p> <p><i>R1: send it out to people...in the top of their field in this country</i></p>	<p><i>R2: it would sell better and be more useful to teachers</i></p> <p><i>R2: can deal with highly complex projects, its not the complexity that holds us back, it's the staffing</i></p> <p><i>R1: knock the hard edges off it and get it into a position where it is actually a workable and useable resource</i></p>	<p><i>R2: main thing is... our Direct mail</i></p> <p><i>R2: people will buy stuff from major publishers... simply because it's a name</i></p> <p><i>R1: how do we get ourselves visible?... very good at doing stuff invisibly</i></p> <p><i>R1: the higher the visibility level, the better the chance you've got of selling stuff</i></p>	<p><i>R1: that's an interesting one though isn't it? How do you evaluate projects within a Christian environment?</i></p> <p><i>R2: different levels...</i></p> <p><i>R2: I've got a product in my hand is one level of success...</i></p> <p><i>R2: what our sales are like...reviews.. questionnaires</i></p> <p><i>R1: if you've got a project that's funded externally, there is no pressure on you to evaluate the project in the terms of coverage... you're not losing money</i></p>

14.7 Appendix 5c – Data Triangulation Matrix Excerpt

Data Source Component	Interview finding	Participant Observation	Internal Documents	Emails	Comparisons & Contrasts
Strategy & Portfolio Management	<p>Short-term Planning ahead in a detailed way takes time that CEM doesn't have. Plans made often get changed or are affected by uncontrollable events anyway. Opportunistic activity also makes planning redundant. Short-term planning is seen to allow CEM to be more market responsive.</p> <p>Focus Future strategy and resource allocation is based on current performance and what is known to work for CEM. Organic development of strategy is built upon past experiences. A "resistance to change" within CEM means projects tend to be similar in nature. There is also a need to maintain its strong market position.</p>	<p>Short-term <i>need for more planning ahead has also been highlighted by other members of the team</i></p> <p><i>difficult to arrange this far in advance, as changes are made last minute in the production process.</i></p> <p><i>lack of long-term planning</i></p> <p>Mission Vs. Commercial viability <i>covering costs here is the aim, only produced to fulfil the charity's mission.</i></p> <p><i>possibility of collaboration to make development opportunity feasible for CEM</i></p> <p>Focus Vs. Diversification <i>We do similar projects to those that have already been successful, because we know they're going to do well</i></p>	<p>Short-term <i>remains unclear about just how to proceed currently</i></p> <p>Focus Vs. Diversification <i>Not all of this can be provided by a subject association or an organisation such as RE Today</i></p> <p><i>Christian Education represents a distinctive ethos and perspective</i></p> <p><i>Build on what we already have/do but modify and adapt</i></p> <p><i>Capitalise on our existing educational and theological high standards</i></p> <p><i>expand the business investing in a growing range or services to counteract the decline in some existing areas of our activity</i></p> <p><i>as broad a view of education as possible.</i></p>	<p>Mission Vs. Commercial viability <i>what can we provide for free, and what is part of our subscription service and so has to be paid for?</i></p> <p>Focus Vs. Diversification <i>for we can never produce everything we would like to ourselves</i></p>	<p>Short-term + Lack of long-term planning. Reactive to external stimuli. Responsive and unplanned.</p> <p>Focus Vs. Diversification + CEM generally pursues projects similar to previous developments, because these are easier and more familiar. There is an apparent need to focus on its strengths.</p> <p>BUT Also a desire to expand and grow into different areas by developing new projects at the cutting edge of the industry How to strike a balance between current customer base and attract new ones?</p> <p>Mission Vs. Commercial viability + Commercial sense is priority, but the definition of commercial sense is if they're not losing money!</p>