

**MARKET ORIENTATION AND
ORGANISATIONAL PERFORMANCE OF
NONPROFIT ORGANISATIONS IN KERALA**

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By

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Under the Supervision of
Prof. (Dr.) Mary Joseph T.



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Market Orientation and Organisational Performance of Nonprofit Organisations in Kerala

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Declaration

I, Renjini D, hereby declare that the thesis titled “ **Market Orientation and Organisational Performance of Nonprofit Organisations in Kerala**”, submitted to Cochin University of Science and Technology under Faculty of Social Sciences is the record of the original research done by me under the supervision and guidance of Prof.(Dr.) Mary Joseph T., Professor, School of Management Studies, Cochin University of Science and Technology. I also declare that this work has not been submitted elsewhere for the award of any degree, diploma or any other title or recognition.

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List of Abbreviations

AVE	Average Variance Explained
BMIP	Market Information Processing (Beneficiaries)
BO	Market Orientation (Beneficiaries)
BRESP	Responsiveness (Beneficiaries)
BS	Beneficiary Satisfaction
CAPART	Council for Advancement of People's Action and Rural Technology
CART	Council for Advancement of Rural Technology
CB-SEM	Covariance Based Structural Equation Modelling
CMV	Common Method Variance
CSO	Central Statistical Organisation
DMIP	Market Information Processing (Donors)
DO	Market Orientation (Donors)
DRESP	Responsiveness (Donors)
FCRA	Foreign Contribution Regulation Act
GDP	Gross Domestic Product
GE	General Electric
HDI	Human Development Index
INN	Innovativeness
KVIC	Khadi and Village Industries Commission
MO	Market Orientation
NPO	Nonprofit Organisation
PADI	People's Action for Development India
PLS	Partial Least Squares
PR	Public Reputation
PRIA	Participatory Research in Asia
RA	Resource Attraction
SEM	Structural Equation Modelling
SNA	System of National Accounts
SRA	Societies Registration Act
TCLSCS	Travancore Cochin Literary, Scientific and Charitable Societies Registration Act,
UK	United Kingdom
UN	United Nations
US	United States
VAF	Variance Accounted For

.....❧.....

Chapter 1

INTRODUCTION

- 1.1 *Introduction*
 - 1.2 *Nonprofit Landscape – Emerging Prospects for Market Orientation*
 - 1.3 *Potential Contributions of the Study*
 - 1.4 *Organisation of the Thesis*
-

This chapter intends to provide a general introduction to the topic of this research. The chapter attempts to bring out the importance of nonprofit sector in society so as to present the rationale for the study. The general trends in the nonprofit sector leading to need for the present research are discussed. The potential and expected contributions of the study are also included in the chapter. Finally, the organisation of the thesis is given.

“The invasion of marketing into the non-commercial arena has been a drama laden with setbacks, oppositions, and victories, but the general consensus is that broadening marketing has been good for marketing and good for the areas that marketing has invaded”

(Kotler, 2005, p.115)

1.1 Introduction

Marketing has a legitimate role in all sectors of a modern society. Marketing’s journey from a *function* strictly belonging to only market transactions to a *technology* useful in any context that involves exchanges of any nature, economic or otherwise, has been long. Pervasiveness of marketing within business sector, reflected by its influence in all aspects of business is widely acknowledged (McKenna, 1991). Marketing is founded on the tenets of market orientation, i.e., viewing customers as the central focus of the organisation, aligning all organisational activities around satisfying customers needs, and achieving long-term profitability through customer satisfaction (Kohli and Jaworski, 1990). Market orientation is what separates genuine marketing from a host of selling and promotional activities. Literature in marketing has long argued that market orientation is applicable not only to commercial exchanges but also to exchanges in non-business sectors, paving the way for the use and application of marketing concepts and techniques by nonprofit organisations (Kotler & Levy, 1969a; Kotler & Zaltman, 1971).

Nonprofit marketing rests on the presumed ability of market orientation to create satisfying exchanges with different constituent groups of nonprofit organisations. Experts in both marketing and nonprofit sector have long debated the question of validity and desirability of applying marketing concepts and approaches in the nonprofit field (Hutton, 2002). Arguments for

and against it are available aplenty in literature. But it is recognised widely that nonprofit organisations do face challenges in the course of their operations which are quite similar to those in the business sector where marketing has been eminently successful in equipping organisations to perform well. Ever since Wiebe’s article and the question it raised (“why can’t you sell brotherhood like you sell soap?”), the number of organisations seeking to use marketing for enhancing the effectiveness and efficiency in service delivery and resource attraction has been on the rise (Wiebe, 1951). If the number of studies in nonprofit marketing and nonprofit management is anything to go by, nonprofit marketing is mostly a developed-economy phenomenon. Most studies are set against the background of nonprofit sectors in developed countries, largely in North America. Realities and challenges in the nonprofit sectors of the developed world are bound to be different from those in the sectors of developing economies such as India.

Studies on the nature and practice of marketing and/or marketing concept by nonprofit organisations are still a rarity in India. Limited research in Indian context indicates that market orientation can contribute to organisational performance of nonprofit organisations. However more research is needed in the area considering the complexity of the construct of market orientation in nonprofit sector and also, the spread and scale of nonprofit sector in a country like India. The impact of market orientation in various market-constituents of nonprofit organisations on different dimensions of organisational performance has not been fully explored in research in Indian context. This research-gap is a glaring one, viewed from the perspective of the crucial importance of the nonprofit sector in the country. The sector in India handles some of the most pressing economic and social issues involving a large number of people and expends huge amounts of financial and manpower

resources. The vastness of the sector and the crucial role it plays in socio-economic well-being of the country warrants greater research-attention in the field of nonprofit marketing in the country, especially in the light of the giant strides marketing has made in nonprofit sector in other countries and the contribution it has reportedly made in improving the efficiency of organisations. Another factor which necessitates more research in the area is the sheer size and diversity of the sector in the country. Generalisation of research-findings to the entire sector may prove wrong in India, considering the different operating environments for various states in the country, characterised by density of organisations, support from the government, organised-nature of the sector, and nature of financing.

Apparently ironic, in view of the thin research volume on nonprofit marketing in the country, the first field project of nonprofit marketing acknowledged in literature was the social marketing campaign for family planning project of 1964 in India (Harvey, 1999, as cited in Andreasen, 2003). However, most of the early marketing interventions in India and abroad were limited to initiatives in social marketing, mostly those involving physical products and thus, marketing was basically confined to distribution and promotion. In scholarly literature, the first call for extending marketing concept to nonprofit organisations came in 1969 with the Kotler and Levy article in which the authors propounded the theory of 'broadening the marketing concept' for enhancing the effectiveness of nonprofit operations and service delivery. Many scholars consider this as the formal heralding of the era of nonprofit marketing (Andreasen, 2003). The foundation of the argument rests on the definition of marketing as a 'need satisfying processes'. Thus it can be seen that market orientation is intrinsic to the application of marketing in nonprofit sector.

The present research is an attempt to investigate the relationship between market orientation and organisational performance of nonprofit organisations in Kerala. Market orientation is one of the strategic-orientation alternatives for an organisation, and not the *only* or automatic choice for organisations. Product orientation, production orientation and selling orientation are the other competing organisational orientations that can be pursued by organisations in for-profit or nonprofit domains. In strategic orientation decision making, like in any other organisational decision context, the alternatives must be weighed against their potential benefits and drawbacks so as to maximise the intended benefits. Marketing literature generally projects market orientation as *the* best orientation for the long term success and survival of organisations (Noble, Sinha & Kumar, 2002). However, literature indicates that external task-environment can affect the efficacy and the relevance of market orientation in organisations (Gounaris, Avlonitis, & Papastathopoulou, 2004). Thus, in spite of the general trend of positive findings in research on the relationship between market orientation and performance, the efficacy of market orientation in enhancing organisational performance of nonprofit organisations cannot be taken as a given in the specific context of Kerala. Therefore, this research attempts to explore the relationship between market orientation and performance in the nonprofit sector in Kerala, in terms of the specific objectives set in consideration of the research problem and the gap in literature which will be discussed later in appropriate sections of the thesis.

1.2 Nonprofit Landscape – Emerging Prospects for Market Orientation

1.2.1 Relevance and Significance of Nonprofit Sector

Nonprofit organisations are generally understood as those entities whose organisational objectives are not profit-related. This ‘not for profit’ nature of

organisational objective is the common feature of almost all approaches to defining nonprofit organisations. Fundamental difference between for-profit and nonprofit organisations is the above dissimilarity in objectives. For-profit organisations operating in diverse industrial or service sectors share the common goal of profit making. Nonprofit organisations operating in different sub-sectors have social objectives related to their fields of nonprofit activities. This does not imply that financial considerations are completely absent in nonprofit sector; financial matters are important for nonprofit organisations to the extent that it supports mission-oriented or beneficiary-related activities.

The scope and role of nonprofit sectors in all countries have expanded considerably over the years. What was once seen as unorganised efforts for humanitarian and relief works is now generally recognised as an important participant in the socio-economic development of countries. The number of nonprofit organisations has increased tremendously world over. Salamon (1994) calls this growth in size and scope of the sector as “global associational revolution”. Nonprofit sector usually emerges to fill the void in public-service provision created by government and market failure (Weisbrod, 1975). For-profit or business sector is governed by profit motives and therefore its resources are channelled strictly to profitable avenues. This leaves a gap in provisions of certain public or collective services where returns are either nil or sub-optimal. Therefore, these segments in most societies are serviced entirely by government. However, governments too face constraints in several situations because of the problems inherent to government machinery such as bureaucracy. Diversity in needs of different sections of society is another challenge faced by governments. Government action is often designed for majority groups, leaving many sections of the population under-served or unsatisfied with the existing services provided by the government sector.

Nonprofit plays a constructive role in this context by providing services to the marginalised sections, making valuable contribution towards ensuring a stable society.

The unique advantage of nonprofit organisations comes from its features such as flexibility, capacity to use private initiative, smaller scale, grass-root existence which connects them closely to people, and the ability to contribute to social capital (Salamon et al., 1999). The factors cited above make nonprofit sector better positioned than governments in delivering quality services in many social and economic spheres. Nonprofit organisations, mostly founded on private individual initiative, suffer less from organisational rigidity and centralised-functioning. Therefore nonprofit organisations are likely to show more openness to innovate in service design and delivery than governmental agencies. Their close proximity to beneficiaries and ground-realities also make these organisations more effective in tackling certain social issues.

Merits of nonprofit sector compared to for-profit sector in social arena are rather obvious and largely uncontested. For-profit sector is scarcely considered appropriate and effective in social sector. For-profit sector organisations are invariably profit-driven and therefore its services and products are designed and marketed for segments that are commercially attractive to them. A major comparative advantage of nonprofit sector in social terms is the inclusive nature of the client base. Billis and Glennerster (1998) observes that providing services for groups which are disadvantaged financially, socially or politically is a crucial social role performed by the sector. Though business organisations are also expected to display social responsibility in its conduct, even the most ardent supporters of corporate social responsibility would not call for sacrificing business interests for

societal needs. This natural and justifiable overriding concern for commercial gains is the most important reason why for-profit enterprise is not considered a proper mechanism for providing public and social goods.

Thus, as a third sector, outside of the state and business, nonprofit is important and relevant for any society. In a country like India, the sector is an indispensable part of the socio-economic system without which a well-balanced and all-round development of the society is likely to be a moving target. Creation of social capital is another important function carried out by nonprofit sector in society (Alexander & Stivers, 1999). Nonprofit literature in India projects nonprofit organisations as effective players in some important fields of public service in India such as primary education and public health (Jaganathan, 2000; Baru & Nundy, 2008). Nonprofit sector provides a long range of services benefitting millions in the country. Nonprofit organisations in India are also vital partners of government in extending the reach of government machinery in effectively delivering public services at lower costs (Kuduva, 2005). Gravity and urgency of some of the problems facing the country render the role of nonprofit sector crucial and extremely consequential. Therefore, a well-functioning and effective nonprofit sector is an economic and social necessity in the country.

1.2.2 Commercialism in Nonprofit Sector

Trend towards the adoption of business practices by nonprofit organisations is an active research stream in the nonprofit literature. Factors leading to these trends, and the potential benefits and adverse impacts are some of the prominent topics of discussions in the field (Froelich, 1999; Hodgkinson & Nelson; 2001; James, 2003). Commercialism is often pointed out as the major contributory factor for the recent trend towards the adoption

of business practices by nonprofit organisations (Tuckman, 1998). Commercialism in the sector is passionately followed by the sector experts as many associate it with loss of the unique identity of the sector, something which differentiates the sector from the for-profit world and its values. The term *commercialisation* is used in the non-profit management literature to denote the complex whole of interactions between for-profit and non-profit sectors and the use of commercial practices to seek more revenue or to face competition effectively. Commercialisation and growing competition due to the expanding size and scope of the sector are believed to have contributed to the relevance of marketing in the nonprofit sector (Helmig & Thaler, 2010).

Though commercialism is not a recent development in the sector, its extent has increased considerably in recent times (Weisbrod, 1997). Commercialism in nonprofit sector is manifested in forms such as collaboration, competition and cross subsidisation (James, 2003). Eiekenberry and Kluver (2004) identify commercial generation of revenue, contract competition, influence of new donors, and social entrepreneurship as the commercialism-trends of nonprofit sector. Financial constraints, decreased government funding, and increased interactions with the for-profit sector are often cited as the reasons for the growth in commercialism in the sector (Froelich, 1999; Hodgkinson & Nelson; 2001; James, 2003). Young and Salamon (2002) presents six factors that have led to more commercialisation in the sector, namely fiscal squeeze, expanded demand, increased for-profit competition, growing competition among nonprofits, broader availability of corporate partners and increased demand for accountability. Weisbrod (1998) also cites finance pressures as one of the reasons for increased commercialisation.

Competition is a recurrent theme in discussions on commercialism of nonprofit sector (Tuckman, 1998; Weisbrod, 1998; Young & Salamon, 2002; Eiekenberry & Kluver, 2004). Competition is said to arise when two or more nonprofit organisations pursue the same objectives and vie for capital, labour, customers and revenues (Tuckman, 1998). Competition acts as a catalyst in promoting the ways and methods of the commercial world. When nonprofit organisations encounter competitive pressures similar to a commercial market, they tend to adopt the time-tested commercial practices to meet the challenges. Weisbrod (1997) says that the expansion of the sector, whether in terms of size or scope, has consequences on competition within the sector and competition between nonprofit and other sectors. The increase in the number of organisations in the sector puts an upward pressure on competition *within* the sector. Expansion of nonprofit and for-profit sector into each other's domain causes competition *between* sectors to increase.

In an exclusively-nonprofit market, competition is based on the quality of service, reputation and the ability to meet constituent needs. Nonprofit organisations compete with each other for revenues, board members, customers, contracts and grants, donation, gifts, bequests, prestige, political power and volunteers (Brody, 1996). Competition from other nonprofit organisations is mostly felt in fundraising and in the markets for contracts and grants. Within the sector, Weisbrod (1998) also notes competition for partnerships with corporate sector and government. Tuckman (1998) identifies quality of services, ability to meet constituent needs and reputation as the important bases for competition in the sector.

Competition can arise between nonprofit and for-profit if both happen to be operating in the same service provision. There are at least three market

settings in which for-profit organisations do not normally operate and nonprofits have sole presence (Tuckman, 1998). These 'exclusive' nonprofit domains are production of 'public' or 'collective' goods, goods and services directed at individuals or groups who cannot pay, and services where nonprofits have competitive advantage because of preferential legal and/or public policy treatment and volunteer efforts at the nonprofits' disposal. Competition need not result in commercialisation in sectors occupied by only nonprofits whereas there is a distinct possibility for commercialisation in 'mixed-mode'. For example, both for-profit and nonprofit organisations offer services such as elderly-care in healthcare sector. In these subsectors, there is direct competition between for-profit and nonprofit organisations and competition of this nature is likely to increase as for-profit organisations continue to enter more domains previously serviced exclusively by just nonprofit entities. Micro-credit is a case in point. Another field where for-profit and nonprofit vie with each other is the market for government contracts for project implementation and research. Competition between for-profit and nonprofit is likely to increase as governments stop preferential treatment to the nonprofit sector.

Commercial generation of revenue is perhaps the most visible forms of commercialism in nonprofit sector. The above route to raising finance is chiefly used to cross-subsidise the unprofitable public services by income-generating commercial activities. Financial constraints are the major reasons for most nonprofit organisations to explore the commercial sources of revenue generation. The commercial activities may be related or unrelated to the mission. Commercial revenue makes the nonprofit organisation more sustainable in the long run and less dependent on donors (Froelich, 1999; James, 2003). This commercialisation even prompted some to predict the

emergence of two nonprofit halves of the nonprofit world, namely the philanthropic and the commercial nonprofit (Hansman, 1980). Some organisations offer products and services which are related to the mission of the organisations for a fee from the clients. The income from this source are then used to subsidise the nonprofit activities or for service delivery to those who cannot pay. Aravind Eye Hospitals charge full fee from those who can pay and use this revenue to subsidise the free service to the poor who constitute 60% of their clients (Rangan & Thulasiraj, 2007). Another way followed by nonprofit organisations is selling goods and services unrelated to their mission for generating revenue for core services for beneficiaries. These commercial activities for generating funds just like the more traditional ways of financing such as donations and grants have an impact on the structure and behaviour of the nonprofit organisations (Salamon and Anheier, 1997). A study on nonprofit sectors of several countries by the above-mentioned authors suggest that self generation of income is one of the principal sources of income for the sector in many countries. This fact points to the direction of the possibility of these organisations coming under market-like pressures of commercial entities.

Despite the visible signs of commercialism in nonprofit sector all around the world, it has a stigma attached to it in the sector. Many believe the nonprofit sector should distance itself from the commercial sector and the compulsions that come with it. The likely effect of commercialisation includes likelihood of dilution in missions and the taking over of commercial interests in programme and beneficiary selection. Eikenberry and Kluver (2004) warn against the long term adverse impacts of marketisation. Notwithstanding this, there exists a widespread belief among the thinkers in the field that commercialisation in one form or the other, has come to stay in the sector.

1.2.3 Market Orientation and Nonprofit Sector

Despite the blurring lines between for-profit and nonprofit organisations and the emerging manifestations of commercialism in the nonprofit sector, there are significant differences between commercial marketing and nonprofit marketing. These differences are what necessitate special treatment to nonprofit market orientation in research and practice.

Nature of exchange relationship that forms the crux of marketing is different in commercial and nonprofit markets. In for-profit exchanges, customers pay for the services they receive from the firms and this exchange of economic values is the source of revenue for commercial firms. Nonprofit sector is characterised by the absence of economic exchanges with the beneficiaries of services in most cases. Even in cases where beneficiaries are required to pay, total cost is rarely recovered by the price. Nonprofit sector is mostly dependent on external sources for finances in the form of donations, grants etc. However, it must be noted that exchanges do happen in nonprofit marketing. But nonprofit exchanges are non-economic in nature (Kotler and Levy, 1969b). In a purely nonprofit setting, services or products are provided in the beneficiaries market and the revenue is mobilised from the market for donors.

Another characteristic difference between marketing as practiced by for-profit organisations and their nonprofit counterparts has to do with the awareness about marketing. Nonprofit organisations engage in marketing activities without even being aware that they do. Also, those nonprofit organisations who claim to be doing marketing, equate marketing with promotional activities (Andreasan & Kotler, 2003). The prevailing perception in the sector towards marketing as undesirable for a nonprofit organisation is another roadblock for nonprofit marketing in the nonprofit sector.

Marketing practiced by nonprofit organisations is more likely to be organisation-centred than customer-centred. Most nonprofit organisations are founded on passion and ideals of founding members. Thus, they are guided by preconceived notions of what is good for their beneficiaries and rarely do they consider market inputs for design and delivery of services. Some other organisations may be guided by the desire to make their services available to as many beneficiaries as possible and therefore the focus will be on what is possible at minimum cost than what is really needed by the beneficiaries. The nature of client satisfaction is also a factor in decisions involving strategic orientations. Garland and Westbrook (1989) has argued that client satisfaction is a different concept in a nonprofit context because unlike commercial markets, clients/beneficiaries seldom evaluate the service provided by nonprofit organisations. Standards for benchmarking for service-evaluations are also not readily available to clients in many nonprofit markets as there may not any similar service offers from other organisations

1.2.4 Market Orientation Trends in Indian Nonprofit Sector

The nonprofit landscape in India today is similar to what Sheth observed about the US nonprofit sector in the late 80's, i.e., cooperation and competition with the for-profit sector in an increasingly market-economy oriented society promotes market orientation among nonprofit organisations (Sheth, 1989). India, after more than two decades of liberalisation and globalisation of the economy, can be likened to a market-economy oriented society. As the clout of market-economy grows, its influence is sure to percolate into other sectors of the society like the nonprofit. Thus, the general trends in the economy and the society in India can be considered as more conducive than ever for concepts like market orientation and other management techniques.

Prevalence of management techniques and concepts in nonprofit sector as a natural result of the growing influence of market-economy has its parallel in public policy. Scholars view 'New Public Management', the reform movements visible in several countries directed at improving efficiency and accountability in public policy and governance as an upshot of market and private sector (Nagel, 1997). Market orientation is an important part or an underlying concept of this movement (Kaboolian, 1998). Within the nonprofit sector in India, there is an increased awareness about what management techniques and practices can do in improving efficiency of the sector (Almeida, 2009).

Nonprofit sector has been undergoing changes all over the world. Shifts in socio-economic and political environment present several challenges to nonprofit sector. Experts observe that these challenges have resulted in trends leading to what some reckon as 'blurring of the lines' between for-profit and nonprofit sector (Weisbrod, 1997). Increased adoption of market orientation in nonprofit sector can be regarded as a feature characterising such trends. Sheth lists privatisation, competition, public opinion, and technological advances as the trends pushing nonprofit organisations towards market orientation (Sheth, 1989). Despite the *not-for profit* nature of organisational mission and activities, nonprofit organisations are increasingly exposed to market pressures and challenges (Salamon, 1993). This changing face of the sector has even prompted some observers to remark that the real difference between non-profit and for-profit sectors is only in degree and not in kind (Brody, 1996). Traditionally, nonprofit organisations establish their institutional identity by distancing themselves from the ways of the commercial world (Drucker, 1989). This attitude of the sector is often reflected in its cautious approach towards the adoption of many management techniques and practices. But as

pressure on organisations increases due to accountability-demands and competition, several organisations have opened up to the potential benefits of for-profit sector solutions for countering operational and market problems. But as Andreasen and Kotler (2003) noted, marketing was one of the last of business practices to be embraced by the sector. Project and financial management techniques found acceptance in the sector rather quickly compared to marketing. Nevertheless, rising competition for funds, the escalating complexity of tasks with the expanding scope of operations, increased globalisation trends etc have contributed to a perceptible change in global nonprofit sector in its approach towards marketing. India, with an active nonprofit sector, is an interesting case for nonprofit marketing given the transitional phase the sector is going through.

1.3 Potential Contributions of the Study

The study, by analysing the nature of nonprofit market orientation and its impact on organisational performance, hopes to make significant contributions to the body of knowledge in nonprofit market orientation in the context of Kerala's nonprofit sector. By analysing nonprofit market orientation and its variations based on important organisational characteristics, the research will be able to provide insights into the nature of market orientation in a developing economy context. This research can also prove beneficial for nonprofit practitioners in the state as it sheds light on a hitherto unexplored area of nonprofit management in Kerala.

1.4 Organisation of the Thesis.

Market orientation of nonprofit organisations in Kerala and its potential impact on various dimensions of organisational performance form the subject matter of this thesis. The basic premise of the thesis is that market orientation

enhances organisational performance of nonprofit organisations in Kerala. Conceptualisation of market orientation and organisational performance in a nonprofit context is derived from extant research and modified to suit the research context. The conceptual model thus developed is empirically tested by the statistical method PLS-Structural Equation Modelling.

The thesis is organised into 8 chapters. The current chapter is chapter 1- Introduction. This chapter is intended to introduce the research topic and the chapter-scheme of the thesis.

Chapter 2, An Overview of the Nonprofit Sector in India and Kerala, provides a detailed description of various approaches to defining nonprofit organisations; theories regarding the emergence of the sector; history and legal framework of nonprofit sector; and size and scope of the sector in India with a special focus on Kerala.

Chapter 3 is Review of Literature. Existing literature on market orientation, nonprofit marketing, organisational performance and innovativeness are reviewed and discussed in detail in this chapter.

Chapter 4 is Research Methodology. The chapter begins with the statement of the problem, followed by relevance and scope of the study. The conceptual framework of the research is also presented in this chapter. Objectives and hypotheses are also given in the same chapter. Next, the chapter briefs the methods used for the present research such as measurement-instruments used, methods for data collection, sample selection and so on. Presentation of data analysis and interpretation is divided into two chapters – chapter 5 and chapter 6. Chapter 5 is Data Collection, Reliability, and Validity. The objective of the chapter is to report the details of data collection,

the profile of samples and the check for reliability and validity of measures used in the study. Data-distribution characteristics are also reported in this chapter.

Chapter 6 is Tests of Hypotheses and Analysis of Conceptual Model. The tests of hypotheses and statistical analysis of the conceptual model are reported in this chapter.

Chapter 7, Discussion of Findings, gives the summary of findings and a detailed discussion of the findings of the study.

Chapter 8, Conclusion, the final chapter of the thesis, provides the summary of the research, theoretical and practical implications of the study, and scope for future research. The chapter concludes with a conclusion to the study.

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Chapter 2

AN OVERVIEW OF THE NONPROFIT SECTOR IN INDIA AND KERALA

- 2.1 *Defining Nonprofit Organisations*
 - 2.2 *Emergence of Nonprofit Sector*
 - 2.3 *History of Nonprofit Sector in India*
 - 2.4 *Legal Framework for Nonprofit Sector in India*
 - 2.5 *Nonprofit Sector in Kerala*
 - 2.6 *Conclusion*
-

The main objective of this chapter is to provide an overview of the setting of the study, the nonprofit sector in Kerala against the larger backdrop of the national sector. First, an analysis of various approaches to defining nonprofit organisations is presented. It is then followed by a brief theoretical discussion on the reasons for the emergence of nonprofit sector. The chapter, then, shifts its focus onto the nonprofit sector in India and Kerala. History of the sector in the country, the legal framework, and the role and significance are elaborated with a view to present insight into the nonprofit sector in the country, especially Kerala. Detailed description of the size and scope of the sector are also provided in this chapter.

2.1 Defining Nonprofit Organisations

The task of defining the nonprofit sector is a difficult task because the organisations constituting the sector are so varied in legal status, organisational forms, revenue structures, and operational domains. The institutional diversity of the sector is a major impediment for a sound and all-inclusive definition. Nonprofit organisation (NPO) is generally understood as an organisational entity whose primary objective is not profit-related. One can find different approaches in literature to defining nonprofit organisations. These approaches are discussed briefly here.

A simple way to delineate nonprofit organisations is to identify them by their legal status. By this approach, the legal framework of the country in question determines the ‘nonprofit’ nature of the organisation. The legal definition approach is the most unambiguous and straightforward method for defining non-profit organisations (Salamon and Anheier, 1992). Thus an organisation is non-profit if it comes under the appropriate statutes or acts of the country of operation. A nonprofit organisation is what the law of the country says it is (United Nations (UN), 2003). The major limitation of this system is that there is no common ground for comparing the sectors across different national settings. Similarly, not all organisations which are ‘legally nonprofit’ are treated as nonprofit organisations by experts within the nonprofit sector. For example, in India, an organisation can claim nonprofit status if it is registered under any of the following statutes (CSO, 2009).

- 1) The Societies Registration Act, 1860
- 2) The Indian Trusts Act, 1882
- 3) Public Trust Act, 1950
- 4) The Indian Companies Act (section 25), 1956

- 5) Religious Endowments Act, 1863
- 6) The Charitable and Religious Trust Act, 1920
- 7) Mussalman Wakf Act, 1923.
- 8) Wakf Act, 1923
- 9) Public Wakfs (Extension of Limitation) Act, 1959.

All organisations registered under any of these acts are legally nonprofit because these organisations are granted nonprofit status and allowed tax benefits as per Income Tax Act, 1961. However, experts in Indian nonprofit sector do not consider all registered organisations nonprofit. Several religious organisations, business associations, private hospitals and schools with nonprofit status exist mainly to serve the interests of a particular community or a closed group and are not generally considered as part of voluntary sector (Sen, 1993). Another limitation of a legal definition is that many nonprofit organisations, especially those in a developing country like India, function outside the purview of any legal frame work. But it must be said that the number of such organisations is on the decline as the benefits of legal incorporation are several. Still, legal definition proves inadequate to cover the entire nonprofit sector considering those sections of nonprofit activity that do not come under any legal provision. Therefore legal definition, though easy to apply, suffers from serious insufficiencies.

Other frameworks for defining nonprofit organisations in literature focus on organisational characteristics of the entities constituting the sector. Morris (2000) identifies three common bases for defining nonprofit organisations – kind of inputs, nature of output, and how the net earnings are distributed. According to the first approach, an entity can be classified as for-profit, household or nonprofit depending on the source of financial resources. According to this

economic or financial definition, the key feature that sets the non-profit sector from others is that the organisations of this sector receives the bulk of their income not from commercial markets, but from financial contributions of their members and supporters. But this definition is fraught with complications as there are nonprofit organisations that run purely on self generated income.

The second basis for defining a nonprofit organisation is the nature of output of the organisational process/operations (Morris, 2000). *Public purpose* nature of outputs will determine the nonprofit status of an organisation. Functional definition identifies nonprofit organisations by the nature of services they provide. Provision of public services to serve the public at large distinguishes nonprofit from other organisations. One potential problem of this definition is the existence of commercial organisations engaged in the field of public services such as special education, health care for the old etc.

Finally one can categorise an organisation on the basis of how it distributes its net earnings (Morris, 2000). Non-distribution constraint is the distinguishing characteristic of the third method. Hansman (1980) describes a nonprofit organisation as one that is not allowed to distribute its net-earnings to its members or any other person who has a control on the organisation. The above condition of non-distribution of profit is recognised as the most distinguishing characteristic of a nonprofit organisation (CSO, 2009). But making economic surplus during the course of their operations is not prohibited for such organisations. The restraint here is that the surplus, if any, is to be used for the accomplishment of organisational mission and not to be distributed among the members. However, the members or other individuals associated with the organisation can be paid compensations for services rendered by them. Non-distribution clause differentiates nonprofit organisations in a

particular service provision from its for-profit competitors in the same area of operation.

The definition that has found widest acceptance in literature for its comprehensiveness seems to be the structural-operational definition suggested by Salamon and Anheier. According to this definition, an entity will be considered a non profit organisation if it satisfies the following five criteria of being: *organised, non profit distributing, private, self-governing, and non-compulsory/voluntary* (Salamon & Anheier, 1992). The above definition forms the basis of the working definition adopted for distinguishing nonprofit organisations in UN Handbook of Nonprofit Institutions (United Nations, 2003). Following the UN recommendations, Central Statistical Organisation (CSO) in India has also adopted the same definition for System of National Accounts –SNA (CSO, 2009). Sen (1993) comments that the structural–operational approach is the most suitable definition for nonprofit organisations in Indian context for its capability to incorporate the complexities of the sector in India. By applying the structural-operational definition, trade unions, cooperatives and self help groups (SHG) are excluded from the sector, although legally these organisations are granted nonprofit status.

The distinguishing features of a nonprofit organisation according to the structural-operational definition are briefly discussed here.

a) Organised

This indicates the institutional identity of the organisation as separate from the individual identities of the founder or the members. This condition excludes a temporary or ad-hoc gathering of people with no real organisational structure. But legal incorporation or legal standing is not a necessary condition.

b) Non-profit distributing

Non-profit organisations do not exist for profit. But profit or surplus may be generated in the course of their operations; but no profit is to be distributed to its members or those who have control on the organisation. This condition is the ‘non-distribution constraint’ identified by Hansman (Hansman, 1980). All profit/surplus is ploughed back into mission-accomplishment.

c) Private

The organisation is institutionally separate from the government. This does not rule out support from the government. But sufficient autonomy in governance and operational matters must lie with the organisation itself. Similarly nonprofit organisations do not have the same authority of the government in implementing the programmes unless the government grants it (Salamon & Anheier, 1992).

d) Self-governing

Nonprofit organisations should not be under the effective control of any other entity. The organisation must have control on the management and operations to a significant extent. That is, the organisation can be said to be “in charge of its own destiny” (Salamon & Anheier, 1992). It can dissolve itself, make/amend by laws, mission, structure etc (UN, 2003).

e) Non-compulsory.

Membership and contributions of time and money are not required or enforced by law or made a condition of citizenship. This separates the non profit organisations from tribal clans and similar social groups (UN, 2003).

It can be concluded from the above review that ‘non-distribution constraint’ is the most salient feature of a nonprofit organisation. However, from the point of view of marketing-exchange, financial structure of the organisation is an important consideration. Financial structure is important in the present context of this research as it is the source of the differences between nonprofit marketing and for-profit marketing.

2.2 Emergence of Nonprofit Sector

The scope and role of non-profit sector have expanded considerably in most countries over the years (Salamon, et al., 1999). Non-profit sector accounts for a considerable percentage of national GDP in many countries. Also, it is a substantially big employment provider. A vibrant non-profit sector can extend the reach of the government in certain fields of development, can propose alternative models of development especially when mechanism for constructive debate on national policies are absent and thus justifying the label of Third Sector (Defourny, 2001). Nonprofit sector’s influence has also begun to extend beyond the traditional domains of public service to even business sector. Scholars in business have made note of the elevated role of nonprofit sector in business as a de-facto regulator (Prahalad & Brugmann, 2007). This role of the nonprofit sector is likely to gain more significance in the light of the current trend of deregulation policies of governments. At the same time, cross-sector partnerships are also on the rise as several business organisations have started looking at nonprofit organisations as potential partners in their social responsibility initiatives, marking a clear deviation from the confrontational relationship between corporate sectors and nonprofit. Thus nonprofit sector has become a prominent player, wielding influence in social and economic spheres.

Various theories have been offered in literature to explain the emergence and continuous growth of the sector. These theories are briefly discussed here.

a) Heterogeneity or Government / Market Failure theory

The theory proposed by Burton Weisbrod is a demand-side theory. It states that the unmet or unsatisfied demand for public goods/services in a society results in the emergence of nonprofit sector (Weisbrod, 1975). This implies that a diverse country, where the government cannot satisfy all sections of the society because of the heterogeneity in demand, is likely to have a more active nonprofit sector. Heterogeneity in a society increases the chance of failure of the other two sectors, market and government. Private sector is guided by profit concerns and therefore the selection of products/services of this sector depends on market forces. Similarly, Government actions are determined by political processes. In both cases, certain sections of the society are likely to be unsatisfied as their preferences for public goods may vary considerably from those of the majority at whom the services are targeted. This stimulates the growth of nonprofit organisations.

b) Trust-related theories

Due to the profit non-distribution constraint on nonprofit organisations, nonprofit organisations are regarded more trustworthy than for-profit organisations in matters relating to the quality and quantity of public goods. This results in increased preference for nonprofit sector in provisions of public goods. This theory explains why nonprofit sector is still strong in countries with strong government presence in social sector. Hansman (1980) predicts that in cases of 'contract failure' nonprofit organisations are more likely to display greater effectiveness and

efficiency than for-profit and government organisations. This leads to a preference for the services of nonprofit organisations.

c) Entrepreneurship theory.

This offers a supply-side perspective to the development of nonprofit sector in a society. The presence or rather the supply of social entrepreneurs or groups or individuals with social commitment and willingness contributes to the growth of the sector. This supply is often influenced by the surroundings, for example, religious competition. This occurs when religions or similar congregations compete with one another to provide social service with a view to win more followers (Salamon & Anheier, 1997).

d) Interdependence theory

This theory postulates that cooperation and partnership between government and nonprofit sector contributes to the growth of the sector. In this case, with the support from the government, nonprofit sector can scale down its limitations in reach and scope. Here, the government supports the growth of nonprofit organisations by managing the 'voluntary failure' (inherent limitations of the sector as a mechanism to meet public needs) by supplying financial and other resources (Salamon, Sokolowski & Anheier, 2000).

2.2.1 Role of Nonprofit Sector

Bhatt (1995) envisages three kinds of roles for NPOs in India: developmental, mobilisational and political roles. Developmental roles aim to improve the quality of life. Mobilisational role refers to self reliance, participation, and capacity building and empowerment. Political role is influencing the political system, its policies, laws and legislations or process and performance. Salamon,

Hems, & Chinnock (2000) identifies five roles for nonprofit organisation: service role, innovation role, advocacy role, expressive and leadership developmental role, and community development and democratisation role.

- 1) Service role. NPOs provide services of public or collective character which are often neglected by private and government sectors. This is an important role of nonprofit sector in society.
- 2) Innovation role. On account of their organisational flexibility and adaptability NPOs are likely to be more innovative than the other two sectors. Moreover these organisations, being not driven by profits can conceive more innovative solutions for social issues.
- 3) Advocacy role. NPOs carry out this role effectively as they are not weighed down by profit concerns or influenced by government machinery. Nonprofit organisations can therefore actively push for changes in government policies and in societal conditions.
- 4) Expressive and leadership developmental role. The authors describe NPOs as vehicles for individual or group self expression.
- 5) The community building and democratisation role. By encouraging social interactions, NPOs help to create habits of trust and reciprocity that in turn contributes to a sense of community.

These roles are similar to the roles visualised by Bhat in Indian context. Though the sector in India has not advanced to the level of the sectors in the developed world, it still carries out many of the roles successfully.

2.3 History of Nonprofit Sector in India

Nonprofit movement has a long history in India. The earliest reference to volunteerism can be found in Rig Veda (Singh, 1999 as cited in Ravichandran

et al., 2006). The origin of the sector is deeply rooted in the religious and cultural values of the country. Volunteerism in its ancient form was mainly individualistic in nature, shaped largely by religious beliefs and practices. These individual efforts hardly had any resemblance to the western ideals of institutionalised volunteerism. Most works on the Indian nonprofit sector acknowledge the influence of religions on the emergence and shaping of the sector, especially in the early phases. (Sen, 1993; PRIA, 2001b; and Viswanath & Dadrawala, 2004), while the culture of voluntary action was instilled in people by religious faiths, organised efforts came into being by the slow and steady forces in the social and political arena. “The history of the nonprofit sector in India is marked by the absence of any underlying theme or pattern to its development” (PRIA, 2001b). But philanthropy is firmly rooted in the culture of the country because all religions of the country extol the virtues of charity and giving. But the volunteer efforts were mostly unorganised till the emergence of Buddhism during 600 BC. Buddhist *Sanghas* were the earliest examples of organised philanthropy in India (PRIA, 2001b). Later, Christianity and colonial rulers brought in the modern notions of volunteerism and philanthropy to India.

During the colonial era, many swadeshi movements also took form to organise social reform efforts in the society. Gandhian movements, which continued to inspire many generations of NPOs for several years, also entered the scene. The 90’s saw the emergence of new areas of nonprofit activities in the more globalised economy. Public advocacy, environmental protection, human rights, gender issues etc are some of the areas which have seen most growth in the larger arena of non profit activity in the country.

Some consider that the history of nonprofit sector in India can be divided into four phases (PRIA, 2001b). A brief description of each period as discussed in the above report is given below.

- 1) Pre-Colonial phase (1500 BC to late 18th century)
- 2) Colonial Phase (late 18th century to 1947)
- 3) Post independence (up to 1975)
- 4) Post –emergency phase.

The following paragraphs give a brief description of the important characteristics of these phases.

1) Pre-colonial Phase (1500 BC to late 18th century)

Charity was solely inspired by religious faiths and values. Buddhist *sanghas* in this phase are widely believed to be the earliest forms of organised voluntary efforts in the country.

2) Colonial Phase (late 18th century to 1947).

The phase is closely linked to the social reforms and freedom movement. Most were formed to uproot social and religious evils prevalent in those times. Brahmo Samaj and Arya Samaj are some of the examples of organisations of this mould. Education and public health were also focal areas of growth in voluntary action. Boundaries between political and voluntary associations were very blurred as the leaders of both sectors actively participated in the other. Gandhism and Gandhian principles hugely influenced the setting up of most nonprofit organisations in this phase. Gandhi, himself set up his *asram* at Sevagram in Wardha. Village industries, indigenous technologies and home-grown models of education received most attention by the movements that took inspiration from Gandhian models of development.

3) Post Independence

After independence, the state took upon itself the most important role not only in the field of development but also in the social and cultural lives of the country. This, in a way affected the pace of growth of the sector. Many nonprofit movements became part of the government after independence. Khadi movement, for example, became a government programme under Khadi and Village Industries Commission (KVIC). Education and health continued to be important fields of voluntary action. Christian missionary movement continued their work in education and public health especially among the central, eastern and north-eastern regions of the country. Ramakrishna Mission also carried on with their nongovernmental voluntary character. Disillusionment with the state and its policies became a central feature of the early 70s when many political movements emerged as a result in many parts of India like naxalism in the south and the Jayaprakash Narayan led movement in the north. These organisations although not NPOs by strict definition of the term used for the study, are still important milestones in the history of voluntary action in India.

4) Post Emergency.

State's distrust of the nonprofit sector became very strong in this phase. Foreign Contribution Regulation Act (FCRA), 1976 was enacted. Under this Act, all organisations receiving foreign funds are required to be registered with home ministry and get clearance from the government for all foreign funds. This phase also saw the increased infusion of foreign funds. Government's direct funding of the sector also started in 80's. All government-funds were channelled through People's Action for Development India (PADI). In 1986, it was amalgamated with CART (Council for Advancement of Rural Technology) to form

CAPART (Council for Advancement of People's Action and Rural Technology). Under CAPART, total funds channelled to the sector increased. In the post emergency phase, association between nonprofit and government began to increase. Post-globalisation, nonprofit sector has expanded itself to many areas especially in civil rights, environmental protection, gender issues etc.

2.4 Legal Framework for Nonprofit Sector in India

In India, there are many legal provisions for the formation and regulation of non-profit organisations. But, there are a great number of bodies which do not fall under the purview of any of the Acts. However, as a legal body, a nonprofit organisation can avail some benefits which make legal incorporation advantageous to these organisations (PRIA, 2001a).

Below given are the major statutes under which an organisation can get registered as a non profit entity in India. These laws can be classified into two major divisions based on whom the services of the organisation are targeted at (CSO, 2009):

- A. Organisations created for the larger public good
 - a) Societies Registration Act, 1860
 - b) Indian Trust Act, 1882
 - c) Public Trust Act, 1950
 - d) Indian Companies Act (section 25), 1956
- B. Religious non-profit organisations.
 - a) Religious Endowments Act, 1863
 - b) Charitable and Religious Trust Act, 1920
 - c) Mussalman Wakf Act, 1923
 - d) Wakf Act, 1923
 - e) Public Wakfs (Extension of Limitation) Act, 1959.

In addition to the above, organisations registered under Cooperative Societies Act, 1912 and Trade Union Act, 1926 can also claim nonprofit status under Income Tax Act, 1964.

Majority of Indian nonprofit organisations belong to the first category of organisations (organisations created for the larger public good). The second category of organisations although non-profit in nature, are formed for the benefit of certain religious communities and not for public at large and hence are not generally considered as part of nonprofit sector. Cooperatives cannot strictly be called a nonprofit organisation although the legal framework in the country allows tax benefits to a cooperative similar to any charitable organisation. These cooperatives are allowed to distribute profit among members, which violates the *non-distribution* condition for an NPO. Trade Unions do not distribute profit among members. But these are basically membership organisations working for the benefits of their members and not for the *larger public good*. Also, many trade unions function under the control of some political parties, which implies that these are not *self-governing*. Hence, the above mentioned organisations are normally not considered as part of the nonprofit sector in the country (Sen, 1993). According to the CSO study on Nonprofit institutions, about 90% of the nonprofit organisations registered in India fall under the purview of Societies Registration act, 1860 or India Trust Act, 1882 or their state variant (CSO, 2009).

The major Acts are briefly discussed below.

a) Societies Registration Act (SRA), 1860

This is an all-India act meant for the formation of organisation of scientific, literary and charitable societies. However, as 'literary, scientific, religious and charitable associations' is a state subject, many

states have repealed it and have passed their own acts in its place. The following societies can be registered under this Act. Military orphan funds or societies; societies established for promotion of science; literature or fine arts; societies established for instruction and diffusion of useful knowledge or for diffusion of political education; societies established for maintenance of libraries ; reading rooms for general public; societies established for public museums and galleries for paintings or other works of art and collections of natural history; mechanical and philosophical inventions; and instruments or designs (section 20 of SRA, 1860). Any seven or more persons associated for literary, scientific or charitable purpose can register a society by subscribing their names to a memorandum of association.

b) The Indian Trust Act, 1882

The act deals with laws relating to private trust and trustees. This act is applicable to only private trusts and not to public trusts. The subject is a concurrent item in the Constitution. Thus, the Act applies to all of India unless it is specifically amended or altered by the state. So, there is no national law governing public trusts in India. In Maharashtra, Gujarat and Rajasthan, there are specific acts for the governance of public trusts, namely Bombay Public Trust Act, 1950 and Rajasthan Public Trust Act, 1959.

c) Indian Companies Act, 1956 (Section, 25)

A company can be formed for promoting commerce, art, science, religion, charity or any other useful subjects, provided the profit if any, or other income is applied only for promoting the objects of the company and no dividend is paid to its members. Section 25 companies

can avail tax benefits as applicable to any society or trust duly registered under relevant acts.

d) Foreign Contribution (Regulation) Act, 1976 (FCRA)

Foreign Contribution (Regulation) Act, 1976 is another important legislation relevant to the Indian nonprofit sector. The act is aimed at regulating and monitoring foreign contributions to nonprofit organisations in India. As per the Act, all nonprofit organisations must register themselves under the Act, or get prior permission from the government before receiving any foreign contribution. Separate set of accounts and records are to be maintained by nonprofit organisations for foreign contributions. The Act stipulates that returns, along with the receipts and payments, and balance sheet, duly certified by a chartered accountant should be filed with the Ministry of Home Affairs within 120 days of the closure of the financial year.

e) Income Tax Act, 1961

Some sections of this Act are applicable to nonprofit organisations. The act gives hundred percent tax exemption to nonprofit organisations, subject to certain conditions. In case of private trust-run educational institutions and hospitals, special exemption will have to be sought for gross receipts over Rs.1cr. All private religious trusts or any nonprofit organisation set up for the benefit of any particular community or castes are not exempt from tax.

2.5 Nonprofit Sector in Kerala

Kerala has a unique place in the social and economic development scene in the country. Amid the dismal performance of several states in India on most of the human development indices, Kerala has been a consistent performer.

Kerala's Human Development Index (HDI) is the highest among the Indian states and compares well with that of the developed world in spite of low per capita income. These remarkable achievements in the social field are the result of sustained public actions from all social agents - the state, the political society and the civil society (Ramakumar & Nair, 2009). Like the rest of India, emergence of nonprofit sector is closely linked with social reform and freedom movements. Christian missionaries too had a major presence in the sector especially in education and health care sectors.

2.5.1 Legal Framework Specific to Kerala

The act applicable to organisations for registering as a society in Kerala is Societies Registration Act, 1860 as amended by Madras Act No.24, 1954 for Malabar region (Kasaragod, Kannur, Wayanad, Kozhikode, Malappuram and Palakkad districts) and Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 for the rest of Kerala. For trusts, the relevant act is The Indian Trusts Act, 1882.

2.5.2 Size and Scope the Sector in Kerala

According to the Nonprofit Institutions Survey conducted by Central Statistical Organisation (CSO), there are 31,74,420 registered non-profit organisations registered under Societies Registration Act, 1860 or Mumbai Public Trust Act or its state variants in the country (CSO, 2009). In Kerala, the number of registered societies and trusts is estimated as 3,26,392. The number of nonprofit organisations reported by the above study however includes all registered societies and trusts since 1860 and includes even membership organisations like professional organisations, trade unions, residence welfare associations, self-help groups, private family trusts, educational institutions, private hospitals etc. These are organisations that do not come under the

structural-operational definition suggested by Salamon and Anheier (1992). Thus it has to be said that the earlier quoted numbers indicate the number of entities that can claim legal ‘nonprofit’ status and therefore the numbers are definitely higher than what the real nonprofit sector would contain. Nevertheless, these numbers does indicate the general measure of the size and scope of the sector.

In India, the number of NPOs per thousand persons is three and in Kerala the number, second highest among all the states is ten (Table 2.1). The study also shows that at all-India level, urban organisations constitute around 59% of the total NPOs in the country. In Kerala, however, the rural NPOs are about 84 % of the total (Table 2.2). Social services, education and research and culture and recreation are, in that order, the top three subsectors in all India level. These three sectors together constitute 60% of the total nonprofit sector in India (Table 2.3). The study also tells us that there has been a substantial increase in the number of NPO registrations after 1990. Of the total of 3.1 lakhs, over 2.2 were registered after 1990. The same pattern of growth can be seen in Kerala too (Figure 2.1).

Table 2.1: Number of NPO Registrations since 1860

	Total no of NPOs	No/ 1000 persons
India	3174420	2.77
Kerala	326392	9.66

Source: CSO, 2009

Table 2.2: Rural –Urban Distribution of NPOs

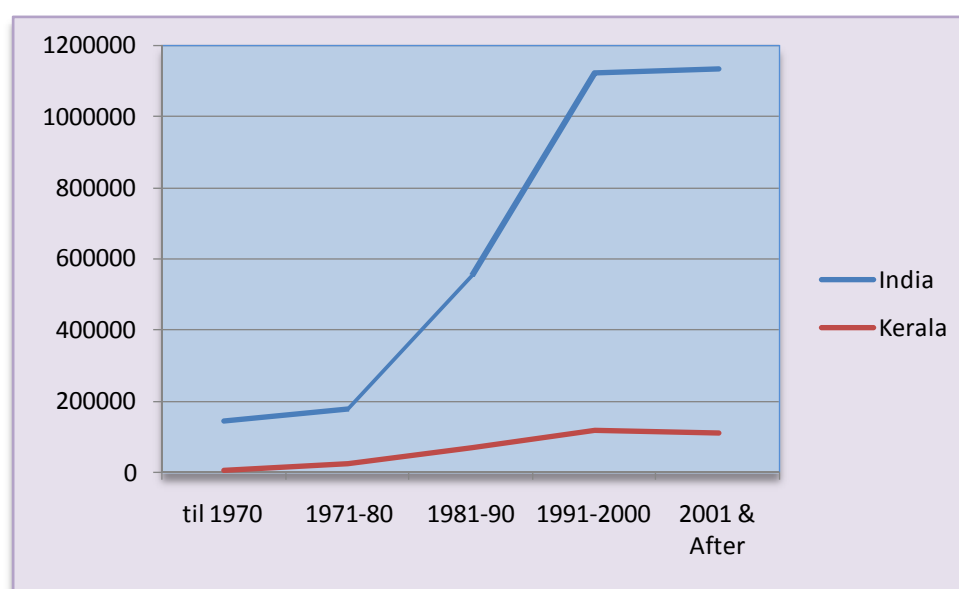
	Rural		Urban	
	Number	N/ 1000	Number	No/ 1000
India	1863381	2.3	1310947	3.9
Kerala	278644	11.1	47748	5.5

Source: CSO, 2009

Table 2.3: Distribution of Subsectors (Top 3 subsectors)

	Social Services	Education & Research	Culture & Recreation	Total	
	Total No	Total No	Total No	Grand total (top 3)	% of the total sector
India	1310911	615954	369912	2296777	72%
Kerala	133834	6280	69084	209198	64%

Source: CSO, 2009



Source: CSO, 2009

Figure 2.1: Growth in the Number of NPO- Registrations

2.6 Conclusion

The aim of the chapter was to provide an overview of the nonprofit sector in general, and the sector in India with a special focus on Kerala. The chapter began with a discussion on various approaches to defining nonprofit organisations and the various theories on the emergence of nonprofit organisations. The overview of the sector in India dealt with the history and

legal framework of nonprofit sector. A general comparison between the nonprofit sectors in India and Kerala in terms of the size and make-up of the sector was also provided.

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Chapter 3

REVIEW OF LITERATURE

- 3.1 *Marketing Concept and Market Orientation*
 - 3.2 *Market Orientation in Nonprofit Sector*
 - 3.3 *Organisational Performance in Nonprofit sector*
 - 3.4 *Innovativeness*
 - 3.5 *Market Orientation-Performance Relationship*
 - 3.6 *Conclusion*
-

This chapter presents a detailed review of the existing literature on the constructs and issues that form the focus of the study. Market orientation construct, its application in nonprofit settings and its assumed impact on organisational performance of nonprofit organisations are the major topics of discussion in this chapter. Therefore all relevant aspects of the constructs, market orientation, and organisational performance of nonprofit organisations are thoroughly reviewed. Extant literature on the relationship between market orientation and organisational performance are also reviewed.

3.1 Marketing Concept and Market Orientation

Market orientation is generally recognised as the implementation of marketing concept (Kohli & Jaworski, 1990). Market concept is widely recognised as the basic philosophy of marketing (Kaldor, 1971). Tracing the origin of this concept to a single person or an event or a scholarly work is not an easy task, given the different assessments made by various researchers in this regard. Lantos (1985) claims that the basis of marketing concept is built on the Biblical philosophy of life. Adam Smith's assertion in *Wealth of Nations* that "consumption is the sole end and purpose of all production and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer" is regarded as one of the earliest articulation of marketing concept by some researchers (Wilkinson, 2001). Heins (2000) also attributes the "earliest recorded identification of marketing concept" to Adam Smith. Nevertheless, marketing literature generally acknowledges Drucker as the earliest proponent of the concept (Helfert, Ritter, & Walter, 2002). His statement, "There is only one valid purpose of business: to create a customer." (Drucker, 1954, p 56) amply captures the essence of marketing concept. Later McKitterick (1957), Keith (1960) and Felton (1959) made important and decisive contributions in articulating and advancing the concept.

McKitterick, a General Electric (GE) executive who was part of the restructuring of GE around marketing function in the 1950's, spells out the major characteristics of the concept in an article published in 1957. Customer focus, integration and profit orientation are identified as the essential components of the then emerging philosophy. Keith (1960) too discusses the concept from the context of his organisational experience of marketing concept. According to him, marketing is the basic motivating force for the entire organisation; every organisational activity should aim at satisfying the needs and desires of the

consumer. Emphasis on customers is the most notable feature of the above conceptualisations of marketing concept. Felton, who presented one of the early formal definitions of marketing concept, treats it as a cultural aspect of an organisation. Felton (1959) defines marketing concept as:

“a corporate state of mind that insists on integration and coordination of all the marketing functions which in turn are melded with all other corporate functions for the basic purpose of producing maximum long range corporate profits”.

Customer focus was conspicuous by its absence in the above definition.

All early works on marketing concept are largely anecdotal in nature; however one cannot miss the commonalities in conceptualisations of the concept. The contributions of McKitterick, Felton and Keith are significant as their works helped define the organisational requirements for successful implementation of marketing concept in its early days. Customer focus, integrated marketing and long term profit focus are some of the repeated and consistent themes right from the early days of the concept (McNamara, 1972; Bell and Emory, 1972).

As pointed out earlier, Market orientation has its origin in marketing concept. One can find terms such as *market oriented*, *marketing oriented*, *customer oriented* in the early works on marketing concept to denote the adoption of marketing concept by an organisation. Marketing concept, marketing orientation, market orientation and customer orientation are the terms used to denote the concept and these terms are found to have been used interchangeably by a host of authors (Mcnamara, 1972; Keith, 1960; Webster, 1988). Of these terms, marketing orientation and customer orientation seem to have fallen out of favour from the present scholarly research, mainly because of certain unintended connotations of these terms. Marketing orientation might suggest an orientation

towards *marketing* instead of *market* (Payne, 1988, Shapiro, 1988). Slater and Narver (1998) say “A final point to remember is that market orientation is not *marketing* orientation. Marketing is only a function of the business. A business is market oriented only when the entire organization embraces the values implicit therein and when all business processes are directed at rating superior customer value” (P-1003). *Customer orientation* also suffers from a wrong implication, albeit a different one. The term customer orientation might suggest a narrow focus on customers leaving out the other components of the market such as competitors or channel members. The term ‘market orientation’ seems to have gained widespread acceptance and preference over other terms since the publication of the two influential Journal of Marketing articles by Kohli and Jaworski (1990) and Narver and Slater (1990). There is a general consensus now in literature for ‘market orientation’ to represent the implementation of marketing concept (Sargeant, Foreman, & Liao, 2002).

Kohli and Jaworski (1990) identify customer focus, coordinated marketing and long-term profitability as the pillars of marketing concept. These elements of marketing concept are discussed in detail below.

1) **Customer Focus**

Customer focus or customer orientation is placing the customer at the centre of the business i.e., starting the strategic planning from the customer. It is all about identifying the needs and wants of the customer and coordinating all organisational activities towards it. Keith (1960) calls the consumer “the absolute dead centre of the business universe”. Customer focus is largely projected as the most important feature of marketing concept, even to the extent of defining the business in terms of customer-needs the firm is trying to serve (Levitt, 1960). In Levitt’s famous example, a railroad company

which assumes themselves to be in railroad business rather than in the transportation business suffers from “marketing myopia” (Levitt, 1964). According to Levitt, ignoring the customer needs will eventually lead the firm to lose sight of the real reason for its existence and make them just marketers of the products they sell. Marketing myopia concept of Levitt was a huge endorsement of marketing concept. Drucker observes that, “What a customer thinks he or she is buying, what he or she considers value is decisive - it will determine what a business is, what it produces, and whether it will prosper.” (Drucker, 1954, P.57).

Despite the apparent logical persuasiveness of the argument for it, the singular focus on customers is the major reason for reservations and criticisms from the critiques of marketing concept. Many believe that the apparent focus on expressed needs of customers makes firms reactive in approach which in turn will result in loss of competitive advantage. These arguments and counter arguments of this concept are discussed at length later in this chapter (see section 3.1.4).

2) Coordinated Marketing

Coordinated marketing implies inter-functional coordination in organisational efforts to meet customer needs. All conceptualisations of marketing concept envisage coordinated organisational efforts for ensuring that customer needs are met profitably. In this scheme, marketing is not the job of the marketing department alone; it spans the entire organisation (Keith, 1960; Drucker, 1954) Drucker termed marketing as a general management responsibility (Drucker, 1954). Fragmented marketing is against the true spirit of marketing concept. Marketing concept requires that all departments and functions understand customer needs and are aligned

towards the fulfilment of customer-termed objectives of the firm. An important point emphasised by many researchers is that marketing concept does not accord any special place or primacy for marketing function (Slater & Narver, 1998). The emphasis is on coordinated efforts to satisfy customers; and marketing as a department closest to the market, has to line up the resources and activities to achieve this end.

3) Long-term profitability

Long-term orientation is ingrained in marketing concept. Firms following marketing concept place their focus on long-term profit rather than short-term sales volume, typical of sales oriented firms (Barksdale & Darden, 1972). Long-term orientation is a necessary condition to ensure true customer orientation. Short-term goals will limit the focus of the firm to quarter to quarter sales ignoring the customer requirements. The result will be selling concept instead of marketing concept.

Marketing concept is instituted on these three pillars or themes. As indicated earlier, market orientation emerged from marketing concept as the application of this concept. Because of its central place in marketing thought and its assumed impact on business performance, market orientation is a predominant area of research in marketing literature. However, there are several different approaches in use to conceptualise market orientation. Lafferty and Hull (2001) identifies five different conceptualisations of market orientation as given below.

- a) Decision making perspective,
- b) Market intelligence perspective,
- c) Culturally based behavioural perspective,
- d) Strategic perspective and
- e) Customer perspective

These different perspectives represent different approaches to the market orientation construct (Lafferty & Hull, 2001). Table 3.1 gives the different approaches and the research works representing each.

Table 3.1: Summary of Literature on Different Perspectives on Market Orientation

Perspective and Year	Representative references
Decision making Process (1988)	Glazer (1991) Glazer and Weiss (1993) Shapiro (1988)
Market Intelligence (1990)	Avlonitis and Gounaries (1997) Cadogan, and Diamantopoulos (1995) Cadogan <i>et al.</i> (1998) Hart and Diamantopoulos (1993) Hooley <i>et al.</i> (1996) Jaworski and Kohli (1993) Jaworski and Kohli (1996) Kohli and Jaworski (1990) Kohli <i>et al.</i> (1993) Maltz and Kohli (1996) Selnes <i>et al.</i> (1996)
Culturally based behaviours (1990)	Cadogan and Diamantopoulos (1995) Han <i>et al.</i> (1998) Narver and Slater (1990) Narver and Slater (1990) Narver <i>et al.</i> (1998) Siguaw and Diamantopoulos (1995) Siguaw <i>et al.</i> (1994) Slater and Narver (1992) Slater and Narver (1994)
Strategic marketing focus (1992)	Day (1994) Day and Nedungadi (1994) Gatington and Xuereb (1997) Morgan and Strong (1998) Moorman (1998) Ruekert (1992) Webster (1992)
Customer orientation (1993)	Deshpande and Farley (1998a) Deshpande and Farley (1998b) Deshpande, <i>et al.</i> (1994) Siguaw, <i>et al.</i> (1994)

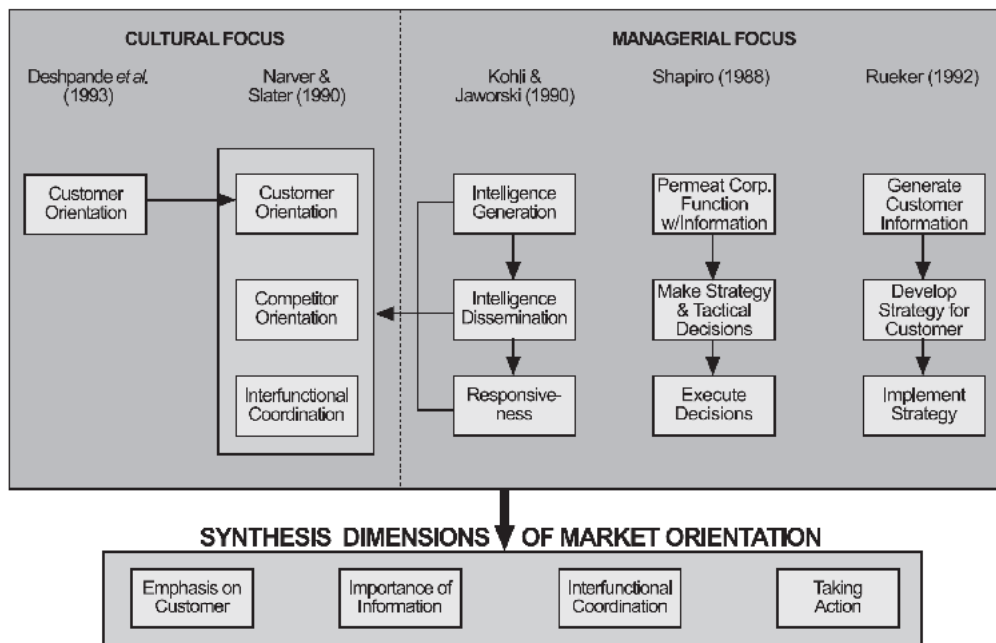
Source: Lafferty and Hull (2001)

As the name indicates, decision making process perspective treats market orientation as a decision making task consisting of information sharing, interfunctional decision making, and well coordinated functioning (Shapiro,1988). Market intelligence perspective, mostly represented by Kohli and Jaworski (1990) conceptualisation, is based on market intelligence-based organisational behaviours. According to this approach, market orientation has three components, namely market intelligence generation, dissemination and responsiveness. This conceptualisation is believed to have a broader focus to include even competitors and other environmental factors that might affect customer behaviour (Kohli and Jaworski, 1990).

Culturally based behavioural perspective treats market orientation as an aspect of culture of an organisation. Narver and Slater (1990) defines market orientation as the “organizational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continues superior performance for the business (Narver and Slater,1990, p.21). Therefore, this particular perspective on market orientation regards the construct as a culture supporting certain behaviours for superior customer value creation. Customer orientation, competitor orientation and interfunctional coordination are the components of market orientation according to the above perspective.

Strategic marketing perspective advanced most notably by Ruekert (1992), approaches market orientation as an organisational strategy aimed at customer focus and responsiveness. This approach combines both aspects of market intelligence and cultural perspectives of market orientation (Lafferty & Hull, 2001).

All the above perspectives have common conceptual stances despite the obvious variations in treatment. Lafferty and Hult (2001) present a synthesised conceptual framework of market orientation construct by extracting the common elements in the different perspectives of market orientation. The above synthesis is reproduced in Figure 3.1.



Source: Lafferty and Hult, 2001

Figure 3.1: Synthesis of different approaches to conceptualisation of market orientation

The two most influential conceptualisations of the construct of market orientation are the market-intelligence based behavioural perspective of Kohli and Jaworski (1990) and the cultural perspective of Narver and Slater (1990). Most market orientation studies to date are based on either of these two conceptualisations or slight variations of the two. Most popular scales for measuring market orientation in empirical studies also happen to be MARKOR by Kohli, Jaworski, and Kumar (1993) (based on behavioural

perspective) and MKTOR by Narver and Slater (1990) (based on cultural perspective). Therefore a more detailed review of these two conceptualisations is presented here in the following sections.

3.1.1 Market orientation-Cultural perspective (Narver and Slater, 1990)

This approach treats market orientation as a business/corporate philosophy or culture. According to the cultural perspective, the essence of marketing concept is placing the market at the centre of all organizational activities and this market-centric mindset has to be ingrained in the basic cultural fabric of the organization so that it permeates every organizational level and is shared by all its members. Felton's (1959) definition for marketing concept is one of the early definitions in the cultural mode. Deshpande and Webster (1989) also take a cultural view to approach marketing concept. According to them, culture, being a determinant of behaviours in an organisation by setting norms, will influence the extent to which the concept of market-focus will be accepted and adopted. Narver and Slater's (1990) conceptualisation of market is clearly founded on this culture-paradigm. The authors define market orientation as the cultural foundation for creating behaviour that is necessary for superior value creation and thus, competitive advantage.

According to Narver and Slater (1990), market orientation is a one-dimensional, continuous construct consisting of three behavioural components and two decisional criteria. The behavioural components are customer orientation, competitor orientation and interfunctional coordination and the decisional criteria include long term focus and profitability. Customer orientation is the sufficient understanding of one's target buyers to be able to create superior value for them continuously. Competitor orientation is the

understanding of the short term strengths and weaknesses and the long term capabilities and strategies of both the key current and potential competitors. Interfunctional coordination is the coordinated utilisation of company resources in creating superior value for target customers. These three components of market orientation are profit-driven and long term in focus.

3.1.2 Market Orientation-Behavioural Perspective (Kohli and Jaworski, 1990)

According to this approach, market orientation is essentially a set of organisational behaviours or activities. There are many followers of this perspective in marketing literature. For example, Bell and Emory (1972) considers marketing concept as ‘operational rather than philosophical’ implying the behavioural dimension of the concept. Keith (1960) also appears to approach market orientation as activities-based. Kohli and Jaworski (1990), the first comprehensive attempt to operationalise the concept of market orientation in behavioural mode reasons that market orientation ultimately has to be manifested in the activities undertaken by the market-oriented organizations. The authors report, from an extensive literature review, three common themes or pillars of marketing concept, namely customer focus, coordinated marketing and profitability (Kohli and Jaworski, 1990). After a series of field interviews, the study comes to the conclusion that market oriented organisation is one in which the three pillars of marketing concept are operationally manifest by three factors, intelligence generation, intelligence dissemination and responsiveness. Kohli and Jaworski (1990) defines market orientation as,

“The organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation-wide responsiveness to it”. (P-6).

The components of market orientation are the market-intelligence based activities, namely intelligence generation, intelligence dissemination and responsiveness to market intelligence. Market intelligence generation is considered as the starting point of market orientation activities of organisations. In Kohli and Jaworski's (1990) conceptualisation, scope of market intelligence is not limited to the current expressed needs of customers. Monitoring of environmental factors such as technology, governmental regulations, competitors that might affect the needs and preferences of customers is also assumed to be a part of intelligence gathering. Expanding the scope of market so as to include all factors affecting buying decision process, and the use of both formal and informal ways of generating intelligence are emphasised by the authors.

Dissemination of intelligence is another behavioural component of market orientation and it is regarded as critical to the coordinated organisational efforts to ensure customer satisfaction. Dissemination facilitates sharing of market knowledge within the organisation by formal and informal communication means. Responsiveness is taking action to respond to market trends and can be in the form of target market selection, new products, pricing, distribution or promotional policies.

The major difference between the two perspectives (cultural and behavioural) lies in their implications in the implementation of market orientation in real organisations. Behavioural perspective implies that market orientation is something that can be implemented at management's will by a directive from the top management. That means, an organisation can choose to be market oriented or not. Thus, any organisation can become market oriented by adopting certain behaviours. Treating market orientation as a culture treats

market orientation as a relatively stable characteristic of an organisation which gives rise to suitable organisational behaviours necessary for customer value creation (Narver & Slater, 1990). By implication, market orientation is not something that can be implemented quickly by a strategic decision by top management. Therefore market orientation can be a source of competitive advantage since it cannot be replicated by competitors at will. Emphasising the cultural nature of market orientation, Narver, Slater, and Tietje (1998) comments that, "Unless the desired customer-value commitments and behaviours emanate from the organisation's culture, the commitments and behaviours will not endure, not to mention command the attention and allegiance of all functions in the organisation" (p-243).

However, operationally there is not much difference between the two perspectives. Narver and Slater (1990) approach, though based on cultural perspective, measures market orientation in terms of the three behavioural components, namely customer orientation, competitor orientation and interfunctional coordination. Thus, it is operationally very similar to the behavioural perspective (Narver & Slater, 1990; Homburg & Pflesser, 2000).

Whether it is cultural or behavioural perspective, market orientation is generally treated in literature as a construct which happens on a continuum (Kohli & Jaworski, 1990; Narver & Slater, 1990) which means that all organisations are market oriented to a certain degree, the difference is only in degree. This feature points to the existence of an 'optimal' level of market orientation which is a perfect balance of costs and benefits associated with market orientation. Literature does not offer much when it comes to how this optimal balance is to be determined or found. Narver and Slater (1990) comment that the optimum level depends on the organisation's perception.

Influence of task environment is another determinant of this optimal level (Gounaris, Avlonitis, & Papastathopoulou, 2004)

From the review of literature on market orientation, it can be said that despite the different perspectives on the basic nature of the construct, there seems to be a consensus among scholars on what it means to be market oriented. Customer focus and integrated organisational efforts with a view on long-term profitability through customer satisfaction are largely recognised as the dimensions of market orientation.

3.1.3 Measurement of Market orientation

For long, market orientation largely remained a much-talked about but a nebulous and immeasurable quality of organisations. In spite of the common elements in the early conceptualisations of marketing concept, a widely accepted operationalisation of the construct was materialised only in early 1990s with the publication of two Journal of Marketing articles, supported by Marketing Science Institute (MSI): Narver and Slater (1990) and Kohli and Jaworski (1990). The above studies not only contributed to the revival of interest in market orientation among academics and practitioners but also kick-started an active research stream in empirical studies on market orientation by presenting two measurement instruments for the construct.

As discussed in section 3.1.1, Narver and Slater (1990)'s conceptualisation is based on a cultural definition of market orientation and therefore, regards market orientation as an aspect of organisational culture. It conceives market orientation as the organizational culture that produces necessary behaviours to create superior value for customers and attain a competitive advantage. According to Narver and Slater (1990), market orientation is a one-dimensional, continuous construct consisting of three behavioural components and two decisional criteria.

The behavioural components are customer orientation, competitor orientation and interfunctional coordination and the decisional criteria include long term focus and profitability. The final scale developed by them, widely known as MKTOR, however contains only the behavioural components- customer orientation, competitor orientation and interfunctional coordination. Customer orientation is the sufficient understanding of one's target buyers to be able to create superior value for them continuously. Competitor orientation is the understanding of the short term strengths and weaknesses and the long term capabilities and strategies of both key current and potential competitors. Inter-functional coordination is the coordinated utilization of company resources in creating superior value for target customers. These three components of market orientation are assumed to be profit-driven and long term in focus. The scale proposed by Narver and Slater conceives market orientation as a one-dimensional construct (Narver & Slater, 1990, p-22).

The scale has 15 items on a 1 to 7 scale, with the anchor points 1 indicating *not at all* and 7 indicating *to a great extent*. Market orientation of an organisation is computed as the simple average of the sum of scores of responses of the organisation's top management on the three behavioural components (P-24, 26).

The other popular measure among researchers is the one developed by Kohli, Jaworski and Kumar (1993) which is based on behavioural approach. The scale is based on the definition of market orientation construct as

“The organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it” (Kohli and Jaworski, 1990, p- 6).

Market orientation is measured in terms of how well market information is gathered, disseminated across the entire organisation and finally used for decision-making. Market orientation scale developed by Kohli, Jaworski and Kumar (1993), called MARKOR is a 5 point, Likert type scale with 20 items. The scale has three components, all behavioural in nature or activity based, namely, information gathering, information dissemination and responsiveness. But unlike the Narver and Slater operationalisation, the measurement takes a broader view of market to include environmental factors such as technology in addition to customers and competitors. Market Orientation score is the unweighted average of the three components. Component break-up also equips organisation to assess its market orientation at individual component levels and since the scale is activity-based, one can measure market orientation even at SBU level (Kohli et.al, 1993).

One of the most important critical observations about MARKOR is that the factor structure of the scale was not confirmed through a confirmatory factor analysis. Matsuno, Mentzer and Renz (2000) comments that confirmatory factor analysis was done in an exploratory fashion by the authors and the best model selected model suffers from low fit indices. Caruana (1999) also suggests the reassessment of the conceptualisations of market orientation based on MARKOR, as his study produced inconsistent results across two countries. Adoption of different factor structure for the scale has also been reported in market orientation-performance studies. Homburg and Pflesser (2000), for example, use a single factor conceptualisation for MARKOR because of the lack of discriminant validity for a three-factor structure. However, some researchers have reported satisfactory results with the scale (Deshpande & Farley, 1998; Panigyrakis & Theodoridis, 2007).

It must also be noted here that some researchers have discussed the above inconsistencies in the context of the possibility of the nature of the components. Sinkula, Baker, and Noordwier (1997) consider the MARKOR components as different stages of a process and MKTOR components as structural components of market orientation. Their conceptual framework treats market information generation and dissemination as market information processing stage and responsiveness as the action stage.

However, measurement through specific organisational activities is a clear advantage of MARKOR over MKTOR. This quality increases the measurability of the construct and minimises the possibility of overgeneralisations in self administered surveys (Padanyi, 2008). Kara et.al (2004) backs MARKOR as a better measurement scale in nonprofit context because of the focus on specific activities and reports that relating to the items in MARKOR was not difficult for nonprofit respondents (p.68). MARKOR is also the most widely used scale in nonprofit context (Shoham, et.al, 2006).

Therefore, it is clear from the above review of measures of market orientation that the present operationalisations of market orientation are not devoid of imperfections. However, these scales have definitely have given fillip to the efforts in empirical investigations of the different aspects of market orientation concept.

3.1.4 Criticisms against Market Orientation

Despite being projected as the cornerstone of marketing thought and foundation of the theory of marketing management , marketing concept has been challenged by many. Major criticisms of the concept are about social desirability, over-emphasis on customer focus and the accused sidelining of innovation and R&D because of the concept's preoccupation with customer focus. Critics also

point out that customer needs and wants are made the centre of the firm, often at the cost of neglecting the need to consider the skills and capabilities of the firm. Kaldor (1971) named market orientation as an “inadequate prescription” pointing to the lack of consideration given to creative abilities of the firm in the concept. Overemphasis on customers and the complete disregard for the internal strengths and capabilities of the firms are pointed out as the inherent weakness of the concept. Ignoring the company objectives and internal strengths is thus a concern of scholars (Sharp, 1991). Marketing concept alone cannot therefore ensure success for the firm as it does not bring about capabilities to deliver in terms of satisfying market needs. Sachs and Benson (1978) criticises marketing concept as too vague and general to be of practical value to a firm.

Universal applicability of the concept has also been questioned in literature. Market orientation requires deployment of organisational resources and this has to be justified on the grounds of returns it can bring and therefore marketing concept is advisable only to the extent that it contributes to the objectives of the organisation. Therefore alternative orientations, selling concept and production concept are also acceptable to the same extent by the same argument (Houston, 1986). He argues that situations, where exchange partners are satiated or when the desired offering cannot be made available or the value of incremental bits of information about individuals who are members of groups of exchange partners will not exceed the value of gathering that information, do not warrant market orientation. Thus the fallacy of upholding market orientation as the only plausible and advisable orientation for all organisations in all environmental conditions is pointed here.

Another big concern of the critics of market orientation is the would-be negative impact on the innovativeness of the firm. A sole focus on customers

might lead to organisational rigidity and stifle innovation (Bennett & Cooper, 1981). A firm fully focussed on the customer needs may fail to spot the emerging opportunities for new markets and thus might lose competitive advantage. A sharp customer focus, they fear, might result in reactive marketing. Radical innovation is thus ruled out in such organisations. Hamel and Prahalad (1991) called it the tyranny of the served market. Customers rarely have been source of ideas for new and radical innovations. Organisation should strive to be market-driving rather than market-driven. 'Staying close to the customer' as demanded by market orientation has been pointed out as a liability for organisations as radical innovations can hardly come from customer inputs and may be even be blocked by the inputs from present customer data (Chirstenson & Bower, 1996).

Supporters of market orientation however defend the concept by highlighting the misconceptions about the concept and its faulty implementation as the real reasons for the above critical observations. Slater et al. (1998) remark that distinction must be drawn between *customer-led* and *market-oriented*. A market-oriented firm is profit and long-term oriented, whereas a customer-led firm is sales volume and short-term oriented. Market oriented firms try to find out not just expressed needs, but also *latent* needs (Slater and Narver, 1994). McGee and Spiro (1988) points out that the stifling of innovation in firms cannot be due to market orientation, but is the result of short term orientation of R&D efforts which focus on mere incremental innovations. Genuine market orientation proposes *long term* profitability through customer satisfaction and therefore radical innovations which looks into how customer preferences may shape in future, is perfectly consistent with market orientation. A truly market oriented firm places much importance on proactive responses to market and generative learning and also, the long

term focus of the firm also affords it to look at new solutions rather than to be obsessed with the current solutions or products (Narver & Slater, 1994).

Mc Gee and Spiro (1988) points out that marketing concept does not preclude the consideration of the strategically important variable, competition. Marketing concept focuses on consumer satisfaction and long term profits. Therefore it demands that the company finds a competitive position in which distinctive competencies are present (McGee & Spiro, 1988). Thus, most of the criticism against market orientation can be attributed to how firms understand and implement the concept. These inconsistencies between theory and practice are noted in Wakefield (1993-94) too.

The above discussion on the major drawbacks of market orientation highlights the need to analyse the external environment and internal capabilities of the organisation and to anticipate the future needs of the market for the successful implementation of market orientation.

It has been pointed out in literature that market orientation or marketing concept is not the only strategic orientation-alternatives for an organisation as most of market orientation literature seems to suggest. Production orientation, product orientation and sales orientation have also been adopted by organisations as viable strategic orientations. Product orientation, which emerged in the 1850s, assumes that organisational success depends on marking products available and affordable to consumers. Thus production capabilities and efficiency were considered more crucial than any other functional concern. Product Orientation means focus on product quality. Payne (1988) counts product orientation, cost orientation, capacity orientation and erratic orientation in addition to marketing orientation as the orientation alternatives for firms.

3.2 Market Orientation in Nonprofit Sector

Nonprofit marketing is the use and application of commercial marketing tools and concepts in a nonprofit setting. Nonprofit marketing owes its origin to the ‘broadening of marketing’ proposed by Kotler and Levy in 1969 (Kotler & Levy, 1969). The seminal article titled, *Broadening the Concept of Marketing*, is generally regarded as the most influential scholarly work in extending marketing concept to non-business organisations and situations. However, the possibility and validity of application of marketing for the promotion of social ideas had been explored much earlier. An article written by sociologist, G D Wiebe in 1951-52 raised the question, “Why can’t you sell brotherhood and national thinking like you sell soap?” In this article, the author ponders over the possibility of marketing of social ideas like any other commercial product (Wiebe, 1951). Interestingly, the article does not specifically identify this specialised marketing effort as social marketing or nonprofit marketing. Still, the above article is regarded as the first attempt in scholarly research to promote marketing in non-business contexts as acknowledged in some prominent writings on social and nonprofit marketing (Kotler and Zaltman, 1971; and Andreasen, 2003). On the practical field front too, marketing was indeed used in non-business contexts much before the academic debate on broadening of marketing started. The first field-application of marketing in a non-business context was the social marketing field project of promotion of family planning in India in 1964 (Harvey, 1999 as quoted in Andreasen, 2003).

However, it must be said that the Kotler and Levy article was the first to present a scholarly and theoretical reasoning for extending marketing to non-business contexts. The article argues that marketing is a “*pervasive social activity*” and products, in addition to the more common physical and service

forms, can take additional forms such as organisations, persons or ideas. By implication, it is argued that nonprofit organisations need marketing tools like pricing, communication, and distribution to find better acceptance of their offer. (Kotler and Levy, 1969). Thus, in short, the article calls for “broadening” of marketing to encompass the complexities of the marketing tasks faced by all sectors.

This attempt to extend marketing to non-business fields was however unacceptable for at least some experts both within and outside the marketing discipline. Luck (1969) in his article in *Journal of Marketing*, termed it as “*broadening too far*”. The major premise of his argument was the validity of extending marketing to non-economic or nonmarket transactions that characterise nonprofit sector. What most critics found objectionable was the legitimacy of applying marketing to a context where there is no economic exchange. Responding to *broadening*, Bartel commented that,

“if marketing is to be regarded as so broad as to include both economic and noneconomic fields of application, perhaps marketing as originally conceived will ultimately appear under some other name.” (Bartel, 1974, p-76)

Nonetheless, Kotler and Levy defended their position by pointing out that the crux of marketing is “general idea of *exchange*” rather than narrow *market transactions* (Kotler and Levy, 1969b). They also pointed out that market transaction is not always the end point sought even by business organisations as many firms consider customer satisfaction as the end result of their exchange with the customers; therefore absence of market transaction cannot form the basis for excluding marketing from non-business sectors. Exchange is about offering something of value to someone in exchange of value. Thus nonprofit

organisations are also engaged in exchange mechanism and marketing whether they are consciously aware or not (Kotler, 1975). Presence of marketing-like activities in nonprofit organisations was also cited as a support for extending marketing to nonprofit organisations. Thus the differences in opinion about nonprofit marketing among scholars seemed to depend on whether marketing was considered as a *technology* which can be applied to any situation where *marketing-like* problem exists or as a *function* which can be applied to only a certain class of behaviours i.e., economic transactions (Andreasen, 2003). Over the years, nonprofit marketing has not only survived the scepticism but also established itself as a genuine academic discipline with a considerable number of journals, books and specialised university-courses devoted to it (Andreasen,2003).

Nonprofit marketing started gaining more acceptance even among practitioners in the nonprofit sector, as the task of managing nonprofit organisations became more complex and competition urged many to explore the use of marketing for greater efficiency and effectiveness. Nevertheless, the confusion between the terms *nonprofit marketing*, *social marketing* and *socially responsible marketing* continues to prevail even among academic scholars. This confusion has been noted by many writers including some leading researchers in the discipline (Kotler & Fox, 1980; McFadayen, Stead, & Hastings, 1999; Andreasen, 2003). Nonprofit marketing, social marketing and socially responsible marketing are allied but different concepts (Andreasen, 2003). Social marketing was given a formal definition by Kotler and Zaltman in their pioneering article on the subject (Kotler & Zaltman, 1971). The definition says,

”Social Marketing is the design, implementation and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communications, distribution, and marketing research.” (Kotler & Zaltman, 1971; p. 5).

Thus, social marketing involves planning on all 4p's of marketing for influencing social idea. Social Marketing therefore has a very narrow scope. It is about marketing of social ideas or causes. Social Marketing can be performed by nonprofit, public or private sector organisations. Nonprofit marketing is the use and application of marketing by nonprofit organisations for the achievement of organisational objectives. Since social marketing is the marketing of social ideas or causes; it is a specialised application within the broad framework of nonprofit marketing. Social marketing is *task-specific* and nonprofit marketing is *organisation-specific* (Andreasen, 2003). It is evident that not everything a nonprofit organisation does in terms of marketing activities is social marketing. Not all nonprofit organisations deal with social ideas. Many are engaged in service provisions and some in physical products. Nonprofit marketing involves many more issues than those which are typically the focus in social marketing (Andreasen, 2003). Examples are recruiting volunteers, creating and managing boards, fundraising, and organization-level strategic planning. Socially responsible marketing, another term which is often confused with social and nonprofit marketing, refers to the way marketing is carried out by an organisation (whether commercial or nonprofit), to ensure social responsibility.

3.2.1 Nonprofit Marketing and For-profit Marketing – Key Differences

Nonprofit marketing is different from for-profit or commercial marketing although it is about applying commercial marketing tools and concepts in nonprofit settings. Divergences stem from the differences in organisational characteristics of nonprofit and for-profit organisations and also from the differences in the nature of transactions in nonprofit and commercial market. Andreasen (2000) classifies the organisational differences into two groups as structural and cultural characteristics. External funding, different

bottom-lines, public scrutiny, multiple publics, financial constraints of nonprofit organisations, and relatively high rigidity in product offers are the major structural differences pointed out by the author. Attitude towards marketing is the cultural factor differentiating the for-profit and nonprofit organisations. The above factors are discussed in detail here.

External funding is a major distinguishing factor in nonprofit-business classification. Resources are generated from sale of goods and services in commercial market. Therefore resources acquisition and resources allocation happen in the same market. This also implies that exchange is direct and restricted in commercial markets whereas the exchanges can be complex or generalised in nonprofit markets (Baggozi, 1974). Nonprofit organisations typically generate revenue from donors and spend the money for servicing the needs of the beneficiaries. Bottom-lines are easily identifiable and measurable in commercial organisations whereas nonprofit organisations often have social missions that are difficult to identify and measure. Public scrutiny is more severe in the case of nonprofit organisations because of the public nature of services and external funding requirements. Product rigidity is a challenge faced by nonprofit organisations in far greater measure than business organisations. Nonprofit product/service offers are often fixed and modifications are either impossible or limited.

The attitude towards marketing is the cultural difference between for-profit and nonprofit organisations. Commercial organisations exhibit a very high level of favourable attitude towards marketing as the benefits and relevance of marketing are easily evident in commercial markets. But there is still considerable resistance among nonprofit organisations to embrace marketing as noted by several scholars (Andreasen & Kotler, 2003; Andreasen, 2000). This

can be attributed to the misgivings nonprofit organisations have about marketing as most equate marketing with the visible part of marketing mix namely promotion. From this, stems the image of marketing as one that is “undesirable, manipulative and intrusive” (Andresan & Kotler, 2003).

Nature of exchanges is yet another factor responsible for the difference in marketing as practiced in nonprofit organisations and commercial organisations. Exchanges in nonprofit organisations are mostly non-monetary and involve psychic costs and benefits (Andreasen & Kotler, 2003). The authors observe that the target audience of a nonprofit organisation is asked to incur costs in return for some promised benefits. The *costs* can be “economic costs, sacrifices of old ideas, values or views of the world, sacrifices of old patterns of behaviours, and sacrifices of time and energy”. The *benefits* to the consumers may be economic (both goods and services), social, and psychological. Negative demand, high involvement of consumers, invisible benefits, deferred benefits, and benefits to third parties mark the transactions in nonprofit exchanges (Andreasen, 2000). The ultimate aim of the exchange sought by the organisations in non-profit marketing is behaviour-change. Commercial transactions, on the other hand, involve buying and selling where money is exchanged for goods or services. Thus the nature of exchanges clearly differentiates one sector from the other.

The term ‘market’ connotes a more complex meaning in a nonprofit context compared to a commercial market. Non-economic exchange relationships in a typical nonprofit setting also affect the concept of *market* in a nonprofit context. There exist at least two different markets for a nonprofit organisation – one, resource acquisition market consisting of all donors and volunteers and two, resource allocation market consisting of all beneficiaries.

Therefore donors and beneficiaries are the target customers of nonprofit organisations (Shapiro, 1973). In a typical commercial market setting, resource allocation and revenue generation markets are one and the same. Some consider this division into markets for resource attraction and resource generation as the major characteristic of nonprofit sector that has practical and important implications for nonprofit marketers (Lovelock, 1990; Sargeant, 1999). One immediate implication for dual target markets is the need for specific marketing strategy for each target market component (Pope, Isely & Asmoa-Tutu, 2009).

Gwin (1990) uses a constituent-group approach to analyse the distinction between nonprofit marketing and commercial marketing. Five constituent groups for nonprofit organisations identified by the author, are resource generators (tax payers, donors, third party providers, patrons), service users (non-revenue generating service users, revenue generating service users), regulators (governmental regulators, advisory boards), managers, and staff members. The author points out that, in the case of business organisations, contract or law governs the formal relations between the organisation and the other party in most constituent groups except for consumers and society. Moreover, managing these groups is comparatively easy as success in customer group and sound management of organisational resources automatically take care of the interests of other groups in most cases. For a nonprofit organisation, managing the constituent groups or multiple publics is more challenging as each group has specific needs and expectations; balancing these forces takes much effort on the part of organisations and this necessitates strategic planning for each group. But such strategic planning approach to marketing is rather difficult for a nonprofit organisation because of the use of non-financial objectives as found in most organisations. Non-financial

objectives tend to make strategic marketing less directed than that found in for-profit organisations.

Thus, there are many differences between a typical nonprofit organisation and a commercial organisation in terms of their organisational characteristics and the exchange mechanisms making commercial marketing and nonprofit marketing different from each other. It can be seen that the complexities in organisational and market-settings render nonprofit marketing more challenging than commercial marketing. These challenges and difficulties are briefly discussed in the next section of the chapter.

3.2.2 Special Challenges of Nonprofit Marketing

A faithful replication of commercial marketing practices in nonprofit sector is likely to be ineffective and irrelevant, given the special context of nonprofit setting (Pope et al., 2009). The task of nonprofit marketing is more complex and challenging for a number of reasons. Rothschild (1979) points out that the features such as “non-monetary price of purchase, lack of frequency of purchase, lack of behavioural reinforces, the need of marketing to an entire but heterogeneous market, and extreme levels of involvement varying from very low to very high” are some of the challenges before the nonprofit marketer. Another analysis shows that market analysis, market segmentation, product planning, channel problems, pricing difficulties, communication planning, evaluation, organisational design and planning problems are the problem areas in nonprofit marketing (Bloom and Novelli, 1981).

In Kotler (1979), the need to conduct a systematic and comprehensive approach to planning in marketing is emphasised. The author recommends a market oriented institutional planning in nonprofit organistaions, consisting of

market analysis, resource analysis, and mission analysis. Marketing based on such thorough planning only can prove beneficial to organisations. Kotler also notes that there is a tendency in nonprofit sector to equate fragmented marketing activities, especially promotional tools with comprehensive marketing. This half-baked approach in the guise of marketing can only earn a bad name for marketing.

Akchin (2001) reports that very few organisations are found to be using a comprehensive marketing approach. Most nonprofit managers entrusted with the marketing responsibilities are what the author calls “accidental marketers”. Most are not skilled enough for marketing or motivated enough to learn to equip themselves better for the job of marketing. As a result, a majority of such organisations carry out only some promotional activities in the name of marketing. So the most difficult challenge for nonprofit marketing, the study notes, is getting nonprofit organisations to hiring people with marketing knowledge or training the existing managers to be good marketers.

Another important challenge of nonprofit marketing is the identification of who constitutes *customers* for a nonprofit organisation. The concept and definition of ‘customer’ in a nonprofit domain is not as straight forward as in for-profit sector because of non-monetary exchanges. So there are many different conceptualisations for ‘customer’ in nonprofit settings. Kotler identifies four groups of customers which he termed *publics* - input publics, internal publics, intermediary publics and consuming publics (Kotler, 1982). Gwin’s (1990) analysis results in three categories of customers - resource generators, service users and regulators. Bruce’s (1995) framework too has regulators as customers in addition to beneficiaries, supporters, and stakeholders. All these categories contain both direct and intermediary

customers. Vazquez, Alvarez and Santos (2002) in their study on market orientation of nonprofit organisations included beneficiaries and resource donors as customers of nonprofit organisations. Helmig and Thaler (2009) used the framework of direct customers, indirect customers, internal customers and donors to define the scope of customers of nonprofit organisations. Beneficiaries and donors are found to be common to all these frameworks. Most market orientation studies have taken donors and beneficiaries as customers of nonprofit organisations (Padanyi & Gainer, 2004; Balabanis, Stables, & Philips, 1997).

Attitude towards marketing among nonprofit managers is a major challenge before the nonprofit sector in implementing strategic marketing. Because of its direct association with commercial sector and the ruthless competitive marketing strategies and tools, marketing seems to be a bad word or a taboo in nonprofit sector. This creates a mental block against marketing among practitioners. Social desirability of marketing in nonprofit sector is a much debated topic and is an important concern among academicians and practitioners (Laczniak, Lusch & Murphy, 1979). Some have criticized the social-appropriateness of marketing and the resultant customer focus in nonprofit organisations (Hutton, 2002). The author deplors the indiscriminate use of market-terms in social life. The use of customer metaphor in nonprofit and public institutions is pointed out as a change of culture which is a direct impact of marketing and the associated overly emphasis on consumption. Treating students, readers and viewers, citizens and religious followers as customers is bound to have undesirable consequences for public and social sectors (Hutton, 2002). Appropriateness of applying market orientation in a nonprofit context has been challenged on the basis of the unique characteristics of nonprofit settings by Sargeant et al. (2002) too. Negative

connotations associated with marketing are “undesirable, manipulative and intrusive and wasteful expenditure” (Andreasen & Kotler, 2003). These apprehensions are largely attributed to the misunderstanding of marketing and its philosophy (Andreasen & Kotler, 2003). Marketing is often equated with promotional activities and selling and this give rise to a lopsided view of marketing. Andreasen (2000) observes that in the early phases of nonprofit marketing history, application of marketing was largely tactical than strategic. However the acceptance of marketing has started gaining more respectability in nonprofit sector as practitioners and other stakeholders are realising the importance and benefits of marketing in nonprofit organisations and this was facilitated partly by “broadening and softening of the definition of marketing” among other factors (Sargeant, 1999). Developing customer mind set, adoption of marketing planning process, and use of marketing concepts and tools such as segmentation, branding and alliance building are the major changes in nonprofit sector brought about by marketing (Andreasen, 2000).

3.3 Organisational Performance in Nonprofit Sector

There is a growing interest among researchers and practitioners in measurement of organisational performance in nonprofit sector. This is reflected in the growth in the number of research articles on organisational effectiveness in academic literature and the number of nonprofit organisations practising performance monitoring systems. In a nonprofit context, performance measurement is relatively more complicated than that in a business context due to a number of reasons (Kanter & Summers, 1984). Despite this, the demand for performance measurement and evaluation in the nonprofit sector is on the increase due to growing concerns for accountability and this trend is likely to continue because of the increasing visibility of nonprofit organisations in society. Media scrutiny is more, as money and other resources handled by the

sector have increased manifold over the years in many countries including India (Surie, 2010). The general lack of accountability and transparency among nonprofit organisations, overspending on administration, money laundering etc are some of the common complaints against the sector in India (Bhowmick, 2010). The above cited articles also project some inherent problems in the sector, such as the unorganised-nature of the sector and lack of uniform accounting policy due to multiple laws as contributing to the low level of accountability among Indian nonprofit organisations. Thus, accountability demand on the sector is only likely to increase in future.

Performance measurement is a complex task in nonprofit sector. The factors which contribute to the difficulty in designing a universally applicable performance evaluation system are briefly discussed here. Nonprofit organisations are formed for achieving certain social goals. These organisations are therefore not guided by profit concerns. Typically, for a nonprofit organisation, missions are expressed in non-financial and abstract terms. Measurability is rarely a consideration for most nonprofit organisations. Some in the sector even fear that a preoccupation with numbers might even dilute or derail the real social objectives of nonprofit organisations (Buckmaster, 1999). The social nature of organizational missions makes it difficult to measure the performance against the standards of organisational objectives. So measurement of performance in quantitative terms is extremely difficult for nonprofit organisations.

Existence of multiple constituencies also complicates the conceptualisation of organisational performance of nonprofit organisations. There are many constituencies or stakeholder groups for a nonprofit organisation and these groups have varied performance expectations from the organisation (Kanter & Summers, 1994; Herman & Renz, 2004). Naturally, different constituencies

will apply different yardsticks to judge the performance of the organisation (Hermann and Renz, 1999). General public and government funding agencies are more interested in the social outcome measures whereas private donor agencies may look for strict efficiency ratios especially in operational expenses. Clients/beneficiaries usually prefer service-quality related aspects for measuring performance.

In the for-profit sector, the all-encompassing profit measures balance the varying conflicts of stakeholders to a great extent. Some performance appraisal systems for nonprofit organisations focus on financial measures such as income, expenditure and expense ratio. But there are serious shortcomings in this approach of assessing a nonprofit organisation by financial performance alone. As Kaplan notes, even business organisations look beyond hard financial data and have embraced customer performance, internal process, and learning and growth as performance standards (Kaplan, 2011). According to him, balanced scorecard system with its multidimensional characteristics has great relevance for nonprofit sector. Financial structure of a nonprofit organisation is also very different from a business organisation. Financial dependence is a reality and therefore financial uncertainty is a matter to reckon with, when one considers a performance measurement system.

In nonprofit organisations, data collection and processing are also not without difficulties because it involves resource expenditure and for most nonprofit organisations, resource scarcity is a major issue. Data for performance monitoring come from employees, clients/beneficiaries, expert reviews and process measurement. However ensuring relevant and reliable data is a difficult task for most nonprofit organisations (Macpherson, 2001). A positive outcome of performance measurement pointed out in literature is

organisational learning facilitated by performance tracking (Buckmaster, 1999). Behn (2003) lists out eight objectives for measuring performance for public organisations that is equally valid for nonprofit organisations too. These are evaluation purpose, control, and budgeting, motivational value, promoting the organisations, celebrating organisational success, organisational learning and performance improvement.

3.3.1 Measures of Nonprofit Performance

The following are some of the commonly used methods to measure organisational effectiveness of nonprofit organisations.

1) Goal Approach

Here the organizational goal itself becomes the yardstick to measure performance. The practical difficulty for a nonprofit organisation is the prerequisite of a clear and specific mission. In nonprofit sector, such clarity and specificity in mission is often a rarity. Another serious flaw is the tendency to ignore unstated but critical goals. So a direct application of goal approach is neither practically feasible nor logically sound. (Herman & Renz, 1998; Sowa, Selden, & Sandfort, 2004).

2) System Resource Approach

It is based on the organisation's ability to acquire resources for its survival and growth (Seashore and Yutchman, 1967). The approach is criticized for its inability to clearly bring out the effectiveness in terms of beneficiary benefaction.

3) Multiple Constituency Approach

This multi-tiered and complex framework of performance measurement consists of different expectations of all the stakeholders. This framework

takes care of the need for due consideration to all stakeholders' expectations, which is very important in a nonprofit setting given the critical importance of stakeholder support for the survival and growth of the organizations. (Herman and Renz, 1998)

4) Social Constructionist Approach

Although not a scientific model, the approach has many takers in the nonprofit domain. The approach is based on the subjective evaluations of the multiple constituents. "Overall nonprofit organizational effectiveness is whatever multiple constituents or stakeholders judge it to be" (Herman and Renz, 2004).

As the above section demonstrates, there are different measurement systems for nonprofit organisational effectiveness or performance and there is no single approach that fits all organisations. Legal statuses, resource-dependency factor, social and abstract nature of organizational mission, multiple constituents involved etc make the task of measurement very challenging. So the choice of measure should depend on the purpose of analysis, together with other logical considerations (Behn, 2003). Kanter and Summers (1994) observes that a performance measure serves three functions, namely institutional functions, managerial functions and technical functions. Of these, institutional function is assessing how well the organization is doing, providing legitimacy to the existence of the organization. Performance measure serves the managerial functions by providing structure and process corrections. Technical function gives evidence on quality and efficiency of service delivery. Therefore, a performance measure carries out various roles and the choice of measure should also reflect the purpose or the role envisaged for it.

Generally, researchers agree on the multidimensionality of nonprofit performance. Support for multidimensional performance scheme for nonprofit organisations is well documented in academic literature (Cameron, 1981; Connolly, Conlon & Deutsch, 1980). Kanter and Summers (1994) remark that an ideal organisational performance assessment in nonprofit sector should be based on multiple constituency approach. Herman and Renz (1999) assert that performance in nonprofit context is essentially multidimensional and cannot be reduced to a single measure.

Multiple constituencies, their differing performance expectations and their strategic importance for the survival and successful functioning of nonprofit organisations are the most important factors which necessitate a multidimensional framework for assessing nonprofit performance (Herman & Renz, 1998; Selden & Sowa, 2004; Kaplan, 2001; Sawhill & Williamson, 2001). The multidimensional framework should preferably encompass all possible performance dimensions with regard to mission accomplishment, resource acquisition or capacity building, stakeholder performance criteria etc. Thus it would seem that a multidimensional approach is one of the most logically sound systems to measure performance notwithstanding the practical difficulties of availability of data, vagueness of social missions.

3.3.2 Conceptualisation of Organisational Performance of Nonprofit Organisations in Market Orientation Studies.

In nonprofit market orientation studies, various performance measures have been applied by researchers. The common feature of the measure used in studies in nonprofit market orientation is the comparative and subjective analysis. As Herman and Renz (1999) notes performance assessment of a nonprofit organisation is always comparative whether this fact is directly acknowledged by researchers or not. Performance in relative terms can also

be considered ideal in cases when one is trying to link performance with any strategic course of action such as market orientation as it can measure the changes in performance with changes in strategy (Murray, 2000). Comparison in performance is generally made in terms of changes over time horizons or in relation to peer organisations. This comparative evaluation has been used both in objective and subjective measurement schemes by market orientation studies. However it must be noted that objective measures are not used widely in market orientation studies. A detailed review of the performance measures used in market orientation studies in nonprofit sector are presented in this section, starting with a list of nonprofit market orientation studies and the performance measures used (Table 3.2).

Table 3.2 Performance Variables Used In Market Orientation-Performance Studies in Nonprofit Sector

Study	Settings	Nonprofit markets considered	Performance Measures used
Balabamis,et al. (1997)	58 charities (UK)	Donors	Achievement of long-term and short -term objectives, No of volunteers, and Expense to donor contribution
Voss &Voss (2000)	101 nonprofit theatres (US)	Customers and competitors as separate components	Objective measures of attendance, total income and net surplus Subjective measures of comparative performance in single ticket sales, subscription sales and overall financial performance
Vazquez,et al. (2002)	191 Spanish NPOs	Beneficiaries and donors as a single component	Mission Effectiveness measure- no of activities for beneficiaries and volume of income from donors Efficiency - ratio of donor contribution to expenditure for activities
Gainer & Padanyi (2002)	138 arts and cultural organisations (Canada)	Clients	Client satisfaction Resource Attraction Peer Reputation
Kara & Spillan (2004)	148 US Nonprofit service providers		Fundraising activities
Padanyi & Gainer (2004)	453 Canadian NPOs	Govt-funders and clients as separate constituents	Client satisfaction Resource Attraction Peer Reputation
Bennett,2005	172 UK charities	Beneficiaries Donors-as separate constituents	Beneficiary satisfaction
Gainer & Padanyi (2005)	453 Canadian NPOs	Clients	Growth in client satisfaction Comparative client satisfaction
Seymour & Gilbert (2006)	38 UK charities	Customers Support providers and competitors as separate components	Annual goal achievement
Morris et al. (2007)	145 US NPOs	Beneficiaries, Donors	Organisational performance measure covering total revenue, net assets and fundraising
Modi & Mishra (2010)	102 NPOs in India	Beneficiaries and donors as customers treated together	Beneficiary satisfaction, Resource attraction, Peer reputation, Effectiveness
Modi (2012)	579 NPOs in India	Beneficiaries and donors as customers treated together	Beneficiary satisfaction, Resource attraction, Peer reputation, Effectiveness

Review of performance measures in market orientation studies provided in Table 3.2 reveals that only one study among the 12 empirical studies on market orientation-organisational relationship has used objective measures. The above study (Voss & Voss, 2000) is set in nonprofit professional theatre sector where it is feasible to have objective financial data like ticket sales. Every other study uses subjective assessment of performance by self-reporting method. This is to be expected since most nonprofit organisations are confronted with difficulties in quantifying organisational goals. Therefore it can be concluded that objective measures of performance are not very popular among researchers in market orientation studies.

Client/beneficiary satisfaction is part of performance measures in several market orientation studies (Wood et al., 2000; Gainer & Padanyi, 2002; Padanyi & Gainer, 2004; Bennett, 2005; Gainer & Padanyi, 2005; Modi and Mishra, 2010; Modi, 2012). Except in Bennet (2005), client satisfaction is used together with other measures of performance. In the context of nonprofit organisations, the choice of client/beneficiary satisfaction assumes significance. Client satisfaction in the context of market orientation and its impact on performance is an essential facet of performance of organisations as customer satisfaction is regarded as the ultimate aim of marketing exchange according to market orientation concept. Most market orientation studies seem to acknowledge the above fact by considering client satisfaction as part of organisational performance of nonprofit organisations. As beneficiaries are considered the most important constituency for nonprofit organisations, beneficiary satisfaction is one of the relevant measures of performance.

In organisational performance literature, goal oriented approach to measuring performance has been emphasised. But only a few studies in nonprofit

market orientation has used organisational goal related performance measures (Balabanis, et al., 1997; Seymour & Gilbert, 2006; Vazquez, et al., 2002). In these studies, goal achievement or mission accomplishment is sought to be measured subjectively by self reporting of organisations themselves.

Within the market orientation - performance research domain, the nonprofit performance conceptualisation used by Padanyi and Gainer (2004) is the only one replicated in other studies. Three studies have been reported in literature so far. (Gainer & Padanyi, 2005; Modi & Mishra, 2010; Modi, 2012). The above mentioned performance measurement approach uses an adapted version of the performance conceptualization of Herman (1990). The performance dimensions are client satisfaction, resource acquisition and peer reputation. The study reasons that these dimensions are likely to reflect the impact of the organisation's marketing efforts and hence these measures are better suited for market orientation impact studies. Gainer and Padanyi (2002), observes that complex and multiple measures are appropriate for research based on theories that treat organizational performance as dependent variable. So they approach nonprofit organizational performance as multidimensional, but these dimensions are treated as separate rather than components of an aggregate performance measure. Thus in their study, performance is operationalised as having three dimensions, namely client satisfaction, peer reputation and resource acquisition. These dimensions are feasible across all subsectors of nonprofit sector. Respondents in the organisations are asked to judge current performance in client satisfaction, peer reputation and resource attraction, compared to the organisation's performance 5 years ago.

Modi and Mishra (2010) also follow the Gainer and Padanyi (2004) approach, but the time horizon is shortened to a 2 year period. Subjective

assessment by key constituencies is an accepted method for measuring performance. Social construct performance measure, as discussed earlier in this literature review, is based on subjective assessment and has many supporters within the nonprofit research community. Kanter and Summers note, “The ultimate test of performance for a nonprofit organization is, of course, whether those representatives of society that allowed it to join the category of do good organizations, continue to feel it deserves the status” (Kanter & Summers, 1994, p-233). The obvious advantage of the Gainer and Padanyi approach is that the performance is multidimensional and feasible across subsectors. A close analysis will also reveal that this approach is able to reflect the performance expectations of major constituencies of a nonprofit organisation (beneficiaries, donors and peers). Thus it follows a multiple constituency approach to measuring performance.

On the basis of the above review of the conceptualisation of nonprofit performance, one can conclude that the consistent theme of nonprofit performance as conceptualised in nonprofit market orientation literature is the use of subjective measures of performance, most often those related to clients/beneficiaries.

3.4 Organisational Innovativeness

3.4.1 Innovation

Innovativeness and similar innovation-related constructs have always captured the interest of researchers in organisational research because of the vital role of innovation in the survival and growth of organisations. Innovation is important in market orientation literature since innovation and innovativeness are reported to play critical roles in the relationship between market orientation and performance in both for-profit and nonprofit sector

(Han, et al., 1998; Hurly & Hult, 1998; Modi, 2012). Han et al. calls innovation ‘the missing link’ in the market orientation-performance relationship. Innovation is projected in nonprofit management literature as one of the factors contributing to the success of nonprofit organisations in addressing social problems. Innovation facilitated by organisational flexibility and small size is believed to make nonprofit organisations well-equipped to deal with complex social issues (Jaskyte, 2011)

Innovation research is a broad field and because of the wide scope of innovation within an organisation, there are several definitions and conceptualisations different in focus and perspective, but with some conceptual overlaps at the same time (Damanpour, 1991). Common to all definitions and conceptualisations of innovation is the concept of newness or novelty. Edquist (2001) calls innovations as new creations of economic significance carried out by firms. That is, innovation is a new idea generated or purchased by an organisation in product, service, process, system, device or programme (Damanpour & Evans, 1984; Damanpour, 1991). The above definition indicates that innovation has different dimensions and therefore can occur in product, design or operations of the organisations. But the novelty introduced or acquired should be new to the adopting organisation. In an organisational context, innovation can be a new product/service, a new method of operations or a new way of organising. Innovation has been analysed in research at different levels – industrial/sector level or unit/organisational level. Innovation has been treated both as an outcome and process (Damanpour & Wischnevsky, 2006; Daft, 1978). As an outcome, an innovation can be of different types depending on the nature of innovation and the level of analysis. As a process, innovation has different stages.

The classification of Gopalakrishnan and Damanpour (1997) treats innovations as an outcome. As per this classification, innovations can be product and process innovations (based on the target of innovation); radical and incremental innovations (based on newness of the innovation); or technical and administrative innovations (based on the scope of the innovation). Product innovation refers to any new product or service offer from a firm. New or significantly modified production or operation method for product/service delivery is process innovation. Another typology frequently seen in literature, as mentioned earlier, is the classification of innovation into radical and incremental. Radical innovation is something new that incorporates substantially different technology and can fulfil key customer needs better than the existing offers (Chandy & Tellis, 1998). Radical innovations are often called Schumpeterian innovation in line with the 'creative destruction' conceptualized by Schumpeter (Schumpeter, 1942). Incremental innovations, on the other hand are about minor changes or improvements over the existing (Gopalakrishnan & Damanpour, 2001). Technical innovations refer to all innovations that occur in the technical system of the organisation and are directly related to the primary work activity of the organisation (Damanpour & Evans, 1984). Technical innovations result in something new (to the adopting organization) related to the functional activities. Administrative innovations are new developments in support functions such as accounting, record keeping, personnel administration etc. Administrative innovations involve organizational structure and administrative processes. They are not directly related to the basic work activities of an organization and are more directly related to its management (Damanpour, 1990). They occur in social system of the organisation. Technical innovations are different from technological innovations which are innovations brought by changes in technology (Damanpour, 1987).

The Oslo manual also recognises innovation as an outcome. The manual mentions three types of innovations - process innovation, product innovation and organisational innovation (OECD, 2005). Organisational innovation concerns structure, procedure or any other characteristic of the organisation. This typology uses the area of occurrence of innovation as the basis to classify innovation.

3.4.2 Innovativeness

Organisational innovativeness is believed to be the keystone of innovation in organisations. The terms, innovativeness and innovation are used in a myriad of ways resulting in diverse operationalisations and approaches in research (Garcia & Calantone, 2002). This inconsistency in operationalisation of innovativeness and innovation in innovation literature has also been noted by many scholars (Read, 2000). Organisational innovativeness is most commonly used in marketing research to denote the organisational propensity to try new/novel ideas or solutions. Whereas innovation denotes an outcome-specific measure, innovativeness stands for the orientation of an organisation, a cultural characteristic. Hurley and Hult (1998) consider innovativeness and capacity to innovate as the constituent dimensions of innovation. Organisational innovativeness is what drives organisations toward innovation (innovation is kick-started) and capacity to innovate determines the implementation of the innovation.

In innovation literature, the term innovativeness has also been used to denote the degree of newness or novelty of innovations. But innovativeness in this sense cannot be equated to firm's innovativeness or organisational innovativeness (Garcia & Calantone, 2002b). Organisational Innovativeness (referred to as innovativeness hereafter in this thesis) is defined as openness to

new ideas (Hurley and Hult, 1998). Wang and Ahmed (2004) define innovativeness as “an organisation’s overall innovative capability of introducing new products to the market, or opening up new markets, through combining strategic orientation with innovative behaviour and process”. Innovativeness has also been used to indicate ‘innovativeness’ trait of individuals in consumer research (Midgley & Dowling, 1978).

Since innovation is a broad concept which can be analysed at organisational, sectoral, or national level on various aspects of organisational endeavours such as product, process, technological etc, innovativeness can also manifest itself in different fields or dimensions of organisational activity. Most empirical studies, however, consider innovativeness as a unidimensional phenomenon. Nevertheless, a small majority of researchers have attempted to incorporate multi-dimensionality to the construct of innovativeness in their studies (Subramanian & Nilakanta, 1996; Cooper, 1998; Wilson, Ramamurthy, & Nystrom, 1999). Avlonitis, Kouremenos, and Tzokas (1994) postulate that innovativeness has technological and behavioural dimensions. Wang and Ahmed (2004) identify product, market, process, behaviour, and strategic dimensions to organisational innovativeness. Table 3.3 gives the summary of different dimensions of innovativeness and the representative works in literature identified in the above study. An alternative approach found in literature is treating innovativeness as the proclivity of organisations to try new things which can be manifested in different forms (Lumpkin & Dess, 1996).

Table 3.3 Dimensions of Organisational Innovativeness

Study	Product	Market	Process	Behaviour	Strategic
Schumpeter (1934)	*	*	*		
Miller and Friesen (1983)	*		*	*	*
Capon et al. (1992)		*			*
Avlonitis et al. (1994)	*		*	*	*
Subramanina and Nilakanta (1996)			*		
Hurley and Hult (1998)				*	
Rainey (1990)				*	*
Lyon et al. (2000)	*		*		
North and Smallbone (2000)	*	*	*	*	

Source : Wang and Ahmed (2004), p - 304

According to the typology of innovativeness dimensions given in Table 3.3, innovativeness can be classified into product, process, market, behavioural and strategic innovativeness. Product innovativeness is defined as the novelty and meaningfulness of new products introduced. Process innovativeness refers to the innovation in production methods, technology and management systems. Market innovativeness is the novelty in approaches to enter and exploit markets. Strategic innovativeness is used to denote the ability to manage ambitious organisational objectives, and strategically manage the limited resources for the attainment of these objectives. Behavioural innovativeness is treated as the internal receptivity to new ideas and innovation whereas the other dimensions of innovativeness is defined in terms of novelty in product, process, market and strategic choices. Thus the above typology of organisational innovativeness has considerable conceptual overlaps with the innovation typology of product, process and market innovations. Therefore, if organisational innovativeness is to be regarded as the innovative orientation or proclivity, only behavioural innovativeness

strictly qualifies as such. It is evident that innovativeness conceptualised by Hurley and Hult (1998) is behavioural innovativeness.

Another notable feature of the treatment of the construct is that it is considered as a property of organisation's culture. Innovativeness is what drives innovations in organisations; a fundamental factor that determines organisation's orientation towards innovation (Hurley & Hult,1998; Wang & Ahmed, 2004). Innovativeness as a cultural property of organisations is also hinted in Subramaniam and Nilakanta (1996). Tajeddini, Trueman, and Larsen (2006) also treats innovativeness as 'organisation's cultural orientation towards innovation'.

Various innovation scholars have sought to examine the organisational determinants of innovativeness in organisations. From a comprehensive review of relevant literature in the topic, Hurley and Hult (1998) identifies two broad categories of organisational characteristics that affect innovation as reported by past studies: structural and process characteristics, and cultural characteristics. Organisational size and resources, age, differentiation of the organisation , low formalisation, loose coupling, autonomy and lack of hierarchy, market intelligence and planning come under structural and process charecteristics. Cultural charecteristics such as market focus, learning and development, status differential, participative decision making, and support and collaboration are the second category of organisational characteristics affecting innovation. The authors also assert that in a market-oriented nonprofit organisation, market orientation becomes the source of ideas, thereby making the organisation more innovative. Market orientation as an antecedent of innovativeness is hinted at in the above study.

3.4.3 Innovativeness in Market Orientation and Performance Models

A definitive conclusion or a summary of research findings on the relationship between innovativeness and performance is difficult because of the differences in conceptualisations of the constructs by various scholars. Innovation has long been projected in scholarly literature as a necessary tool for success in business. The role of innovation is considered a strategic advantage for firms in the market place.

The limited research on innovation-performance relationship shows that there is indeed a positive impact of innovation on performance (Read, 2000). Innovation has been shown to be associated with superior performance in varied sectors of the industry and for different organisational contexts (Han et al., 1998). Throughout the literature in marketing, one can see several attempts to explain the relationship between innovation and performance. Impact of innovativeness is also established in the study conducted by Calantone, Cavusgil, and Zhao (2002); learning orientation emerges in the study as the antecedent to organisational innovativeness. The study concludes that this impact on performance is achieved by a good understanding of customer needs, competitors' actions and technological developments which is the result of firm's commitment to learning. Menguc and Auh (2006) is another empirical support for the effect of innovation on performance in the business sector. Innovation is found to contribute to performance in Capon, Farley, Huebert, and Lehman (1992) too.

Due to its association with organisations' performance, innovation has been linked to market orientation and market based learning by many scholars (Noble, Sinha, & Kumar, 2002). Some market orientation studies speculate a mediating role of innovation in market orientation-organisational performance

relationship. Han et al. (1998) was the first attempt to introduce innovation as the ‘missing link’ between market orientation and performance; and the study shows that market orientation alone cannot be a source of competitive advantage for the firm. The study argues that market orientation in itself cannot be a source of competitive advantage for the firm; innovation facilitated by market orientation is the one which has direct positive impact on business performance especially vis-à-vis competition. The study empirically tests the hypotheses and finds statistical evidence for the role of innovation in ensuring superior performance as a mediating variable in the relationship between market orientation and performance.

Baker and Sinkula (2007) demonstrate that a strong market orientation facilitates a balance between incremental and radical innovation. This is contrary to the often-quoted allegations against market orientation as one that stifles radical innovation by its over-emphasis on customer inputs represented most notably by Christensen and Bower (1996). New product success which indicates innovation in organisations is also found closely associated with market orientation according to Baker and Sinkula (2005). Gatignon and Xuereb (1997) reports that market orientation and firm’s resources positively affect innovation in organisations. Deshpande and Farley (2004) also affirm the positive impact of both market orientation and innovativeness on performance.

A more complex interaction in contrast to the direct linear relationship previously held in literature between market orientation and performance of organisations is pointed out in Hult and Ketchen (2001) also. The above study postulates that market orientation together with innovativeness and other related concepts like learning are antecedents of positional advantage for firms

leading to superior performance. Hult and Ketchen (2001) validate a model in which market orientation, organisational learning, entrepreneurship, and organisational innovativeness are treated as the first order dimensions of the construct, positional advantage which in turn leads to firm's performance. This model is an example of how marketing researchers, especially those in market orientation stream, have regarded the concepts of market orientation, learning, entrepreneurship and innovativeness as essential to the models on market orientation and performance. However, unlike the other studies, no causal relationship is predicted between any of these concepts and the predictor variable, positional advantage.

3.5.4 Innovation in Non-profit sector

Innovation in nonprofit context is a scantily researched field (MacDonald, 2007). Therefore, innovation research in the nonprofit field draws heavily from for-profit research. Most studies in nonprofit innovation field focus on organisational antecedents of innovation in nonprofit organisations (Jaskyte, 2011, 2012; McDonald, 2007). The studies in nonprofit organisational characteristics affecting innovation suggest there are contextual differences between innovation/innovativeness in nonprofit sector and for-profit sector. The most fundamental one is the competitive dimension attached to innovations in a for-profit context. Innovation in a for-profit setting is invariably projected as a tool to get ahead of competition. The discussion on 'creative destruction' is founded on this concept (Schumpeter, 1942). However, innovation in a nonprofit context is to be understood in the context of improving the effectiveness or efficiency of organisations to ultimately further organisational mission. Motivating mission and innovation focus are found to enhance innovativeness in nonprofit organisations which lead to more innovations by the organisations (McDonald, 2007). Meta-analysis conducted

by Damanpour (1991) also finds evidence that innovations in nonprofit and for-profit organisations are influenced differently by various organisational factors in these two types of organisations.

Hull and Lio (2006) in their conceptual study discusses the basic differences in structure and policies of nonprofit and for-profit organisations that might affect innovation in these entities and they divide the organisational differences into three broad categories: vision, strategic constraints and financial constraints. The points of difference in these categories are scope of impact and performance expectations under vision; ownership and responsibility, and markets under strategic constraints; and incentives and revenues under financial constraints). The three point model developed by Hull and Lio (2006) is given in Figure 1. The authors argue that these factors behave differently in for-profit and nonprofit organisations leading to differences in risk-taking nature, learning capability, type of innovations, and sources of innovation. These constraints are likely to hamper innovations in nonprofit organisations. In terms of organisational factors, nonprofit organisations face more difficult challenges in ensuring innovative culture than for-profit organisations. Despite this, scholars maintain that nonprofit organisations are found more nimble in innovation (Jaskyte, 2011). The study predicts more process innovations than product innovations in nonprofit organisations due to the limited number of avenues for product or service innovations.

Three Point Model

For Organisational Evaluation Comparison and Decision Analysis

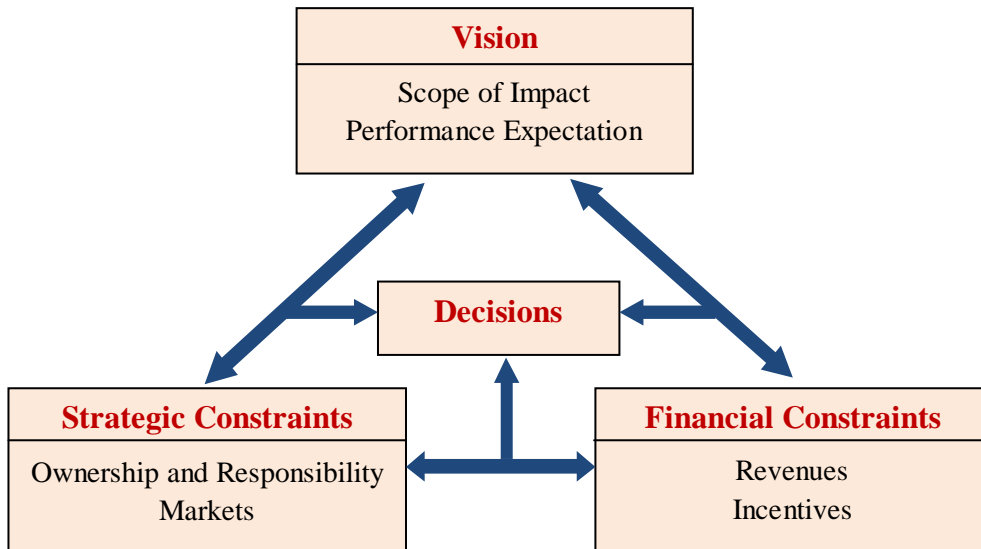


Figure 3.2: The three Point Model to explain the differences between for-profit and nonprofit.

A recent empirical study among nonprofit organisations reports that nonprofit organisations tend to produce more technological innovations than administrative innovations (Jaskyte, 2011). It is found that in nonprofit organisations, factors favouring technological innovations and administrative innovations are different. It is natural for nonprofit organisations to favour technical innovations as these organisations could leverage more out of technical innovations in terms of positive impact on organisational effectiveness. It is seen that these organisations respond to their challenging environments by novel ways of problem solving. Human factors such as transformational leadership influence technological innovations whereas structural, process and human factors affect administrative innovations. Role of top management in building and maintaining conducive environment for innovations in nonprofit organisations has also been established in another

research by the same researcher (Jaskyte, 2012). The study demonstrates that board of directors are a great influence on innovativeness of nonprofit organisations.

In public organisations, evolutionary or incremental innovations are found more likely than radical (Walker, 2008). Since public organisations and nonprofit share common characteristics such as nonprofit mission and lack of profit-motive, nonprofit organisations are also likely to implement incremental innovations than radical ones. In the general services sector in the for-profit domain, most innovations tend to be incremental and not radical (Scarborough and Lannon, 1989). This finding also points to the likelihood of more incremental innovations than radical innovations in nonprofit organisations since most of these organisations deal with services than products.

An innovation can be a new product or service, a new production process, technology, a new structure or administrative system or new plan or programme pertaining to organisational members. Nonprofit innovation can happen in service development, market development, service delivery and administrative process. Administrative innovations are equally essential to the growth and effective operations of an organisation. However, the small size of nonprofit organisations is found to limit the scope for administrative innovations and the potential benefits associated with it (Subramaniam & Nilakanta, 1996; Daft, 1978). Low functional specialization may also hamper innovations in small organisation. (Verhees & Meulenber, 2004). Therefore nonprofit organisations are likely to focus more on technical innovations which have a direct impact on the mission accomplishment in the market they serve.

Research on innovation and impact on performance is more limited than that on innovation antecedents in nonprofit sector. However the limited

research on the relationship suggests merits in including innovativeness in performance models in nonprofit settings. Hurley and Hult (1998), in their model, treats innovativeness (defined as openness to new ideas) as an aspect of organizational culture of organisations affecting the performance of organisations. Market orientation and learning orientation are antecedents to this innovative culture of the organisation, among other antecedents like participative decision making, power sharing, communication etc. This innovative culture together with structural and process characteristics of the organisation leads to an organisational outcome of capacity to innovate which in turn results in competitive advantage and performance. Thus in their conceptualisation of innovation, innovativeness dimension is an organisational cultural characteristic, and capacity to innovate and the performance are organizational outcomes. In terms of the phases of innovation (as conceived in Zaltman et al., 1973), innovativeness is related to the initiation phase and capacity to innovate is the adoption phase. The article suggests that the strong empirical connection between organizational innovativeness and capacity to innovate represents a clear case for incorporating innovation directly in the market orientation and organisational performance models in a nonprofit context.

A number of studies conducted among cultural nonprofit organisations have investigated the role of innovativeness in models with performance as dependent variable. Carmen and Jose (2008) empirically tests the mediating effect of innovativeness in market orientation-performance relationship among Spanish and French museums and finds significant mediational influence of innovativeness in the relationship. In the study, innovativeness is measured in terms of technological and organisational innovations. In Voss, Montoya-Weiss, and Voss (2006), innovation is found to have positive impact on performance in nonprofit professional theatre industry. Another study

conducted among cultural organisations (museums) also lends support to the link between innovation and performance (Garrido & Camarero, 2010). The study reports that technological, organisational and product innovations positively impact both social and financial performance of nonprofit organisations in the cultural sub-sector. Learning orientation is found to play a facilitating role in fostering innovativeness of organisations. Cultural organisations form the focus of all the above mentioned studies. These organisations, though nonprofit in legal status, are different from typical nonprofit organisations in terms of revenue sources as substantial part of revenue comes from customers. Or in other words, most of the revenue for these organisations is commercially generated. As discussed in the literature review section on the differences between for-profit and nonprofit marketing, source of revenue and the commercial exchange relationship is one of the major features distinguishing for-profit from nonprofit marketing. Thus, in nonprofit marketing context, the results of the above studies should be considered in the light of the settings of the study.

Modi (2012) is perhaps the only market orientation study conducted under typical nonprofit context that investigates the role of innovativeness in the market orientation-performance model. The above study reports that innovativeness fully mediates the relationship between market orientation and effectiveness of nonprofit organisations and partially mediates the relationship between market orientation and beneficiary satisfaction.

Review of literature on innovativeness shows that nonprofit innovation is generally regarded as vital for the sustainability and success of nonprofit organisations. Research in nonprofit sector indicates close association between market orientation and innovativeness.

3.5 Review of Studies on Market Orientation-Performance Relationship in Nonprofit Sector.

An extensive literature review was carried out to list out and analyse the published empirical studies on the relationship between market orientation and organisational performance of nonprofit organisations. The search yielded 13 empirical studies conducted in various settings across the world. Of the 13, six were reported from North America, five from Europe and the remaining two were from India. In general, studies report positive impact of market orientation on at least one performance dimension. This corroborates the validity of market orientation concept in nonprofit sector. Table 3.4 is a summary of the key findings of the literature review done on market orientation-organisational performance relationship in nonprofit settings. Duque-Zuluaga and Schneider (2008) is a conceptual study on the relationship between market orientation of nonprofit organisations and performance. The study proposes a societal orientation instead of market orientation to suit the nonprofit realities. The study also assumes positive impact of societal orientation construct on different nonprofit performance dimensions. Since these assumptions are not empirically tested, the study is not reviewed in further details in the present section.

At a glance, extant research seems to offer unequivocal evidence for the positive impact of market orientation on performance of nonprofit organisations. Shoham, et al. (2006) observes that positive impact of market orientation on performance is stronger in nonprofit sector than in for-profit sector. A closer analysis of the individual studies reveals that there are still dimensions of market orientation and its relationship with performance in nonprofit sector that need further investigation.

Body of research on the relationship between market orientation and performance of nonprofit organisations can be analysed on the basis of the scope accorded to the concept of *nonprofit market*, i.e., the market for nonprofit organisations. Generally speaking, there is a wide support among nonprofit researchers for the existence of multiple constituencies or markets for nonprofit organisations (Kotler, 1969; Gwin, 1990; Gallagher & Weinberg, 1991; Shapiro, 1974). Because of multiple constituencies, nonprofit organisations have to deal with multiple target-markets necessitating separate market orientations towards these markets (Padanyi & Gainer, 2004). According to Shapiro, donors and beneficiaries constitute the target markets for nonprofit organisations (Shapiro, 1974). Donors represent the resource-generation market and beneficiaries represent the resource-allocation market (Balabanis, et al., 1997).

However, in empirical research, studies have approached the concept of nonprofit market differently leading to notable differences in the way market orientation is measured and analysed in empirical models. One class of studies includes only a single component, either donors or beneficiaries, in empirical analysis even while they acknowledge the existence of multiple markets (Balabanis et al., 1997; Bennett, 1998; Kara and Spillan, 2004; Gainer & Padanyi, 2002; Bennet, 2005; and Gainer and Padanyi, 2005). These studies therefore investigate the relationship between market orientation towards either donors or beneficiaries and performance.

Another set of researchers appear to consider donors and beneficiaries not as separate markets but as parts of a single market (Vazquez, et al., 2002; Seymour, Gilbert, & Kolsaker, 2004; Modi & Mishra, 2010; and Modi, 2012). In these studies, an overall market orientation level is measured and its impact on performance is assessed. Multiple constituency approach in which donor

and beneficiary market orientations are considered separate and independent has also been applied to test the impact of market orientation on organisational performance of nonprofit organisations (Gainer and Padanyi, 2004). A detailed description of all market orientation studies are given in Table 3.4.

As indicated earlier, one set of studies deal with only one market component (Balabanis et al., 1997; Bennet, 2005; Gainer & Padanyi, 2002; and Gainer & Padanyi, 2005; Kara & Spillan, 2004; Voss & Voss, 2000). These studies, with the exception of Voss and Voss (2000), conclude that market orientation contributes to the performance of nonprofit organisations. Market orientation, as conceptualised in three of these studies have a narrow focus, dealing with just beneficiaries or clients (Bennet, 2005; Gainer & Padanyi, 2002; and Gainer & Padanyi, 2005).

Gainer and Padanyi (2002) find positive impact of client-oriented culture on client satisfaction and peer reputation in arts sub-sector of nonprofit organisations. Client-oriented activities are shown to precede client-oriented culture in nonprofit organisations by the study. A similar finding in relation to the relationship between beneficiary market orientation and satisfaction is reported in Bennet (2005) among charity organisations and in Gainer and Padanyi (2005) among a wider range of nonprofit organisations.

From a major departure from the general trend of positive results, findings of Voss and Voss (2002) draw attention to the limitations of market orientation in the specific subsector of artistic environment. The study conducted among professional nonprofit theatres reports that customer orientation is negatively associated with both objective and subjective performance measures, prompting the researchers to claim that artistic environment is a boundary condition for customer orientation. The study

stands out from others in nonprofit market orientation research from two standpoints - one, the use of objective measures of performance and the finding of negative impact of customer orientation on performance. Perhaps the divergence in findings can be explained by the difference in setting of the study as the organisations covered under the study have commercial exchange relationships with their clients and therefore the study findings can hardly be presented as challenging the general conclusion of nonprofit market orientation literature.

Donor orientation has also been the focus of research in some empirical studies (Balabanis, et al., 1997; Bennett, 1998; Kara & Spillan, 2004). Evidence for positive impact of donor orientation on performance is less conclusive than the results for beneficiary satisfaction. Balabanis, et al. report positive relationship between goal-achievement and market orientation, albeit with a time-lag effect. The study, however, finds no impact of donor market orientation on objective measures of performance such as number of volunteers and efficiency.

Bennett (1998), which is set in UK charity sector, also concludes positive impact of perceived fund-raising performance and donor orientation.

Kara and Spillan (2004), in contrast to Balabanis, et al., (1997), employ subjective measures for assessing the performance in donor-market and finds evidence for the positive influence of donor market orientation on fundraising performance among US nonprofit service providers. Though both studies include only donor-market orientation in their empirical analysis, existence of multiple market orientations is implied in their conceptualisations of market orientation.

Review of literature also shows a few empirical studies in which donors and beneficiaries are conceptualised as components of the same market resulting in an overall market orientation measure (Vazquez, et al., 2002; Seymour, Gilbert, & Kolsaker, 2004; Modi & Mishra, 2010; Modi, 2012). Performance dimensions used in these studies span organisation-wide activities covering both donor-related and beneficiary-related aspects. In Seymour et al. (2004), the conceptualisation of market orientation is based on market intelligence processing of customers, and competitors (termed as similar-service providers in the study) separately for both donors and beneficiaries. Nevertheless, competitor orientation and customer orientations scores for both markets are aggregated at the analysis level and the relationship between the aggregate market orientation and overall performance is examined. The study reports positive impact of total market orientation on performance. Vazquez, et al., (2002) too employs a market intelligence approach to measuring market orientation and measures a single market orientation score for donors and beneficiaries combined together. Market orientation is found to have direct positive effect on income and activities of nonprofit organisations and an indirect effect on organisational mission through the mediating effects of the other two performance measures. Thus, the study supports the efficacy of market orientation in nonprofit settings by demonstrating the impact of market orientation on different dimensions of nonprofit performance.

The other two market orientation studies following the approach of combined market orientation are set in Indian context (Modi & Mishra, 2010; and Modi, 2012). A detailed review of these studies is presented in the following paragraphs since the settings of these studies have the closest similarity to the present research settings. Modi (2010) is primarily an attempt to construct a market orientation scale exclusively for nonprofit sector. Nonprofit market orientation is conceptualised on the lines of MKTOR, the

market orientation scale of Narver and Slater (1990), i.e., market orientation as an aspect of culture of organisations having three components namely, customer orientation, competitor orientation and interfunctional coordination. Treating donors and beneficiaries as the target markets of nonprofit organisations, customer orientation component is expanded to include donor orientation and beneficiary orientation. Competitor orientation component of MKTOR is termed as peer orientation to make it suitable for the nonprofit context. Thus, nonprofit market orientation is conceptualised as a second order, one-dimensional construct with four components - donor orientation, beneficiary orientation, peer orientation and interfunctional coordination (Modi & Mishra, 2010). Thus an organisation is assumed to have an overall market orientation which encompasses orientations towards donors and beneficiaries and peer-organisations. The study reports significant relationship between market orientation and two dimensions of organisational performance, namely beneficiary satisfaction and peer reputation. However, no significant direct relationship is reported between market orientation and resource attraction, the third dimension of performance analysed in the study.

Modi (2012) is another study which uses the same conceptualisation of market orientation and performance as Mishra and Modi (2010). The study reports an indirect relationship between market orientation and resource attraction. Market orientation is shown to impact resource attraction through the mediating effect of peer reputation. The study also tests the mediating role of innovativeness in the link between market orientation and performance and reports that innovativeness fully mediates the relationship between market orientation and effectiveness and partially mediates the relationship between market orientation and beneficiary satisfaction.

Another approach applied in market orientation studies is the multiple constituency market orientation approach. Multiple constituency approach would mean that market orientations of nonprofit organisations in different constituents are considered separate and independent of each other (Padanyi & Gainer, 2004). The above-mentioned study, conducted among Canadian nonprofit organisations, demonstrates that organisations can exhibit different levels of market orientations in markets for beneficiaries and donors. Multiple market orientation approach therefore facilitates the measurement of specific impacts of donor and beneficiary orientations on different dimensions of performance. Padanyi and Gainer (2004), using multiple constituency approach, analyses market orientation in clients-market and government-funders market separately and report positive impact on performance. Market orientation in market for clients is shown to directly influence client satisfaction; however client orientation does not affect resource attraction directly. Client orientation is reported to have significant impact on peer reputation and peer reputation contributes to resource attraction. Client satisfaction is also shown to have influence on peer reputation. The study also reports positive impact of donor orientation on peer reputation. Market orientation construct in the study has been treated both as culture and behaviour and this was supported empirically by the study results, with market oriented activities seen as leading to market oriented culture in nonprofit settings. Though recognised as an important feature of nonprofit marketing in literature, multiple constituency approach has not been replicated by other studies to investigate the relationship between market orientation and nonprofit performance.

The table below (Table 3.4) gives a summary of empirical studies on the relationship between market orientation and performance of nonprofit organisations.

Table 3.4 Market orientation- performance research in nonprofit sector

Study	Settings	Market orientation perspective	Nonprofit market considered	Market orientation Measure used	Performance Measures used	Principal analytical tool used	General results
Balabanis, et al.(1997)	58 charities (UK)	Market intelligence based	Donors	Adapted MARKOR (20 items)	Achievement of long-term and short term objectives, and No of volunteers, and Expense to donor contribution	Regression	Positive for judgemental measures (time-lag effect noted); no impact for objective measures
Bennett (1998)	613 small-medium charities-UK	Behavioural	Donor Orientation, Competitor orientation	Adapted MARKOR	Perceived fund raising performance (in relation to other charities, and to a five yr time frame)	Regression	positive
Voss & Voss (2000)	101 theatres (US)	Cultural	Customer orientation	Adapted from	Objective measures of attendance, total income and net surplus Subjective measures of comparative performance in single ticket sales, subscription sales and overall financial performance	Regression	Negative or no impact on performance.
Vazquez, et al. (2002)	191 Spanish NPOs	Market intelligence based	Beneficiaries and donors as a single component	Self-developed based on MARKOR (16 items)	Mission Effectiveness measure - no of activities for beneficiaries and volume of income from donors Efficiency- ratio of donor contribution to expenditure for activities	SEM	Direct effect on effectiveness and indirect effect on efficiency through the mediating influence of effectiveness measures, Indirect effect on mission through efficiency

Study	Settings	Market orientation perspective	Nonprofit market considered	Market orientation Measure used	Performance Measures used	Principal analytical tool used	General results
Gainer & Padanyi (2002)	138 arts and cultural organisations (Canada)	Both behavioural and cultural	Clients	MARKOR - 7 items (for activities) MKTOR - 12 items (for culture)	Client satisfaction Resource Attraction Peer Reputation	SEM	Positive
Kara & Spillan (2004)	148 US Nonprofit service providers	Donors		Adapted MARKOR - 32 items	Fundraising activities	SEM	Positive
Padanyi & Gainer (2004)	453 Canadian NPOs	Both market intelligence based activities and cultural orientation in two market components- govt-funders and clients	Govt-funders and clients as separate constituent	MARKOR - 7 items (for activities) MKTOR - 12 items (for culture)	Client satisfaction Resource Attraction Peer Reputation	SEM	Positive
Bennett (2005)	172 UK charities	Market intelligence based	Beneficiaries Donors-as separate constituent	Adapted Deshpande & Farley, 1996 (9 items)	beneficiary satisfaction	SEM	Positive
Gainer & Padanyi (2005)	453 Canadian NPOs	Both activities and cultural orientation in client market	Clients	MARKOR - 7 items (for activities) MKTOR - 12 items (for culture)	Growth in client satisfaction Comparative client satisfaction	SEM	Positive
Scymour & Gilbert (2006)	38 UK charities	Market intelligence based orientations towards customers and competitors	Customers Support providers and competitors as separate components	Harrison & Walker, 2001	Annual goal achievement	Regression	Positive

Study	Settings	Market orientation perspective	Nonprofit market considered	Market orientation Measure used	Performance Measures used	Principal analytical tool used	General results
Morris et al. (2007)	145 US NPOs	Market intelligence based	Beneficiaries Donors	Adapted Wood et al., 2000	Organisational performance measure covering total revenue, net assets and fundraising	SEM	Positive
Modi and Mishra (2010)	102 NPOs in India	Cultural	Beneficiaries and donors as customers treated together	Self-developed based on MKTOR (14 items)	Beneficiary satisfaction Resource attraction Peer reputation effectiveness	Regression	Positive
Modi (2012)	579 NPOs in India	Cultural	Beneficiaries and donors as customers treated together	Self-developed based on MKTOR (14 items)	Beneficiary satisfaction Resource attraction Peer reputation effectiveness	regression	positive

3.6 Conclusion

The present chapter presented a detailed review of literature in five major domains: marketing concept and market orientation, market orientation in nonprofit sector, nonprofit organisational performance, market orientation-performance relationship in nonprofit sector, and innovativeness. Relevant research in the above domains was extensively reviewed and presented thematically in the chapter. The chapter provided an insight into the origin and development of market orientation and why it is considered essential to any organisation.

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Chapter 4

RESEARCH METHODOLOGY

- 4.1 *Relevance of the study*
- 4.2 *Statement of the Problem*
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This chapter on research methodology describes the various methods used in the study. Relevance of the study is elaborated first so as to set the background of the research. Research problem is discussed in the next section. Research objectives are also specified in this chapter. Conceptual framework containing the key variables under study and their hypothesised relationships are also presented. The chapter then proceeds to discuss the research methods.

4.1 Relevance of the study

Nonprofit sector has a crucial role to play in India's economic and social development. India, with one-fifth of humanity, faces a myriad of challenges in its march towards economic and social progress. The country is home to 33% percent of world's poor. A culturally and religiously diverse population with huge disparities in economic and social status and varying rates of economic progress complicates the task of addressing the issue of poverty alleviation and overall development. Enormous stress on natural resources and fragile environment is a cause for great concern in the country. It is against this background that the role of nonprofit sector in the country must be discussed. Nonprofit organisations are generally perceived as effective mechanism in many social fields because of their close proximity to the local community, better operational cost efficiency and organisational flexibility. Government alone cannot effectively address the complex economic, social, and environmental issues begging for solutions in the country. An active and efficient nonprofit sector is thus an absolute necessity in this scenario. The sector in India has a proud history of active contribution in the field of social reforms, public charity, and national integration in the pre and post independence days. Present day challenges in economic and social fields, however, call for greater skills and resources if the sector is to effectively meet the demands placed on it. The other two sectors of the society - business and government - also stand to benefit from an efficient nonprofit sector. Economic and social progress of the society is a necessary condition for long term success of the business sector. Thus, better understanding of the requisites for performance of organisations in the nonprofit sector has great economic social and relevance in India.

The Indian nonprofit sector is considered to be huge in terms of both the number of organisations and the total revenue generated in the sector. There are 31,74,420 registered non-profit organisations in the country (CSO, 2009). The sector also employs (paid and volunteer) around 12% of the total non-agricultural workforce in the country. The total revenue generated in the sector in the year 1999-2000 was projected to be around Rs.17, 922 Crs (PRIA, 2003). In the year 2009-10, the sector received Rs.10337 .59 crore in foreign contributions alone (Government of India, 2012). The above statistics amply demonstrates the importance of the sector to the country. Capacity building and performance enhancement of a sector that handles such substantial amounts of man power and financial resources will have positive impact on the socio-economic scene in the country.

The sector in India is largely unorganised. Many organisations work without even legal incorporation. A large majority of organisations are founded by individuals or small groups of individuals driven by passion for social causes. Increased interaction with the business sector and international funding agencies as well as growing competition for funds have pushed Indian nonprofit sector into a transitional phase where many organisations are forced to adopt commercial management practices to improve performance. However, professional management practices as recommended and practised in nonprofit sector of the developed world might have limitations in Indian context. Blind replication of the success-models of the developed world cannot be expected to be suitable and effective in Indian context. Therefore, efficacy of modern management concepts in improving organisational performance of Indian nonprofit organisations deserves extensive research attention.

Despite this fact, academic research in this field has been sparse. Lack of research efforts are more glaring in the area of use and application of nonprofit marketing in the sector. Literature from other countries points to the positive impact of marketing and market orientation on performance of nonprofit organisations. However, no research on market orientation has been carried out in the specific context of Kerala's nonprofit sector. Therefore it is imperative that this relationship is empirically established in Kerala context. Exploring the relationship between market orientation and organisational performance will greatly enhance the present body of knowledge in the field of nonprofit marketing and market orientation in an emerging economy context.

4.2 Statement of the Problem

Kerala has a unique place in Indian nonprofit sector. Kerala's progress on the human development front is well known and has been a subject of rigorous academic research and discourse. Human development Index (HDI) of the state is the highest in India. Nonprofit sector in Kerala is also believed to have contributed considerably to the social development of the state together with various other factors. Experts on Kerala model of development point out that the state's achievement on social front was made possible by actions from state, civil society and political activism (Veron, 2001).

The nonprofit sector in the state is to be seen against this background of high level of public action by the state and the high level of political mobilisation that ensures people's participation in development and governance. Therefore the emergence and the development of the sector cannot be taken as a demand-gap filling mechanism as in other parts of the country where filling the vacuum in public and social service provision is the

primary role of nonprofit organisations. Nonprofit sector in the state, active as it is, operates within a larger framework of organised movements under political leadership and proactive state action. This distinguishes Kerala's nonprofit sector from that in other parts of India.

More recently, some of the government policies in decentralisation have had a direct impact on the nonprofit sector of the state. People's Plan Campaign (PPC) has resulted in a large number of nonprofit organisations with active financial and policy support from the government (Chathukulam & John, 2002). A large majority of them are SHGs which are mutual benefit organisations. Developmental plans of the government at local level envisage crucial participatory roles for these organisations. Thus, traditional nonprofit organisations face competitive threats from those nonprofit agencies which have access to financial and institutional support from various governmental agencies, especially at the grass root level. It will be interesting to see how nonprofit sector has responded to this development. Ramakumar and Nair (2009) observe that PPC has influenced even the developmental stance of many civil-society organisations in the state. Post- PPC, erosion of legitimacy of existence is also a genuine threat for many nonprofit organisations in the state (Ramakumar & Nair, 2009). Role of building 'Social capital', typically associated with nonprofit civil-society organisations is also assumed successfully by the organisations supported by PPC in Kerala (Harriss, 2001; Chathukulam & John, 2002).

Similar competitive pressures on nonprofit sector of the state from the organisations formed under the aegis of PPC have found mention in another study too (Thomas, et al., 2010). This study reports the case of an NPO which successfully repositioned itself by altering its service-focus in response to

beneficiary- defection due to competition. This high density of organisations also has a mounting effect on competition, especially in the fundraising market. Kerala has ten nonprofit organisations per thousand of population as against the national average of three per thousand (CSO, 2009). On the beneficiaries side too, large number of organisations results in increased competition.

Thus the task of the nonprofit sector in the state is very different. Strong social welfare measures initiated by the government in some spheres can call into question the legitimacy of nonprofit organisation in those spheres. Kerala presents a peculiar situation where one has a vibrant nonprofit sector with one of the highest densities of organisations in the country coexisting with one of the highest social sector-spending by the government. Government failure theory predicts that nonprofit sector tends to emerge where the government fails to deliver on public services. Failure to provide social services by the government is not a factor which contributed to the emergence of nonprofit sector in the state.

In global nonprofit sector, competition is often associated with trends towards commercialisation of the sector which is manifested in ways such as contract competition, collaboration, influence of new and emerging donors, commercial generation of revenue, and social entrepreneurship (Eikenberry & Kluver, 2004; Toepler, 2004). Enhancement of organisational performance assumes greater relevance in such a scenario. Management practices in financial, HR and operational management are found to have wide acceptance in the nonprofit sector (Alexander, 2000). These techniques with suitable sector-adaptations are thought to enhance efficiency. But as Kotler observed for nonprofit organisations in the international arena; marketing was the last of

the commercial practices to be embraced by non-profit sector here (Andreasen & Kotler, 2003).

From the illustrations of the present trends in the nonprofit sector in Kerala, the sector appears to be a fit case for market orientation. Literature predicts nonprofit organisations with similar competitive pressures to respond by adopting business-like practices such as market orientation for survival (Eikenberry & Kluver, 2004; Toepler, 2004). Although there is literature support for the positive impact of market orientation on organisational performance in international context (mostly in developed-country settings), practically nothing is known about the incidence, nature, or impact of market orientation of nonprofit organisations in Kerala. Scant literature available in the broader context of Indian nonprofit sector is inadequate to throw light on the exact nature of nonprofit market orientation in Kerala as the relevant dynamics of the sector in the state is vastly different as pointed out earlier. Thus, efficacy of market orientation in enhancing organisational performance of nonprofit organisations is an open question in the context of Kerala's nonprofit sector. Given the importance and relevance of the sector, the topic deserves immediate research attention.

Thus, the present research attempts to address the question of whether market orientation has positive impact on organisational performance of nonprofit organisations in Kerala and to analyse the nature of market orientation as practiced in these organisations.

4.3 Objectives of the Study

Market orientation of nonprofit organisations in Kerala and its impact on organisational performance is the central focus of the study. The nature of market orientation in terms of its priority towards donors and beneficiaries,

and the variations in market orientation levels in the organisations of the sector in Kerala with respect to select organisational characteristics are also sought to be examined by the study. Specific objectives of the study based on the above broad purpose are identified as follows:

Objectives Related to Market Orientation and Performance

- 1) To ascertain whether market orientation has a positive impact on organisational performance of nonprofit organisations in Kerala.
- 2) To examine whether innovativeness plays a mediating role in the relationship between market orientation and performance.

Objectives Related to the Nature of Market Orientation

- 1) To find out whether nonprofit organisations in Kerala exhibit different market orientation levels towards donors and beneficiaries.
- 2) To analyse whether market orientation levels in nonprofit organisations vary based on organisational characteristics such as funding-source, organisational size, financial resources and presence/absence of separate marketing personnel/dept.

4.4 Conceptual Framework

The conceptual framework is guided by the research objectives outlined above. Market orientation, as discussed at length in the chapter on literature review, can be described as the implementation of marketing concept (Kohli and Jaworski, 1990). Marketing concept, which is widely held as the foundation of marketing thought and discipline, is one of the strategic orientation–options available to an organisation. The concept of organisational orientation relates to the nature of an organisation’s adaptation to a specific situation. It reflects the degree to which one accommodates the surrounding

environment in order to achieve its objectives. Other common strategic organisational orientations include production concept, product concept and selling concept. These orientations basically sum up the various guiding philosophies adopted by organisations to allot and align their resources so as to achieve the organisational objectives effectively and efficiently. Marketing concept holds that the organisational objective of long term profitability is best achieved by focussing the entire activities of the organisation on satisfying the customers. On the basis of an extensive literature review Kohli and Jaworski (1990) identify customer focus, coordinated marketing and long term profitability as the elements of marketing concept. Customer focus means that a market-oriented organisation considers customers as the centre of the organisation and therefore the organisation constantly monitors customers' needs and preferences and every other factor that might influence the customers' current or future needs. The centrality of the market is the basic idea of marketing concept. Coordinated marketing is a corollary to the first element of marketing concept, customer focus. It implies that all organisational activities are integrated for the purpose of serving the customers or the market. Thus, marketing concept or market orientation is not the orientation of the marketing department alone; it is the orientation of the whole organisation. Long term profitability indicates the long-term focus of the organisation as opposed to the short term goals focussed on sales maximisation of selling concept. (For a more elaborate discussion on marketing concept, refer section 3.1 of Chapter 3 of the thesis).

Narver and Slater (1990) view market orientation as composed of three behavioural components, namely competitor orientation, customer orientation and interfunctional coordination which are guided by long-term focus and profitability (growth and survival for a nonprofit entity). Therefore, analysing

the above two approaches to market orientation, which are by far the two most influential conceptualisations of the construct, one can say that both approaches make similar conclusions on the content of market orientation. But the two approaches are based on different assumptions about the nature of the construct. Kohli and Jaworski approach is based on behavioural perspective of market orientation and Narver and Slater approach treats market orientation as a property of organisational culture (See section 3.1.1 in chapter 3 for a more detailed discussion). In nonprofit marketing also, market orientation has been approached as an aspect of culture, as a set of organisational behaviours and as both (Padanyi & Gainer, 2004). Market orientation as a cultural variable views itself as a set of organisational values shared across an organisation, prompting the organisation members to treat customers as most important and customer satisfaction as the end objective of organisational activities. This market oriented culture will give rise to necessary behaviours targeted at customer satisfaction and this behaviour works as the source of competitive advantage for the organisation in the market place leading to higher performance. Narver and Slater (1990) who operationalised market orientation in culture mould explained the effect of market orientation on business performance in the same manner.

In the context of the present research, the market orientation of nonprofit organisations in Kerala's nonprofit sector, behavioural approach to measuring market orientation can be considered more appropriate in the light of the following reasons. One, market oriented behaviours are more amenable to measurement in nonprofit sector than market oriented culture (Padanyi, 2008). Market oriented activities have been shown to precede market oriented culture in the specific context of nonprofit organisations (Gainer & Padanyi, 2005). In a nonprofit context it is difficult to conceive market oriented culture leading to

market oriented behaviours. The sector is traditionally known not to think in market terms, as beneficiaries are at a disadvantageous position compared to the nonprofit organisations; and aggressively seeking donors by nonprofit organisations is considered distasteful (Bruce, 1995). Mission is thought to override other concerns in a nonprofit organisation. Thus in a nonprofit organisation market orientation is more likely to be a conscious decision than something which naturally emerges from the organisational culture. So it is reasonable to assume that in a nonprofit context market oriented activities precede culture. Gainer and Padanyi (2005) has demonstrated this effect empirically. The conceptual framework for the present study is therefore based on the behavioural conceptualisation of market orientation.

Market orientation simply refers to the implementation of marketing concept; or in other words, one can say that market orientation is applied-marketing concept. Following a behavioural perspective, market orientation can be assessed in terms of the behaviours or activities of an organisation intended to ensure customer focus through well-coordinated organisational activities with the end objective of long-term growth and survival. Market oriented behaviours are in terms of market intelligence gathering, dissemination throughout the organisation and the organisational responsiveness to the market data.

4.4.1 Market Orientation in the Specific Context of Nonprofit Organisations

Desirability of adoption of market orientation in nonprofit sector and the attempts to link market orientation and performance of organisations in the nonprofit sector must be viewed in the larger context of extension of marketing to nonprofit settings. It was only logical for researchers to speculate the effectiveness of market orientation in nonprofit context since marketing

was thought to be a valid concept in nonprofit sector. Kotler and Levy (1969) was the first to propose the application of marketing and market orientation in nonprofit sector. Since nonprofit organisations have products in the form of services or programmes, these organisations are also faced with the challenges of marketing their products or services to donors and beneficiaries much like commercial organisations. Going by this perspective, the authors argue that nonprofit organisations need to understand their markets and coordinate the organisational efforts to effectively satisfy the customers (Kotler & Levy, 1969). Marketing helps nonprofit organisations to achieve their organisational objectives effectively through improved target market satisfaction and improved efficiency in marketing (Kotler & Murray, 1975).

Market orientation in a nonprofit context is the adoption of marketing concept by nonprofit organisations. Going by the behavioural approach to market orientation, a nonprofit organisation can be said to be market oriented when there is market information gathering and organisation-wide dissemination and responsiveness to it (Kohli & Jaworski, 1990). Conceptualising *market* in a nonprofit context is a crucial step in deciphering nonprofit market orientation. Unlike for-profit sectors, defining the scope of an organisation's market is not easy because of the social nature of organisational objectives and the nonmonetary exchange relationships between a nonprofit organisation and the other party in a nonprofit exchange. Multiple market-constituents have far more significance in the special context of nonprofit sector. Existence of multiple market orientations of nonprofit organisation is an accepted concept in nonprofit marketing literature. Kotler lists market constituents for nonprofit organisations under four *publics*: input publics, internal publics, intermediary publics and consuming publics (Kotler, 1982). According to Gwin (1990), resource generators, service users and regulators constitute the customer

groups in a nonprofit market. Helmig and Thaler (2010) include direct customers, indirect customers, internal customers and donors as customers of a nonprofit organisation. Therefore, one can conclude that the concept of multiple markets for nonprofit organisations is generally well-recognised in literature.

Researchers in nonprofit market orientation have acknowledged the need to consider multiple market-components in estimating nonprofit market orientation (Padanyi & Gainer, 2004) and a small minority of them have tried to incorporate this concept into their market orientation models (Padanyi & Gainer, 2004; Morris, et al., 2007). Since donors and beneficiaries are considered as the target markets for nonprofit organisations (Shapiro, 1973), nonprofit market orientation will consist of two components – market orientation towards donors and market orientation towards beneficiaries (Balabanis, et al., 1997). Since these two nonprofit market components are separate and consist of different entities, they are likely to behave and respond differently to organisation's actions. Therefore, impact of market orientation is also likely to be manifested differently in these two market-groups (Padanyi & Gainer, 2004). This forms the argument for treating market orientations of a nonprofit organisation towards the markets for donors and beneficiaries as separate and independent and also for the separate assessment of their impacts on performance of nonprofit organisations.

For most part in empirical studies in nonprofit market orientation, market orientation construct has only limited scope owing to the solitary focus on either donor groups or beneficiary-groups. Limited number of studies that followed multiple market orientations approach has also shied away from exploring it fully. Padanyi and Gainer (2004), the first research to use multiple

market orientations as independent and separate variables, include only government funders for assessing donor orientation. Modi and Mishra (2010) and Modi (2012) while recognising the need for multiple market orientations in nonprofit organisations, consider only overall market orientation score in empirical testing and therefore fail to capture the individual and specific consequences of donor market orientation and beneficiary market orientation on different dimensions of organisational performance. Morris et al., (2007) also consider donors and clients as separate markets for assessing market orientation. However, only revenue related performance measures are used to evaluate performance and hence falls short in exploring the impact of market orientation on noneconomic performance of nonprofit organisations.

Therefore, following a multiple constituency approach to nonprofit market orientation, the present study proposes to explore market orientation in both donor market and beneficiary market separately. This approach is not only beneficial but also essential in view of the research problem. Increasing competition for donor-funds can increase the possibility of nonprofit organisations shifting their priorities for managing stakeholder expectations. A difference in market orientation levels in donor market and beneficiary-market can indicate the trend of shifting priorities and thus throw light on the nature of market orientation in nonprofit sector characterised by financial constraints.

4.4.2 Performance of Nonprofit Organisations

Since the two types of market orientations are conceived as independent and separate, their impacts on performance are also likely to be different. Choice of performance measures is therefore important in the context of the study. Many researchers agree on the need to have a multidimensional approach to measurement of nonprofit performance (Kaplan, 2001; Seldon &

Sowa, 2004). Social nature of nonprofit objectives makes measurement difficult. In organisational effectiveness of NPOs, existence of multiple constituencies, their differing performance expectations and their strategic importance for the survival and successful functioning of the NPO are the most important factors which necessitate a multidimensional framework for assessing nonprofit performance (Herman & Renz, 1999; Sowa, Seldon & Standfort, 2004; Kaplan, 2001; Sawhill & Williamson, 2001). The multidimensional framework should preferably encompass all possible performance dimensions with regard to mission accomplishment, resource acquisition or capacity building, stakeholder performance criteria etc. Performance measures should reflect the complexities of the tasks before nonprofit organisations and the multiplicity of markets and the organisations' performance in these market-constituents.

Studies linking market orientation and organisational performance in nonprofit sector have used various measures for assessing performance of nonprofit organisations. The choice of measures is predictably affected by the conceptualisation of market orientation and whether multiple market orientations are considered or not. Generally, market orientation studies have used multiple dimensions for assessing organisational performance. One of the most comprehensive performance measurement frameworks seems to be the one used in Padanyi and Gainer (2004) which is based on the performance conceptualization of Herman (1990). The dimensions of performance are client satisfaction, resource acquisition and peer reputation. The authors comment that these dimensions are likely to reflect the impact of the organisation's marketing efforts and hence these measures are better suited for studies on market orientation-Performance. Gainer and Padanyi (2002), observe that complex and multiple measures are appropriate for research based on models that treat

organizational performance as dependent variable. So they approach nonprofit organizational performance as multidimensional, but these dimensions are treated as separate rather than components of an aggregate performance measure. Thus in their study, performance is operationalised as having three dimensions, namely client satisfaction, peer reputation and resource acquisition. These dimensions are feasible across all subsectors of nonprofit sector.

However, peer reputation is not likely to be a relevant dimension of performance in sectors where frequent interactions among peers are not common and common networking platforms are rare as in the case of nonprofit sector in Kerala. Nevertheless, considering the resource dependence on external source for revenue and volunteer efforts, reputation is still a valid concept for the sector. Public reputation is deemed important when the constituency it deals with does not have enough knowledge about the quality and dependability of the organisations. In such cases, reputation is known to function as an indirect measure of an organisation's capability (Vendelo, 1998). In nonprofit sector, donors and volunteers and even beneficiaries may find it difficult to evaluate nonprofit organisations as outcome measurement is not often possible considering the intangible nature of mission and the long time horizon required for any perceptible progress in mission accomplishment. Hence the general reputation held by an organisation in the public is an asset in winning the confidence of donors and other resource providers. Therefore, the present study proposes to use a broader framework for reputation construct incorporating all relevant publics termed as 'Public reputation' to denote the general reputation enjoyed by an organisation among community, regulators, peers, beneficiaries etc. Thus, in the study, nonprofit performance is conceptualised as having three dimensions – beneficiary satisfaction, resource attraction and public reputation.

4.4.3 Relationship between Market Orientation and Organisational Performance – Development of Hypotheses

4.4.3.1 Market Orientation towards Beneficiaries and Beneficiary Satisfaction

In the for-profit sector, positive contribution of market orientation to performance-improvement has been analysed extensively and empirically established for different markets and organisational contexts and generally, extant research supports the positive impact of market orientation on organisational performance (Kirca, Jayachandran & Bearden, 2005). In for-profit business sector, market orientation is expected to enhance performance of firms in different ways. Superior competitive advantage is one such route to better performance facilitated by market orientation. By creating necessary organisational behaviours for superior value creation for customers, market orientation ensures superior competitive advantage leading to better performance of the organisation (Day, 1994; Narver and Slater, 1990). Enhanced customer satisfaction is another mechanism through which market orientation impacts the marketing performance of firms (Kohli, Jaworski & Kumar, 1993; Narver & Slater, 1994). It may be noted here that customer satisfaction is the ultimate objective for market oriented firms (Levitt, 1960). Another possibility for market oriented firms is the improved efficiency of marketing programmes as a result of superior market knowledge. Well-targeted and well-suited marketing techniques greatly enhance the marketing efficiency thereby contributing to overall firm performance.

Empirical research studies in for-profit literature generally points to a positive impact on organisational performance although some inconsistencies in findings are also reported. Empirical research on market orientation of nonprofit organisations is scantier compared to that in the business sector. The limited research in the field suggests a positive impact of market orientation

on nonprofit organisational performance, indicating the validity of market orientation concept in nonprofit settings. Extensive review of market orientation-performance studies in nonprofit sector reveals that all studies except one reports positive relationship between market orientation and some performance dimension. Hence it can be concluded that market orientation does impact performance of nonprofit organisations positively.

Constituent-specific market orientation and its impact can be felt on constituent appropriate-performance dimensions (Padanyi & Gainer, 2004). Therefore, market orientation in beneficiaries-market should enhance the performance of the nonprofit organisation in that particular market-component. Since this market-component consists of beneficiaries of the services of the organisation, beneficiary satisfaction is a likely outcome of market orientation in the beneficiaries- market. Past studies support the positive relationship between market orientation and beneficiary satisfaction (Modi & Misra, 2010; Modi, 2012; Padanyi & Gainer, 2004). Therefore, it is reasonable to assume a similar relationship in the context of nonprofit organisations of Kerala. This leads the researcher to the following hypothesis;

Market orientation towards beneficiaries will directly and positively affect beneficiary satisfaction

4.4.3.2 Beneficiary Satisfaction and Public Reputation

The importance of public reputation has already been discussed in the section 4.4.2 on organisational performance of nonprofit organisations. It is reasonable to assume a positive relationship between beneficiary satisfaction and public reputation where beneficiary satisfaction acts as the antecedent to public reputation. Earlier studies hint at this ordering of effects in the performance dimensions of nonprofit organisations between beneficiary

satisfaction and *peer* reputation (Modi, 2012, and Padanyi & Gainer, 2004). The above studies show that market orientation for beneficiaries is expected to positively enhance beneficiary satisfaction, which in turn leads to higher peer reputation. Considering the relevance of public reputation in Kerala's nonprofit sector (discussed in detail in section 4.4.2), the study assumes a similar role for public reputation in the present model. Therefore, the following hypothesis is offered:

Beneficiary satisfaction positively impacts public reputation of nonprofit organisations.

4.4.3.3 Public Reputation and Resource Attraction

Marketing literature generally holds that reputation of an organisation positively affects customer choice (Yoon et al., 1993, as cited in Helm, Eggert & Garnefeld, 2010) and loyalty (Selnes, 1993), especially in decision making scenarios where customers do not possess enough information for making rational decisions in product/service evaluation. Therefore, it is reasonable to assume that public reputation positively influence potential donors leading them to respond favourably to the fund-raising activities of nonprofit organisations. Hence, the following hypothesis is proposed;

Public reputation positively influences resource attraction.

4.4.3.4 Market Orientation towards donors and Resource attraction

Market orientation for donors should enhance performance measure related to donor-market, i.e., resource attraction. A market oriented nonprofit organisation, by staying close to the donor publics, will be able to build and nurture donor patronage and hence, show superior performance in attracting resources. In other words, donor market orientation is assumed to directly affect resource attraction. Morris, et al (2007) has reported that market

orientation towards donors leads to better financial performance of nonprofit organisations. Therefore, it is hypothesised that;

Market orientation towards donors has a direct and positive impact on resource attraction

4.4.3.5 Mediating Role of Innovativeness

In spite of wide-spread support in literature for the positive influence of market orientation on performance, inconsistent results on direct relationship between market orientation and performance have been noted in the for-profit sector. From a review of for-profit market orientation studies, Langerak (2003) observes that direct impact of market orientation on business performance has not been conclusively established in empirical research and that the effect of mediators is well-supported. Customer relationship indicators, product quality, firm effectiveness and innovation have been shown to mediate the relationship between market orientation and performance (Langerak, 2003). Of the above mentioned mediators, innovation related constructs are the most common mediating variables in empirical studies.

Market orientation results in superior organisational performance in the market place because the deep knowledge of customers and environmental variables equips the organisation to anticipate changes in market place and respond to these more quickly and more effectively than competitors. This seemingly logical argument does not always work in predicted ways. In business, fierce competition forces companies to be alert to every opportunity that can offer competitive advantage. However, in markets where all firms are market oriented, market orientation is bound to cease to be a source of competitive advantage. Market knowledge in such situations is shared by all and no one has an edge. Such markets naturally do not reward market orientation. But does it mean that it is an irrelevant concept in those markets?

Slater and Narver (1995) argue that market orientation is a *necessary* but *insufficient* condition for success. This indicates the possibility of a mediating influence of some variable in the relationship between market orientation and performance. Because market orientation is kind of ‘hygiene’ factor that every firm is supposed to possess, a minimum to be maintained by all. In that case, competitive advantage will come from some other source. Empirical studies in for-profit organisations support innovation as the ‘missing link’ in the models on market orientation and performance (Han et al., 1998).

Possible mediators in the relationship between market orientation and organisational performance have not been explored much in nonprofit sector research. Gainer and Padanyi (2005) argue that market oriented culture mediates the relationship between market oriented behaviours and performance. The study assumes that market orientation is both a cultural and behavioural variable. The above study shows that, in nonprofit context, market oriented activities precede a market oriented culture which in turn leads to performance. This implies a direct relationship between market orientation and performance. The only market orientation study in nonprofit context to have considered the influence of mediators is Modi (2012). The study reports that innovativeness fully mediates the relationship between market orientation and effectiveness and partially mediates the link between market orientation and beneficiary satisfaction. So it is reasonable to expect a similar relationship in the present study. Introducing innovation related constructs in nonprofit market orientation models has the potential to throw more light into the working of the relationship between market orientation and performance in nonprofit organisational context especially in the view of the positive results for the mediational impact of innovation in for-profit sector. Hurley and Hult (1998) projected innovativeness as the variable mediating the relationship.

Innovativeness was defined as openness to new ideas. But the mediational influence of innovativeness on the relationship is not empirically investigated in the study. Innovation related concepts are of special significance to nonprofit sector. Nonprofit organisations make a difference in managing social causes because they are known to be innovative because of their flexibility and adaptability. Garrido and Camarero (2010) is one of the few studies on innovation in a nonprofit context. The study finds evidence for the relationship between innovation and performance of NPOs.

Hence, considering the general indication in the literature for the mediational impact of innovativeness on the market orientation-performance relationship, it is considered meaningful to assess the mediating influence of innovativeness. Extant literature points to the possibility of innovativeness in nonprofit organisations being focussed more on beneficiaries-market owing to the importance of this component in mission-achievement. Therefore, it is posited that innovativeness acts as a mediator between market orientation towards beneficiaries and beneficiary satisfaction. Beneficiary orientation enhances the nonprofit organisations' innovativeness, i.e., its openness to new ideas and this innovativeness equips the organisations to design and implement innovative beneficiary-targeted solutions, thereby improving beneficiary satisfaction. This is the rationale behind the next hypothesis which is stated as:

Innovativeness mediates the link between market orientation towards beneficiaries and beneficiary satisfaction.

Integrating all hypotheses on the relationship between two components of nonprofit market orientation and the various dimensions of organisational performance, the following conceptual framework is proposed for empirical testing.

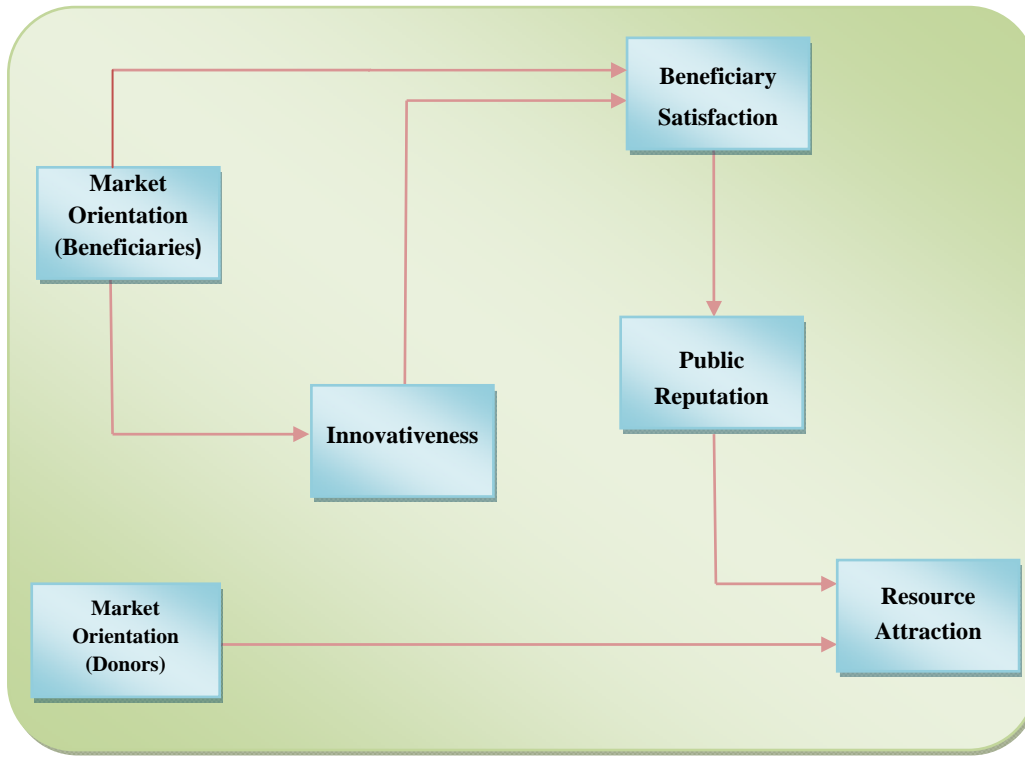


Figure 4.1 Conceptual model of the study

4.4.4 Organisational Characteristics and Variations in levels of Market Orientation.

Nature of market orientation is sought to be explained in terms of differences between the levels of market orientation in donors and beneficiaries markets and variations in market orientation levels in both markets based on important organisational characteristics such as source of funding, presence of separate department/personnel for marketing function, organisational size in terms of the number of employees and the size of operating budget.

4.4.4.1 Market Orientation and Source of Funding

Source of funding is an important characteristic of a nonprofit organisation as most nonprofit organisations are dependent on external sources of income. This external dependence in financing of organisational operations is one of the major

differences between non-profit and for-profit sectors. Generating revenue is a critical factor in ensuring the success and even survival of nonprofit organisations. Nonprofit organisations typically depend on three broad sources of income, namely public payments, private giving, and private fees and charges (Anheier, 2005). Public payments include all financial support and contract fees from government or governmental agencies. Private giving refers to contributions from private individuals and private institutional donors. Private fees and charges include all commercially-generated income from various sources such as fees, service-charges, sales proceeds etc. Nonprofit organisations are believed to be susceptible to external influence of stakeholders. A study conducted in German nonprofit sector supports the impact of source of funding on organisational orientation (Anheier, Toepler, & Sokolowski, 1997). The study concludes that “The difference between predominant public sector funding and majority private sector funding emerges as the most important distinction to understand how organisational orientations differ” (P- 212).

Thus it is hypothesised that;

There exists a difference in market orientation between predominantly private-funded nonprofit organisations and predominantly government funded nonprofit organisations.

4.4.4.2 Market Orientation and Marketing Department/personnel

A separate functional department or personnel for marketing in a nonprofit organisation is not likely to be common occurrence in Kerala’s nonprofit sector. But intuitively, the presence of separate marketing department/personnel should enhance the organisation’s market orientation by sensitising the organisations to the need for market orientation and facilitating interdepartmental coordination. In other words, a marketing department can ‘champion the cause’ of market

orientation in an organisation and thus help enhance the level of market orientation. Therefore, it is posited that,

Nonprofit organisations show variations in market orientation depending on the presence/absence of separate marketing personnel/department.

4.4.4.3 Market Orientation and Organisational Size

Organisational size has been shown to negatively affect market orientation of nonprofit organisations (Balabanis, et al., 1997). Large nonprofit organisations appear to be more reluctant adopt market orientation. This leads the present study to its next hypothesis;

There exists a difference in market orientation between small-sized and large-sized nonprofit organisations, where the organisational size is defined in terms of the number of paid-employees in the organisation.

4.4.4.4 Market Orientation and Financial Resources

Market orientation involves gathering of market information, dissemination, and responsiveness to the market information. This requires spending money and other resources like organisational time to support market oriented behaviours in the organisation. Thus the availability of these resources can therefore affect market orientation of an organisation. Results from for-profit sector point towards this direction (Liu, 1995). Therefore it is posited that,

There exists a difference in market orientation levels according to the size of financial resources at the disposal of the nonprofit organisations.

4.5 Hypotheses of the Study

The hypotheses developed from the discussions on the conceptual framework are listed below.

- 1) Market orientation towards beneficiaries will directly and positively affect beneficiary satisfaction
- 2) Beneficiary satisfaction positively impacts public reputation of nonprofit organisations.
- 3) Market orientation towards donors positively affects resource attraction
- 4) Public reputation positively influences resource attraction.
- 5) Innovativeness mediates the link between market orientation towards beneficiaries and beneficiary satisfaction.
- 6) There exists a difference in market orientation level towards donors and beneficiaries in nonprofit organisations in Kerala.
- 7) There exists a difference in market orientation between predominantly private-funded nonprofit organisations and predominantly government funded nonprofit organisations.
- 8) Nonprofit organisations show variations in market orientation depending on the presence/absence of separate marketing personnel/ department.
- 9) There exists a difference in market orientation between small-sized and large-sized nonprofit organisations, where the organisational size is defined in terms of the number of paid-employees.
- 10) There exists a difference in market orientation levels among nonprofit organisations of varying sizes of financial resources.

4.6 Variables and Definitions

The following is the list of variables used in the study.

- 1) Market Orientation (Donors)
- 2) Market Orientation (Beneficiaries)
- 3) Innovativeness.
- 4) Resource attraction.
- 5) Beneficiary satisfaction.
- 6) Public reputation

4.6.1 Market Orientation (Donors) and Market Orientation (Beneficiaries)

Market Orientation means the implementation of marketing concept. Marketing concept is conceived as having three core themes- customer focus, coordinated marketing and profitability. Thus a market oriented organisation is one in which the three pillars of marketing concepts are operationally manifest. (Kohli & Jaworski, 1990).

Following the behavioural perspective based on market intelligence of Kohli and Jaworski (1990), market orientation is defined as the organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation-wide responsiveness to it.

As explained in conceptual framework in section 4.4 of this chapter and also in chapter 3, market orientation in nonprofit organisations is conceptualised as simultaneous orientations towards beneficiaries and donors. Market Orientation (Beneficiaries) is the market orientation exhibited by a nonprofit organisation in the market consisting of beneficiaries and Market orientation (Donors) is the market orientation

exhibited by a nonprofit organisation in the market consisting of donors. Therefore, following Kohli and Jaworski (1990), the two variables are operationally defined as follows.

1. Market orientation (Donors)

It is the organization-wide generation of market intelligence pertaining to current and future *donor* needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it.

2. Market orientation (Beneficiaries)

Market orientation (Beneficiaries) is the market orientation exhibited by the organisation with respect to the market consisting of beneficiaries. Operationally, it is defined as the organization-wide generation of market intelligence pertaining to current and future *beneficiaries* needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it.

4.6.2 Innovativeness

Innovativeness stands for the organisation's propensity to adopt new and innovative ways in its conduct of operations. Following Hurley and Hult (1998), innovativeness is defined as openness to new ideas.

4.6.3 Beneficiary Satisfaction

Beneficiary satisfaction is the feeling of satisfaction of beneficiaries with the programmes, activities and services offered by an organisation.

4.6.4 Resource Attraction

It is defined as the resources generated by the organisation for financing its operations.

Public Reputation

Public reputation is the general estimation in which the organisation is held by the public in terms of how well the organisation is doing in accomplishing its mission and in ensuring growth by attracting resources.

4.7 Scope of the Study.

Scope of the study is defined by the following elements.

4.7.1 Population

All nonprofit organisations registered anywhere in Kerala under Travancore-Cochin Literary, Scientific and Charitable Societies Act, 1955 or Societies Registration Act, 1860, before the year 2006 with a minimum annual operating budget of Rs. 10 lakhs, constitute the population of the study, with the following exclusions: 1) Those organisations with self generated income as the sole source of revenue, 2) Membership organisations and self-help groups, and 3) Mainstream medical care, educational establishments such as schools and colleges.

The above-mentioned exclusion rules were applied to ensure that market orientation in selected organisations has all the complexities of typical nonprofit market settings so as to keep the theoretical framework valid. Organisations with only self generated income as the sole source of revenue were excluded from the study for the following reason. Although nonprofit in legal terms, those entities are not any different from commercial organisations when it comes to the task of marketing. Revenue generation and revenue allocation happens in the same market which consists of clients or users who pay for the services received. This also means that these organisations are not required to show simultaneous orientations towards two markets - donors and

beneficiaries. Thus multiple market orientations, a distinguishing feature of nonprofit marketing, is not seen in nonprofit organisations which run only on self generated income. Hence their exclusion from the study.

Two, membership organisations and self-help groups are not included in the scope of the study. SHG organisations are formed for the sole benefit of their members. Professional associations and trade unions are also avoided for the same reason. Precisely for the reason cited above, these organisations are not considered part of nonprofit sector in Indian context.

Mainstream medical care, educational establishments such as schools and colleges are also not considered for the study as they are not regarded as part of nonprofit or civil society in India (Sen, 1993).

Only those organisations, 5 years or older as of November, 2011 with an annual operating budget of Rs. 10 lakhs were considered for the study. This was done to ensure that the organisations were sufficiently large enough to adopt market orientation and to facilitate the comparison of performance over a five year horizon.

4.7.2 Place of study

The area of study is Kerala. The area was divided into three regions, south, central and north. Two districts from each region (having the highest number of nonprofit registrations in the respective region) were selected for data collection.

4.7.3 Data Sources

Data for analysis was the primary data collected through a questionnaire survey conducted among the chief functionaries of NPOs based in Kerala.

4.7.4 Period of study

The data was collected during the period September 2012 to November 2012.

4.8 Research Design

The study is both descriptive and explanatory in nature. The study analyses and reports on the level and type of market orientation of nonprofit organisations. Therefore the study can be termed as descriptive. The study also tries to bring out the relationship among the various variables of interest. Thus, the study can be described explanatory too.

4.9 Sample Design

The population consists of nonprofit organisations registered anywhere in Kerala under Travancore-Cochin Literary, Scientific and Charitable Societies Act, 1955 or Societies Registration Act, 1860, before the year 2006 with a minimum annual operating budget of Rs. 10 lakhs, with the following exclusions: 1) Those with self generated income as the sole source of revenue, 2) Membership organisations and self-help groups and 3) Mainstream medical care, educational establishments such as schools and colleges.

4.9.1 Sample Selection Procedure

Area of study (Kerala) was divided into three regions - south, central and north. Two districts having the highest number of registered nonprofit organisations were selected from each region (Thiruvananthapuram, Kollam, Kottayam, Ernakulam, Kannur, and Kasargod). Directory of nonprofit registrations in Kerala prepared as part of phase I of the Nonprofit Institutions Survey (2009) by CSO served as the reference for identifying the districts with highest number of nonprofit registrations. Sampling frame was the combined

list of NPOs listed in two directories (Directory for NPIs by Planning Commission of India & the member directory of Indian Council for Social Welfare). NPOs for the survey were randomly selected from each district from the sampling frame.

4.10 Analysis Design

Nonparametric tests Mann-Whitney U test, Wilcoxon signed Ranks test and Kruskal-Wallis were used wherever appropriate for testing the hypotheses on variations in market orientation with respect to select organisational characteristics and the difference in market orientation levels in donors and beneficiaries markets. The conceptual model comprising of the hypothesised linkages among the variables of the study was tested using PLS-based Structural Equation Modelling. The statistical procedures were performed using statistical software packages SPSS 16 and Smart PLS (beta 2.0).

4.11 Data Collection Method

Questionnaire survey method was used for collecting the data required for the study. Respondents were the chief functionaries of the sample organisations and the questionnaires were delivered directly to the respondents. An official letter of introduction accompanied the survey form. The questionnaire had a total of 65 response items divided into 6 sections. Single informant self reporting method was the approach used for data collection. Despite the limitations of reporting bias, the method has been used widely in market orientation studies both in for-profit and non-profit sectors. In fact, all except one market orientation study reported in literature have used single informant-self reporting method for measuring the independent construct of market orientation and the dependent construct of performance (see Table 3.3 of chapter 3). In the for-profit literature also, self-reporting is

the most preferred method for measuring market orientation. Some for-profit studies have used objective measures of performance since measurable objective yardsticks like sales, ROI etc are readily available for for-profit organisations. But the inappropriateness of such measures in nonprofit sector makes their use limited in nonprofit research. Though objective measures are undoubtedly free from bias and therefore more reliable, literature still offers considerable support for the use of subjective measures when objective measures are unavailable. Dess and Robinson (1984) report strong correlation between objective and subjective measures hinting at the suitability of subjective measures if objective measures are not available. Similar finding was also noted in Pearce, Robbin and Robinson (1987). The major issue associated with subjective measures of performance through self reporting is common method bias (Andrews, Boyne & Walker, 2006) and the above issue is revisited in section 6.5 of chapter 6.

4.12. Measures of the Constructs

1. Market Orientation

Market orientation is measured using an adapted version of MARKOR scale developed by Kohli, Jaworski, and Kumar, 1993. MARKOR scale is a widely used scale in market orientation studies in both for-profit and nonprofit settings. The scale is based on behavioural approach, i.e., market orientation is measured in terms of organisational activities or behaviours exhibited by the organisations. This approach has certain well-documented advantages in nonprofit context over the competing alternative, the cultural approach to measuring market orientation by MKTOR of Narver and Slater, 1990.

Measuring market orientation in terms of organisational activities is relatively more meaningful than measuring the construct in terms of culture in the specific context of nonprofit settings. Market Orientation as a behaviour implies that it can be implemented by a management writ and therefore lends itself to be introduced or changed in response to any compelling environmental change. This makes more sense in nonprofit especially in the context of the research problem which deals with the adoption of market orientation as a result of rising competition and other environmental changes prompting the management to look at market orientation as an adaptive strategy for growth and survival. Another factor in favour of behavioural measurement is to be found in the general culture of the nonprofit sector where nonprofit organisations take pride in being different from business organisations. Therefore, market oriented behaviour seems more likely to be acceptable in the sector.

Original MARKOR by Kohli, et al (1993) is a 20-items scale. Since no Indian study has reported the use of MARKOR in nonprofit sector, it was considered necessary to check the suitability of the scale by subjecting it to an expert review. The scale was first reviewed by a panel of experts consisting of 5 senior nonprofit managers in Kerala. The experts were asked to review each item in the scale for the suitability of item-wordings and appropriateness in an Indian nonprofit context. Review was done independently by each expert. Based on the inputs from the review panel, adaptations were made in the original 20-items scale to suit the nonprofit context in India. Adaptations were in the form of change in wordings and deletion of 4 items. The deleted 4 items were statements about competitive pricing and campaigning. These were considered inappropriate for nonprofit sector in India, by all experts. The

resultant scale had 16 Likert type statements on a 1 to 5 scale, ranging from 'Not at All' to 'To a Great Extent'.

2. Organisational Performance

Organisational performance of nonprofit organisations is conceptualised as a multi-dimensional construct with three separate dimensions, namely beneficiary satisfaction, public reputation, and resource attraction. This conceptualisation of nonprofit performance is similar to that of Padanyi and Gainer (2004). The measures for beneficiary satisfaction and resource attraction were measured using Padanyi and Gainer (2004) scales. For the present study, the term client satisfaction is replaced by the term 'beneficiary'. Minor changes in wordings were effected in the scale for resource attraction too. No further changes were recommended by the experts after the review of the scale. The scales for beneficiary satisfaction and resource attraction have 5 and 4 items respectively measured on a 1 to 5 scale with the anchor points 'Declined Significantly' and 'Increased Significantly'.

Scale for Public reputation is modelled after the peer reputation scale of Padanyi and Gainer (2004). The original scale was meant for measuring the reputation of a nonprofit organisation among its peer organisations. Therefore, the adopted scale for measuring public reputation was content-checked with practicing nonprofit managers to ensure face and content validities. Based on inputs from the expert review, item wording were changed for certain items. The scale approved for administration had 4 items.

All performance measures were measured in comparative terms i.e., in terms of changes over a 5 year time period.

4.13 Instrument for Data Collection

The final instrument has 65 items. These are arranged into 6 different sections (sections A to F). The first section deals with the relevant organisational data. The section had both open ended and multiple choice questions. The total number of items in section A is 10.

The next two sections (B and C) are the market orientation scales. The scales consists of 5 point ('Not at all' to 'To a great extent') Likert type items. Section B, with 16 items, measures market orientation (Donors). Section C also has 16 items for measuring market orientation (Beneficiaries). These items were Likert type statements about organisational activities or behaviours, on a 5 point scale. The respondents were asked to indicate their response by checking the number that best describes their organisation for each statement. (1-Not at all 2-To a small extent 3-To a moderate extent 4-To considerable extent 5-To a great extent).

Section D had 13 items for measuring the different dimensions of organisational performance. Respondents were asked to indicate how their organisation has performed over the past five years in terms of the criterion mentioned in each Likert type statement on a five point scale. (1. Declined significantly 2. Declined somewhat 3. Been Stable 4. Increased somewhat 5. Increased significantly)

Section E measures innovativeness. The statements are about a variety of activities of the organisation. Respondents indicate the degree to which the statement best describes their organisation. (1 Strongly Agree, 2 Agree, 3 Neither Agree or Disagree, 4 Disagree, 5 Strongly Disagree)

The last section collects the basic details of the respondent to ensure that the respondent is the chief functionary and has been in the organisation for long enough.

4.14 Limitations of the Study

The major limitation of the study is that it is cross-sectional rather than longitudinal in design. Ideally, longitudinal studies are considered the best method for prediction studies. Another drawback is the use of self-reporting method for measuring the constructs which makes the study prone to biased response. In order to check for the adverse effect of self-reporting, statistical tests were applied to rule out common method variance.

4.15 Conclusion

The chapter dealt with the various research methods used for conducting the present research. Relevance, research problem and scope of the study were explained so as to place the study in the extant research in nonprofit marketing. Conceptual framework was also discussed. The chapter then proceeded to explain the research design, sample and analysis design. Data collection method and measures of constructs were also given in detail.

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Chapter 5

DATA COLLECTION, RELIABILITY, AND VALIDITY

- 5.1 *Data Collection*
 - 5.2 *Profile of Sample Organisations*
 - 5.3 *Reliability and Factor Validity Analysis of Measures of Constructs*
 - 5.4 *Descriptive Statistics of Variables*
 - 5.5 *Data Distribution of Variables*
 - 5.6 *Analysis of Normality of data (Skewness and Kurtosis)*
 - 5.7 *Conclusion*
-

The chapter begins with the details of the data collection process and the sample profile. The chapter then proceeds to establish the validity and reliability of the measures of the constructs. Descriptive statistics of the variables is presented next. The chapter also discusses the data distribution characteristics of the variables measured. The data distribution analysis is done in two parts. First, the data distribution is assessed by histograms and normal Q-Q plots. In the second part, the normality of distribution is analysed more stringently by skewness and kurtosis measures.

5.1 Data Collection

A total of 173 nonprofit organisations from the selected six districts of the state were contacted for participation in the survey. Questionnaires, together with a letter of introduction were distributed directly to the chief functionaries of these 173 organisations. Of the 148 responses received in total, 11 were rejected due to either incompleteness of response or non-fulfilment of sample selection criteria. Thus, the final sample size of the study was 137.

Table 5.1 Data Collection Details

Districts	No of Questionnaires distributed	No of responses	No of usable responses
Thiruvananthapuram	30	27	25
Kollam	30	25	22
Kottayam	29	26	25
Ernakulam	30	25	25
Kozhikode	25	22	20
Kannur	24	23	20
Total	173	148	137

Table 5.1 gives the distribution of sample organisations across the districts in detail. Of the 148 responses received, some organisations did not meet some of the criteria set for sample selection, especially the one on the minimum amount for annual operating budget. Hence the above organisations were not included in the study. Responses that did not contain the information on sources of revenue were also rejected from the final sample. A total of 11 responses were thus discarded.

5.2 Profile of Sample Organisations

5.2.1 Registration Status of NPOs

In Kerala, there are two legal provisions for registration of nonprofit organisations: Societies Registration Act, (SRA) and Travancore- Cochin Scientific, Literary and Charitable Act, 1955 (TCLSC). Figure 5.1 gives the registration details of the organisations surveyed for the study.

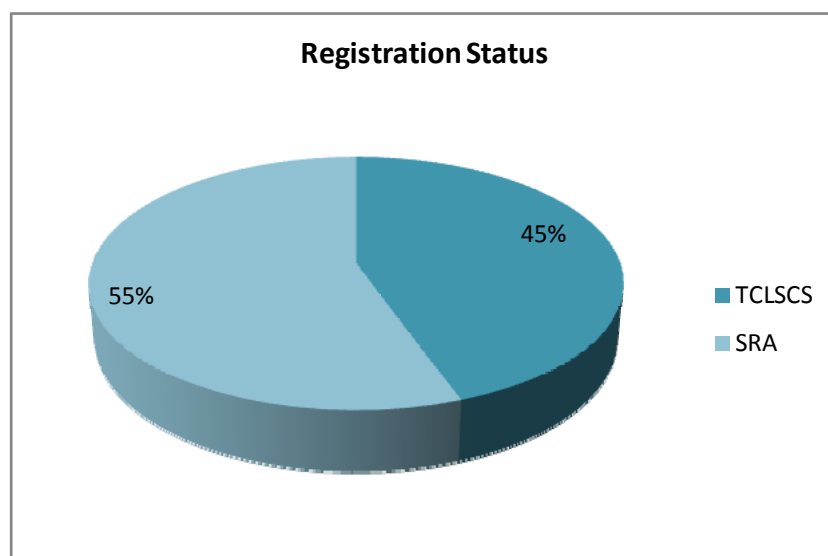


Figure 5.1: Registration Status of Sample Organisations

The above figure indicates that majority of the sample organisations are registered under Societies Registration Act. 76 of the total 137 organisations come under the purview of the above Act. 61 are registered under Travancore- Cochin Scientific, Literary and Charitable Act, 1955.

5.2.2 Organisational Size in Terms of Paid-Employees Strength

Number of paid employees has been used as a measure of organisational size in market orientation literature. Figure 5.2 below gives the break-up of organisations based on number of paid employees.

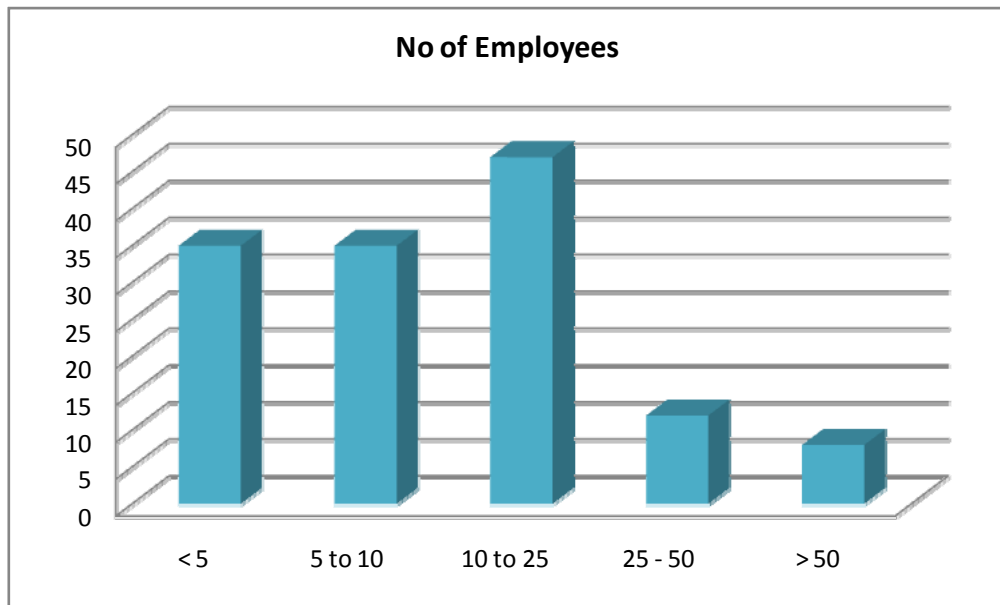


Figure 5.2: Number of Paid Employees in Organisations

A large majority of NPOs (117) are small in size with less than 25 paid employees. This is somewhat consistent with the findings of PRIA (2002) that the majority of Indian NPOs are small.

5.2.3 Classification of NPOs based on Primary sector

NPOs are classified into different sectors according to their primary area of operations. NPOs are spread into 12 categories as given in the table 5.2. The categorisation is based on International Classification of Nonprofits Organisations (ICNPO), a classification scheme adopted for System of National Accounts –SNA (UN,2003).

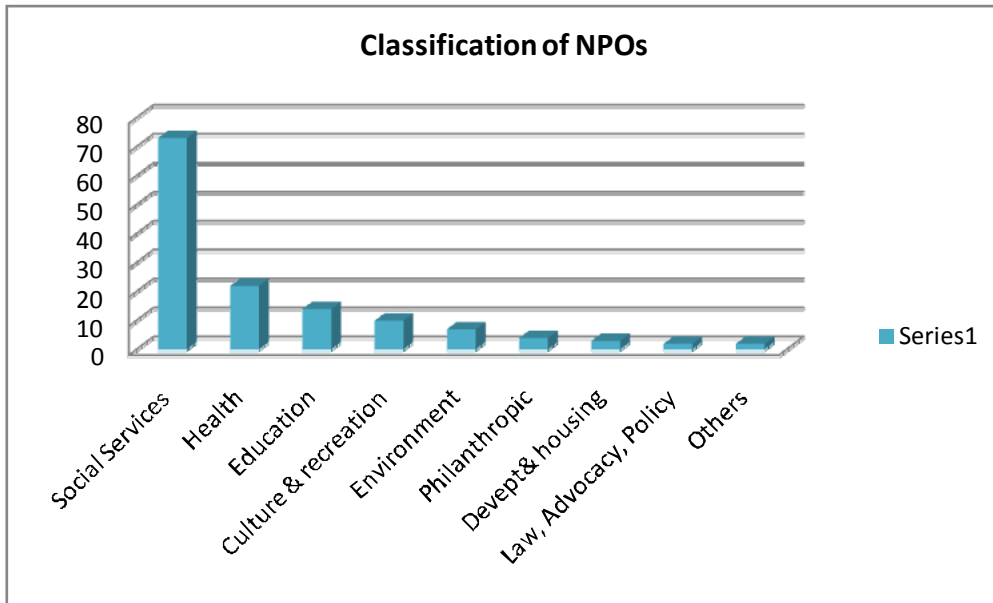


Figure 5.3: Classification of NPOs

About half of the organisations identify their primary area of operations as social services. Health and Education come at second and third positions respectively, in terms of number of organisations belonging to a particular sector. The top three sector together account for 79% of all organisations surveyed for the study.

5.2.4 Sources of Revenue

Predominantly private- funded NPOs outnumber those which are predominantly public-funded organisations as the figure 5.4 shows. Private sources include commercial activities, private individual donations and private institutional donations including corporate donations. The total number of private-funded NPOs is 81 and that of public-funded NPOs is 56.

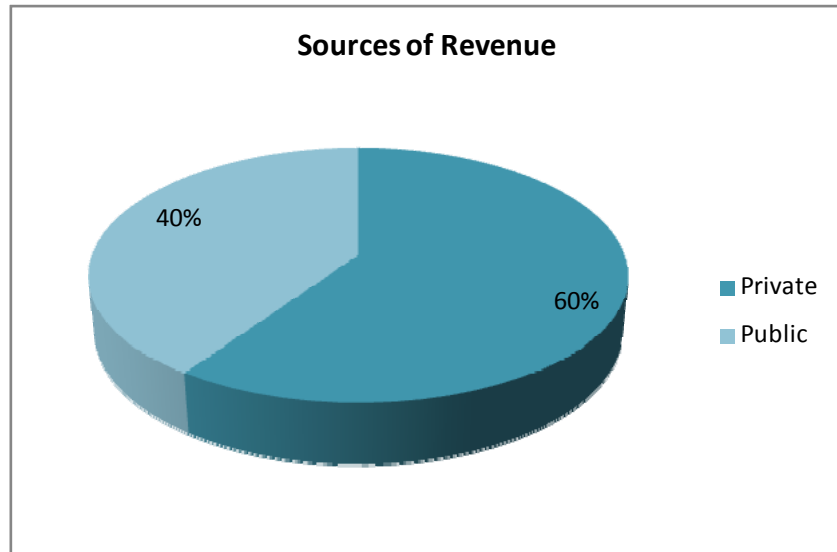


Figure 5.4: Sources of revenue of organisations

5.2.5 Annual Operating Budget

Annual operating budget is an important parameter to assess the size of a nonprofit organisation. The number and scale of activities directed at beneficiaries depends on the size of annual operating budget.

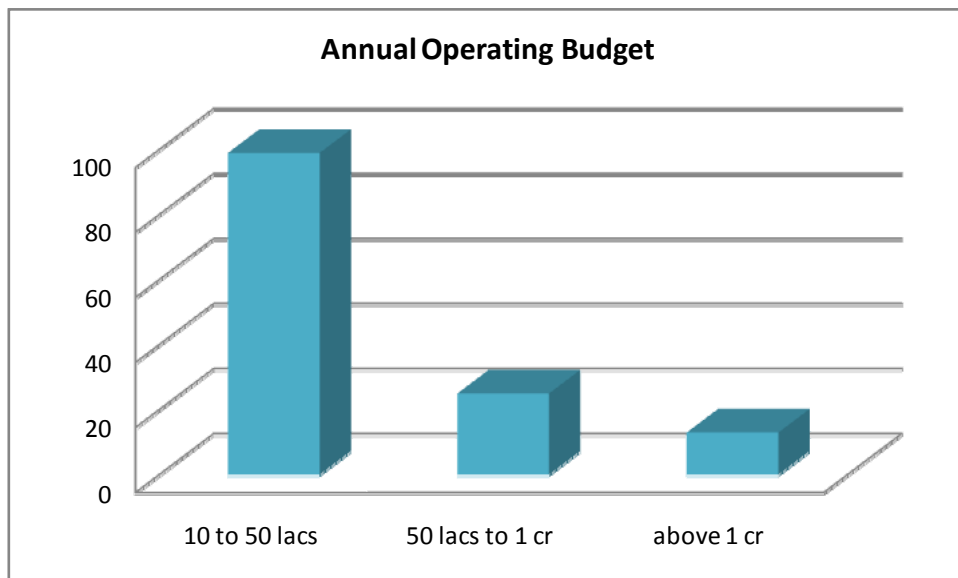


Figure 5.5: Size of annual operating budget

The profile of sample organisations based on the size of annual operating budget is presented by the histogram given below (Figure 5.5)

Annual operating budget of most of the NPOs is below the Rs.50 lacs mark (99 in number). 13 NPOs are big organisations with budgets of more than 1 Cr. The figures represented by the above chart follows a trend similar to that of number of paid employees. This points to the fact that the nonprofit sector in Kerala is mostly populated by small organisations.

5.2.6 Organisation of marketing function in NPOs

Figure 5.6 shows how marketing function is organised in nonprofit organisations covered by the study.

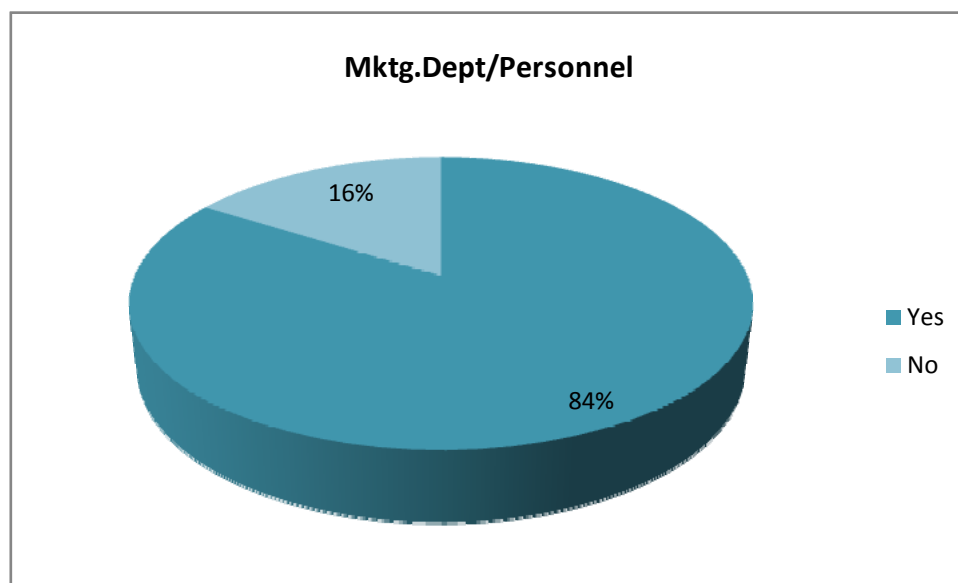


Figure 5.6: Separate marketing department/personnel in NPOs

A vast majority (115 in number) does not have a separate department or personnel designated exclusively for marketing activities. This is on expected lines because of limited budget and small size of the organisations.

5.3 Reliability and Factor Validity Analysis of Measures of Constructs

Reliability of a scale refers to its ability to give consistent results. Internal consistency method was used to assess the reliability of the instruments used in the study. Cronbach's alpha was the test employed for measuring internal consistency of items for all the instruments. Cronbach's alpha assesses the internal consistency of a scale by finding inter-correlations of items in the scale (Cronbach, 1951). An alpha of .70 or above can be taken as the cut-off for reliability of a scale (Nunnally, 1978). Cronbach's alpha was computed for all measures figuring in the study and reported in appropriate sections.

Since the scales used for measuring the constructs are adaptations of the existing scales, face validity and content validity are assumed as established. However, the factor structure or dimensionality of the measures is assessed because of its critical importance in the model specification in structural equation modelling and the conceptual framework. Also, the market orientation scale, MARKOR is being used in Indian nonprofit context for the first time. Therefore, dimensionality of all measures were analysed initially by exploratory factor analysis. Thus factor analysis in an exploratory fashion is a relevant step in establishing the factor structure of the scales used in this study. The market orientation scale used in the study MARKOR, a widely used scale in market orientation research, was originally constructed for for-profit sector organisations. Although several researchers in nonprofit market orientation have used this scale, its use in India has not been reported so far.

The present study employed Principal Component Analysis (PCA) for extracting the factors. Varimax rotation was performed on the extracted factor structure for a simplified and easily interpretable factor solution.

Factor analysis is not known to make strict assumptions about data distributions. Multivariate normality assumption is also not required as principal component analysis is based on principal axes and exploratory factor analysis is known to be robust against violations of normality (Floyd & Widaman, 1995). However, sampling adequacy measures and correlation among items are routinely scrutinised to assess suitability of data for performing factor analysis. Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity are the common measures in this regard. KMO is computed for assessing the sampling adequacy for principal component analysis. A minimum value of 0.5 indicates sampling adequacy for factor analysis (Kline, 1994). Bartlett's Test of Sphericity tests correlation among the items of the scale. It tests the hypothesis that the correlation matrix of all items is an identity matrix, indicating that there is no correlation among these items. Significance at ($p < .01$) rejects the above hypothesis and confirms correlation. The study deals with five different constructs namely, Market Orientation (Donors), Market Orientation (Beneficiaries), Innovativeness and the three performance dimensions-Beneficiary Satisfaction, Public Reputation and Resource Attraction. Separate reliability and factor analysis are carried out for each of the measures of the constructs. Reliability analysis and items-purification were done before performing factor analysis in keeping with the recommendations in literature (Churchill, 1979). The following sections (5.3.1 to 5.3.4) report the exact procedure followed for reliability and factor validity.

5.3.1 Market Orientation (Donors)

(i) Reliability

Initial scale for Market Orientation (donors) had 16 items. Reliability analysis using Cronbach's alpha method for market orientation (donors) scale resulted in a 12 items scale. Four items were dropped since these

registered low item- total correlation in the reliability analysis. Removal of the items with low item-total correlation also resulted in improved reliability of the scale (Final Cronbach's alpha - 0.904)

(ii) Factor Analysis

KMO and Bartlett's Test of Sphericity for Market Orientation (donors) were performed for the scale items. The following table presents the results of the two analyses.

Table 5.2 Kaiser-Meyer-Olkin measure (KMO) and Bartlett's Test of Sphericity for Market Orientation (donors).

KMO		.879	
Bartlett's Sphericity	Test of	Approx. Chi-Square	789.541
		df.	66
		Sig.	.000

As given above, KMO measure is 0.879, well above the mandatory minimum of 0.5. Therefore sampling adequacy is taken as confirmed. Bartlett's test of sphericity is significant at $.01(p < .01)$. Therefore the suitability of the present data set for factor analysis is confirmed.

Principal component analysis on Market Orientation (donors) with Varimax rotation resulted in the extraction of two components with Eigen values greater than one. Factor loadings of 0.5 or higher were taken as significant loadings considering the sample size of the study (N=137). As per the guidelines in Hair et al. (1998), significant factor loadings for a sample size of 120 and 150 are .50 and .45 respectively, i.e., smaller samples require larger factor loadings. Therefore, it was decided to consider .5 as the cut-off value for the factor loadings.

The two factor structure explains 59.67% of variance in market orientation (donors). This percentage of variance explained by the factor structure is more than 50%, which is considered acceptable (Hair et al., 1998). The factor loading matrix is given in table 5.3.

Table 5.3 Factor Loadings Matrix- Market Orientation (Donors)

Items	Factors	
	DMIP	DRESP
D_11	.680	
D_12	.708	
D_14	.684	
D_16	.637	
D_17	.614	
D_18	.767	
D_19	.584	
D_20	.628	
D_22		.817
D_24		.840
D_25		.603
D_26		.813

A close analysis of the items loadings in the above table shows that market intelligence generation and responsiveness items of the scale are collapsed into a single component. The second factor items are those corresponding to responsiveness. This is a highly plausible factoring out of market orientation construct in nonprofit context in Kerala. Nonprofit organisations here are typically small organisations of very limited employees' strength. Therefore the organisational context is in sharp contrast to the one existing in business sector organisations for which the scale was originally constructed by Kohli et al., (1993). Typical nonprofit organisations hardly have any strict hierarchical levels or functional departmentalisation. Therefore, intelligence gathering and

dissemination most probably happen almost simultaneously. That could be the reason for the information gathering and dissemination items in the scale to collapse together to form a single factor. Baker and Sinkula (1999) argues that market –oriented behaviours in an organisation consists of two stages, the market information processing stage comprising of intelligence generation and dissemination and the responsiveness stage. Ruekert (1992) also classifies Kohli and Jaworski (1990) conceptualisation as market intelligence based. Thus, market orientation can also be treated as a process rather than components. In such a case, the first two stages, i.e., intelligence generation and dissemination are likely to be a continuous and simultaneous process in very small organisations like the typical NPOs in Kerala. Therefore, the two factors extracted by principal component analysis were named market information processing for donors (DMIP) and responsiveness for donors (DRESP).

After the extraction of two distinct factors constituting market orientation for donors, reliability measures were computed for the two components. Reliability was found to be good for both dimensions without any further deletion of items. Reliability figures are given in Table 5.4

Table 5.4 Reliability - Market Orientation (Donors)

Components	Cronbach's alpha	No of items
Market information Processing(donors)-DMIP	0.878	8
Responsiveness – DRESP	0.827	4
Overall	0.904	12

Therefore, the final scale for market orientation (donors) has 12 items divided into two components- market information processing (8 items) and responsiveness (4 items).

5.3.2 Market orientation (Beneficiaries)

i) Reliability

Reliability analysis by internal consistency method was conducted for the scale. The scale initially had 16 items. Four items were dropped from the scale through iterative Cronbach's alpha computation and purification. Final reliability, Cronbach's alpha was .880 for this scale with 12 items.

(ii) Factor Analysis

Suitability of data for factor analysis was assessed using KMO and Bartlett's Test of Sphericity. The results are reported in table 5.5.

Table 5.5 Kaiser-Meyer-Olkin measure (KMO) and Bartlett's Test of Sphericity – Market Orientation (beneficiaries).

KMO		.836
Bartlett's Test of Sphericity	Approx. Chi-Square	726.528
	df.	66
	Sig.	.000

Since KMO is above 0.5 and Bartlett's Test of Sphericity is significant at .01, it can be concluded that the data is suitable in terms of sampling adequacy and inter-correlations for performing factor analysis.

Principal Component Analysis with Varimax rotation resulted in the extraction of two factors exactly in similar lines of the scale for Market Orientation (donors). The factors could be easily recognised as market information processing and responsiveness. One item with almost-equal loadings on both factors was dropped. For all other items, loadings were substantial on the respective factors and cross loadings were not serious enough to cause any concern. The two factor structure accounts for 57.86% of

variance of the construct of market orientation for beneficiaries (BO). Rotated component matrix results are provided in Table 5.6

Table 5.6 Factor Loadings Matrix-Market Orientation (Beneficiaries)

Items	Factors	
	BMIP	BRESP
B_27	0.8055	
B_28	0.8503	
B_30	0.6419	
B_32	0.6249	
B_33	0.7253	
B_34	0.5971	
B_36	0.7193	
B_38		0.6009
B_40		0.7847
B_41		0.7141
B_42		0.6762

Next, factor-wise reliability measures were computed for the scale and were found good. Details are given in table 5.7.

Table 5.7 Reliability - Market Orientation (beneficiaries)

Components	Cronbach's alpha	No of items
Market information Processing(beneficiaries)-BMIP	.817	7
Responsiveness(beneficiaries) – BRESP	.710	4
Overall	.835	11

Thus the reliability of the scale for market orientation (Beneficiaries) was found to be satisfactory at the component level and for the overall scale.

5.3.3 Innovativeness

(i) Reliability

Innovativeness was measured using Hurley and Hult (1988). The scale has 5 items. Reliability of the scale was assessed by internal consistency method via Cronbach's alpha. Initial alpha value was found to be less than 0.7. Analysis of item-total correlation of all items revealed two items with low correlation with the total and thus these items were dropped. The final results are shown in table below.

Table 5.8: Reliability - Innovativeness

Scale	No of items	Cronbach's alpha
Innovativeness	3	.764

(ii) Factor Analysis

Table 5.9: Kaiser-Meyer-Olkin Measure of sampling adequacy and Bartlett's Test of Sphericity- Innovativeness

KMO		.733
Bartlett's Test of Sphericity	Approx. Chi-Square	126.983
	df.	6
	Sig.	.000

Kaiser-Meyer-Olkin (KMO) test for sampling adequacy and Bartlett's test of sphericity supported the appropriateness of using factor analysis and thus exploratory factor analysis with principal component analysis was performed and PCA extracted one component which accounted for 50.24% of the total variance of the scale. .

5.3.4 Performance dimensions

(i) Reliability

The initial scale for measuring organisational performance dimensions of resource attraction, public reputation, and beneficiary satisfaction had 13 items. Reliability analysis using Cronbach's alpha revealed two items with low item-total correlation. These were dropped from the measure and the further analysis yielded a Cronbach's alpha of 0.864, with acceptable item-total correlation for all items.

(ii) Factor Analysis

Exploratory Factor Analysis using principal component analysis with Varimax rotation was done for confirming the factor dimension of organisational performance.

KMO test shows a value of .836 which is well above the cut-off value of 0.5. Bartlett's Test of Sphericity is also significant at $p < .01$.

Table 5.10: Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity – Performance

KMO		.836
Bartlett's Test of Sphericity	Approx. Chi-Square	613.138
	df.	55
	Sig.	.000

Factor analysis using principal component analysis with Varimax rotation resulted in the extraction of three components.

Table 5.11 Factor Loadings Matrix- Organisational Performance

	Component		
	1	2	3
OP_44			.837
OP_45			.715
OP_46			.751
OP_47	.631		
OP_48	.779		
OP_49	.691		
OP_51	.750		
OP_52		.641	
OP_53		.744	
OP_54		.749	
OP_55		.833	

The factor loadings of the items were on predicted lines and thus could be grouped under three factors, namely resource attraction, beneficiary satisfaction and public reputation. The three factor together account for 65.66% of total variance. As the three-factor structure explains more than 50% of total variance, it can be considered satisfactory.

Reliability analysis was done for each performance dimension and the results are presented in Table 5.12.

Table 5.12 Reliability Analysis - Organisational Performance

Measures	No of Items	Cronbach's Alpha
Resource Attraction	3	.742
Beneficiary Satisfaction	4	.782
Public Reputation	4	.811

5.4 Descriptive Statistics of Variables

There are five variables of interest in this study. Market Orientation (donors) is the market orientation exhibited by organisations in the market for donors and Market Orientation (beneficiaries) represents market orientation in beneficiaries market. These variables form the basic focus of this research. Dimensions of organisational performance, Resource attraction (RA), Beneficiary Satisfaction (BS), and Public Reputation (PR), are the outcome variables of the study. Innovativeness is the mediating variable in the hypothesised relationship between market orientation and performance. The table below presents the descriptive statistics of the variables of the study.

Table 5.13 Descriptive Statistics of the variables

Constructs	N	Mean	Median	SD
Market orientation(beneficiaries)	137	3.67	3.81	.7974
Market Orientation(donors)	137	3.38	3.41	.8748
Resource attraction	137	3.92	4.00	.7443
Beneficiary satisfaction	137	4.03	4.25	.7429
Public reputation	137	3.94	4.00	.7739
Innovativeness	137	4.22	4.33	.8537

Maximum value possible for all variables is five. Mean and median values of all data distributions are different, but still fairly close. This indicates that the distribution of variables in all cases is not perfectly normal. But the deviation from normality appears to be minor at this point. A detailed assessment of normality is presented later in this chapter.

5.5 Data Distribution of Variables

This section of the chapter presents the distribution of data for all variables of the study. Data distribution analysis is a prerequisite for assessing the appropriateness of statistical method to be used. Statistical analysis tools are often based on certain assumptions about the distribution of data. All parametric tests of hypothesis assume that population is normally distributed. Therefore the following analysis of normality is important for assessing the data distribution and suitability of statistical tests for analysis.

The analysis of distribution is done using two methods. In the sections below (5.5.1 to 5.5.5), normality of data is assessed graphically by histogram and normal Q-Q plot. After this initial assessment, skewness and kurtosis values of distributions are computed for each variable and the analysis is presented in 5.7.

5.5.1 Market Orientation (Donors)

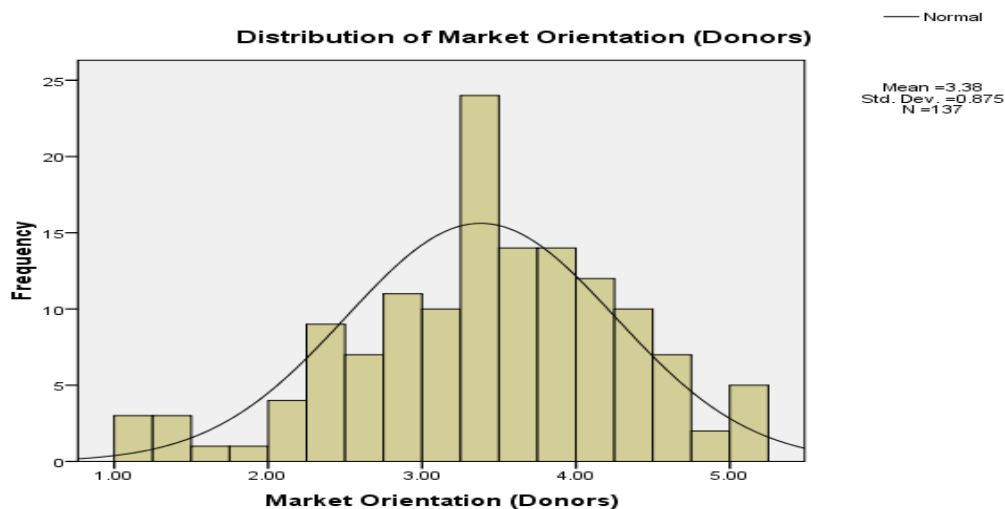


Figure 5.7: Histogram with normal curve of Market Orientation (Donors)

Market Orientation (Donors) scores of the respondents is represented by the above histogram. A normal curve is also plotted for the distribution. Eyeballing the normal curve plotted for the data indicates that the data is distributed normally. Q-Q plot of the data is given in Figure 5.8 which also takes us to the same conclusion.

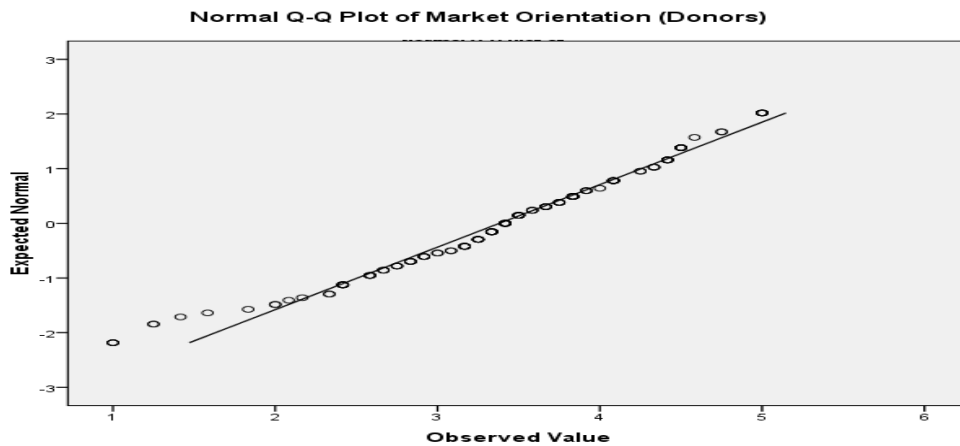


Figure 5.8: Normal Q-Q Plot of Market Orientation (Donors)

5.5.2 Market Orientation (Beneficiaries)

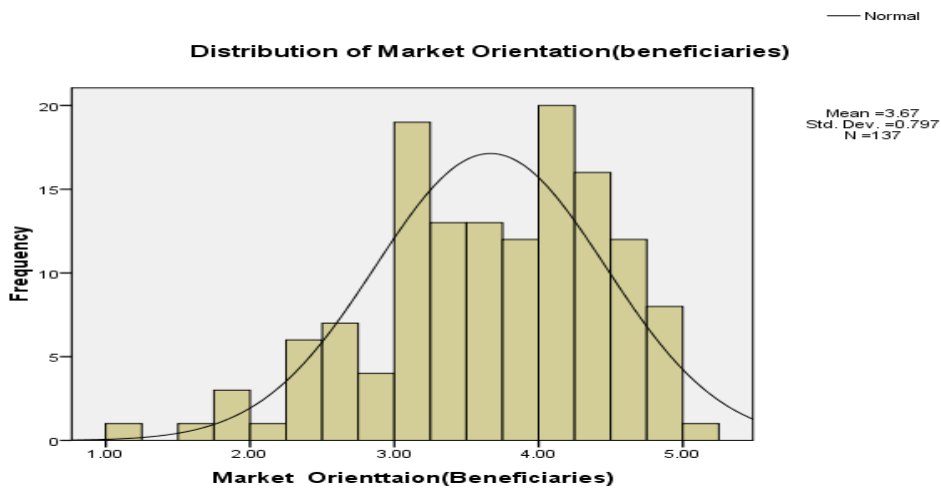


Figure 5.9: Histogram with Normal Curve of Market Orientation (Beneficiaries)

From the histogram given in figure 5.9, the distribution of data with respect to Market Orientation (Beneficiaries) looks approximately normal. Normal Q-Q plot of the data (Figure 5.10) also confirms the same observation about the distribution of the variable.

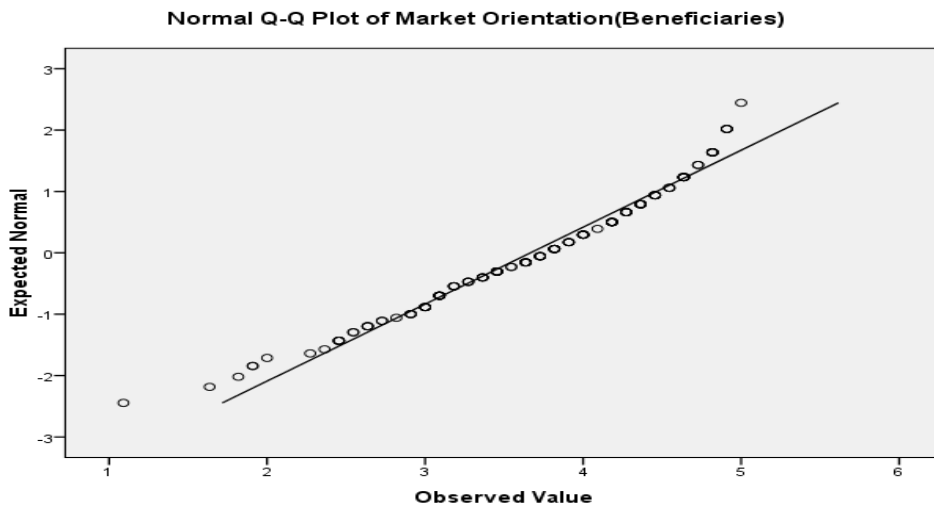


Figure 5.10: Normal Q-Q plot of Market Orientation (Beneficiaries)

5.5.3 Innovativeness

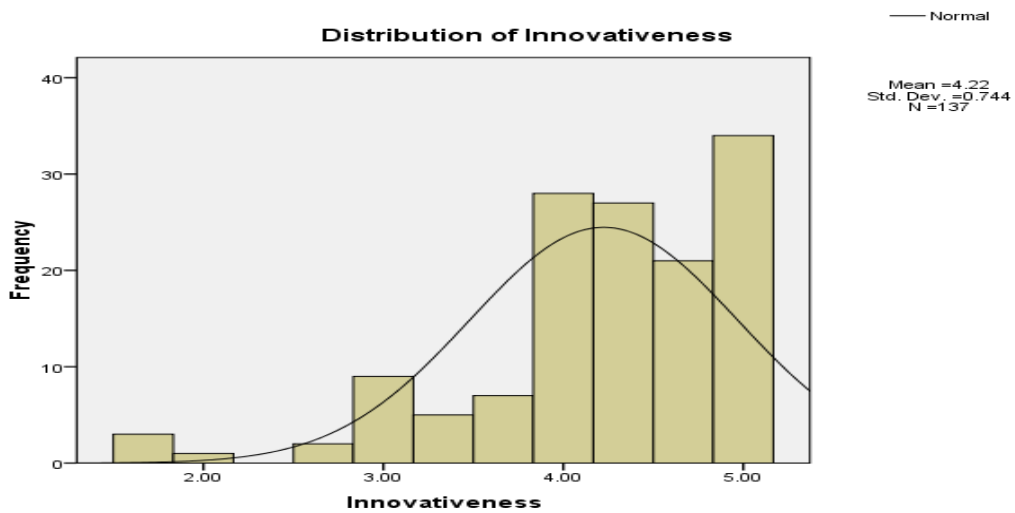


Figure 5.11: Histogram with normal curve of Innovativeness

The histogram in Figure 5.11 represents the score for innovativeness of the sample organisations. Normal plot drawn for the data shows a left-skewed normal curve. The Q-Q plot for the data also indicates a deviation from normal distribution. Therefore, further investigation is required before one can conclude on the normality of the distribution. The issue is revisited and discussed in greater detail in Section 5.6 where skewness and kurtosis are reported and detailed assessment of normality is made.

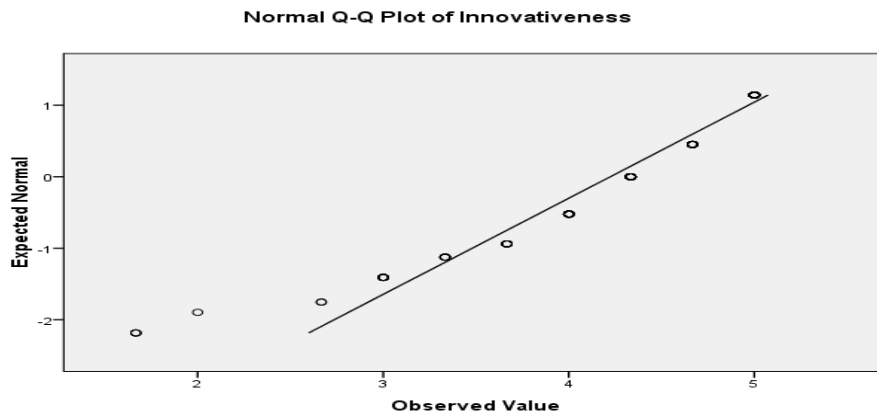


Figure 5.12: Normal Q-Q Plot of Innovativeness

5.5.4 Resource Attraction

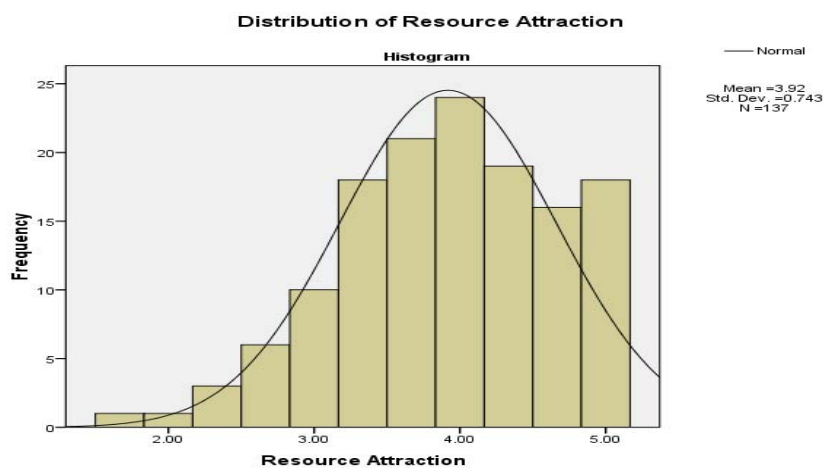


Figure 5.13: Histogram of Normal Curve with Innovativeness

Resource Attraction is one of the dimensions of organisational performance considered for the study. Data for resource attraction appears approximately normal from the normal curve and Q-Q plot drawn.

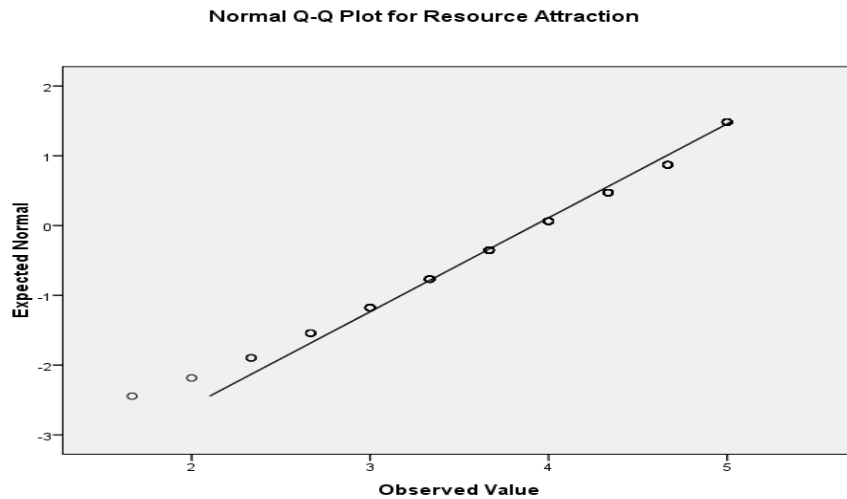


Figure 5.14: Normal Q-Q Plot for Resource Attraction

5.5.5 Beneficiary Satisfaction

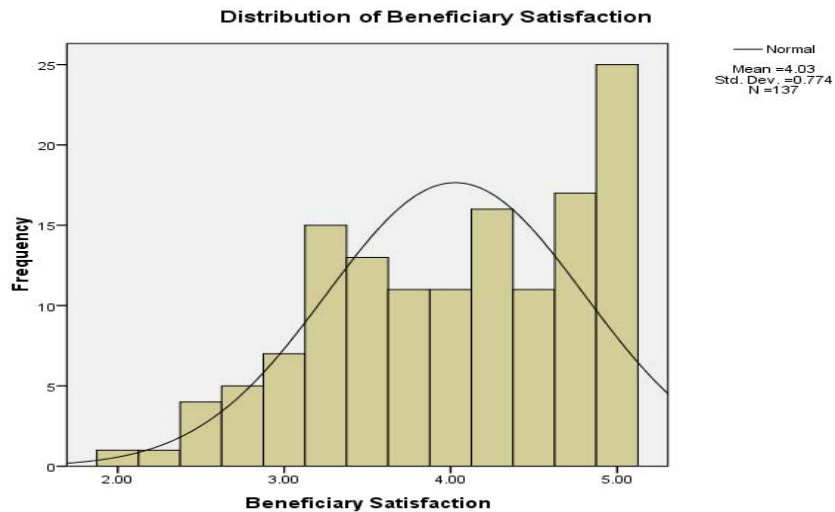


Figure 5.15: Histogram with Normal Curve of Beneficiary Satisfaction

Beneficiary Satisfaction, another performance measure used in the study, is assessed for evidence of normality in distribution. Normal curve and Q- Q plot indicates a distribution that is approximately normal, as shown in figure 5.15 and 5.16.

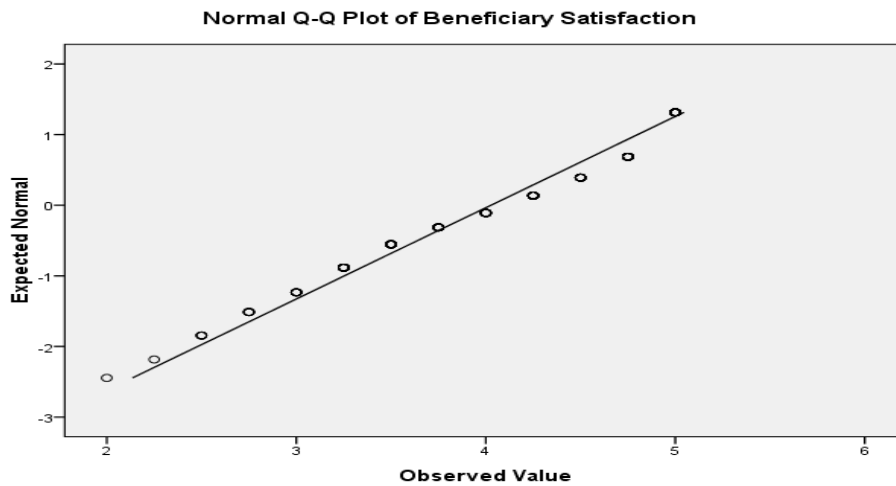


Figure 5.16: Normal Q-Q Plot of Beneficiary Satisfaction

5.5.6 Public reputation

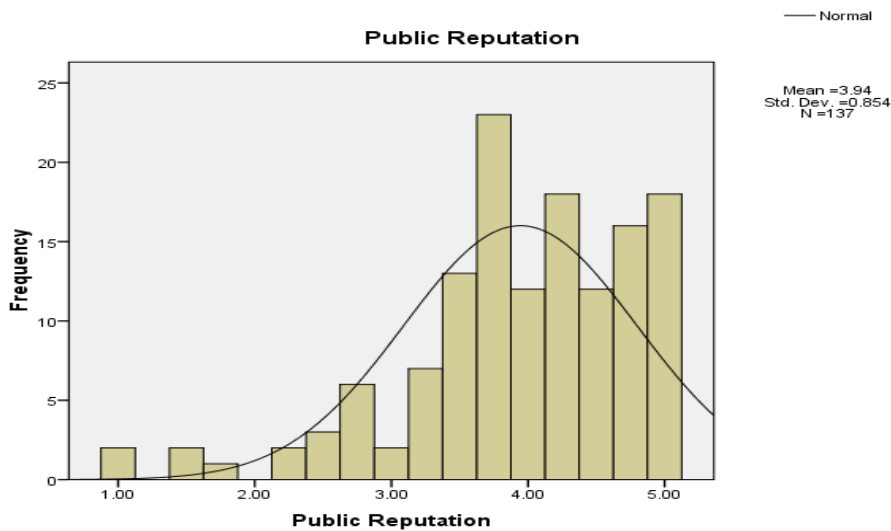


Figure 5.17: Histogram with Normal Curve of Public Reputation

The above histogram of the variable public reputation, one of the dependent variables, appears approximately normal with some skewness to the left. Q-Q plot also confirms the slight deviation from the normal. Detailed analysis is carried out and reported in the next section.

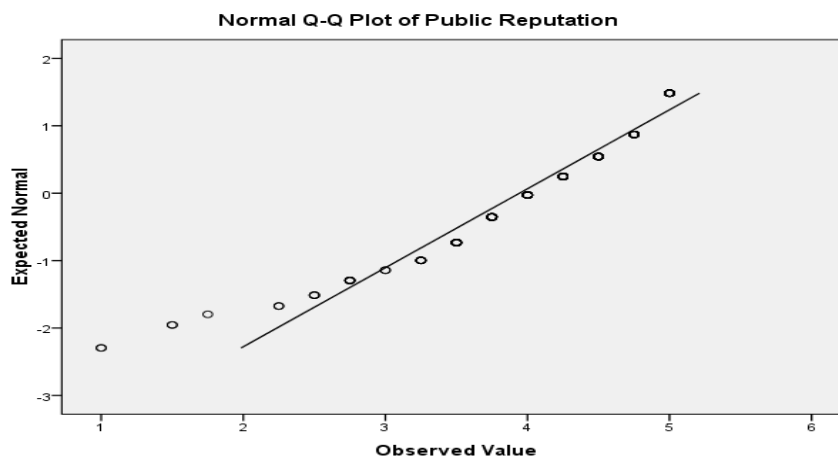


Figure 5.18: Normal Q-Q Plot of Public Reputation

5.6 Analysis of Normality of Data (Skewness and Kurtosis)

The previous section dealt with investigation of data distributions by histograms plotted with normal curve and normal Q-Q plot as a preliminary step for exploring the distribution of data. As the earlier analysis indicates, there were slight deviations from normal distribution for some variables. The deviations were more evident in the case of innovativeness and public reputation. In the light of this observation, more stringent analysis of normality of data was deemed necessary and hence, all data distributions were explored for skewness, kurtosis and their Z scores. These methods are generally regarded as a more accurate test of normality-assumptions.

Skewness, kurtosis and their respective z scores are reported in Table 5.14

Table 5.14: Z scores for Skewness and Kurtosis

	Mean	Std.	Skewness		Kurtosis	
	Statistic	Deviation Statistic	Statistic	Z	Statistic	Z
Bene_orientation	3.6662	.79743	-.575	-2.7777	-.003	-0.0073
Donor-orientation	3.3808	.87481	-.540	-2.6087	.326	.793187
Innovativeness	4.2238	.74438	-1.312	-6.33816	1.982	4.82238
Resource Attraction	3.9173	.74292	-.414	-2.000	-.233	-0.56691
Bene-Satisfaction	4.0274	.77393	-.397	-1.91787	-.842	-2.04866
Public Reputation	3.9434	.85373	-1.112	-5.37198	1.568	3.81508

Skewness values for all variables are negative, indicating a left-skewed distribution. However, all variables except innovativeness and public reputation have skewness less than 1. Even for the two variables mentioned here, the values are only slightly above 1. Similarly, Kurtosis values are also negligible except for innovativeness and public reputation. Z values for skewness and kurtosis are examined next for evidence of normal distribution. Z value above +/- 1.96 for either skewness or kurtosis indicates non-normality for $\alpha = .05$ (Corder & Foreman, 2009). By this criterion, it must be concluded that there is deviation from normality for the variables under study.

5.7 Conclusion

Chapter 5 dealt with the details of data collection, reliability and validity of measures, and data distribution of variables. Profile of the sample organisations was discussed so as to present the general background of the organisations included in the study. Major focus of this chapter was the analysis of reliability and factor- validity of measures of the six variables included in the conceptual model of the study. Descriptive statistics and the data distribution of these variables were also presented in the chapter. Data distributions of variables were found slightly non-normal.

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Chapter 6

TESTS OF HYPOTHESES AND ANALYSIS OF CONCEPTUAL MODEL

- 6.1 *Tests of Hypotheses*
- 6.2 *Conceptual Model Analysis*
- 6.3 *Analysis of the Measurement Model of the Study*
- 6.4 *Analysis of the Structural Model*
- 6.5 *Analysis of Common Method Variance*
- 6.6 *Conclusion*

Having discussed the data collection details and the data distribution of variables in the preceding chapter, the thesis now proceeds to the tests of hypotheses and empirical analysis of the conceptual model. Data analysis was done using the software packages SPSS 16 and SmartPLS 2.0 M3. The tests of hypotheses dealing with the level of market orientation and organisational characteristics and the interpretation of their results are presented first. The procedure for conceptual model analysis using PLS method is provided next. The analysis of the model is presented in two parts. Section 6.3 discusses the reliability and validity of the measurement model. Structural model analysis and interpretation is presented in section 6.4. Common method variance is also investigated and the results are presented in the chapter.

6.1 Tests of Hypotheses

The analysis of data distribution presented in the previous chapter reveals slight variations from normality in the distribution of data for all variables. Therefore, appropriate nonparametric tests are applied to test the hypotheses. Every test of hypothesis in this section starts with the statement of alternative hypothesis. The statistical tests used for testing the hypotheses are two-tailed, following the recommendations in literature about the use of one-tailed and two-tailed tests (Burke, 1953; Kimmel, 1957; Ruxton & Neuhauser, 2010).

6.1.1 Hypothesis 1: There exists a difference in market orientation towards donors (DO) and market orientation towards beneficiaries (BO) in nonprofit organisations in Kerala.

Table 6.1: Wilcoxon Signed Ranks Test for Difference in Market Orientation towards Donors and Beneficiaries

	N	Mean Rank	Z-statistic	Sig
Negative ranks (BO<DO)	41	55.09	-6.121	.000
Positive ranks (BO>DO)	94	73.63		
Ties	2	NA		

Table 6.1 reports the results of Wilcoxon signed ranks test for testing the difference in market orientation of organisations in the two market components, i.e., market of donors and market for beneficiaries. As the table indicates, 135 of the 137 organisations considered for the study, scored different levels in market orientation for donors and beneficiaries. Negative ranks in the above table are cases where beneficiary orientation was less than donor orientation. Positive ranks are the number of organisations that score higher orientation for beneficiaries than donors. The z statistic for the test ($z = -5.121$) is significant at ($p < .001$). This implies that organisations exhibit different levels of market orientation towards donors and beneficiaries. The

analysis of the mean ranks indicates that nonprofit organisations show higher market orientation towards beneficiaries than donors. Therefore nonprofit organisations in Kerala exhibit higher market orientation in beneficiaries-market than in donors-market.

6.1.2 Hypothesis 2: There exists a difference in market orientation levels of private-funded and public funded nonprofit organisations.

Mann-Whitney test is used for testing the difference in market orientation of two categories of NPOs based on source of funding. The test is conducted for both types of market orientation - Market Orientation (Donors) and Market Orientation (Beneficiaries). Table 6.2 gives the summary of results and it is followed by interpretation of the results.

Table 6.2 Mann-Whitney test – Market Orientation and Source of Funding

Constructs	Mean rank		U value	Sig
	public (N = 56)	Private (N = 81)		
Mkt_Or (Donors) -DO	76.56	64.46	1.900E3	.107
Mkt_Or (Beneficiaries)-BO	72.70	66.44	2.061E3	.364

Mann Whitney Test shows that levels in market orientation towards beneficiaries and market orientation towards donors do not differ across private-funded and public-funded organisations. Market Orientation (Donors), DO has an average rank of 64.46 in private-funded NPOs and 76.56 in public funded NPOs. U-Value for the test ($U = 1.90$) was not significant at 5 % level ($p = .107$). Market orientation (beneficiaries) scores an average rank of 72.70 in public-funded NPOs and 66.44 in private-funded category. Mann-Whitney test returns a U- value of 2.06 which is not significant ($p = .364$). Therefore, Market Orientation (Beneficiaries) also

does not show variations depending on source of funding. Thus the alternative hypothesis is not supported.

6.1.3 Hypothesis 3: There exists a difference in market orientation levels of organisations with separate marketing personnel/department and those without it.

The hypothesis was tested by Mann-Whitney test. The results are presented in Table 6.3, followed by the interpretation of results.

Table 6.3 Mann-Whitney Test for Market Orientation and Presence of Marketing Department/Personnel.

Constructs	Mean rank		U value	Sig
	Yes (N = 22)	No (N = 115)		
Mkt_Or (Donors) –DO	71.32	68.56	1.214E3	.383
Mkt_Or (Beneficiaries)-BO	58.09	71.09	1.025E3	.080

Majority of NPOs surveyed for the study did not have a separate department or specially-designated personnel for marketing, which was on expected lines as NPOs in Kerala are typically small organisations with limited budget and staff-strength. Statistical analysis using Mann-Whitney test concludes that there is no difference in level of market orientation between NPOs with separate marketing personnel/department and those without it. For market orientation (donors), the test statistic U value is 1.214E3 which is not significant at 5% significance level ($p = .383$). For market orientation for beneficiaries, U value is 1.025E3 which again is non-significant ($p = .080$). Therefore no significant difference is observed in market orientation in donors-market and beneficiaries-market between the two categories of nonprofit organisations.

6.1.4 Hypothesis 4: Market orientation of nonprofit organisations shows variations in large and small organisations where the organisational size is expressed in terms of the number of employees.

Table 6.4 Mann-Whitney Test for Market Orientation and Org'l Size

Constructs	Mean rank		U value	Sig
	Smalls (No_employees) < 25 N=117	Large (No_employees) ≥ 25 N =20		
Mkt_Or (Donors) –DO	68.00	74.85	10.53E3	.2375
Mkt_Or (Beneficiaries)-BO	70.00	63.18	10.54E3	.2380

Market orientation levels in markets for donors and beneficiaries do not vary with organisation’s size expressed in terms of number of employees as the Mann-Whitney test results indicate in the table above. Test statistics for both markets are non-significant at 5% level of significance ($p = .2375$ and $.2380$ respectively for donors and beneficiaries). Therefore, it can be concluded that employee strength levels of market orientation in both donors and beneficiaries’ markets exhibit no difference between small and large organisations.

6.1.5 Hypothesis 5: There exists a difference in market orientation levels of nonprofit organisations based on the strength of financial resources of the organisations.

Kruskal Wallis test is employed to assess the significance of difference in market orientation among the three categories of NPOs based on size of the operating budget. The results are provided in table 6.5.

Table 6.5 Kruskal Wallis Test for Market Orientation and Financial Resources.

Annual Op-budget	Market orientation(Donors)					Market orientation(Beneficiaries)				
	N	Mean Ranks	df	Chi-sq	Sig	N	Mean Rank	df	Chi-sq	Sig
10 to 50 lacs	99	61.45	2	13.05	.001	99	64.29	2	5.069	.079
50 to 1 cr	25	87.14				25	80.34			
above 1 cr	13	91.62				13	83.04			

Market orientation levels in the market for donors vary significantly as the Kruskal Wallis test results suggest. Difference in market orientation for donors among NPOs of different sizes of annual operating budget is significant at 1% level of significance ($Chi-Sq = 13.050, df-2, p = .001$). Market for beneficiaries does not show variations in market orientation levels across different groups of NPOs classified on the basis of the size of annual operating budget. Kruskal Wallis test returned non-significant value for the test of difference in market orientation for beneficiaries among the categories of NPOs based on annual budget ($Chi-Sq = 5.069, df-2, p = .079$). Therefore, as far as beneficiaries are concerned, NPOs show similar levels of market orientation irrespective of their financial capabilities. However in donors-market variations in market orientation exists in organisations of different annual budgets. Financially-bigger NPOs exhibit higher market orientation towards donors compared to financially-smaller NPOs.

To sum up the first part of data analysis, it can be said that in the nonprofit sector in Kerala, organisations exhibit higher market orientation towards beneficiaries than donors. In the market for donors, market orientation varies according to the size of annual operating budget. However, market orientation in both donors and beneficiaries markets do not vary according to organisational characteristics such as source of funding, organisational size (the number of employees), and presence of marketing department /personnel.

6.2 Conceptual Model Analysis

Hypotheses 6 to 11 are about relationships among the variables under study. These hypotheses are proposed to be tested through Structural Equation Modelling using Partial Least Square (PLS-SEM) method. The diagram, Figure 6.1 depicts the hypothesised relationships among the variables of the

study through a path model. Market Orientation (Beneficiaries) affects beneficiary satisfaction directly and indirectly through the mediating influence of Innovativeness. Beneficiary satisfaction affects public reputation, which in turn influences resource attraction. Resource attraction is also affected by Market Orientation of Donors.

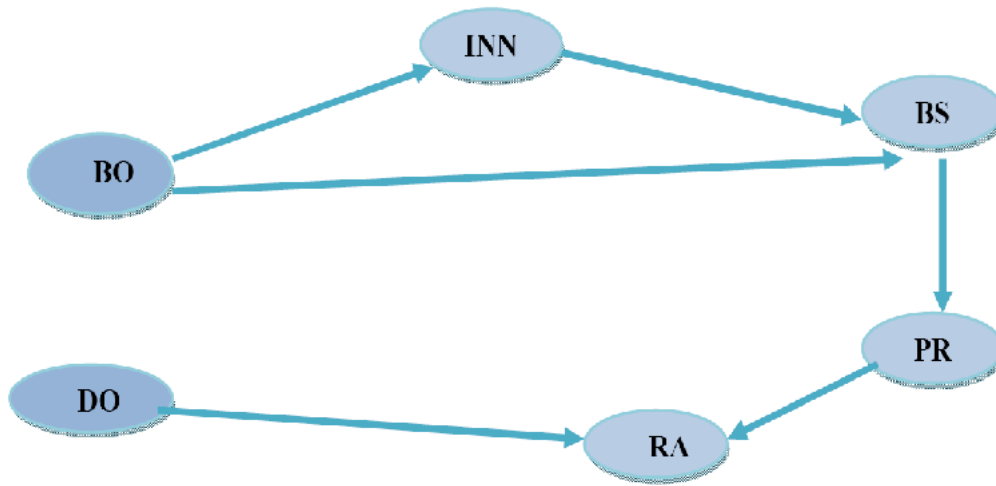


Figure 6.1: Conceptual Model of the Study

BO - Market Orientation (Beneficiaries) DO - Market Orientation (Donors) Inn - Innovativeness
BS - Beneficiary Satisfaction PR - Public Reputation RA - Resource Attraction

6.2.1 PLS Structural Equation Modelling - An Overview

PLS path modelling is a variance based structural equation modelling (SEM) technique .and is also known as component based SEM. PLS method was developed by Herman Wold (Mateos-Aparicio, 2011). Unlike the more common covariance-based SEM, PLS-SEM is directed at “maximising the explained variance of the dependent constructs” (Hair, Ringle & Sarstedt, 2011). PLS- SEM is projected as a better option compared to CB-SEM (Covariance-Based SEM), when the focus of the analysis is prediction of the dependent construct rather than theory confirmation. PLS-SEM is also reported to be very robust in situations where CB-SEM cannot be used. CB-

SEM works under the assumptions of multivariate normality of data, large sample size and absence of multicollinearity (Diamantopoulos & Siguaaw, 2006,). PLS-SEM does not make such strict demands on data distributions, sample size, and multicollinearity in the case of reflective measurement models. The above-mentioned factors and the ready availability of software packages have contributed to the growing popularity of PLS–SEM in recent years (Hair, et al., 2011).

CB-SEM is generally considered a large-sample technique. Ideal sample size in SEM is 20-10 times the number of indicators used in the model (Kline et al, 2011). Though in marketing literature, many studies using SEM do not adhere to this rule for minimum sample size, a sample size of 200 is still considered by many as the minimum for a model of low complexity in SEM. But PLS-SEM is known to provide consistent results even with very low sample sizes (Chin, 1998). Multivariate normality is another assumption in SEM which is very difficult to meet in real empirical research. PLS-SEM is the method of choice in such situations (Hair et al., 2011). Multicollinearity of the independent constructs could pose serious problems in CB-SEM. In a model with reflective measurement of latent constructs, multicollinearity is not an issue in PLS-SEM. Also, PLS estimation is robust against multicollinearity (Cassel et al., 1999, 2000 as quoted in Turkyilmaz, et al., 2010, p.607). Thus, under the conditions of small sample size, deviation from multivariate normality or issues of multicollinearity, PLS-SEM has clear advantages over CB-SEM. But scholars point out that the most logical reason for the selection of PLS-SEM should be research-goal based (Hensler, Ringle & Sinkovics, 2009). If the objective of the study is to predict a construct rather than to test a theory, PLS-SEM should be preferred to CB-SEM. Also, PLS-SEM is very effective method in estimating complex models with large number of variables (Garthwaite, 1994).

In the light of the above factors, PLS emerges as the appropriate tool for the current study. The primary objective of the study is to test the efficacy of market orientation in improving the performance of nonprofit organisations in Kerala, i.e., the present study is prediction-oriented rather than theory confirmation. Thus PLS method is the right structural equation modeling method for the study. The following paragraphs discuss the basic concepts and conventions in PLS-SEM and later, data-analysis using PLS is presented. PLS analysis was carried out by SmartPLS 2.0 M3 (Ringle, Sven, Alexander, 2005).

PLS-SEM model consists of two parts - measurement model and structural model. Measurement model (also called the outer model) consists of the latent constructs and their indicators/measured variables. A latent construct and all its measurement indicators together are called a block. Thus a measurement model has many blocks. Structural model (the inner model) consists of the hypothesised structural paths between the latent constructs. Analysis of the model starts with the evaluation of measurement model and in the event of satisfactory results on the validity and reliability of the model; it proceeds to the next stage of structural-model evaluation. Measurement model assessment is done in terms of unidimensionality, discriminant validity and convergent validity (Tenenhaus, et al., 2005). Structural model is assessed using path coefficients and weights of the constructs. Path coefficients and weights are interpreted in the same way as beta coefficients and R^2 of regression analysis.

6.3 Analysis of the Measurement Model of the Study

There are six latent constructs under study in this research. These are measured in reflective mode where the construct is assumed to cause the indicators to vary. Market Orientation for Donors (DO) has 12 indicators and Market Orientation for Beneficiaries (BO) is measured by 11 indicators.

Beneficiary Satisfaction (BS) and Public Reputation (PR) are measured by 4 items each. Innovativeness (INN) and Resource Attraction (RA) has three items. Market Orientation was operationalised as a second order construct with two latent dimensions - market information processing and responsiveness. These latent dimensions were also specified as reflective indicators of their second order construct, market orientation. PLS requires manifest variables for all latent (or in other words, unmeasured) constructs in the model. Therefore higher order constructs cannot be included directly in the model. Higher order constructs in PLS are modelled using either of the two approaches mentioned in PLS literature.

1) Repeated indicators approach and ii) Two-stage approach.

In repeated indicators approach, first order dimensions of a construct is measured by their manifest indicators and then, these indicators of all first order dimensions are repeated as indicators of the second order construct (Chin, Marcolin, & Newsted, 2003). Thus the indicators of first order dimensions are repeated twice in the model. This approach works well when the number of indicators is equal for all the first order dimensions (Chin, Marcolin, & Newsted, 2003).

In the two stage approach, measurements happen in two stages. In the first stage, the model is run with only first order constructs with their manifest indicators. In the second stage, second order constructs are introduced in the model with the latent variable scores computed for first order dimensions in the first stage as their manifest variables. The disadvantage of this method is that the second order construct appears only in the second stage and is not included in the first stage when the latent variable scores are computed for the latent dimensions (Ciavolino & Nitti, 2013).

In this study, two-stage approach is used for modelling market orientation. Since the number of indicators for the first order dimensions is not

equal, two-stage approach is preferred. Also, two-stage approach has been used in literature for reflective higher order constructs (Agarwal & Karahanna, 2000). In the present study, market orientation construct is modelled as a second order construct consisting of two first order latent dimensions - market information processing (MIP) and responsiveness (RESP). Model is specified as reflective at both first order and second order levels. Such models with reflective measurement at both first order and second order levels are called Type-I models (Jarvis, Mackenzie, Podsakoff, 2003) and total disaggregation second-order factor model (Bagozzi & Hearthertons, 1994).

First stage and second stage measurement models of the study are discussed in detail below.

(i) First stage measurement model of the study

Figure 6.2 represents the measurement model at the first stage. As explained in the previous paragraphs, the first stage model is formed with just the first-order dimensions and their measured indicators. Therefore the first stage measurement model of the present study includes market information processing and responsiveness dimensions of market orientation and the other latent variables namely, innovativeness, beneficiary satisfaction, public reputation and resource attraction. As can be seen in the figure, first stage model is same as the conceptual model of the study in every way except that market orientation for donors and beneficiaries are replaced by their first order dimensions.

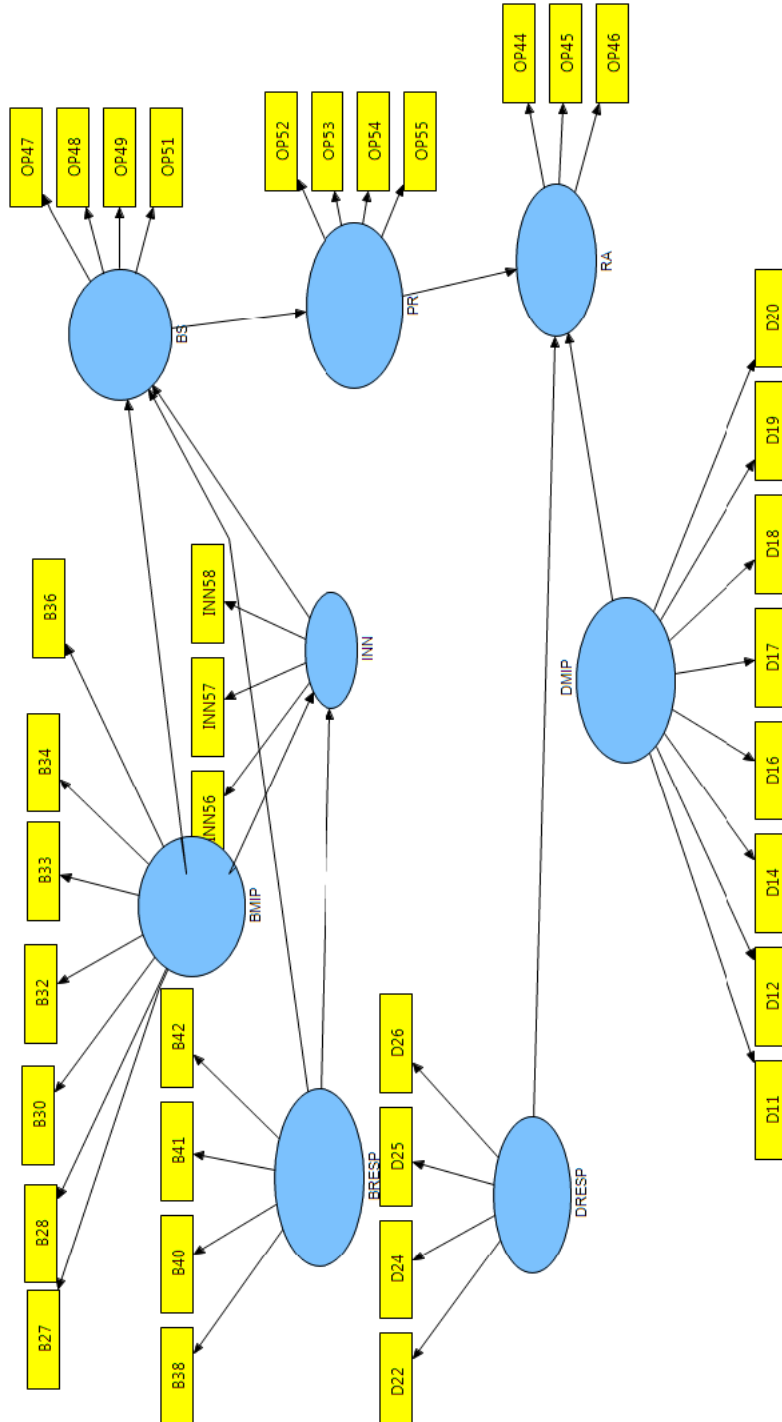


Figure 6.2: 1st stage measurement model

Legends - BMIP – Market Information Processing (Beneficiaries) BRESP -Responsiveness (Beneficiaries)
 DMIP - Market Information Processing (Donors) BRESP -Responsiveness (Donors)
 INN – Innovativeness BS – Beneficiary Satisfaction PR – Public Reputation
 RA – Resource Attraction

(ii) The second stage measurement model

The diagram Figure 6.3 represents the second order level measurement model. Here the second order constructs - Market Orientation for Beneficiaries (BO) and Donors (DO) are modelled as measured by their first order latent dimensions (Market Information Processing and Responsiveness) as the reflective indicators. Latent variable scores obtained in the first stage are used as observed values for the first order dimensions.

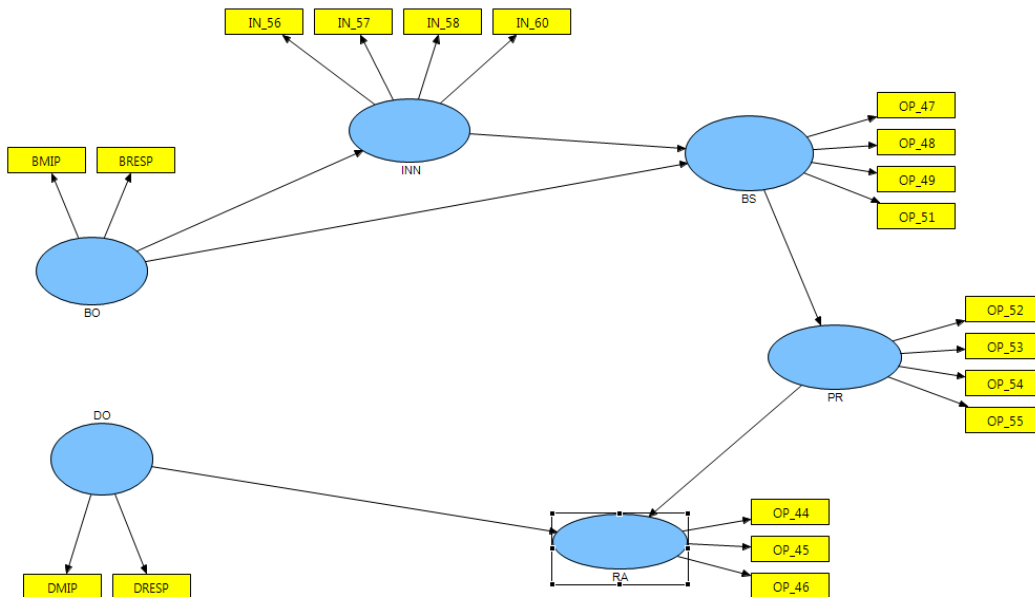


Figure 6.3: 2nd stage measurement model

BMIP- Market Information Processing (Beneficiaries) BRESP-Responsiveness (Beneficiaries)
 DMIP- Market Information Processing (Donors) DRESP-Responsiveness (Donors)

6.3.1 Reliability and unidimensionality at first stage measurement level

This section deals with the analysis of the measurement model. The measurement model in PLS-SEM is evaluated in terms of reliability, unidimensionality, convergent validity and discriminant validity. Table 6.6 presents the reliability measures of variables at the first stage. In the first stage of

the measurement model of the study, there are eight measurement blocks corresponding to the eight latent variables of the model. Establishing unidimensionality of each measurement block in the model is the first requirement for measurement-validity, followed by discriminant validity and convergent validity.

For assessing unidimensionality of measurement blocks in a PLS model, literature suggests the use of three different methods - Cronbach's alpha, composite reliability (Dillon-Goldstein's rho), and principal component analysis (PCA) (Tenenhaus, et al., 2005; Vinzi et al., 2010). Threshold values suggested for Cronbach's alpha and composite reliability is 0.7 (Fornell & Larcker, 1981; Nunnally, 1978; Nunnally & Bernstein, 1994). Using PCA of a measurement block, unidimensionality is established if Eigen value of the first factor extracted in the correlation matrix is greater than one and that of the second factor is less than one (Tenenhaus, et al., 2005; Vinzi et al., 2010).

Table 6.6 reports the Cronbach's alpha and composite reliability values of the latent constructs at first stage level.

Table 6.6: Reliability Measures (1st Stage Measurement Level)

Construct	BMIP	BRESP	DMIP	DRESP	INN	BS	PR	RA
Cronbach's alpha	.8735	.7156	.8793	.8254	.7779	.7831	.8210	.7446
Composite reliability	.9021	.8234	.9041	.8847	.8686	.8604	.8817	.8544

As the table shows Cronbach's alpha values and composite reliability values are above 0.7, the minimum suggested in literature. Composite reliability, which is considered by Chin (1998) as a better measure of unidimensionality than Cronbach's alpha. Composite reliability measures for all constructs are found to be higher than 0.8. It can be noted that the minimum acceptable value suggested by Bagozzi and Yi (1988), is only 0.6. Thus, from

the figures in the above table, all measurement blocks in the first order measurement model can be considered unidimensional.

Table 6.7 gives the unidimensionality of measurements using PCA

Table 6.7 Unidimensionality – PCA results for 1st stage measurement

Construct	No of items	Eigen values
BMIP	7	3.989 .792 .648 .474 .456 .357 .284
BRESP	4	2.159 .696 .641 .504
DMIP	8	4.350 .806 .695 .533 .511 .437 .370 .297
DRRESP	4	2.649 .686 .360 .305
INN	3	2.078 .525 .396
BS	4	2.432 .734 .570 .264
PR	4	2.606 .657 .392 .345
RA	3	1.990 .617 .393

The table above demonstrates the unidimensionality using PCA method. For all the constructs, the first factor extracted has Eigen value over 1. Also, the second factor extracted in every case is below 1. Therefore unidimensionality of the measurement blocks can be confirmed by the above analysis.

6.3.2 Reliability of Constructs in the 2nd Stage Measurement Model

Second order constructs Market Orientation (Donor) - DO and Market Orientation (Beneficiaries) - BO also have acceptable reliability measures when these were modelled in the 2nd stage model, as demonstrated by the following table.

Table 6.8: Reliability Measures (2nd Stage Measurement Level)

Construct	BO	DO	INN	BS	PR	RA
Cronbach's alpha	.7266	.7941	.7779	.7831	.8210	.7446
Composite reliability(CR)	.8793	.9066	.8676	.8604	.8817	.8544

All the variables at the second stage level have Cronbach's alpha and composite reliability above 0.7 which indicates the reliability of constructs.

6.3.3 Convergent validity at 1st stage model

Factorial validity of the measurement model is established in PLS by convergent and discriminant validities (Gefen & Straub, 2005). Convergent validity of the scale is captured by PLS through the measure of average variance extracted (AVE) of each construct. It indicates the construct's variance explained by all its indicators together. If this measure is more than 0.5 (i.e., 50 % of the variance explained), one can consider convergent validity as established (Fornell & Larcker, 1981). An AVE of 0.5 signifies that 50% of the construct's variation is explained by its measurement block consisting of all indicators. AVE values of all constructs were found to be higher than 0.5, thus confirming the convergent validity of the constructs (Table 6.9). Another check for convergent validity is at the indicator level where all indicators should load on their respective latent constructs with significant t values (Gefen & Straub, 2005).

Table 6.9: Convergent Validity - AVE values of constructs (1st Order Level)

Construct	BRESP	BMIP	DRESP	DMIP	INN	BS	PR	RA
AVE (1st order level)	.5385	.5691	.6588	.5417	.6885	.6079	.6512	.6627

Table 6.10: Outer Loadings – t Values – 1st Order Level (Convergent Validity Check at Indicator Level)

	Original Sample	Sample Mean	Standard Error	T Statistics
B27<BMIP	0.7515	0.755	0.0462	16.2741
B28<BMIP	0.7636	0.7599	0.04	19.0918
B30<BMIP	0.6678	0.6578	0.0682	9.7968
B32<BMIP	0.7599	0.7575	0.0355	21.3789
B33<BMIP	0.796	0.7918	0.034	23.4264
B34 <BMIP	0.7315	0.7365	0.0586	12.4757
B36 <BMIP	0.8022	0.8008	0.0277	28.9532
B38<BRESP	0.7335	0.7308	0.0515	14.2339
B40<BRESP	0.7693	0.7725	0.0543	14.1639
B41<BRESP	0.7273	0.7277	0.0566	12.8525
B42<BRESP	0.7035	0.703	0.0892	7.887
D11 <DMIP	0.668	0.6706	0.0699	9.5638
D12 <DMIP	0.7054	0.7003	0.0694	10.1565
D14 <DMIP	0.7736	0.7762	0.0386	20.0194
D16 <DMIP	0.7715	0.7698	0.0469	16.4557
D17 <DMIP	0.7641	0.7583	0.048	15.9248
D18 <DMIP	0.67	0.6592	0.064	10.4651
D19 <DMIP	0.7426	0.7402	0.0523	14.2067
D20 <DMIP	0.7823	0.7815	0.0386	20.286
D22<DRESP	0.8064	0.8037	0.0596	13.5365
D24<DRESP	0.8764	0.874	0.0311	28.1807
D25<DRESP	0.7083	0.7138	0.0637	11.1153
D26<DRESP	0.8456	0.8408	0.0415	20.3926
INN56 <INN	0.8622	0.8629	0.0406	21.2356
INN57 <INN	0.7623	0.7583	0.0813	9.3723
INN58 <INN	0.8607	0.8524	0.0346	24.8752
OP44 <RA	0.8288	0.8259	0.0439	18.8657
OP45 < RA	0.7407	0.738	0.0681	10.8718
OP46 < RA	0.8675	0.8581	0.0369	23.532
OP47 <- BS	0.7093	0.7173	0.0524	13.5306
OP48 <- BS	0.8365	0.8343	0.0285	29.3051
OP49 <- BS	0.7281	0.7316	0.0515	14.1279
OP51 <- BS	0.8358	0.8338	0.0231	36.2532
OP52 <- PR	0.751	0.7465	0.0633	11.872
OP53 <- PR	0.8125	0.8176	0.0335	24.2834
OP54 <- PR	0.8293	0.8265	0.0414	20.0508
OP55 <- PR	0.8323	0.8321	0.0372	22.3854

All outer loadings are significant at .01 level.

The outer indicator loadings and their t values given in the Table 6.10 are all significant at .01 level. This confirms convergent validity at indicator level for the first order constructs.

6.3.4 Convergent validity (2nd order level)

Convergent validity at the second order level is evidenced by AVE values of the constructs as given in Table 6.11

Table 6.11: Convergent Validity - AVE values of constructs (2nd Order Level)

Construct	INN	BS	PR	RA	BO	DO
AVE(2 ND order level)	.6869	.6078	.6512	.6627	.7847	.8292

For the second order level, outer loadings and their significance provided by bootstrapping are reported in Table 6.12. All loadings are significant at .01 level and thus convergent validity is found satisfactory at the indicator level for the second order model too.

Table 6.12: Outer loadings - t values- 2nd order level (Convergent Validity at Indicator Level)

	Original Sample	Sample Mean	Standard Error	T Statistics
BMIP <- BO	0.9005	0.9006	0.0208	43.2614
DMIP <- DO	0.9096	0.9082	0.0266	34.2264
BRESP <- BO	0.8709	0.868	0.0324	26.8988
DRESP <- DO	0.9116	0.9123	0.0272	33.5088
INN56 <- INN	0.8679	0.8675	0.0362	23.9438
INN57 <- INN	0.7525	0.7353	0.0845	8.9083
INN58 <- INN	0.861	0.8547	0.0318	27.0395
OP44 <- RA	0.829	0.8268	0.0397	20.8564
OP45 <- RA	0.74	0.7394	0.076	9.7432
OP46 <- RA	0.8678	0.8645	0.0304	28.5534
OP47 <- BS	0.7078	0.7033	0.0615	11.5006
OP48 <- BS	0.8367	0.8355	0.0291	28.7417
OP49 <- BS	0.7281	0.7261	0.0565	12.891
OP51 <- BS	0.8368	0.839	0.0235	35.636
OP52 <- PR	0.751	0.7457	0.0687	10.9368
OP53 <- PR	0.8125	0.8133	0.0338	24.0666
OP54 <- PR	0.8292	0.8245	0.042	19.7597
OP55 <- PR	0.8323	0.8288	0.0363	22.9056

All outer loadings are significant at .01 level.

Convergent validity for the measurement models at first order and second order levels are established by acceptable AVE criteria and the significant indicator loadings on latent constructs.

6.3.5 Discriminant validity at 1st order level

Discriminant validity of scales used in a model is established by checking whether the square root of AVE of a construct is greater than the inter-construct correlation between the construct concerned and other constructs present in the model (Fornell & Larcker, 1981). Another check for discriminant validity is at the indicator level. Here, absence of cross loadings of indicators indicates discriminant validity, i.e., indicators should indeed load on their respective latent constructs only. In the following paragraphs, discriminant validity of the measurement model is assessed at both construct-level and indicator-level. First order level discriminant validity is presented first followed by the analysis for the second order level model.

Table 6.13: Comparison of AVE and Inter-Construct Correlations (Discriminant Validity Check)

	CR	AVE	BRESP	BS	DMIP	DRESP	INN	PR	RA	BMIP
BRESP	0.8234	0.5385	0.7338							
BS	0.8604	0.6079	0.5281	0.7797						
DMIP	0.9041	0.5417	0.5642	0.4897	0.736					
DRESP	0.8847	0.6588	0.5105	0.5575	0.6634	0.8117				
INN	0.8686	0.6885	0.228	0.3868	0.2037	0.3424	0.8298			
PR	0.8817	0.6512	0.4531	0.6078	0.5298	0.5791	0.2316	0.807		
RA	0.8544	0.6627	0.3093	0.4892	0.3369	0.3434	0.2181	0.3743	0.814	
BMIP	0.9021	0.5691	0.5891	0.5474	0.5462	0.6012	0.3752	0.5634	0.176	0.7544

Table 6.13 reports the analysis of discriminant validity at the construct level for the first stage model. Square root of AVE values of every construct is compared with inter-construct correlations of all constructs. The diagonal entries in the above table (in red letters) are the square root of AVE values of the constructs. These are greater than any inter-construct correlations as shown. Therefore it is concluded that the measurement model at the first order level possesses discriminant validity.

Cross loadings of indicators provide another check for discriminant validity. If all indicators in a measurement model load heavily on their respective latent factor without any substantial loading on any other factor, discriminant validity can be assumed for a model (Chin, 1998).

Tables 6.14 gives the cross loadings of the latent variables in 1st stage measurement model. All indicators except three show loadings higher than 0.7 on their respective latent constructs. In the case of these three indicators, the lowest loading is as high as 0.66 and the cross loadings are substantially lower than the loadings on the respective construct.

Table 6.14: Cross Loadings of Latent Variables in First Stage (Discriminant Validity at Indicator Level)

	BMP	BRESP	DMIP	DRESP	INN	RA	BS	PR
B27	0.7515	0.3321	0.2511	0.293	0.2731	-0.027	0.3448	0.3849
B28	0.7636	0.2422	0.3062	0.4305	0.3369	0.0201	0.2832	0.3816
B30	0.6678	0.3824	0.4076	0.4707	0.2452	0.2379	0.352	0.3823
B32	0.7599	0.4955	0.4531	0.4873	0.2975	0.0575	0.4468	0.4506
B33	0.796	0.4247	0.5169	0.5736	0.1774	0.1329	0.4876	0.6013
B34	0.7315	0.5043	0.4638	0.3877	0.1913	0.1007	0.4645	0.4138
B36	0.8022	0.5646	0.4435	0.4816	0.3481	0.2295	0.4664	0.4234
B38	0.561	0.7335	0.4352	0.3438	0.149	0.2331	0.4313	0.3214
B40	0.3659	0.7693	0.3865	0.4391	0.3	0.1304	0.3862	0.3904
B41	0.3452	0.7273	0.4535	0.349	0.0754	0.2884	0.3954	0.269
B42	0.3938	0.7035	0.3475	0.3614	0.1375	0.2844	0.3289	0.3433
D11	0.3412	0.3135	0.668	0.3645	0.1433	0.2015	0.2631	0.1849
D12	0.3883	0.3707	0.7054	0.4574	0.139	0.1564	0.3883	0.3505
D14	0.4536	0.468	0.7736	0.4736	0.1562	0.2515	0.3384	0.4164
D16	0.5132	0.4484	0.7715	0.5429	0.1436	0.2551	0.4129	0.5518
D17	0.4392	0.3494	0.7641	0.5662	0.1546	0.2869	0.4153	0.4437
D18	0.2373	0.3869	0.6700	0.2607	0.008	0.2545	0.296	0.3506
D19	0.3929	0.4192	0.7426	0.5701	0.2189	0.3002	0.4029	0.3753
D20	0.4381	0.4874	0.7823	0.5977	0.2304	0.2404	0.3386	0.4117
D22	0.4726	0.3349	0.5377	0.8064	0.2939	0.2247	0.4026	0.3979
D24	0.5581	0.4959	0.5291	0.8764	0.3121	0.3213	0.4768	0.507
D25	0.3657	0.3221	0.4638	0.7083	0.2689	0.288	0.4227	0.448
D26	0.5287	0.4818	0.6129	0.8456	0.2599	0.2614	0.496	0.5078
INN56	0.347	0.2701	0.2261	0.3947	0.8622	0.3238	0.3661	0.2788
INN57	0.2684	0.1206	0.1648	0.2384	0.7623	0.0009	0.1889	0.1974
INN58	0.2584	0.1634	0.1121	0.2164	0.8607	0.1483	0.358	0.1512
OP44	0.1435	0.222	0.279	0.2876	0.1625	0.8288	0.3491	0.26
OP45	0.022	0.1964	0.2502	0.2196	0.0779	0.7407	0.3359	0.2851
OP46	0.1784	0.3226	0.2981	0.3228	0.268	0.8675	0.491	0.3602
OP47	0.2575	0.4061	0.3212	0.39	0.2407	0.397	0.7093	0.4731
OP48	0.4475	0.4119	0.4042	0.4759	0.3599	0.448	0.8365	0.4975
OP49	0.4067	0.4014	0.3179	0.383	0.2902	0.3011	0.7281	0.3885
OP51	0.5627	0.4302	0.4606	0.4797	0.2934	0.3767	0.8358	0.5274
OP52	0.4794	0.2597	0.348	0.476	0.1754	0.1807	0.5077	0.751
OP53	0.4369	0.4401	0.495	0.4832	0.1459	0.4226	0.4743	0.8125
OP54	0.446	0.3526	0.4468	0.4989	0.2769	0.2143	0.5496	0.8293
OP55	0.511	0.3961	0.4185	0.4102	0.2313	0.3737	0.4322	0.8323

Therefore, considering the loadings and cross loadings of the indicators, it can be concluded that discriminant validity is established at the indicator level.

The above analysis provides ample evidence discriminant validity of the measurement model at the first stage. The analysis now proceeds to examine the validity at second stage measurement model.

6.3.6 Discriminant Validity at 2nd Order level

Discriminant validity check at the construct level is carried out next. The analysis is reported in Table 6.15.

Table 6.15: Comparison of AVE and Inter-Construct Correlations at 2nd stage (Discriminant Validity Check)

	CR	AVE	BO	BS	DO	INN	PR	RA
BO	0.8793	0.7847	0.8858					
BS	0.8604	0.6078	0.6069	0.7796				
DO	0.9066	0.8292	0.6844	0.5743	0.9106			
INN	0.8676	0.6869	0.337	0.3834	0.3064	0.8288		
PR	0.8817	0.6512	0.586	0.6076	0.6107	0.2564	0.8070	
RA	0.8544	0.6627	0.2523	0.4891	0.3753	0.2221	0.3746	0.8141

It is clear from the table that the square root of AVE is greater than the inter-construct correlations. Hence discriminant validity is established. Cross loadings matrix also confirms the discriminant validity of the measurement model at second order level. Cross loadings are given below in table 6.16.

Table 6.16: Cross Loadings of Indicators at 2nd Order Level (Discriminant Validity at Indicator Level).

	BO	DO	INN	RA	BS	PR
BMIP	0.9005	0.627	0.3548	0.1476	0.5473	0.5785
BRESP	0.8709	0.584	0.2355	0.3097	0.5277	0.453
DMIP	0.6194	0.9096	0.2049	0.3398	0.488	0.5329
DRESP	0.6269	0.9116	0.3524	0.3436	0.5577	0.579
INN56	0.3507	0.3414	0.8679	0.324	0.3662	0.2788
INN57	0.2245	0.2216	0.7525	0.0008	0.1887	0.1973
INN58	0.2411	0.1807	0.861	0.1485	0.3582	0.1512
OP44	0.2034	0.3111	0.1673	0.829	0.3492	0.26
OP45	0.1171	0.2579	0.0784	0.74	0.3356	0.2851
OP46	0.2776	0.341	0.273	0.8678	0.4908	0.3602
OP47	0.3691	0.3907	0.2413	0.3971	0.7078	0.4731
OP48	0.4859	0.4835	0.3639	0.4481	0.8367	0.4975
OP49	0.4559	0.3851	0.2894	0.3011	0.7281	0.3885
OP51	0.5645	0.5163	0.2961	0.3769	0.8368	0.5274
OP52	0.4244	0.4528	0.1776	0.1808	0.5078	0.751
OP53	0.4945	0.5371	0.1451	0.4226	0.4743	0.8125
OP54	0.4535	0.5194	0.2761	0.2142	0.5494	0.8292
OP55	0.5155	0.455	0.2322	0.3737	0.4322	0.8323

Table 6.16 gives the cross loadings of all indicators in the model. All indicators have cleanly loaded on their own latent variables. Cross loadings are not substantial in any case and are substantially lower than the indicator loading. Therefore, the cross loadings analysis can be taken as a further evidence for discriminant validity of the model.

6.3.7 Conclusion on Reliability and Validity of measurement model

As recommended in literature, measurement/ operational model was assessed before the analysis of the structural/inner model (Anderson &

Gerbing, 1998). The analysis has provided good results for reliability, unidimensionality, discriminant validity and convergent validity. This indicates soundness of the measurement model. Hence analysis can be taken to the next stage of structural model evaluation.

6.4 Analysis of the Structural Model

This section presents the detailed analysis of the structural model which represents the hypothesised relationships among the variables under study. A PLS model is primarily assessed by the weights of the latent constructs and the path coefficients on similar lines of a regression analysis (Chin, 1998). The structural model evaluation is given by the PLS path diagram in Figure 6.4.

6.4.1 Path Coefficients in the Structural Model

Path coefficients indicate whether the hypothesised relationships among the constructs exist or not and if they do, they are in the predicted directions. According to Lohmoller (1989) as quoted in Chin (1998), the path should be above 0.1 and 0.2 to be meaningful and theoretically interesting (Chin, 1998). As Table 6.16 shows, all paths in the model are above 0.2 indicating that the hypothesised paths are meaningful. The path between beneficiary orientation and beneficiary satisfaction is 0.538 which means the relationship is very strong. So is the case with beneficiary satisfaction and public reputation (Coefficient - 0.607).

The significance of the paths in the PLS model can be computed by running bootstrapping procedure in PLS (Tenenhaus et al., 2005). Bootstrapping yields t-values for the paths in a model. A t-value of 1.64 or higher is significant at 10% level of significance ($t > 1.64$; $p < .1$). A t-value greater than 1.96 is significant at 5% level of significance ($t > 1.96$; $p < .05$).

t value greater than 2.57 means a significant path at 1 % level ($t > 2.57$; $p < .01$). The path coefficient for all the paths in the proposed model is positive.

As the figure 6.4 indicates, all the structural paths of the model are significant at 5% level and three paths are significant even at .001. Table 6.17 represents the bootstrapping results.

Table 6.17: Path Significance and t Values (Bootstrapping Results)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (SD)	Standard Error (SE)	T Statistics	Sig
BO -> BS	0.5389	0.5407	0.0601	0.0601	8.9672	**
BO -> INN	0.337	0.3476	0.0739	0.0739	4.5633	**
BS -> PR	0.6076	0.6196	0.0765	0.0765	7.9473	**
DO -> RA	0.2337	0.2322	0.101	0.101	2.3127	*
INN -> BS	0.2018	0.2057	0.0873	0.0873	2.3104	*
PR -> RA	0.2319	0.2475	0.113	0.113	2.053	*

**significant at .01 level * significant at .05 level

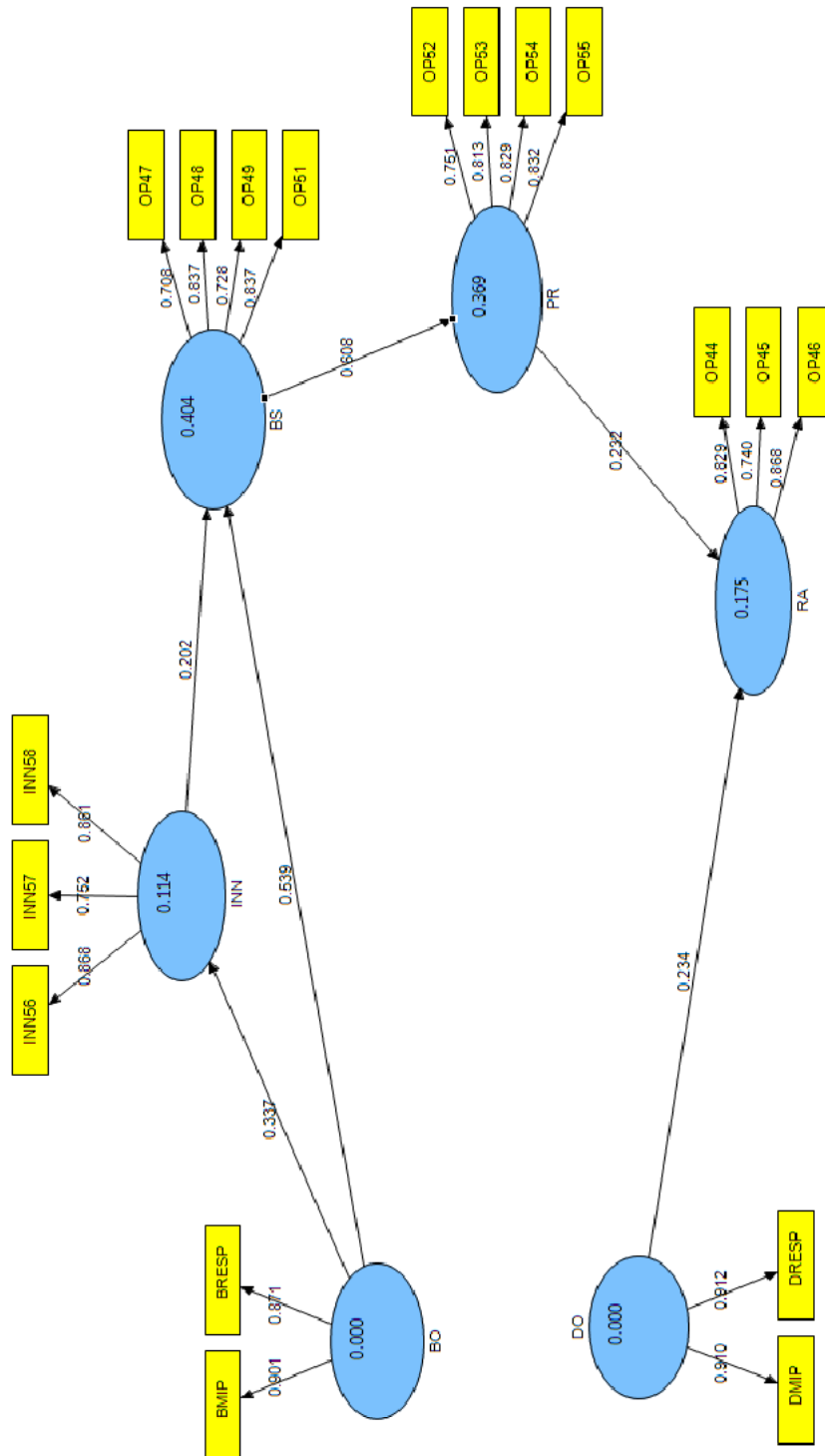


Figure 6.4: The structural model: Path coefficients and R².

R square or the weight of the endogenous construct Beneficiary Satisfaction is 0.404 and this indicates that the market orientation (Beneficiaries) account for 40.4% of the variation in beneficiary satisfaction. The other endogenous variables, public reputation and resource attraction are explained to 36.9 % and 17.5% variations by the model. Therefore the highest explanatory power of the model is for the construct beneficiary satisfaction.

R² values for the constructs are given in Table 6.18.

Table 6.18: R-Square Results

Endogenous constructs	Innovativeness	Beneficiary satisfaction	Public reputation	Resource attraction
R- Square	.1136	.4044	.3692	.1745

According to Chin (1998), R² of 0.67 is termed as substantial, 0.33 as moderate and 0.19 as weak. In the model of the present study, beneficiary satisfaction is the most important dependent construct. In the context of market orientation studies, customer satisfaction is the most important outcome variable because market oriented organisations are supposed to place central focus on customers and therefore customer satisfaction is the end objective for organisations. Here the present model which can account for 40.44% of variations in beneficiary satisfaction can be considered to have good predictive relevance. Moreover, one has to take into account the number of predictor variables in the model also for assessing the effect of the model on the outcome variable. Hensler, Ringle, and Sinkovics (2009) opines that if the number of exogenous variables for an endogenous construct is only one or two, even a ‘moderate’ effect should be considered substantial. Therefore, beneficiary satisfaction and public reputation should be considered as adequately explained by the model considering the number of exogenous variables and their R² values.

In order to lend further support to the path significance, Cohen's f-square values were also computed. F-Square is a measure of the effect size of a path.

F^2 is given by the equation,

$$f^2 = R^2(\text{included}) - R^2(\text{excluded}) / 1 - R^2(\text{included}).$$

The criteria suggested by Cohen for interpreting the effect size is given as follows: Small effect size -0.02, medium effect size - 0.15 and large effect size - 0.35 (Cohen, 1988)

The results are given below in Table 6.19

Table 6.19: Effect Size of Paths (Cohen's f^2)

Paths	BO→INN	BO→BS	INN→BS	BS→PR	PR→RA	DO→RA
F^2	0.128	0.423	0.070	0.0586	0.095	0.04
Interpretation	small	large	Small	small	Small	Small

Effect size of the path BO→BS was found to be the largest (.423). The other paths showed small effect sizes. The f-square results are in keeping with the path coefficient analysis.

6.4.2 Predictive Value of the Model

Hair et.al, 2011 recommends the use of Stone-Geisser's Q^2 value for finding the predictive relevance of the model. A Q^2 value greater than zero indicates the exogenous variable's predictive ability for the relevant endogenous construct (Hair et al.; Chin, 1998). Q^2 has two variants. One, cross validated redundancy and two, cross-validated communality. Blindfolding procedure available with Smart PLS was used to compute Q^2 . As per the guidelines in Hair et.al, 2011, the study used cross-validated redundancy Q^2 value for the analysis. Results shows Q^2 values of all endogenous constructs,

i.e., innovativeness, beneficiary satisfaction, public reputation and resource attraction are greater than zero. Hence, together with the significant path coefficients and R^2 , Q^2 also helps in confirming the predictions of the conceptual model of the study. Q^2 values are given in Table 6.20.

Table 6.20: Predictive Value of the Model (Stone-Geisser's Q^2)

	Innovativeness	Beneficiary Satisfaction	Public Reputation	Resource Attraction
CV(redundancy)	.078	.242	.215	.118
CV(communality)	.678	.629	.659	.662

6.4.3 Goodness of Fit (GoF)

In PLS modelling, an overall fit index of the model is not available unlike CB-SEM. Tennenhaus (2004) however has suggested a goodness of fit index, which is computed as the geometric mean of the average of communality and average of R-sq. GoF can vary from 0 to 1, with a value of 1 indicating perfect fit. The following table gives the computation of GoF for the present model.

Table 6.21: Computation of Goodness of Fit

variables	Communality	R-Sq values	GoF
BO	0.7847	Exogenous	.4325
BS	0.6078	0.4044	
DO	0.8292	Exogenous	
INN	0.6869	0.1136	
PR	0.6512	0.3692	
RA	0.6627	0.1745	
Average	0.70378	0.2654	

GoF for the present model is found to be 0.4322. Wetzels et al. (2009) propose the following threshold values for the GoF: small = 0.1, medium = 0.25

and large = 0.36. Hence, the present model possesses large goodness-of-fit (GoF).

6.4.4 Analysis of Mediating Effect of Innovativeness using Bootstrapping Results

Mediational effect of Innovativeness on the relationship between Beneficiary Orientation and Beneficiary Satisfaction was done through bootstrapping results available with PLS-SEM. The mediation analysis followed the Baron and Kenney (1986) approach for testing mediation. Sobel test statistic was computed to confirm the mediation effect. The method followed is described in details below.

Baron and Kenney approach is one of the most widely used procedure to test the effect of a mediator on a relationship between an independent variable and a dependent variable. Baron and Kenney procedure confirms mediating influence when the following conditions are satisfied in a relationship.

- a) Independent variable should have significant effect on the mediator (path- A).
- b) The mediator should have significant effect on the dependent variable (path B).
- c) Independent variable should have a direct significant effect on dependent variable.
- d) The effect of independent variable on the dependent variable when the effect of mediator is also controlled should be less than its direct effect on dependent variable.

There is perfect or total mediation when the direct path is non-significant in a mediation model. The path significance of the indirect effect can be

computed by Sobel test (Sobel, 1982). The test gives the significance of the indirect effect of independent variable on dependent variable.

In this study, the mediation analysis was done in the following manner. PLS bootstrapping gives the path coefficients in the mediational model. In order to assess the direct path between beneficiary orientation and beneficiary satisfaction, PLS model without innovativeness was also analysed. Table 6.22 gives the path coefficients for analysing the mediation-effect of innovativeness on the relationship between beneficiary orientation and beneficiary satisfaction.

Table 6.22: Path Coefficients (With Innovativeness)

Paths	Path coefficients	Std.error (SE)	T-statistic	Sig(T> 1.96)
BO→BS(With INN)	.5389	.0607	8.88	Yes
INN →BS	.3370	.0743	4.536	Yes
BO→INN	.2018	.0937	2.15	Yes

The following table (Table 6.23) gives the path coefficients and significance for the model without the mediator, Innovativeness.

Table 6.23: Path coefficients (without Innovativeness)

Paths	Path coefficients	Std.error (SE)	T-statistic	Sig(T> 1.96)
BO→BS	.6070	.0479	12.6624	Yes

It can be seen from the tables 6.22 and 6.23, all conditions for establishing mediation are met. Therefore, as per Baron and Kenney (1986) approach, there exists a mediational influence of Innovativeness in the relationship between Beneficiary Orientation and Beneficiary Satisfaction. Now, using Sobel test the significance of the mediating effect can be found.

Sobel test statistic is 1.998 which is significant at $p < .05$ (i.e., greater than 1.96 for significance at $p < .05$) indirect effect. Sobel test statistic is only slightly above 1.96. Therefore, partial mediation of innovativeness is statistically significant at .05; however, it must be noted that the mediation will be ruled out if one adopts the more conservative significance level of .01.

6.4.6 Model Analysis Summary

Table 6.24 shows the summary of the results of the analysis of the conceptual model of the study.

Table 6.24: Model Analysis Summary

Structural paths	Path coefficient	t-statistics	Decision
BO→BS	.5389	8.9672	**
BO→INN	.3370	4.5633	**
INN→BS	.2018	2.3104	*
BS→PR	.6076	7.9473	**
PR→RA	.2319	2.053	*
DO→RA	.2337	2.3127	*

** Significant at .01

* significant at .05

6.5 Analysis of Common Method Variance

Since all the constructs were measured using self-reporting method by a single questionnaire administered at the same time, the measurement is susceptible to common method variance. According to Podsakoff and Organ (1986), common method variance is a serious issue in organisational research and proof of validity of the measures cannot guarantee its absence from a measurement scheme. Therefore it was considered necessary for the present study to investigate this aspect closely so as to ensure the validity of measurement of variables. Common method variance was sought to be

detected by three different statistical procedures: Harman's single factor method, PLS procedure suggested by Liang, Saraf, Hu, and Xue (2007), and correlation method (Pavlou, Liang, & Xue, 2007)

i) Harman's Single Factor Method

Harman's single factor test is one of the most widely-used tests by researchers to analyse common method variance (Podsakoff & Organ, 1986; Podsakoff et al., 2003). The test procedure involves factor analysis of all variables measured for the study and examination of the unrotated factor solution. Common method variance is suspected if a) a single factor emerges from the factor analysis; or b) one factor accounts for substantial variance in the variables.

The total number of items used in the measurement model of the study is 37 (after reliability analysis and purification). Unrotated factor analysis, using principal component analysis of all 37 variables, together, yielded 9 components with Eigen values greater than 1. The total variance explained by the 9 components is 69.65%. The first factor extracted was not found to account for substantial variance in the variables of interest (33%). Therefore Harman Single Factor Test rules out the presence of common method variance in this study.

ii) Correlation of Latent Variables (Pavlou et al., (2007)

This method entails the analysis of correlation matrix obtained from PLS path modelling to check for inter-correlation greater than 0.9 which is regarded as an indication of common method variance.

Table 6.25 Correlation Matrix of Latent Variables

	BO	BS	DO	INN	PR	RA
BO	1	0	0	0	0	0
BS	0.6069	1	0	0	0	0
DO	0.6844	0.5743	1	0	0	0
INN	0.337	0.3834	0.3064	1	0	0
PR	0.586	0.6076	0.6107	0.2564	1	0
RA	0.2523	0.4891	0.3753	0.2221	0.3746	1

As evident from the above table, the highest inter-correlation between variables is .6844, the one between Beneficiary Orientation and Donor Orientation. Since even the highest inter-correlation is way below .90, the ceiling suggested by Pavlou et al., (2007), common method variance can be ruled out convincingly (Siponen & Vance, 2010).

iii) PLS Procedure for Checking Common Method Variance

Another test used for assessing the effect of common method variance was the PLS procedure suggested by Liang et al., 2007 which is based on the common method variance test developed by Podsakoff et al. (2003). For the above analysis, a common method variance factor is introduced in the PLS model as a latent variable which is specified as reflectively measured by all indicators used in the model. All indicators are modelled as latent variables measured by the respective single indicator. Original substantive constructs are linked to their single-indicator constructs. Finally, paths are drawn from method variance factor to all single-item constructs.

All structural path coefficients considered as loadings are compared for method variance factor and substantive constructs. Substantial difference

between average of these loadings and the path-non-significance for method factor and indicators indicate the absence of common method variance. Table 6.26 gives the results of the analysis in detail.

Table 6.26: PLS Loadings with Common Method Variance Factor in the Model

Constructs	Indicators	Substantive Factor loadings-L(s)	Variance explained for constructs	Method Factor loadings	Variance explained for method factor
BO	BMIP	0.8394*	0.7046	0.0603	0.003636
	BRESP	0.933*	0.8705	-0.0603	0.003636
BS	OP47	0.7137*	0.5094	0.0034	1.16E-05
	OP48	0.8068*	0.6509	0.034	0.001156
	OP49	0.8479*	0.7189	-0.1332	0.017742
	OP51	0.7561*	0.5717	0.0809	0.006545
DO	DMIP	0.9803*	0.9610	-0.0875	0.007656
	DRESP	0.8409*	0.7071	0.0875	0.007656
INN	INN56	0.7443*	0.5540	0.1527**	0.023317
	INN57	0.8655*	0.7491	-0.1065	0.011342
	INN58	0.8855*	0.7841	-0.0446	0.001989
PR	OP52	0.7849*	0.6161	-0.0344	0.001183
	OP53	0.7315*	0.5351	0.0814	0.006626
	OP54	0.8274*	0.6846	0.008	0.000064
	OP55	0.8818*	0.7776	-0.0546	0.002981
RA	OP44	0.882*	0.7779	-0.0645	0.00416
	OP45	0.7772*	0.6040	-0.0544	0.002959
	OP46	0.7842*	0.6150	0.1118	0.012499
Average		0.8268	0.6884	-0.00111	0.00640

*significant at $p < .01$

**significant at $p < .05$

The average of indicator loadings on the substantive or principal constructs of the study is .8286. The average of indicator loadings on the method variance factor is very negligible at -0.00111. The ratio of the two

averages is 742. Paths for all indicators are significant at .01 level for actual constructs of the model and for the method factor, the only significant path is that for the indicator - INN56 ($p < .05$). The huge difference in average loadings between substantive constructs and method variance factor and the non-significance for almost all method variance factor paths bears strong evidence for the absence of common method variance in the measurement of indicators (Liang et al., 2007).

Common method bias in measurement which is a potential problem in self-reporting studies in social science was diagnosed using three different post-hoc statistical methods and all the three methods reached the same conclusion that common method variance is not present in the measurement model of the study.

6.6 Conclusion

The chapter presented the analysis and interpretation of data. The hypotheses related to market orientation and its variations based on certain organisational characteristics were analysed using appropriate nonparametric tests and the interpretations of results were presented. The major focus of the study, the relationship between market orientation and the different dimensions of organisational performance was analysed by Structural Equation Modelling technique using PLS method. PLS- SEM analysis showed that the conceptual model was supported by data. Common method variance was analysed using three different approaches and was ruled out by all methods.

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Chapter 7

DISCUSSION OF FINDINGS

- 7.1 Summary of Findings*
 - 7.2 Organisational Characteristics and Market Orientation*
 - 7.3 Market Orientation and Organisational Performance*
 - 7.4 Conclusion*
-

The previous chapter dealt with the analysis of data and the interpretations of results. A summary of the findings of the study are presented in the current chapter. The chapter then discusses and critically examines the findings of the present study in the light of the research objectives and the extant research in nonprofit market orientation so as to elicit the major implications for theory and practice.

7.1 Summary of Findings

The major objective of the study was to investigate the relationship between market orientation and organisational performance in nonprofit organisations based in Kerala. Nature of market orientation as exhibited by organisations in the sector and the variation in market orientation based on select organisational characteristics were also explored by the study. The study was based on primary data collected through a questionnaire survey conducted among the chief functionaries of the sample organisations. Analysis of the data was carried out by employing appropriate statistical methods including Structural Equation Modelling. The summary of findings as per the data analysis and interpretation are presented below followed by detailed discussions of these findings.

- 1) Nonprofit organisations in Kerala exhibit higher level of market orientation towards beneficiaries than donors.
- 2) Market orientation does not show variations based on organisational characteristics such as funding source, organisational size and presence of separate personnel/department for marketing in both beneficiaries' market and donors' market.
- 3) Market orientation towards donors show variation among nonprofit organisations of varying size in financial resources, i.e., organisations with larger operating budgets exhibit higher degree of market orientation towards donors. Beneficiary orientation however does not vary according to the size of financial resources.
- 4) Market orientation towards beneficiaries has a direct positive impact on beneficiary satisfaction.

- 5) Beneficiary satisfaction positively influences public reputation of nonprofit organisations.
- 6) Innovativeness partially mediates the relationship between market orientation towards beneficiaries and beneficiary satisfaction.
- 7) Market orientation towards donors has a direct and positive impact on resource attraction.
- 8) Public reputation positively affects resource attraction in nonprofit organisations.

7.2 Organisational Characteristics and Market Orientation

Apart from the relationship between market orientation and performance in nonprofit organisations which formed the major focus of this research, the study also attempted to analyse the general nature of market orientation practiced by organisations in Kerala, i.e., the variation in market orientation based on certain organisational characteristics. Taking cues from the literature, funding source, presence of marketing personnel/department, organisational size in terms of number of employees, and financial resources (size of operating budget) were identified as the relevant organisational characteristics. The study also explored the difference in market orientation exhibited by nonprofit organisations towards beneficiaries and donors. The findings of the above analyses are discussed in the following sections of this chapter.

7.2.1 Difference in Market Orientations between Donors and Beneficiaries

A significant aspect of nonprofit market orientation is multiple market orientations exhibited by nonprofit organisations due to the influence of multiple constituencies in a typical nonprofit context. Literature holds that market orientations in donors-market and beneficiaries-market are different

constructs and these components of market orientations can have separate and independent effects on performance of nonprofit organisations. Analysis of difference in market orientation scores of organisations with respect to donors-market and beneficiaries-market was carried out. The analysis shows that nonprofit organisations in Kerala exhibit higher market orientation towards beneficiaries than donors. The above results suggest that nonprofit organisations in Kerala attach more importance to beneficiaries. This ordering of priorities attached to donors and beneficiaries was also reflected on the finding on the difference in market orientation levels depending on annual operating budget. From the above two findings, it appears that nonprofit organisations place greater importance on their beneficiaries than donors in keeping with the general tradition of the sector. The finding is also consistent with the conclusions in Macedo and Pinho (2006).

7.2.2 Market Orientation and Funding Source

Self-generated income from commercial activities, government funds, donations from private individuals, and institutional donors including corporate donors are the sources of income for organisations in nonprofit sector. In general, majority of nonprofit organisations depend on external sources for financing their activities and other organisational expenses. In Kerala, external dependence for funding is high as avenues for self-generation of revenue are limited. Organisations operating entirely on self-generated income were excluded from the present study (reasons are discussed in section 4.7.1 of chapter 4). External sources of funding for nonprofit organisations in Kerala can be categorised as private sources (private individuals and private institutional donors including corporate donors) and public sources (government departments and other governmental agencies). The present study made an attempt to find out whether market orientation varies between

private-funded organisations and public-funded organisations. The result regarding the difference in market orientation levels between the two types of organisations show that market orientation levels in markets for beneficiaries and donors show no significant variations between public and private funded organisations. Thus funding source does not seem to affect market orientation of nonprofit organisations in Kerala either in market for beneficiaries or market for donors.

This finding contradicts the findings of the Portuguese study Macedo and Pinho (2006), which reports positive influence of funding type on market orientation towards donors. The above study reported organisations funded by private sources showed higher market orientation in the market for donors whereas no difference was found in the market for beneficiaries. Portuguese nonprofit organisations which formed the settings of the above study are dependent on corporate donors to a great extent and the authors attributed the difference in market orientation in donors' market to the influence of corporate donors. The corresponding situation in Kerala is different because corporate donations do not form dominant part of revenue from private sources. Also, the public sources – government departments and agencies – are major donor groups for the nonprofit organisations in the state. These public agencies do demand frequent interactions and strict reporting procedures from the nonprofit organisations they support. These funding-policy requirements of public agencies help ensure that slackening does not occur in matters related to the funding agencies' needs and expectations. It appears that this characteristic of the donors-market in the state is reflected in the finding that public-funded and private-funded organisations do not differ significantly in donor-market orientation.

It should also be noted that in literature moderating effect of funding source on the relationship between overall market orientation and performance was ruled out in Indian nonprofit sector (Modi, 2012). This indicates that private sources and public sources respond similarly to market orientation. Therefore the lack of difference in donor orientation of private-funded and public-funded organisations can also be explained by the similar strength of market orientation-performance link for both donor-groups.

Similar to the market for donors, beneficiaries-market also does not evidence any impact of funding source on market orientation levels. This indicates that irrespective of the nature of funding source, nonprofit organisations attach similar levels of importance to their beneficiaries. This finding concurs well with the finding in Macedo and Pinho (2006) regarding beneficiary market orientation.

7.2.3 Market Orientation and Separate Marketing Personnel/Department

Influence of separate marketing department/ personnel is not reflected in terms of any difference in market orientation levels between organisations having separate department/personnel for the marketing function and those not having it. Difference in market orientation scores was found non-significant for both donors and beneficiaries markets. Majority of nonprofit organisations are small with simple structures and small number of paid employees. Thus many do not have a separate and exclusive department or personnel for marketing function. Non-significant difference in market orientation in this regard helps emphasise the widely-shared understanding that market orientation is an organisation-wide activity and is not a department-specific function. This organisation-wide coordination or integration of market-focus is well recognised in marketing as the crux of market orientation (Kohli & Jaworski,

1990 and Narver & Slater, 1990). The pervasiveness of marketing in organisations was summed up by McKenna as “marketing is not a function; it is a way of doing business” (McKenna, 1991). The finding regarding the invariance of market orientation across organisations irrespective of presence or absence of marketing personnel/department fully attests to the above observation.

7.2.4 Market Orientation and Organisational Size

The number of employees is generally used as the measure of the size of organisations in nonprofit sector and in nonprofit market orientation literature (Balabanis, et al., 1997). The study shows that there is no significant difference in market orientation levels in nonprofit organisations of differing sizes in terms of employee strength. This invariance in market orientation is observed for both donors and beneficiaries markets. Variation in market orientation depending on organisational size has not been explored much in nonprofit market orientation studies contrary to the for-profit literature where a number of studies have dealt with this research question. The only study that has addressed the issue in a nonprofit context is Balabanis et al., (1997) which analyses donor-market orientation and organisational size. The relevant finding of the above study is, however, not similar to what is borne out of the present study. Balabanis et al. reports that the number of employees in a nonprofit organisation inversely affects the market orientation of nonprofit organisations. This would have suggested that bigger organisations report lower market orientation than smaller organisations, But contrary to the expectations, the present study finds no difference in market orientation between small and large organisations in the state for both market-components (i.e., for donors and beneficiaries). As reported earlier, most of the organisations covered under the present study are small organisations, having less than 25 full-time paid employees. It is possible that even ‘big’

organisations are not so big after all as to affect the market orientation in the context of the present study.

7.2.5 Market Orientation and Size of the Operating Budget

Another characteristic analysed for its impact on market orientation was the size of the annual operating budget. Annual operating budget can represent the financial strength of nonprofit organisations. Activities like information search, processing information and executing market responses that make organisations market oriented require money and manpower. Therefore, financial resources at disposal of nonprofit organisations were considered a relevant factor for understanding the market orientation phenomenon in a nonprofit context. The analysis in this regard gives two different results for the two market components.

It was found that in the beneficiaries market, there was no difference between organisations with large operating budget and those with smaller budgets. On the other hand, in the donors-market market, market orientation was found to vary between large-budget organisations and small organisations. Thus market orientation behaves differently in the two market components based on the difference in annual operating budgets. It implies that nonprofit organisations in Kerala try to maintain market orientation towards their beneficiaries and respond to beneficiaries' needs irrespective of the financial resources at their disposal. However, when it comes to donors-market, financially weaker organisations seem to find it difficult to allocate enough resources - money, organisational time etc- for sourcing, maintaining relationships and other market oriented activities.

The finding regarding difference in market orientation between donors and beneficiaries (see section 7.2.1) and the size of operating budget indirectly

indicates the priorities nonprofit organisations in Kerala attach to their different stakeholder groups. Because of this, only financially strong nonprofit organisations seem to be able to maintain high levels of market orientation in donors' market.

7.3 Market Orientation and Organisational Performance

The major finding of the study is the positive impact of market orientation on organisational performance of nonprofit organisations in Kerala. That is, data offers empirical support for the basic proposition of the thesis, which states that market orientation contributes to the performance of nonprofit organisations in the specific context of Kerala. Market orientations in donors-market and in beneficiaries-market were found to have impact on organisational performance. In general, this corroborates the results of previous studies in nonprofit sector in India and abroad. But the broader perspective used in the conceptualisation of nonprofit market orientation equips the present study to throw more light on the relationship between market orientations and different dimensions of organisational performance. The finding demonstrates that market orientation is a valid and effective tool for enhancing performance in the nonprofit sector of the state. This research outcome is thus the most important one from the point of view of the research problem.

In the nonprofit sector in Kerala, competition for funds is high because of the large number of nonprofits organisations chasing limited donor-funds. According to a study conducted by CSO, Kerala has the second highest number of nonprofit organisations per thousand of population (CSO, 2009). The state has around ten organisations per thousand of population as against

the national average of two organisations. High density of organisations in the sector is bound to have an escalating effect on competition in the sector.

Competition is a generally recognised as a contributing factor in commercialisation of the sector, often forcing organisations to improve the performance for growth and survival. Thus, with competitive environment, the nonprofit sector in Kerala looks very much a fertile ground for the use and application of marketing concepts and techniques. Therefore, market orientation would appear to be an effective strategic orientation for nonprofit organisations in Kerala to follow. But the prevalence and the nature of marketing as practiced in the sector are largely unknown and unexplored. The efficacy of market orientation in improving organisational performance of nonprofit organisations has not been established in Kerala context. It should be pointed out here that a previous study in India has reported that market orientation has no *direct* impact on resource attraction, an economic performance measure which is critical for resource-scarce Indian nonprofit sector including Kerala. Therefore, the finding that market orientation contributes to organisational performance assumes relevance in the above scenario. It shows that the efficacy of market orientation is replicable even in a developing economy context. As the literature review chapter of this thesis has noted, a lion's share of market orientation studies in nonprofit organisational context is set against the background of sectors in the developed world. So the study lends support to the validity of extending market orientation concept to nonprofit settings in developing economies.

It is worthwhile to note here that the study was conducted among nonprofit organisations whose major share of revenue came from donations or grants which implies that these organisations most often have limited or no

economic exchange relations with the beneficiaries of their services. Thus the evidence for market orientation and its impact on performance in the above settings validates the argument behind the ‘broadening of marketing’ of Kotler and Levy (1969). Though previous studies in literature have reported empirical evidence for the above, the significance of the present study stems from the nature of nonprofit organisations covered by the study. The organisations included in the study belong to what Hansman called ‘donatives’ (Hansman, 1980) as the major part of their revenue comes from third party sources and not from clients or beneficiaries. Absence of *commercial* or *economic* exchanges is at the heart of the difference between for-profit and non-profit organisations that makes nonprofit marketing conceptually and operationally different from for-profit marketing. Most reservations expressed in literature about the legitimacy of applying marketing concept to nonprofit organisations centre around the validity of marketing when there is no *quid pro quo* in the relationship between two parties (Luck,1969). Most of the studies in present literature however deal with a mix of donatives and other organisations which run on commercially generated income. The latter category of organisations has commercial exchanges with their clients and therefore there is little to differentiate it from the for-profit commercial sector in terms of application of marketing concept and techniques. Market orientation studies in for-profit sector have amply demonstrated the effectiveness of the concept in commercial context. Thus establishing the positive relationship between market orientation and performance empirically with a sample of nonprofit organisations running mostly on donor funds has special significance in the context of relevance of nonprofit marketing.

As indicated earlier, resource allocation and resource acquisition markets for nonprofit organisations are different, giving rise to the need for having multiple market orientation. Therefore, the study used multiple-constituency approach to measuring market orientation of nonprofit organisations. Beneficiaries-market and donors-market were analysed separately for market orientation levels. Market orientation for beneficiaries and market orientation for donors were hypothesised to have independent and separate impact on different dimensions of performance. There were structural relationships among different dimensions of performance too. Following paragraphs discuss the specific findings in respect of hypothesised structural relationships in the conceptual model of the study.

7.3.1 Market Orientation (beneficiaries) and Beneficiary Satisfaction

Outcome of the analysis of the relationship between market orientation in beneficiaries and beneficiary satisfaction was on expected lines as the above relationship was one of the most plausible relations between market orientation and different performance dimensions. Beneficiary orientation was found to explain 40% of the variance in beneficiary satisfaction. Customer satisfaction is regarded as one of the most important considerations for a market oriented organisation. Thus ensuring customer satisfaction has prime importance in market orientation strategy. Beneficiary satisfaction, therefore, can be considered as one of the most important dimensions of performance in nonprofit market orientation.

The finding that market orientation improves beneficiary satisfaction has special relevance in another context. Generally, nonprofit organisations are focussed more on service design and delivery. Primacy of mission tends to make these organisations lose sight of the real targets of their programmes and services, the beneficiaries. Andreasen and Kotler (2003) observed this

anomaly in nonprofit organisations and commented that even organisations that claim to be practicing marketing follow *organisation-centric* marketing, and not *real* marketing which requires placing the market at the centre of all organisational activities. Bruce (1995) also observed the proclivity of nonprofit organisations to neglect the need of beneficiaries as most nonprofit organisations are in an advantageous position with respect to their beneficiaries. The above situation is more akin to Indian nonprofit landscape where the beneficiaries are often the disadvantaged, voiceless groups with little or no choice. Market orientation is therefore beneficial from the standpoint of beneficiaries. As Bruce (1995) claimed, it seems that beneficiaries stand to gain the most when nonprofit organisations adopt market orientation. Finding that market orientation in beneficiaries market leads to increased beneficiary satisfaction indicates that the fears about social desirability of using the “values and methods of market” (Eikenberry & Kluver, 2004) are misplaced at least in the context of benefiting the beneficiaries of the services of nonprofit organisations. By fostering greater sensitivity towards beneficiary needs, market orientation ensures better beneficiary satisfaction. The finding of the study is also consistent with earlier studies, notably Padanyi and Gainer (2004) which reported the positive influence of client related market oriented-culture on client satisfaction. Two other studies have also reported similar results (Modi & Misra, 2010 and Modi, 2012). Thus, the positive relationship between beneficiary market orientation and beneficiary satisfaction is largely consistent with the literature.

7.3.2 Market Orientation (Beneficiaries) and Its Impact on Public Reputation and Resource Attraction

The conceptual model empirically validated by the study shows that market orientation in beneficiaries-market also contributes indirectly to public

reputation of the organisation. Reputation is depicted in literature as an important dimension of performance that is used by customers and other stakeholders to judge the performance of an organisation. In the context of increased media scrutiny of the sector, this finding supports the case for market orientation in Kerala's nonprofit sector. Jacoby (1974) has demonstrated that information overload can lead people to use shortcuts in decision making involving brand choices and reputation of an organisation can be a shortcut or decisional heuristics in for-profit sector. Beneficiary satisfaction, as evidenced by the results of the present study, explains 37% of the variance in public reputation. This finding demonstrates the importance of beneficiary satisfaction and justifies the focus on beneficiaries by nonprofit organisations.

Impact of public reputation on resource attraction, though not very substantial, is still significant for improving the resource attraction performance. This finding is comparable to the other studies in nonprofit market orientation which examined *peer* reputation and resource attraction (Padanyi & Gainer, 2004; Modi & Misra, 2010; Modi, 2012). Peer reputation was shown to positively influence resource attraction in the above studies. Padanyi and Gainer (2006) demonstrated that there is no direct impact of client orientation on resource attraction and that the relationship between the above two variables is mediated by the reputation construct. The authors point out that the lack of direct impact of client satisfaction on resource attraction is in contrast to the for-profit sector where customer satisfaction is supposed to lead to better economic performance. In the nonprofit context, absence of direct impact of beneficiary satisfaction on economic performance can be explained by the unique features of nonprofit exchanges. Beneficiaries of nonprofit products and services are different from the typical customers of

commercial products and services in the business sector. Customers in commercial market, on account of their commercial exchange relationships with the service provider, can reward or withdraw favours based on whether the exchanges are satisfying or not. However, beneficiary satisfaction cannot directly ensure enhanced economic performance in the form of greater resource attraction in nonprofit services as resource attraction happens in a different market, market consisting of donors of resources.

Beneficiary satisfaction, however, can influence the resources-market indirectly through public reputation as this study has found out. Impact of public reputation on resource attraction can be explained by comparable results of studies in the for-profit sector about corporate reputation and customer behaviour. Selnes (1993) has shown that corporate reputation affects customer loyalty in several product categories of business sector. Nguyen & Leblanc (2001) also reports a similar finding in relation to the relationship between customer loyalty and corporate reputation. Corporate reputation has also been associated with better financial performance of firms (Roberts & Dowling, 2002). Drawing from above findings, one can speculate that public reputation of nonprofit organisations positively affects donors' perception about the worth of the organisations thereby positively influencing them to donate time or money. One implication of the impact of public reputation on resource attraction is that donors-markets, though separate from beneficiaries-market, is still interconnected and is not isolated from the impact of the happenings in the other market component.

7.3.3 Market Orientation (donors) and Resource Attraction

The study has used a multiple constituency approach to measuring market orientation of nonprofit organisations because of the conceptual

soundness and its potential ability to explain vividly the mechanism of the relationship between market orientation and performance. Advantage of this approach is evident from the results of the influence of donor-market orientation on resource attraction. As predicted by the conceptual model, it was found that market orientation in donors-market positively affects resource attraction. As noted in the literature review section of the thesis, a multidimensional framework of organisational performance is considered necessary in order to capture the importance of multiple constituencies to a nonprofit organisation and the different expectations and priorities of these constituencies. Therefore, it is essential to link a market orientation component to that dimension of performance which is relevant to that particular market component. Resource attraction component is closely related to the economic performance of nonprofit organisations. Thus, it is likely to be a function of the organisation's market orientation in resource attraction market, the market for donors. Overall market orientation is not likely to be effective in capturing the impact of constituent-specific market orientation on resource attraction.

The present study shows that donor market orientation leads to improved performance of the organisation in resource attraction. This significant direct effect of donor-market orientation is different from the results reported in Padanyi and Gainer, (2004). The above finds that the relationship between donor market orientation and resource attraction is not a direct one; but is mediated by peer reputation (Padanyi & Gainer, 2004). The donors-market in the above-mentioned study includes only government funders and therefore a direct comparison between the present study and the above study is not meaningful beyond a certain extent. The present research considered all donor-groups for measuring donor orientation.

Modi (2012) also reports non-significant direct relationship between the two variables. The relationship is reported as indirect, mediated by peer reputation. It can be assumed that the anomaly is due to the difference in the conceptualisations of market orientation in the two studies. Modi (2012) uses an overall market orientation score with no distinction made between beneficiaries and donors markets. A high overall market orientation does not necessarily ensure high market orientation in all the market constituents since the priorities attached to different constituent groups can vary across organisations. Previous research, the present study bears most resemblance to, in terms of findings on direct relationship between donor market orientation and donor-market related performance dimension is Morris et al. (2007). Like the present study, the above study also establishes that an organisation's market orientation in its market for donors directly and positively affects its economic performance.

The finding of the present study in relation to the positive direct relationship between donor-market orientation and resource attraction should come as a solid argument for pursuing market orientation in nonprofit organisations since financial sustainability is one of the pressing concerns for most nonprofit organisations. The study demonstrates that market orientation is not a mere tool for projecting ideological stances, but a strategic tool for improving critical areas of performance. Also, this direct positive relationship between donor market orientation and resource attraction implies that serving the donors-market is equally important for nonprofit organisations, despite the indirect impact of beneficiary orientation on financial performance through the mediating influence of improved performance in beneficiaries-market (beneficiary satisfaction and public reputation). Thus, the results also suggest that the nonprofit organisations have the unenviable task of servicing two

different components of markets, both of which have equal importance in ensuring all-round performance of the organisations. In other words, the traditional way of focussing only on beneficiaries may prove detrimental to the accomplishment of one of the most critical requirements for survival of the organisations – resource attraction.

7.3.4 Mediating Influence of Innovativeness

From a practical perspective, understanding the mechanism of the link between market orientation and performance is an important consideration. Even in theory, the issue has high relevance in view of the empirical evidence from the for-profit sector suggesting the impact of mediating variables, making the market orientation-performance relation more complex than what was previously assumed. The present study analysed the role of innovativeness since studies in both for-profit and nonprofit sectors have hinted at the mediating influence of innovativeness. The results of the study do not inconclusively prove the mediating role of innovativeness. Sobel statistic for test of significance of mediation effect is only slightly above 1.96, the minimum required for 5 % level of significance. Thus, statistically, the mediation effect can be accepted at 5% significance level; but a more stringent test of hypothesis at 1 % level of significance would reject it. So at best, innovativeness is only a weak mediator in the relationship between market orientation and beneficiary satisfaction. This finding is to some extent similar to what is reported in Modi (2012) on the meditational influence of innovativeness. The above study shows the relationship between *overall* market orientation and beneficiary satisfaction is partially mediated by innovativeness. The structural path is significant only at .05 level. Therefore it seems that the mediating influence of innovativeness in a nonprofit context is negligible. This is in contrast to the findings in for-profit literature where

innovativeness is considered an important mediating influence on the relationship between market orientation and firm performance (Han, et al., 1998). But significant effect of market orientation on innovativeness demonstrates that market orientation fosters innovation in nonprofit organisations.

7.4 Conclusion

This chapter presented the discussion on the research findings of the study. Findings were discussed in the light of previous studies in the literature and the research objectives. To sum up the discussion on the findings of the conceptual model analysis, it can be concluded that market orientation is effective in enhancing organisational performance of nonprofit organisations in Kerala. Most significantly, market orientation has direct positive impact on the important performance parameters of beneficiary satisfaction and resource attraction. The study also reveals that nonprofit organisations in Kerala are market oriented more towards beneficiaries than donors.

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Chapter 8

SUMMARY AND CONCLUSION

- 8.1 Summary of the Research*
 - 8.2 Implications for Theory and Practice*
 - 8.3 Scope for Future Research*
 - 8.4 Conclusion*
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The purpose of the current chapter is to give an overview of the entire research, together with a brief description of the major contributions of the study to the theory and practice of market orientation in the nonprofit sector of Kerala. Scope for future research in the area is also discussed.

8.1 Summary of the Research

The study was undertaken with the major objective of finding out whether market orientation contributes to organisational performance of nonprofit organisations in Kerala. No other study on the subject from Kerala was located in the literature. Drawing from extant research in the fields of market orientation, nonprofit marketing and general nonprofit management, a conceptual model was formulated connecting the relevant dimensions of market orientation and organisational performance in nonprofit context. Market orientation was conceptualised from the activity-based behavioural perspective of the construct. In adapting market orientation construct to the nonprofit context, multiple constituency approach was adapted, which meant measuring market orientation separately for each of a nonprofit organisation's market-components. Considering the literature support for the vital importance of donors and beneficiaries among the multiple constituencies of nonprofit organisations, markets for donors and beneficiaries were considered for estimating market orientation of nonprofit organisations. Organisational performance was conceptualised as a multi-dimensional construct having independent and separate dimensions. Based on the review of literature in market orientation and nonprofit management, the study included beneficiary satisfaction, public reputation and resource attraction as the relevant performance dimension in Kerala's nonprofit sector. Each dimension of performance was measured in terms of increments over a 5-year time horizon as perceived by the organisations.

The empirical analysis of the study was based on the survey data collected from 137 nonprofit organisations registered in Kerala. Relationships among market orientation and different dimensions of organisational

performance were analysed using structural equation modelling by Partial Least Squares Method.

The study found that nonprofit organisations in Kerala exhibit higher market orientation towards beneficiaries than donors. Market orientation levels in donors-market and beneficiaries-market were not found to differ between private-funded and public-funded organisations. Levels of market orientation in donors-market and beneficiaries-market were found not to vary according to organisational size expressed in terms of the number of employees. No difference in market orientation levels was found between nonprofit organisations with separate marketing department/personnel and those without the above. Market orientation for donors, however, was higher in nonprofit organisations with larger annual operating budgets. But this finding on the difference in market orientation based on annual operating budgets is not replicated for market for beneficiaries.

The crux of the study, the analysis of the relationship between market orientation and organisational performance of nonprofit organisations generally supported the conceptual model developed for the research. It was found that market orientation for beneficiaries contributes to enhanced beneficiary satisfaction which in turn leads to increased public reputation of the nonprofit organisation. Public reputation was found to positively affect the resource attraction dimension of organisational performance. Innovativeness was found to partially mediate the link between beneficiary market orientation and beneficiary satisfaction. However, this mediating effect is only negligible compared to the direct impact of beneficiary orientation on beneficiary satisfaction.

The other component of nonprofit market orientation, market orientation in donors-market was also found to directly contribute to resource attraction.

Thus it can be concluded that market orientation plays a vital role in ensuring not only 'soft' measures of performance, but also the 'hard' economic performance measure of resource attraction in the nonprofit sector in Kerala. Predictive power of the model was found to be highest for beneficiary satisfaction, followed by public reputation and resource attraction in that order. To sum up, the basic premise of the thesis that market orientation is an effective tool for enhancing performance in nonprofit organisations in Kerala is well supported by data.

8.2 Implications for Theory and Practice

The study makes some important contributions to the theory and practice in nonprofit market orientation. Constituent-wise analysis of market orientation of nonprofit organisations enables the present study to shed some light on how different dimensions of organisational performance are impacted by market orientation in Kerala. Multiple constituency approach, although recognised widely in literature, surprisingly has not been fully assimilated with all its complexities into the empirical models connecting nonprofit market orientation and performance. These shortcomings were addressed by the conceptual framework of the study with the presumption that a market-wise analysis of market orientation into donor-market orientation and beneficiary orientation holds the key to unlocking the relationship between market orientation and different performance dimensions. This helps the study to establish that market orientation for donors does have a direct impact on resource allocation in a developing economy context. So the study demonstrates that market orientation is indeed effective in enhancing both marketing and financial-related performance of nonprofit organisations. In addition to this obvious significance to the theory, the findings of the study have practical implications in nonprofit management. Since both donor

orientation and beneficiary orientation contribute to organisational performance, nonprofit organisations will do well not to ignore any market component so as to ensure all-round performance and survival.

Another contribution to the body of knowledge in nonprofit market orientation is the use of public reputation as a dimension of performance. The inclusion of public reputation in the model was justified by the finding on the impact of public reputation on resource attraction. This is a relevant finding in the context of a nonprofit sector in developing economy wherein low level of networking and interactions among peer organisations makes the common reputation-related construct, peer reputation inappropriate. A practical implication of this finding is the importance of beneficiary orientation in ensuring performance in donors' market through the indirect effect of public reputation. Beneficiary satisfaction and its positive consequence by way of enhanced public reputation ultimately influence the performance of the organisation in donors' market. It shows that "doing good" can lead to "doing well".

The role of nonprofit sector in a society's all-round development and stability is a widely-acknowledged fact. An efficient and effective nonprofit sector is therefore a socio-political and economic necessity. In the special context of Kerala, where organised movements in socio-political landscape have a long history and strong presence, nonprofit sector obviously handles massive resources, be it money or man power. The sector utilises a substantial amount of direct government funds too. Organisational efficiency and performance improvement of nonprofit organisations therefore can make huge difference in the state by way of better utilisation of resource and better accomplishment of social objectives. By demonstrating the capability of market orientation to enhance performance of nonprofit organisations, the study helps

demonstrate the importance of market orientation to nonprofit managers in Kerala.

8.3 Scope for Future Research

A study in similar settings with a longitudinal design can not only confirm the conclusions of the study but also help in explicating the relationship between market orientation and organisational performance more emphatically. Longitudinal research can help track the changes in market orientation levels and performance over a time-frame and can therefore reveal important information such as time-lag effect, market orientation implementation problems etc. Studies on a wider population of nonprofit organisations including those running on self-generated income can make useful contributions to the understanding of nonprofit market orientation in Kerala. A pan-India study with the same conceptual framework is another promising area of research considering the huge scale and importance of Indian nonprofit sector.

8.4 Conclusion

Market orientation is a fundamental concept in marketing. Internationally, its implementation in nonprofit sector has helped organisations to improve their performance, thereby contributing to the development of a sector which is vital to the socio-economic development of any country. This research was carried out with the primary objective of investigating the efficacy of market orientation concept in improving the performance of nonprofit organisations in Kerala. The study establishes that market orientation positively affects the performance of nonprofit organisations in Kerala and thereby, supports the basic contention of this research.

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APPENDICES



SCHOOL OF MANAGEMENT STUDIES
COCHIN UNIVERSITY OF SCIENCE AND TECHNOLOGY
KOCHI-682 022, KERALA, INDIA

DIRECTOR

No. SMS/Ph.D/3028/11-12

10/11/2011

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Ms. Renjini D is a bona fide student of this institution (Ph D). The topic for her research is Management *Practices* in the Non-profit Sector in Kerala and the proposed survey titled 'Survey on Non-profit sector in Kerala' is for the purpose of the above mentioned study. The responses of this questionnaire will be combined with those from other similar institutions and only the combined results will be used for the study. The identity of the organization will not be revealed.


DIRECTOR



DIRECTOR
SCHOOL OF MANAGEMENT STUDIES

KOCHI - 682 022, KERALA, INDIA, Phone : Office : 0484-2575310, 0484-2575096

SURVEY ON NON-PROFIT SECTOR IN KERALA

A. ORGANISATIONAL DATA

1. Name and address of the organisation :
2. Year of establishment :
- Registered Under (Please put a tick mark ✓) 1) Societies Registration Act
2) Travancore-Cochin Scientific Literary and Charitable Society Registration Act
3) Indian Trust Act,
3. Number of employees :
4. Number of volunteers :
5. Which subsector of non-profit activities you **primarily** belong to? (Please put a tick mark ✓ against only **ONE**)

1. Culture and Recreation	2. Education	3. Health
4. Social Services	5. Environment	6. Development and Housing
7. Law, Advocacy and politics	8. Philanthropic intermediaries and volunteerism promotion	9. International
10. Religion	11. Business and Professional Associations, trade unions	12. Any Other

6. If your organisation is active in other sectors, please check those sectors in the table given below. You can select any number of sectors depending on your organisation's operations/activities.

1. Culture and Recreation	2. Education	3. Health
4. Social Services	5. Environment	6. Development and Housing
7. Law Advocacy and politics	8. Philanthropic intermediaries and volunteerism promotion	9. International
10. Religion	11. Business and Professional Associations, trade unions	12. Any Other

7. What is the mission of your organisation?
8. Please indicate the sources of revenue for the organisation (Please put a tick mark) and the contribution of each source in percentage (approximate values)
 1. Government/Governmental agencies (....)
 2. Private Individual donors (....)
 3. Private business organisations/corporate/other such institutional donors (....)
 4. Self-generated income (....)
 5. Foreign donations
 6. Others (Please specify)
9. What was your previous year's operating budget?
 1. Below 5 lakhs
 2. 5-10 lakhs
 3. 10-50 lakhs
 4. 50lakhs-1 Cr.
 5. Above 1 Cr.
10. Do you have a separate personnel or department designated for marketing?
 1. Yes
 - 2.No

SECTION B

Below given are some statements about organisational activities and behaviours. Please indicate your response by checking the number that best describes your organisation for each statement

1-Not at all 2-To a small extent 3-To a moderate extent 4-To considerable extent 5-To a great extent.

- | | | | | | |
|--|---|---|---|---|---|
| 11. In this organisation, we meet with donors at least once a year to find out what services they will need in the future. | 1 | 2 | 3 | 4 | 5 |
| 12. In this organisation, we do a lot of information search on donors . | 1 | 2 | 3 | 4 | 5 |
| 13. We are slow to detect changes in our donors' service preferences. | 1 | 2 | 3 | 4 | 5 |
| 14. We poll donors at least once a year to assess the quality of our programmes and services. | 1 | 2 | 3 | 4 | 5 |
| 15. We are slow to detect fundamental shifts in our sector (e.g., technology, regulation). | 1 | 2 | 3 | 4 | 5 |
| 16. We periodically review the likely effect of changes in our business environment (e.g., regulations) on donors | 1 | 2 | 3 | 4 | 5 |
| 17. We have intra-organisational meetings with all functionaries/departments at least once a quarter to discuss trends and developments related to donors | 1 | 2 | 3 | 4 | 5 |
| 18. Marketing personnel in our organisation spend time discussing donors' future needs with other functional departments/functionaries | 1 | 2 | 3 | 4 | 5 |

- | | | | | | |
|--|---|---|---|---|---|
| 19. When something important happens to a major donor , the whole organisation knows about it within a short period. | 1 | 2 | 3 | 4 | 5 |
| 20. Data on donors' satisfaction are disseminated at all levels in this organisation on a regular basis. | 1 | 2 | 3 | 4 | 5 |
| 21. For one reason or another we tend to ignore changes in our donors service needs or expectations. | 1 | 2 | 3 | 4 | 5 |
| 22. We periodically review our service/programme development efforts to ensure that they are in line with what donors want. | 1 | 2 | 3 | 4 | 5 |
| 23. Donors' complaints/feedback falls on deaf ears in this organisation | 1 | 2 | 3 | 4 | 5 |
| 24. Several departments/functionaries get together periodically to plan a response to changes taking place in our environment. | 1 | 2 | 3 | 4 | 5 |
| 25. The activities of the different departments/functionaries in this organisation are well coordinated. | 1 | 2 | 3 | 4 | 5 |
| 26. When we find that donors would like us to modify a programme/service, the departments involved make concerted efforts to do so. | 1 | 2 | 3 | 4 | 5 |

SECTION C

Below given are some statements about organisational activities and behaviours related to beneficiaries. Please indicate your response by checking the number that best describes your organisation for each statement.

1-Not at all 2-To a small extent 3-To a moderate extent 4-To a considerable extent 5-To a great extent.

- | | | | | | |
|--|---|---|---|---|---|
| 27. In this organisation, we meet with beneficiaries at least once a year to find out what services they will need in the future. | 1 | 2 | 3 | 4 | 5 |
| 28. In this organisation, we do a lot of information search on beneficiaries . | 1 | 2 | 3 | 4 | 5 |
| 29. We are slow to detect changes in our beneficiaries' service preferences. | 1 | 2 | 3 | 4 | 5 |

30. We poll **beneficiaries** at least once a year to assess the quality of our programmes and services. 1 2 3 4 5
31. We are slow to detect fundamental shifts in our sector (e.g., technology, regulation). 1 2 3 4 5
32. We periodically review the likely effect of changes in our business environment (e.g., regulations) on beneficiaries 1 2 3 4 5
33. We have intra-organisational meetings with all functionaries/departments at least once a quarter to discuss trends and developments related to **beneficiaries** 1 2 3 4 5
34. Marketing personnel in our organisation spend time discussing **beneficiaries'** future needs with other functional departments/functionaries. 1 2 3 4 5
35. When something important happens to a major beneficiary group, the whole organisation knows about it within a short period. 1 2 3 4 5
36. Data on **beneficiaries'** satisfaction are disseminated at all levels in this organisation on a regular basis. 1 2 3 4 5
37. For one reason or another we tend to ignore changes in our **beneficiaries** service needs or expectations. 1 2 3 4 5
38. We periodically review our service/programme development efforts to ensure that they are in line with what **beneficiaries** want. 1 2 3 4 5
39. **Beneficiaries'** complaints/feedback falls on deaf ears in this organisation. 1 2 3 4 5
40. Several departments/functionaries get together periodically to plan a response to changes taking place in our environment. 1 2 3 4 5
41. The activities of the different departments/functionaries in this organisation are well coordinated. 1 2 3 4 5
42. When we find that **beneficiaries** would like us to modify a programme/service, the departments involved make concerted efforts to do so. 1 2 3 4 5

SECTION D

Please check the number that indicates how your organisation has performed **OVER THE PAST FIVE YEARS** in terms of the following criteria.

1. Declined significantly 2. Declined somewhat 3. Been Stable 4. Increased somewhat 5. Increased significantly

- | | | | | | |
|---|---|---|---|---|---|
| 43. Funding/revenues received from government funders. | 1 | 2 | 3 | 4 | 5 |
| 44. Overall amount of funding/revenues. | 1 | 2 | 3 | 4 | 5 |
| 45. The number of paid staff. | 1 | 2 | 3 | 4 | 5 |
| 46. The size of your organisation's annual operating budget. | 1 | 2 | 3 | 4 | 5 |
| 47. The degree to which your programmes, activities or services meet the beneficiaries' needs. | 1 | 2 | 3 | 4 | 5 |
| 48. The level of the beneficiary satisfaction with the TYPE of the programmes, activities or services your organisation provides. | 1 | 2 | 3 | 4 | 5 |
| 49. The level of the beneficiary satisfaction with the QUALITY of the programmes, activities or services your organisation provides. | 1 | 2 | 3 | 4 | 5 |
| 50. The level of the beneficiary satisfaction with the PRICES/FEES your organisation charges for its programmes, activities or services. | 1 | 2 | 3 | 4 | 5 |
| 51. The level of the beneficiary satisfaction with the AVAILABILITY (i.e. the non-price related accessibility) of the programmes, activities or services your organisation provides. | 1 | 2 | 3 | 4 | 5 |
| 52. Your organisation's reputation among the general public for the programmes, activities or services delivery. | 1 | 2 | 3 | 4 | 5 |
| 53. Your organisation's reputation among the general public for attracting financial resources. | 1 | 2 | 3 | 4 | 5 |
| 54. Your organisation's reputation among the general public for attracting skilled staff and committed volunteers. | 1 | 2 | 3 | 4 | 5 |
| 55. Your organisation's reputation among the general public for achieving its mission. | 1 | 2 | 3 | 4 | 5 |

SECTION E

The following statements are about a variety of activities of the organisation. Please indicate the degree to which the statement best describes your organisation.

(1 strongly Agree, 2 Agree, 3 Neither Agree or Disagree, 4 Disagree, 5 Strongly Disagree.)

- | | | | | | |
|--|---|---|---|---|---|
| 56. Innovation, based on information research results, is readily accepted. | 1 | 2 | 3 | 4 | 5 |
| 57. Management actively seeks innovative ideas. | 1 | 2 | 3 | 4 | 5 |
| 58. Innovation is readily accepted in programme/project management. | 1 | 2 | 3 | 4 | 5 |
| 59. People are penalised for new ideas that do not work. | 1 | 2 | 3 | 4 | 5 |
| 60. Innovation in this organisation is perceived as too risky and is resisted. | 1 | 2 | 3 | 4 | 5 |

E. RESPONDENT DATA

- | | |
|--|---|
| 61. Name | : |
| 62. Contact number | : |
| 63. Designation | : |
| 64. Are you a paid employee () or a Volunteer ()?(Please tick ✓) | |
| 65. How long have you been associated with this organisation? | : |

Survey conducted by Renjini D, Research Scholar, School of Management Studies, Cochin University of Science and Technology(CUSAT), Kalamassery, Ernakulam

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Appendix -2



Journal of Service Management

Highly Commended Award

is awarded to Mary Joseph T and Renjini D

for the paper Nature and Impact of Donor-Market Orientation in Nonprofit Organisations

Presented at 2013 IRSSM Symposium

Handwritten signature of Juliet Harrison in green ink.

Juliet Harrison
Publisher

Handwritten signature of Jay Kandampully in green ink.

Jay Kandampully
Editor



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Nature and Impact of Donor-Market Orientation in Nonprofit Organisations

Authors

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Dr. Mary Joseph T (Dean, Bharata Mata Institute of Management, Kochi, India)

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Abstract

Purpose The study aims to analyse the impact of market orientation towards donors on the economic performance of nonprofit organisations.

Design/Methodology/Approach Data were collected from 137 nonprofit organisations operating in Kerala, India. Structural Equation modelling using Partial Least Square method was employed to analyse the data.

Findings Results suggest that market orientation towards donors directly lead to higher economic performance in nonprofit organisations. Mediating influence of innovativeness in the above relationship is not supported by the study.

Research Limitations/Implications Present research demonstrates that analysing market orientation in the specific market for donors is essential in understanding the market orientation – economic performance in nonprofit sector. Longitudinal studies and analysis of other potential mediators in future research can provide more insights into the nature of nonprofit market orientation and its impact in nonprofit organisations.

Practical Implications Generally, nonprofit organisations' missions are beneficiary related and this can create a tendency to be fully-occupied with beneficiaries-market. The study shows that organisations must ensure adequate level of market orientation towards donors too as it has direct impact on resource attraction which is critical for the long-term survival.

Originality/Value The study contributes to the body of knowledge in nonprofit market orientation in an emerging economy context. The study also helps in calling attention to the need for constituent –wise analysis of market orientation for the better understanding of its relationship with economic performance.

Keywords – Market orientation, Nonprofit organisations, Organisational performance, Innovativeness, Market for donors.

Paper Type - Research Paper.

Appendix -3



Abstract

Role of Nonprofit Partners in Enhancing Brand Credibility of Cause Related Marketing Programmes

Renjini D

Research Scholar, School of Management Studies, CUSAT

Dr. Mary Joseph

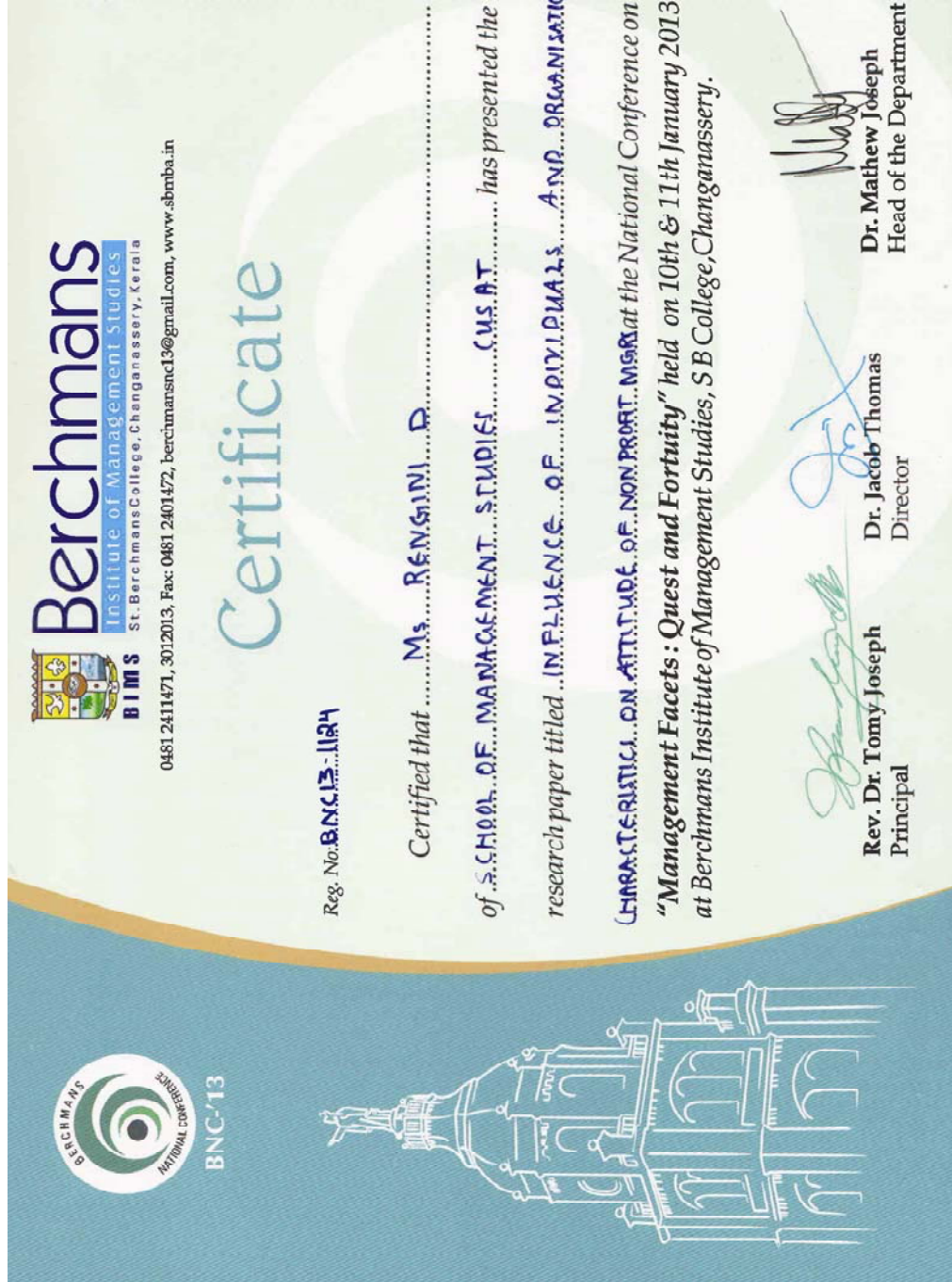
Dean, Bharata Mata Institute of Management and,

Former Director, School of Management Studies, CUSAT

The paper is a conceptual study on the impact of nonprofit organisations on brand credibility in the specific context of cause related marketing. Brand credibility is a critical factor in ensuring effectiveness of CRM programmes. Extant literature shows that brand-cause fit and altruistic attribution are the most important antecedents of brand credibility. Given the fact that it is impossible for all corporate brands to have good fit with important social causes, companies have turned to nonprofit organisations for collaborations in CRM. Literature, though endorses the use of nonprofit organisations in CRM, offers no explanation of how organisations bring about the positive influence on CRM effectiveness. The present study makes an attempt to explain how the relationship between brand credibility and nonprofit support works in CRM. Given the importance of CRM in marketing strategy and social responsibility, the study makes valuable contribution to the body of knowledge in CRM and consumer behaviour and will help marketing practitioners in designing effective CRM campaigns.

Key Words – Corporate Social Responsibility (CSR), Cause Related Marketing (CRM), corporate social performance, and corporate branding

Appendix -4



Influence of Organisational and Individual Characteristics on Attitude of Nonprofit Managers towards Marketing by Nonprofit Organisations

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Abstract

Extant research shows that marketing can greatly enhance performance in nonprofit sector. Still, implementation of marketing concept and marketing techniques by Indian nonprofit organisations remains an under-researched area. Attitude of nonprofit managers toward marketing is a critical factor in successful implementation of marketing concept. Thus measuring the attitude of nonprofit managers towards marketing will certainly extend our knowledge about marketing practices in this sector. This study attempts to explore the attitude of nonprofit managers towards marketing in nonprofit organisations. The study also analyses whether attitude towards marketing shows variations based on source of funding of the organisation and educational background of the nonprofit managers. Data was collected from 50 senior managers in various nonprofit organisations based in Kerala which has the highest density of nonprofit organisations among all Indian states.

Introduction

Efficacy of marketing as a potent and indispensable tool for performance improvement is an uncontested concept in the business world. Encouraged by the positive results of application of marketing concepts and techniques in the business arena, several academic scholars and practitioners have sought to extend marketing to non-business situations. Extant research in nonprofit management and marketing shows that marketing can enhance performance in nonprofit sector. Marketing benefits the nonprofit sector in a number of ways. The beneficiaries, who are often the ignored group in a typical nonprofit setting, are perhaps the first to enjoy the benefits of marketing concept in the sector (Bruce, 1995). Adoption of customer-oriented marketing will ensure better servicing of beneficiary needs by pushing beneficiary satisfaction to the centre of organisational activities. Organisational performance in resource acquisition market will also improve through marketing by market-focussed practices. Attracting and retaining donors and volunteers is a major outcome of marketing for several successful nonprofit organisations.

Despite the general empirical support for the effectiveness of marketing in nonprofit sector from other countries, the status, nature and practice of marketing in Indian nonprofit sector still remains an unexplored domain, with only scant attention being given to this topic by academics from both marketing and nonprofit management disciplines in the country. Viewed against the size and importance of Indian nonprofit sector, this state of affairs looks rather surprising. There are, of course, anecdotal references to the poor acceptance and penetration of marketing in the sector (Almeida, 2007). Attitude of managers, especially of those at the senior level, is perhaps the major contributory factor for the current state of affairs as the organisation's disposition toward the marketing is likely to be based on the attitude of top management. Role of top management in determining the level of market orientation has been emphasised in literature by several researchers. (Felton, 1959; Levitt, 1969; Webster, 1988; and Kohli & Jaworski, 1993). The attitude of managers towards marketing is likely to assume more relevance in nonprofit marketing than for-profit marketing given the traditional scepticism associated with marketing in the sector. Misapprehensions about marketing have been the subject of a number of important works in nonprofit marketing literature (Hutton, 2002; Laczniak, Lusch, Murphy, 1979). Relationship between marketing attitude and behaviour has been empirically established in study conducted among

Appendix -5



Role of Internal Marketing Orientation in Market Orientation— Performance Link in Retail Industry

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Abstract—This paper attempts to analyse the impact of market orientation on organizational performance in retail industry and the role of internal marketing orientation in the relationship. In retailing, owing to a number of characteristics such as the complexity in product and services offers, the need for higher customization at the service delivery points etc. the challenges of successfully implementing external market orientation are unique. Drawing from extant research, the paper demonstrates that internal marketing orientation is an antecedent to market orientation in retail industry. The paper establishes the critical role of internal marketing at boundary spanning levels in successful implementation of market orientation in retail industry. Internal marketing activities at front levels enhance employee motivation and job satisfaction and thereby ensure proper market intelligence generation and dissemination, the critical components of market orientation. By bringing out the importance of internal marketing in market orientation-organizational - performance, the paper is also an ample demonstration of the critical role of HR in strategic marketing.

Keywords: Market orientation, Internal marketing, Retail industry

Introduction

Market Orientation is generally considered to be a vital source of competitive advantage for firms across industries. Firms ensure long term success only when they align themselves fully with their markets. Markets, as they grow bigger and more heterogeneous in nature, offer many challenges to the organization, in the form of fierce competition, more demanding customers, stringent policy regulations, shorter life cycle etc. Market orientation in this context, becomes critical to the very survival of the firm. Organizations embrace market orientation with vigor for varied reasons, in their quest for improved performance. Some firms are forced to become more market oriented by increased competition and demanding customers, whereas some feel pressured by macro environmental factors like privatization, globalization etc.

Impact of market orientation on business performance has been a popular area of research in the market orientation literature ever since the pioneering efforts to operationalize the construct by Kohli and Jaworski (1990) and later by Narver and Slater (1990) in the early 90s. Since the publication of the above articles, several studies have been reported in the field and these studies offered the much needed evidence to the market orientation –business performance link, which had been long assumed to be true, but often without valid empirical backing. The market orientation-performance relationship has been found robust in various industrial sectors in services and manufacturing sectors, different organizational contexts like for-profit, nonprofit and public organizations and in many national-culture contexts in Europe, US and Asia. So generally in literature, MO is projected as a predictor of organizational success, irrespective of the sectoral and cultural contexts. Nevertheless, the market

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