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Abstract

Purpose – Many changes taking place in the nonprofit sector have created an environment in which organizational learning could be regarded as representing a high-profile notion with strategic importance for nonprofit organizations (NPOs), but its application in the nonprofit sector has not received adequate research attention. The purpose of this paper is to present an empirical test of the relationship between learning orientation and NPO performance.

Design/methodology/approach – Literature on organizational learning is briefly reviewed and a marketing-focussed perspective on learning is adopted. Then drawing from resource-based theory and relationship marketing, a conceptual model is developed that links learning orientation to NPO performance, predicting that noneconomic performance would mediate between learning orientation and economic performance. Using Baron and Kenny's mediation regression procedure, this prediction is subjected to an empirical test with survey data collected on 118 NPOs operating in Ghana.

Findings – The paper finds a general support for the view that noneconomic performance is the primary organizational feature that drives economic performance and that learning orientation is an outgrowth of this characteristic.

Originality/value – This study addresses the important question of whether paying attention to their mission helps NPOs acquire critical resources from their funding entities, discussing this issue in the context of organizational learning to respond to RBT scholars' call for more research that highlight the underlying processes through which strategic resources (such as organizational learning) contribute to the organization's financial outcomes.

Keywords Ghana, Nonprofit organizations, Organizational learning, Learning orientation, Organizational performance, Strategic orientation

Paper type Research paper

Introduction

Several challenges buffeting today's nonprofits such as increasing reliance on service-fee income, expanded competition from for-profit providers, opposition to nonprofit advocacy activity, and increased accountability pressures have provoked a strand of writings prescribing new approaches for managing in the nonprofit sector (e.g. Anheier, 2000; Drucker, 1992). A key postulate central to these writings is that an important aspect of better managing the nonprofit sector is to instill a strategic orientation in constituent organizations (see Voss and Voss, 2000). Generally, strategic orientation refers to the organization's philosophy of how to conduct business, reflecting a deeply rooted set of values that provides a systematic method of alignment with its environment (Grinstein, 2008; Slater *et al.*, 2006).

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Drawing on traditional resource-based theory (hereinafter RBT, see Barney, 1991), it is suggested that a strategic orientation is fundamental to explaining inter-firm performance variations because it represents a "know-what" advantage – that is, a strategic resource – that can be deployed to adapt to changing environmental conditions (Eisenhardt and Martin, 2000; Teece *et al.*, 1997). Studies in nonprofit management provide evidence that bears on the salience of strategic orientation to nonprofit organizations (NPOs): Davis *et al.* (2011) compare nonprofits and for-profits on the level of entrepreneurial orientation adopted, finding that entrepreneurial nonprofits are significantly more abreast of economic and technological trends than their for-profit counterparts; Shoham *et al.* (2006) offer a meta-analysis to assess market orientation in the voluntary and NPO sector, showing that the market orientation→performance link is stronger in voluntary and NPOs than in for-profits.

Strategic management (Slater *et al.*, 2006) and marketing (Grinstein, 2008) scholars alike suggest several orientations organizations can adopt to cope with ever changing business environments, including innovation, learning, market, and entrepreneurial orientations; but, to date, research providing insights on strategic orientation adoption and NPO performance has focussed primarily and exclusively on market orientation (Shoham *et al.*, 2006; Voss and Voss, 2000; Macedo and Pinho, 2006), innovation orientation (Hackler and Saxton, 2007; Zorn *et al.*, 2010; Burt and Taylor, 2003), and entrepreneurial orientation (Davis *et al.*, 2011; Boschee, 2006), ignoring learning orientation. Yet it is important to study NPOs' learning orientation because organizational learning not only provides the necessary resources with which NPOs can develop their innovative (Hurley and Hult, 1998), entrepreneurial (Slater and Narver, 1995), and marketing (Liu and Ko, 2012) capabilities to deal with the many challenges they face but also remains the only means by which they can achieve sustainable competitive advantage (De Geus, 1988, p. 71). Indeed, Gill (2009) has argued that if nonprofits are to meet the demand for effectiveness, which is coming from many constituencies inside and outside of their organizations, then they must cultivate a learning culture.

The purpose of this paper, therefore, is to present an empirical test of the relationship between learning orientation and NPO performance. The paper adopts a marketing-focussed perspective on organizational learning (Hurley and Hult, 1998) and draws from RBT (Crook *et al.*, 2008) and relationship marketing (Bhattacharya *et al.*, 2009) to develop the conceptual argument that learning oriented NPOs will effectively be able to accomplish their mission-based tasks and therefore to attract critical financial resources from their funding entities. More concretely, the present study unpacks organizational performance into economic (e.g. fundraising) and noneconomic (e.g. program implementation) dimensions and contributes to the extant strategic orientation literature by testing a conceptual model which suggests that noneconomic performance is the primary organizational feature that drives economic performance and that learning orientation is an outgrowth of this characteristic.

The contribution of this paper is by no means far-flung. Based on their meta-analysis of 125 studies of RBT that collectively encompass over 29,000 organizations, Crook *et al.* (2008, pp. 1152-1153) conclude that "much work remains before theory can map out the many contingencies that potentially affect a specific resource's value," calling for an "empirical inquiry into the processes through which strategic resources lead to high [economic] performance." The present study answers this call – that is, it joins the global debate surrounding RBT's central prediction, which asserts that the extent to which organizations possess strategic resources should relate positively to their economic performance, by presenting a finer-grained assessment that accounts for the role played by noneconomic performance. In particular, the paper studies an important yet less-researched strategic resource, that is, organizational learning, and presents an empirical test of how it affects economic performance – RBT's main dependent variable – through noneconomic performance.

The balance of the paper is summarized as follows. The next section presents the conceptual framing around learning and NPO performance in which it argues that noneconomic performance will mediate between learning orientation and economic performance (Figure 1). With this as the point of departure, the following section presents the empirical context of the study, the procedures used to collect data, and the measures utilized and their psychometric properties. Thereafter, the findings, implications, and limitations are discussed.

Theory and hypothesis

Organizational learning is embedded in different schools of thought, notably sociology, strategic management, and marketing. In sociology organizations are seen as learning by encoding inferences from history into routines that guide behavior, and this school provides a social system perspective to address such issues as "how organizations learn from direct experience, how organizations learn from the experience of others, and how organizations develop conceptual frameworks or paradigms for interpreting that experience" (Levitt and March, 1988, p. 319). In contrast, the strategy school views organizational learning as a process by which organizations exploit (explore) existing (new) insight to evolve innovative frameworks to respond to changing external environments (March, 1991; Senge, 1990). Organizational learning from a strategic-focussed perspective, therefore, addresses issues of competitiveness by focussing on organization-environment interface (Argyris and Schon, 1978, p. 23).

Whereas contributions of the sociology, and of the strategy, school are relatively well known, those of the marketing school have not been clearly articulated in previous studies. In marketing the concept of organizational learning has predominantly been applied to new product development (e.g. ÓCass and Ngo, 2007) and customer orientation (e.g. Narver and Slater, 1990). Largely based upon a synthesis of the sociological- and strategic-focussed literatures, the marketing school has viewed

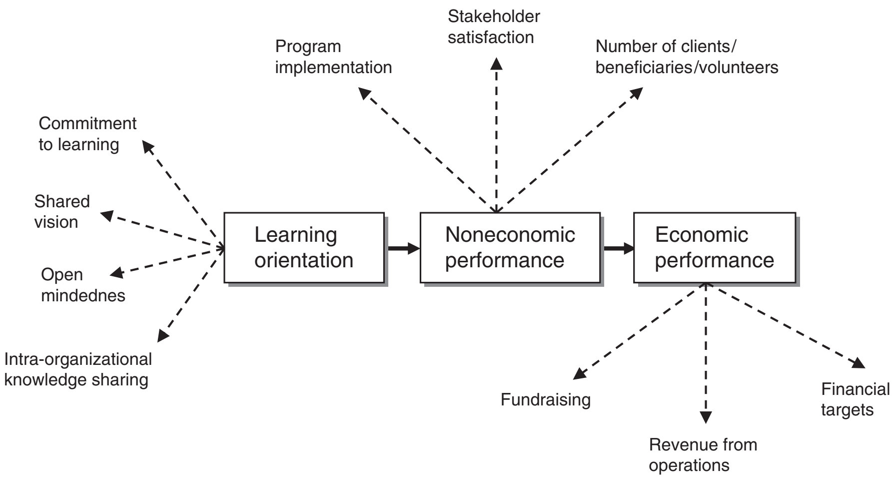

Figure 1.
Conceptual model of learning orientation and NPO performance

organizational learning as occurring at the cultural level and therefore seems to more explicitly position learning as an aspect of culture (Hurley and Hult, 1998; Slater and Narver, 1995). According to this perspective, the deepest manifestation of learning is at the cultural level, where over time stories, reinforcement of behaviors, and the creation of organizational processes produce a basic assumption among employees that learning is important (Hurley and Hult, 1998, p. 43).

Learning orientation

This paper adopts this marketing-focussed view on organizational learning and defines a learning orientation as the manifestation of "that set of organizational culture that influence the propensity of the organization to create and use knowledge" (Sinkula *et al.*, 1997, p. 309). This definition suggests that a learning orientation requires more than some short episodes of organizational training and development. Instead, it requires "the installation of a new organizational culture, one with new norms, assumptions, values, beliefs, and expected behavior in the organization" (Gill, 2009, p. 188). A consensus exists in the marketing literature that a learning orientation entails the following four core dimensions (Calantone *et al.*, 2002; Sinkula *et al.*, 1997):

Commitment to learning. This construct refers to the degree to which organizations value behaviors that promote knowledge creation. It reflects top management's posture with respect to encouraging employees to challenge the status quo, develop new ideas, innovate, and continuously evaluate their activities with a view to improving performance.

Shared vision. This construct refers to an organization-wide focus on the creation and usage of knowledge. Because members from different functional areas are likely to perceive knowledge in varied ways and thus to construe the same information differently, a shared vision is required to ensure new and broadened insights are generated through constant reinterpretation of each functional perspective.

Open-mindedness. This construct refers to willingness to critically evaluate the organization's operational routine and to accept new ideas. It reflects the notion that organizations are willing to "take the time to step back, take a look at themselves, make sure that what they are doing is aligned with what they want to achieve, and then have the courage to change, if needed" (Gill, 2009, p. 188).

Intra-organizational knowledge sharing. This construct refers to collective beliefs or behavioral routines emphasizing the need to spread knowledge among different functional areas within the organization. It recognizes the complexity and tacitness of knowledge that make it difficult to create and transfer it within the organization. It thus emphasizes the need for lateral communication to deepen knowledge flows across functional boundaries.

The next sub-sections frame NPO performance, relate learning orientation to it, and suggest a testable hypothesis.

NPO performance: a suggested definition

Organizational performance, known also as organizational effectiveness, is an important albeit contentious concept in studies of NPOs. Sowa *et al.* (2004, p. 711) define organizational effectiveness to encompass management and program effectiveness, while in a very recent study by Mitchell (2013) organizational leaders define effectiveness in terms of outcome accountability and overhead minimization. Consequently, Herman and Renz (2008, p. 399) conclude that organizational effectiveness "continues to be an elusive and contested concept." While unraveling these different perspectives – undoubtedly a heady task – is not the central aim of this paper, it draws attention to an alternative perspective that potentially might help to resolve these definitional problems. In keeping with the convergence that organizational effectiveness is multidimensional (Shilbury and Moore, 2006), this paper characterizes NPO performance as being in terms of economic and noneconomic indicators. In so doing, this study seeks to avoid a key limitation of extant research whereby it over-relies on economic performance which, in isolation, does not capture an organization's overall performance (Husted and Allen, 2007), especially with NPOs whose mission is expressed mainly in terms of some societal value of "doing good" (Macedo and Pinho, 2006, p. 536).

Noneconomic performance of an NPO refers to the organization's ability to accomplish its mission, and it addresses such issues as program implementation, number of clients, beneficiaries, or volunteers, and stakeholder satisfaction with program implementation and/or service delivery (Hishamudin *et al.*, 2010, p. 122). In contrast, the economic performance is a reference to the organization's ability to generate financial resources from relevant stakeholders, and it addresses such issues as fundraising and revenue from operating activities (Ritchie and Kolodinsky, 2003, p. 375). These definitions draw on Madella *et al.*'s (2005, p. 209) view of organizational effectiveness as "the ability to acquire and process properly human, financial and physical resources to achieve the goals of the organization."

The role of learning orientation in NPO performance

The RBT attempts to shed light on the question of why some organizations are able to earn superior economic performance primarily through its conception of the firm as a unique bundle of idiosyncratic strategic resources (Crook *et al.*, 2008; Barney, 1991). Working within this research stream, Grant (1996) and others (e.g. Barney, 1991; Teece *et al.*, 1997) suggest that economic performance is primarily a function of the organization's ability to manage, maintain, and create knowledge. Therefore, in this context, organizational learning is seen as a unique strategic resource because it reflects a dynamic process whereby a firm's knowledge base is integrated, reconfigured, and deployed in a manner that results in continuous improvement (Eisenhardt and Martin, 2000; Amit and Schoemaker, 1993).

Organizational learning is deeply embedded in organizational culture (Hurley and Hult, 1998) and therefore is idiosyncratic and difficult to imitate or duplicate (Barney, 1991; Teece *et al.*, 1997), making it the most important strategic orientation for adaptive entities (March, 1991; Senge, 1990; De Geus, 1988). As De Geus (1988) has proclaimed, being good at learning is common only among extraordinarily successful organizations. In the view of RBT scholars, learning produces for high-performing organizations what Teece *et al.* (1997, p. 509) describe "the firm's portfolio of difficult-to-trade knowledge assets." Therefore, in this paper, a strategic learning orientation should similarly lead to superior performance for nonprofits, with the following two sets of arguments providing the rationale for such a view.

The first set of arguments supports the notion that a learning orientation is an adaptive strategy to ensure the NPO garners the support of its funding entities. It notes that as the NPO learns about its environments, it likewise generates insights about its funding entities, in particular about how their interest has evolved over time and, more importantly, how they can be persuaded to support its programs. Such proactive behaviors in relation to funding entities should therefore increase the chances of success not only at raising funds from donors but also at generating revenue through the marketing of services to clients. Liu and Ko's (2012, p. 581) work on Britain-based social enterprises shows how the use of learning has enabled NPOs to develop marketing capabilities that helped them to secure critical financial resources from funding entities. By extension, it is contended here that the learning oriented NPO not only secure more financial resources but also, as it accumulates and builds on experience, learns to use these resources efficiently, thereby achieving its goals at acceptable costs. McHargue (2003, p. 198) offer a USA-based evidence to suggest that "NPOs that are able to leverage learning throughout their organization by capturing it and then developing systems to keep and use it realize a better financial performance."

The second set of arguments borders on the salience of learning for the mission-based performance of nonprofits. This research stream argues that because collective learning of the firm represents its "core competence" (Prahalad and Hamel, 1990) or "core capability" (Leonard-Barton, 1992), an NPO that epitomizes the "learning organization" (Senge, 1990) should keep pace with technological trends which should enable it to develop the organizational capability for rendering of services or implementing programs to address social needs that speak to its mission (Davis *et al.*, 2011; Burt and Taylor, 2003). As leaders in this organization emphasize their personal commitment to learning, they invariably stimulate members at other ends of the echelon to train and develop themselves and to use evaluation as a means to provide feedback for enhancing their future job performance (Ebrahim, 2005; Slater and Narver, 1995). Moreover, with a cultural norm that encompasses such elements as open-mindedness and intra-organizational knowledge sharing, for example, organizational members are energized to change the status quo, break down institutional routines, and discuss and share ideas among themselves. These behavioral patterns are core antecedents of innovation (e.g. Hurley and Hult, 1998), enabling the NPO to effectively deliver services or implement programs (e.g. Hishamudin *et al.*, 2010) and thus advance its mission and satisfy key stakeholders (Mahmoud and Yusif, 2012).

In summary, the received literatures point to two directional relationships, one of them linking learning orientation to economic performance and the other one linking the former to noneconomic performance. This paper would submit that if the decomposition of organizational performance into economic and noneconomic indicators (or dimensions) is one that is acceptable, then positioning learning orientation as a determining factor affecting these different performance outcomes also requires insights into whether noneconomic performance indicators such as program implementation play a role in the context of the relationship between learning orientation and economic performance indicators such as fundraising. Addressing such a question is important because it is in the spirit of RBT scholars, in particular Crook *et al.* (2008, pp. 1152-1153), who have energetically called for researchers to unravel the underlying mechanisms through which strategic resources (such as organizational learning) contribute to the organization's financial outcomes. This issue is explicated in turn.

The mediating role of noneconomic performance

Theoretical insight from relationship marketing suggests that of all the factors that could influence the strategic orientation→economic performance causal linkage, noneconomic performance is arguably one most effective intervener. Relationship marketing, with its emphasis on "establishing, developing, and maintaining successful relational exchanges" (Morgan and Hunt, 1994, p. 22), reflects an ongoing process that is viewed by the parties involved with respect to previous exchanges and the potential for future exchanges (Dwyer *et al.*, 1987, p. 18). Relationships evolve expanding over time as the parties receive a continual increase in benefits and as the parties become increasingly interdependent (Dwyer *et al.*, 1987). In other words, relationship benefits contribute to strong relationships and ultimately to meaningful behavioral outcomes (Bhattacharya *et al.*, 2009).

Building on this perspective, this paper contends that the incentive by a stakeholder to provide a financial resource to an NPO is driven by his/her perception of the NPO's programs as being effective in benefiting him/her personally, which is typified by a client, or the programs' beneficiaries and/or society, which is exemplified by a donor. Indeed, a more recent manifestation of the nonprofit management dialogue has centered on "demonstrating results in addressing mission" with funders increasingly interested in knowing whether their funds are making a difference or might be better spent elsewhere (Ebrahim and Rangan, 2010, p. 2). At the very least, this trend suggests that noneconomic performance is likely to engender economic performance because it will project the NPO as a trustworthy organization with great respect for the interests of its stakeholders, but also, more importantly, because it will satisfy funders by showing them "how good the program is" (Ebrahim, 2005, p. 63).

McMillan *et al.* (2005) and other researchers (e.g. Bhattacharya *et al.*, 2009; Bennett, 2005; Mahmoud and Yusif, 2012) show that when a nonprofit's stakeholders harbor feelings of trust, commitment, or satisfaction, they reciprocate in kind because of their desire to maintain relationship with the organization into the future. Furthermore, such a long-term connection is shown by Bennett (2005, p. 457) to result in a beneficiary becoming a funder of an NPO, possibly because it reinforces the NPO's image of stability and trustworthiness and reminds the beneficiary of its past and continued provision of access to services.

Thus, in linking this evidence for the influence of noneconomic performance on economic performance with insights on the influence of organizational learning on noneconomic performance, it is conjectured that learning orientation provides the NPO with the requisite competencies for service delivery and/or program implementation, which in turn provides the vehicle for drawing critical financial resources from funding entities, such that:

Hypothesis. Noneconomic performance will mediate between learning orientation and economic performance.

Methodology

Hypothesized model

Figure 1 summarizes the study's core arguments. Note that the bolded arrow in the model shows hypothesized path, while the dashed arrow leads to an item/dimension of a core construct. Essentially Figure 1 shows that learning orientation – anchored by commitment to learning, shared vision, open-mindedness and intra-organizational knowledge sharing – affects noneconomic performance – anchored by program implementation, stakeholder satisfaction, and number of clients/beneficiaries/volunteers. In turn, noneconomic performance affects economic performance, which is anchored by fundraising, revenue from operations, and financial targets. Thus, Figure 1 simply suggests that learning orientation impacts noneconomic performance en route to impacting economic performance.

Empirical context

The study's conceptual arguments were tested with data collected on NPOs operating in Ghana, a country where nonprofit sector features are relatively well known

(Atingdui, 1995). Important for this study is that NPOs form a prominent part of Ghana's "development machine," contributing over 5 percent to GDP (Ghana Statistical Services, 2012). Indeed, since the adoption of the Fourth Republican Constitution in 1991, Ghana has seen rising numbers of NPOs, largely because of a stable democracy that has created a more munificent environment for civil society organizations. Anecdotal accounts indicate that whereas 320 NPOs were in operation in 1996, the number surged to as high as 5,000 by 2008. Consequently, competition among NPOs in Ghana for membership as well as for funding from government and philanthropic donors has intensified. Increasingly, some of these NPOs are forming alliances with similar organizations abroad – mainly from developed western countries – in order to benefit from transfer of logistics, funds, and expertise. But, unlike in the USA (Hackler and Saxton, 2007), the UK (Burt and Taylor, 2003), and Australia (Randle and Dolnicar, 2009), where the nonprofit sector is characterized by an increasing emphasis on professionalism as a way to cope properly with market mechanisms, the nonprofit sector in Ghana is beset with lack of sound corporate governance systems (Simpson, 2008), lack of value-creating human resource functions, and out-of-sought organizational structures (Gyamfi, 2010). Moreover, many NPOs do not evaluate their programs, be it *ex-ante* or *ex-post* (Atingdui, 1995). This trend of affairs seems to have catalyzed, at least in part, the eruption of high-profile NPO scandals in Ghana in recent times, casting doubts about the credibility of legitimate organizations and provoking proposals for government to develop NPO regulatory frameworks and for NPO associations in Ghana to build standard setting and accreditation systems (Gugerty, 2010, p. 1105). Taken together, these are good reasons for NPOs in Ghana to have a cultural change, especially one that emphasizes intentional feedback, reflection, and evaluation. In short, these developments make Ghana's nonprofit sector a useful setting in which to test the conceptual arguments advanced in this paper.

Sample and data

The data came from a field study of NPOs operating in the Accra Metropolis with managers performing marketing related tasks as the key informants. As was argued early on, learning orientation reflects the organization's disposition toward adaptation, and marketing theory (e.g. ÓCass and Ngo, 2007, p. 875) suggests that these respondents, most of whom were in charge of managing the flow of information between their organizations and the public with a view to earning the latter's understanding, "are in appropriate positions to respond and adapt to […] changes." Due to the well-documented difficulty encountered in data collection in Ghana, a convenience sampling method was employed to personally deliver questionnaires to 300 NPOs. Appointments were scheduled with the key informant in each organization, a questionnaire was presented to him/her, and the questionnaire was collected after completion. In all, 118 usable questionnaires were received for a participation rate of 39.3 percent, a rate acceptable in cross-sectional studies like this one (Churchill, 1979). In keeping with common practice, test was conducted for response bias by comparing early and late respondents with no statistically significant differences found between the two groups, suggesting no response bias. The nonprofit activities represented in the sample include social services (35.6 percent), arts and culture (11 percent), environmental protection (8.5 percent), civil and advocacy (11 percent), health (12.7 percent), and international development (22 percent). Among these NPOs, 32.2 percent are wholly funded through private donations, 29 percent are wholly funded through government grants, and 15.3 percent are jointly funded through government grants and private damnations. Of the remaining, 11.9 percent are funded through fees charged on services, and 11.8 percent are funded through foreign grants.

Measures

Learning orientation was measured with a 17-item scale developed by Calantone *et al.* (2002). Following a limited pilot study, the scale was slightly modified (e.g. "business unit" was substituted for "organization") to increase its applicability to the nonprofit context. This particular scale was utilized for the present study because it explicitly captures all the four dimensions of learning orientation posited by the marketing-focussed perspective the paper has adopted. Individual items from extant literature were borrowed to measure performance, measuring economic performance with three surrogates (namely, fundraising, revenue from operations, financial targets) and noneconomic performance with five surrogates (including service quality, program implementation, stakeholder satisfaction, number of clients/beneficiaries/ volunteers, and program efficiency).

In keeping with the RBT tenet indicating that organizations cope with external changes by uniquely bundling heterogeneous resources (Crook *et al.*, 2008; Barney, 1991), the present study also measured the market orientation posture of NPOs in the sample using Wood *et al.*'s (2000) 20-item scale. This construct has been included into the regression models as a control. A market orientation encourages behaviors that are consistent with the marketing concept (Kohli and Jaworski, 1990) or cultures that support superior value creation for clients (Narver and Slater, 1990). The literature indicates that market orientation has a strong impact on fundraising (Macedo and Pinho, 2006), volunteerism, and stakeholder satisfaction (Shoham *et al.*, 2006). For each of these measures, informants were asked to indicate the extent to which each item reflected their organization by using a five-point Likert scale (1 equals "strongly disagree" to 5 equals "strongly agree").

In line with Macedo and Pinho (2006), item-total correlation was computed for each scale (Table I) with a view to establishing the homogeneity and internal consistency of same. Thus, all items recording an item-total correlation score of below 0.3 were eliminated. (Table I does not include these items.) This procedure affected two of the surrogate measures for noneconomic performance, notably service quality and program efficiency. Cronbach's α coefficient was then computed and used to gauge scale reliability, resulting in coefficients which ranged from 0.675 to 0.864 (Table I). Given that the present study represents a first attempt to investigate these issues in the nonprofit sector in Ghana, reliabilities of 0.60 should be sufficient for the analysis to proceed (Nunnally, 1978; Churchill, 1979), suggesting that coefficient scores recorded in this study are high and therefore the scales were acceptably reliable (Churchill, 1979). Next, tests were conducted separately for convergent validity and discriminant validity by adopting an approach akin to that of ÓCass and Ngo (2007).

To assess the convergent validity of the learning orientation scale, the four dimensions of the construct were correlated to the scale. This analysis indicated that the correlations were in the expected direction and were high, indicating convergent validity (Table II). Likewise, a strong correlation exists between economic and noneconomic performance, suggesting that the two are indeed an array of common underlying dimensions of NPO performance, as conceptualized early on. The analysis of assessing discriminant validity involved correlating all scales adopted in the study

Table I.
Reliability estimates

Scale	Item-total correlation	Cronbach's α
Commitment to learning		0.864
Senior executives view personnel's ability to learn as the key to sustaining this organization	0.636	
Our basic values include learning as key to improvement	0.808	
Senior executives regard the learning by personnel as an investment, not an expense	0.746	
Personnel of this organization regard learning as a key ingredient vital for the sustainability of the organization	0.676	
Shared vision		0.844
There is a commonality of purpose in this organization	0.450	
There is total agreement on the organization's vision across all levels, functions, and divisions	0.721	
Personnel are generally committed to the mission of the organization	0.816	
The workers of this organization view themselves as partners in executing the task assigned to them	0.756	
Open-mindedness		0.675
Personnel are not afraid to reflect critically on the shared assumptions they have made about outside stakeholders (e.g. government, corporate institutions)	0.515	
The quality of decisions and programs undertaken over time is continuously judged	0.515	
Intra-organizational knowledge sharing		0.851
There is good deal of conversation throughout the organization to keep alive the lessons learned from history	0.556	
Unsuccessful endeavors of the organization are analyzed and the lessons are communicated to all members	0.595	
There are specific mechanisms for which lessons are shared by members working on different functions	0.788	
Senior executives repeatedly emphasizes the importance of knowledge sharing in this organization	0.841	
Noneconomic performance		0.704
The number of our clients/beneficiaries/volunteers has risen in the last three years	0.459	
We have been able to implement our programs effectively in the last three years	0.539	
Our donors and the service clients/beneficiaries display enthusiasm and satisfaction with our programs	0.568	
Economic performance		0.699
The organization has been able to meet its financial target in the past three years	0.443	
The organization has been able to generate more funds from donors in the past three years	0.558	
The organization has generated more revenue from operations in the past three years	0.560	

Notes: Composite reliability for the learning orientation scale is 0.929: the full market orientation scale, which recorded a better than adequate composite reliability of 0.857, could not be reported here because of limitation of space

Table II.
Descriptive statistics, convergent validity, and discriminant validity estimates

Scale	1	2	3	4	5	6	7	8
1. Commitment to learning	0.864							
2. Shared vision	0.71	0.844						
3. Open-mindedness	0.57	0.60	0.657					
4. Intra-organizational knowledge sharing	0.62	0.76	0.57	0.851				
5. Learning orientation	0.84	0.90	0.79	0.87	0.929			
6. Market orientation	0.55	0.57	0.39	0.68	0.64	0.857		
7. Noneconomic performance	0.47	0.43	0.33	0.54	0.52	0.35	0.704	
8. Economic performance	0.45	0.45	0.37	0.46	0.51	0.33	0.68	0.699
Mean	4.06	3.91	3.58	3.67	3.79	3.67	3.58	3.75
SD	0.773	0.795	0.804	0.818	0.681	0.616	0.802	0.799

Notes: Values on the diagonal are reliability estimates; All correlations are significant at the 0.01 level (two-tailed)

and gauging the correlation coefficients against the Cronbach's α coefficients. As presented in Table II, no correlation coefficient between any two different scales was higher than their respective Cronbach's α coefficients, suggesting that the scales used in the study exhibited discriminant validity (ÓCass and Ngo, 2007). It is therefore concluded on this basis that the measures were acceptably valid.

Finally, to account for the potential effect of common rater bias, given that the same respondents answered both the dependent and independent variables, a *post hoc* Herman's one-factor analysis was performed by loading all the items from each of the constructs shown in Figure 1 into an exploratory principal component factor analysis (see Bennett, 2005). This analysis retained four factors with eigenvalues >1, and there was no one general factor accounting for a majority of the covariance between the measures. This suggests that the risk of common rater bias was not unreasonably high.

Results

To gauge for the incidence of learning orientation of the sample, descriptive statistics, namely mean and standard deviation, was computed for each item and for each scale. The mean responses recorded for the scale items (not reported here) ranged between 3.52 and 4.06. On overall basis, the mean responses for learning orientation and its four dimensions, namely, commitment to learning, shared vision, open-mindedness, and intra-organizational knowledge sharing, are 3.79, 4.06, 3.91, 3.58, and 3.67 respectively (Table II). Clearly, the mean responses recorded for learning orientation and its four dimensions are above the scale midpoint (1-5 scale), indicating that an average NPO in the sample is moderately learning oriented. The standard deviations for all variables are below 1, suggesting that the data is associated with small variability, or, in other words, the responses are consistent across all the 118 NPOs studied.

To test the hypothesis that noneconomic performance will mediate between learning orientation and economic performance, the present study applied the guidelines of Baron and Kenny in which it was needed to be established: that the predictor variable (learning orientation) should significantly influence the mediator variable (noneconomic performance); that the mediator should significantly influence the dependent variable (economic performance); that the predictor variable (learning orientation) should significantly influence the dependent variable (economic performance); and that after the mediator variable (noneconomic performance) is controlled, the impact of the predictor (learning orientation) on the dependent variable (economic performance) should no longer be significant (for full mediation) or should be reduced in strength (for partial mediation) (Baron and Kenny, 1986, p. 1177).

Following the work of Hurley and Hult (1998), ordinary least squares regression analysis was performed in the present study instead of a structural equation modeling because of sample size limitations. Table III reports the regression results. Model 1 estimates the association between learning orientation and noneconomic performance, and the result shows a positive and statistically significant association ($\beta = 0.43$; $t = 3.81$; $p < 0.001$), which meets the first condition. As Table III shows, the paper controlled for the effect of market orientation of the sample. The result shows no statistically significant association between this strategic orientation and noneconomic performance of the sample ($\beta = 0.14$; $t = 1.25$; $p > 0.1$). Model 1 is grounded in the data, as indicated by the fit indices (Adj. $R^2 = 0.269$; $F = 19.04$; df = 96; $p < 0.001$).

Model 2 estimates the association between noneconomic and economic performance, and the result shows a positive and statistically significant association ($\beta = 0.87$; $t = 17.40$; $p < 0.001$), meeting the second condition. Again, no statistically significant association is recorded between economic performance and market orientation ($\beta = 0.02$; $t = 0.38$; $p > 0.1$). Model 2 fits the data well (Adj. $R^2 = 0.764$; $F = 176.18$; df = 106; $p < 0.001$). Model 3 estimates the association between learning orientation and economic performance in the absence of the mediator, and the result shows a positive and statistically significant association ($\beta = 0.46$; $t = 4.09$; $p < 0.001$), qualifying the third condition. Once again, market orientation did not associated significantly with economic performance ($\beta = 0.08$; $t = 1.716$; $p > 0.1$). Model 3 fits the data considerably well (Adj. $R^2 = 0.255$; $F = 17.93$; df = 97; $p < 0.001$).

The fourth condition holds if the effect of learning orientation on economic performance becomes insignificant or less significant after the mediator of noneconomic performance is included. Model 4 result shows that the inclusion of noneconomic performance ($\beta = 0.83$; $t = 13.85$; $p < 0.001$) makes the effect of learning orientation on economic performance insignificant ($\beta = 0.10$; $t = 1.40$; $p > 0.1$). As the fit indices (Adj. $R^2 = 0.750$; $F = 99.10$; df = 95; $p < 0.001$) indicate, Model 4 fits the data well. Thus, a full support for the hypothesis is found. Of course, the fit indices for the mediated model (Adj. $R^2 = 0.750$; $F = 99.10$; df = 95; $p < 0.001$) are better than

Independent variable (s)	Model 1 Noneconomic Performance β (t)	Model 2 Economic performance β (t)	Model 3 Economic performance β (t)	Model 4 Economic performance β (t)
Market orientation	0.14 (1.25)	0.02 (0.38)	0.081 (0.716)	−0.03 (−0.38)
Learning orientation	0.43 (3.81)***		0.46 (4.09)***	0.10 (1.40)
Noneconomic performance		0.87 (17.40)***		0.83 (13.85)***
Constant	(2.45)*	(2.36)*	(2.92)**	(1.59)
R^2	0.284	0.769	0.270	0.758
Adjusted R^2	0.269	0.764	0.255	0.750
F	19.04	176.18	17.93	99.10
df	96	106	97	95
Sig.	0.000	0.000	0.000	0.000

Notes: *,**,***p-value is significant at the 0.05, 0.01 and 0.001 level, respectively

Table III. Regression coefficients & model fit indices the ones reported for the direct association between learning orientation and economic performance (Adj. $R^2 = 0.255$; $F = 17.93$; $df = 97$; $p < 0.001$). This is consistent and suggests strong support for the mediational framework depicted by Figure 1.

Discussion

Subsequent to finding a strong empirical connection between learning orientation and economic performance in the USA for-profit sector, Calantone *et al.* (2002, p. 523) advocate that "an urgent issue is to test the applicability of the learning […] constructs in other cultures." Unfortunately, few studies to date have heeded to this suggestion. With a focus on a developing country context (Ghana), this study fulfills a need for contributions to research "that pertains to […] learning orientation among nonprofit organizations" (Hurley and Hult, 1998, p. 53). Result – based on descriptive statistics – seems to suggest that, with mean values for the learning constructs slightly above the scale midpoint, organizational learning might be increasing in popularity among NPOs in Ghana, perhaps so because these organizations must now confront the challenges being posed by a resource-squeezed, competitive context characterized by mounting pressures for accountability and by increasing calls for stricter regulation.

Furthermore, on the basis of mediation regression analysis, this paper finds that although a learning orientation does enable NPOs to garner more supports from their funders, what best accounts for such an enhanced economic performance is nonprofits' ability to address their mission-based tasks, that is, their noneconomic performance, which is itself determined by the degree to which they are strategically learning oriented. This finding supports the study's main hypothesis. Relatedly, this study finds that, among NPOs, learning orientation seems to be more important than other strategic orientations, especially market orientation. Specifically, in controlling for the effect of market orientation, the paper observed a significant association between learning orientation and both performance dimensions; but, conversely, anytime the effect of learning orientation is controlled, no significant association could be observed between market orientation and any performance dimension. In the following passages, the paper discusses the implications of the results – both theoretical and practical – and the limitations thereof.

This study refines the growing body of recent research on the association between strategic orientation and performance. One of the major shortcomings of extant studies is their treatment of organizational performance as a single, unidimensional construct. Shoham *et al.* (2006, p. 468) argue that because goals differ between for-profits and nonprofits, performance should at least be operationalized differently according to such goals, directing future research to fit the operationalization of performance to the sample. In this study, considering the dynamics of the nonprofit sector, performance was unpacked into two main applicable dimensions, namely noneconomic and economic, and the impact of learning orientation on noneconomic performance was examined en route to impacting economic performance. The empirical result shows that, while there is a strong association between learning orientation and economic performance, once noneconomic performance is controlled, this association vanishes completely. This suggests that a strategic orientation does not mechanically lead to better economic outcomes, as has been hypothesized in extant studies (e.g. Calantone *et al.*, 2002). Instead, as presently hypothesized, it provides the necessary competencies for producing better noneconomic results, which in turn provoke better economic outcomes.

The logic behind this finding is that with a strong learning culture, NPOs are not merely equipped with learning skills to monitor and assess project impacts, they are equally able to "translate learning skills into viable, effective service skills to achieve their mission, which is the *raison d'etre* for NPOs" (McHargue, 2003, p. 200). Viewed through the lens of relational exchanges, in working toward achieving their mission, NPOs are able "to maintain their social legitimacy" (Liu and Ko, 2012, p. 603), largely because of a feeling of satisfaction with their conduct among stakeholders in general and funding entities in particular, which in turn increases their fundraising success. Even with NPOs reliant on service-fee income, such a feeling of satisfaction among clients can result in an acceleration of cash flows and an increase in the volume of cash flows (McMillan *et al.*, 2005) because, as posited by Bennett (2005, p. 459), the satisfied client will spread the good word to other potential clients and will keep coming back to the organization, providing it with more revenue.

In addition to the foregoing insight, this paper might be useful in resolving ongoing debates in the management literature regarding which strategic orientation is most important, particularly in business environments characterized by rapid changes (e.g. Grinstein, 2008; De Geus, 1988). The present study finds that a learning orientation has a stronger impact on performance than has a market orientation. However, since prior research has established a strong empirical connection between market orientation and NPO performance (Shoham *et al.*, 2006; Macedo and Pinho, 2006), the result reported in this paper indicates that learning orientation might be one of the missing links in the market orientation→performance relationship, hence echoing the need to complement market orientation with an appropriate organizational learning culture in order for it to achieve "maximum effectiveness" (Slater and Narver, 1995, p. 63).

This paper would posit that by endorsing the archetypal marketing philosophy that urges organizations to put their clients at the top of the organizational chart (Kohli and Jaworski, 1990; Narver and Slater, 1990), market orientation may not be the panacea for NPOs, given its tendency to elevate the interest of clients over those of other, in some cases, more important, stakeholder groups (e.g. donors, volunteers). Indeed, many NPOs are "donor- or volunteer-dependent" (Shoham *et al.*, 2006, p. 456). Therefore, as far as these nonprofits are concerned, being too client oriented might be detrimental to performance (Voss and Voss, 2000) in that such an orientation tends to underestimate the potential contributions of other learning sources that possess knowledge useful to the organization, such as donors and volunteers.

Also, this paper provides fact-based empirical evidence that help to substantiate the tenet of Kaplan and Norton's (1992) balanced scorecard indicating that learning and growth drives efficient internal process, which in turn drives a high level of stakeholder satisfaction, which in turn drives good financial outcomes. Therefore, the work reported in this paper is in the spirit of Agarwal *et al.* (2003, p. 78) who conclude that "superior [economic] performance cannot be reached without the realization of superior [noneconomic] performance." This draws attention to the need for RBT researchers to go beyond modeling straightforward relationships between strategic resources and economic performance indicators and move toward examining indirect paths involving noneconomic performance indicators. As the evidence suggests, a strong performance in noneconomic terms is an important intermediate step in converting a strategic resource into an economic gain, a finding paralleling recent strategy research insight indicating that product quality, a proxy for noneconomic performance, is a key intervening factor in the strategic orientation→economic performance relationship (Zhou *et al.*, 2008).

Furthermore, the present study suggests some managerial implications for NPOs. The support found for the hypothesized role of noneconomic performance suggests that, among other things, the extent to which an NPO will experience increased financial supports from a stakeholder group may be contingent upon the extent to which it has been attentive to issues that are important to these stakeholders. It would seem that personal benefits gained by stakeholders, perhaps either through their direct involvement in the organization's initiatives (e.g. clients) or through the mere knowledge based on their subjective perceptions (e.g. donors), will strengthen their bond of identification with an NPO, in turn, translating into increased financial support to it (Bhattacharya *et al.*, 2009). Thus, because the results implicate a learning orientation as the core value-creating capability that drives noneconomic performance, NPO managers are urged to encourage employees to use company time to pursue knowledge that may lie outside the immediate scope of their work (Calantone *et al.*, 2002, p. 522). They must implement an appropriate learning culture to allow for tacit knowledge of senior staff to be imparted to junior staff through team discussion and problem-solving processes (Hishamudin *et al.*, 2010, p. 125).

This study is not without limitations which need to be read in tandem with the implications. First, the study relied solely on managers for the research data. Although a strong correlation between managers' intuitive measures and measures that are based on documented facts is reported in extant studies (e.g. Dess and Robinson, 1984), it is believed that replicating the study with a multi-informant research design (that involves collecting data from multiple sources) could enable a better depiction of the research constructs, particularly performance. Second, as with most fieldworks, the cross-sectional design of the study precludes any categorical conclusion about the causality of paths in the model. For that matter it would be very interesting and useful for the study, and the constructs it embodies, to be replicated with a longitudinal design, especially given that organizational learning might have even stronger impact with some kind of time lag.

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