

Market Orientation in non-profit organisations

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Abstract

Non-profit organisations (NPOs) have remained in focus of various researchers and practitioners over the last few decades. The proliferation of these organisations around the world has resulted in studies across various dimensions on these organisations. These organisations have started adopting marketing tools which are meant for the commercial sector. Various books, journals and articles have witnessed not only the applicability of marketing tools but also its extension in the non-profit domain. Market orientation is one such knowledge domain which has applicability in the non-profit sector as well. The plea of adoption of market orientation has been echoed in nearly every textbook on non-profit organisations. The last few decades have seen a number of research

studies investigating market orientation in non-profit organisations and the results have found a positive impact on their performance. The objective of the study is to investigate determinants of market orientation in social service organisations in Punjab. For the present study, 100 NPOs have been selected from four districts of Punjab with the highest number of social service organisations. The methodology used has been described and the measurement instrument which has been used is also discussed. Finally the findings of the study are summarized along with the implications.

Keywords: *Non-profit Organisations, Social Service Organisations, Market Orientation, Performance.*

Introduction

Non-Profit Organisations (NPOs) remain in constant focus of various practitioners and scholars. The use of marketing in the non-profit sector began in the late 1960s and has accelerated in recent years; this has also been widely acknowledged and practiced. Marketing in Non-Profit Organisations differs from marketing in commercial organisations. There is a wide range of marketing strategies and instruments available to non-profits that can be put into practice without changing or refuting their true mission (Dolnicar & Lazarevski, 2009). In Non-Profit Organisations, marketing strategies help to attract and allocate resources. Though marketing activities help NPOs in a number of ways, these are perceived as detrimental and too expensive. This attitude still exists in Non-Profit Organisations (Tscheulin & Helmig, 1998). Kotler and Levi (1969) believe that marketing plays a very vital role in the activities of Non-Profit Organisations. It was argued that the non-profit sector faces market-like problems such as membership decline, funds crunch and fierce competition. To deal with these issues, it has been suggested that marketing can help these organisations to survive, grow and strengthen. Over the last decades, Non-Profit Organisations have started adopting marketing tools with the realization that it may help the organisation in achieving its mission.

Market orientation is one such marketing tool that has applicability in Non-Profit Organisations. Empirical studies on Non-Profit Organisations over the last decades indicate that NPOs must integrate market orientation into their key segments which includes customer orientation, competitor orientation, inter-functional coordination and responsiveness. Various researchers and practitioners have indicated renewed interest in studying the concept of market orientation in the non-profit domain (Wood, Bhuian & Kiecker, 2000; Balabanis, Stables and Philips, 1997; Kumar, Subramanian & Strandholm, 1998; Voss & Voss, 2000;

Vazquez, Alvarez & Santos, 2002; Gainer & Padanyi, 2002; Kara, Spillan & DeShields, 2004; Shoham, Ruvio, Gadot & Schwabsky, 2006). Non-Profit Organisations have gradually become aware of the benefits of market orientation and have redesigned their strategies accordingly to cope with the demanding and evolving environments (Shoham, Ruvio, Gadot & Schwabsky, 2006). Researchers have made a number of contributions on operationalisation of the market orientation concept and more importantly, to investigate its link with organisational performance.

1.5.1 Definition of Market Orientation

On the basis of review of the literature on market orientation, it becomes apparent that numerous definitions exist by different researchers to provide a definitional accuracy and hypothetical background. All definitions necessitate an external focus with the customers as the primary focal point. All the definitions except that of Deshpande & Webster, (1989) have given a clear idea of being responsive to customers. Shapiro, 1988 has emphasized on the decision making process, Kohli & Jaworski, 1990 on the information processing activities, Narver and Slater, 1990 on the business culture as a set of behavioural components, Deshpande & Webster in 1989 on the business culture as a set of beliefs and Day, 2000 emphasized on organisational skills.

Among these researchers, the work of Kohli & Jaworski and Narver & Slater has been found to be significant in promoting the concept of market orientation and its further exploration by other researchers. Market orientation first appeared in the 1960s and experienced a revival in 1980s with the studies of Shapiro (1988), Deshpande & Webster (1989), Kohli, Jaworski and Kumar (1990), Kohli, Jaworski & Kumar (1993) and Narver and Slater (1990). These studies incited a renewed interest amongst scholars to study the concept of market orientation. Kohli and Jaworski (1990) and Narver and Slater (1990) were the first to

measure market orientation and to improve its understanding. With time, other researchers tried to get deeper insights into the concept of market orientation and its relationship with firm performance, innovation, learning organisation and entrepreneurship (Hurley & Hult, 1998; Slater & Narver, 1995).

1.5.2 Measurement Scales of market orientation

With the variety of definitions of market orientation come a multitude of scales for measuring the construct. The measurement scales of Narver & Slater, 1990 (MKTOR scale) and Kohli & Jaworski (MARKOR scale) have been widely used, either in the original form or adapted form.

MKTOR Scale

Kohli & Jaworski (1990) provided the behavioural concept and presented market orientation as a one-dimensional construct with three components in MKTOR scale to measure market orientation. The first component “Generating Market Information” is based on customers' needs and environment factors; the second component “Dissemination of Information” across different departments of the organisation, and third, organisation wide “Responsiveness” includes planning and implementation of marketing programmes. Many scholars have adopted this definition given by Kohli and Jaworski because of the intuitive logic and ease with which market orientation can be measured.

MARKOR Scale

Under MARKOR scale, twenty items are included in three components: Intelligence Generation, Intelligence Dissemination and Responsiveness of market. The second perspective of market orientation which also held a strong footing in the marketing literature is given by Narver and Slater in 1990. They conceptualized market orientation as culture that creates necessary behaviours for the creation of

superior value creation for the customers and thus superior business performance. They developed MARKOR scale which consists of five behavioural components - customer orientation, competitor orientation, inter-functional coordination, long term focus and profit focus.

Over the years, numerous scholars have adopted the conceptualization and measurement approach given by Narver and Slater. As a matter of fact, the two research streams share similar underlying postulations (Homburg & Pflesser, 2000; Gebhardt, Carpenter & Sherry, 2006). Although there is a lack of agreement on the formal definition of market orientation, the general construct of market orientation includes customer orientation, competitor orientation and innovation (product) orientation.

MONPO Scale

Considering the need of market orientation in Non-Profit Organisations and to measure it, MARKOR and MKTOR scales were adapted for NPOs. The MONPO scale was developed by Modi in 2012 to measure market orientation of NPOs. The scale includes 14 items distributed among four factors: Donor orientation, Inter-Functional Coordination, Peer orientation and Beneficiary Orientation.

Donor Orientation

Non-Profit Organisations attract various resources from donors for allocation among beneficiaries. NPOs must create an environment where a mutually satisfying exchange can be maintained with the donors (Balabanis, Staples & Philips, 1997). These organisations must attract resources from government, corporates, institutions and individual donors, as with the growth of Non-Profit Organisations, the task of resource attraction has become difficult. Donor orientation states that the organisation must be sensitive and responsive towards the needs and expectations of the donors. The

organisation must communicate to the donors and must be accountable. Donor orientation is the focus of the organisation on the current and potential donors, and communicating and meeting them regularly (Modi & Mishra, 2010).

Peer Orientation

Researchers are of the view that an organisation should know the strengths and weaknesses of the key current and future competitors (Narver and Slater 1990). Gallagher and Weinberg (1991) have opined that NPOs compete for donors' resources and use them to develop more valuable offers than the options available with competition. However, competition in the non-profit domain is non-threatening and is collaborative in nature wherein organisations share their resources and capabilities to better serve the beneficiaries (Huxham & Vangen, 1996; Rothschild, 1999). Modi & Mishra (2010) have conceptualized peer orientation as the organisational focus on understanding peers' strengths, weaknesses and strategies, and collaborating with them can help to better serve beneficiaries.

Beneficiary Orientation

Modi & Mishra, 2010 have defined beneficiary orientation as the organisational focus on understanding the explicit and latent needs of beneficiaries, designing services to meet those needs and regularly monitoring beneficiary satisfaction. Bruce (1995) has discussed that NPOs lose sight of the beneficiaries in certain conditions as these organisations work in monopolies but they should have proper understanding of beneficiary needs so that they can be served better. Non-profits should provide such services which are best suited to the beneficiaries.

Performance and Effectiveness

The performance of non-profit organisations is difficult to define and measure as there is a vast

diversity in the goals and the objectives pursued by these organisations. Padanayi & Gainer (2004); Balabanis, Staples and Philips, (1997) in their studies have defined various measures of performance. They have used two judgmental measures to measure the performance of non-profit organisations. Gainer & Padanayi (2005) have used client satisfaction as organisational performance measure.

Literature Review

This section deals with the review of scholarly work on the market orientation concept and its link to organisational performance in non-profit organisations. Studies on market orientation of non-profit organisations are limited in number with a few conceptual and few empirical.

Carter (1992) examined the relationship between marketing and societal orientation in the non-profit context. The author proposed a conceptual model to link marketing and societal orientation to organisational learning theory. In the model, it was asserted that market orientation has an impact on donors and beneficiaries. The author discussed various philosophies and practices which determined that organisational learning helps in market and societal orientation. The philosophy of market orientation can be linked to various learning sub-systems in the organisation. The author determined that organisational learning is related to market orientation.

A working paper by Dwyer (1993) determined that the non-profit sector is becoming more competitive and due to various reasons, NPOs are forced to perform efficiently and effectively. In response to this, NPOs have to become market oriented. The components of market orientation, market segmentation and customer-oriented products which are suitable for for-profits are also well suited in the context of NPOs. The paper asserted that three factors- management,

scarcity of resources and conflict between market orientation and organisational objectives are major contributors for the adoption of market oriented culture by NPOs.

Balabanis, Staples and Philips (1997) studied the degree of adoption of the marketing concept by charity organisations and its effect on their performance. The survival of charity organisations is heavily dependent on the success in the donor market. An increase in the number of charities has resulted in intense competition for donations. In response to these pressures, charities are adopting marketing concepts and are becoming market oriented. The authors tried to measure the effect of donor market orientation on the attainment of long term (five years) and short term (annual) objectives of the organisation. MARKOR 20-item scale adapted to the donors' market condition was developed. The study revealed that the level of donor-market orientation is low. It was observed that larger organisations were reluctant to become market oriented. The study revealed that donor-market orientation has no impact on the performance of charities.

Brady and Johnson (2000), in a conceptual paper, have presented theoretical and observational meaningfulness of market orientation. The aim of the study was to develop an appropriate conceptualization of market orientation for non-profit organisations. The study highlighted that there is a lack of a unified understanding of market orientation and there is a need to develop rigorous measures of market orientation.

Wood, Bhuian and Kiecker (2000) conducted a study to find antecedents and consequences of market orientation in 237 not-for-profit hospitals. The study revealed a positive relationship between market orientation and four organisational factors, namely, professional commitment, professional education,

professional ethics and organisational entrepreneurship, and three environmental factors. The study also finds the relationship between market orientation and hospital performance, and revealed that there is a positive association between market orientation and professional commitment, and organisational entrepreneurship and hospital performance.

Liao, Foreman, Sargeant (2001), in a conceptual paper, have argued that there is a need to develop a separate conceptualization and measure of the market orientation concept in non-profit organisations. In Spanish non-profit foundations, Vazquez, Alvarez and Santos et al (2002) have found that adoption of the market orientation concept has resulted in better organisational performance. According to Gonzalez, Vije and Casielles (2002), the concept of market orientation of NPOs includes six components - beneficiary orientation, donor orientation, competitor orientation, environment orientation, integration and internal coordination, and adoption of long-term management perspective. The researchers however, do not provide a measure for the conceptualization of the market orientation concept in NPOs.

Harrison & Shaw (2004) explained market orientation and marketing culture of the staff of the organisation to find the extent to which members create barriers or support the market oriented culture within the organisation. The research was conducted to know the role of not-for-profit organisations which are often thought of as having no marketing focus. The authors argued that there may be behavioural and cultural conflicts within the organisation. The findings indicate that all areas in the organisation are committed to market orientation.

Macedo & Pinho (2006) studied the concept of market orientation in the context of the non-profit sector. In the increasingly demanding resource environment,

non-profits have to adopt the concept of marketing as a strategy with a view that it will help the organisation to receive resources from the environment for the realization of its mission. The article tried to investigate the type of revenue strategy suitable to the organisation's market orientation towards donors and/or users. The findings from a quantitative study of a representative sample of Portuguese non-profit organisations (NPOs) revealed that resource dependence theory is very critical to understand the market orientation in NPOs. The study determined that resource strategies and market orientation of an organisation are interlinked. The study also revealed that resource diversification strategies favour a high degree of market orientation of the organisation.

Shoham, Ruvio, Gadot & Schwabsky (2006) examined the concept of marketing in voluntary non-profit organisations by investigating the market orientation concept. NPOs are in the process of learning and implementing various ideas and methods which have been followed by various for-profit organisations. It was found that conceptualizations of market orientation are not easy to implement in the not-for-profit sector. Authors determined that market orientation is a key driver of organisational performance.

Carter (2007) asserted that market orientation has been widely researched to find its relationship with organisational performance of for-profit as well as not-for-profit organisations. There is a need to understand the various organisational barriers to completely realize the concept of market orientation. The barriers can take various forms such as barriers of structure and system, people related barriers, etc. The authors suggested that firms can learn faster by creating a new learning culture and learning routines which will ultimately lead to gaining competitive advantage. The authors determined that increased activities of learning routines may lead to the involvement of a

wider spectrum of stakeholders such as donors, volunteers, staff members and beneficiaries. In a nutshell, authors suggested that increased learning activities will definitely lead to market orientation and improved business performance.

Hsieh, Curtis & Smith (2008) presented a paper on market orientation and implications of stakeholders' concept in non-profit organisations. The authors argued that market orientation is rooted in stakeholders' environment. Sustainability of an organisation depends upon the competence to align strategic behaviour with stakeholders' interest. The authors suggested that executives of Non-Profit Organisations need to explore new opportunities to attend to the under-served stakeholders' networks. According to the authors, Arts Organisations cannot sustain on one single stream of resource from customers. They need to develop orientations toward different stakeholders.

In India, Modi and Mishra (2010) sampled 211 non-profit organisations and found a positive link between market orientation and organisational performance. Modi (2012) has proposed an alternative conceptualization of market orientation (named MONPO) which is applicable to NPOs operating in India.

Hashim and Bakar (2011) studied customer-defined market orientation (CDMA) and results of non-profit organisations. With the number of non-profit organisations increasing, getting financial support, volunteers and employees is becoming increasingly difficult. External conditions force these organisations to define and refine their strategies and missions. According to authors, to sustain their existence, NGOs need to be market oriented. The authors developed a conceptual model in which CDMA is placed as a precursor of service quality (SQ) and customer satisfaction (CS). The study investigated the

relationship between CDMA-SQ-CS. The authors determined that organisational culture influences the behaviour in the organisation and suggested that there is a positive association between customer-defined market orientation and service quality.

Mahmoud & Yusif (2012) examined the impact of the adoption of market and learning orientations on the performance of non-profit organisations. NPOs are facing the challenge of continuous change which forces them to implement various organisational change models. The authors studied the inter-relationship between market orientation, learning orientation and economic and non-economic performance of the organisation. It was found that there is a statistically significant relationship between performance and market orientation, but learning orientation has an immense impact on the performance.

Modi (2012) operationalised it as a second-order construct consisting of four equally important first-order components - beneficiary orientation, donor orientation, peer orientation as an equivalent of competitor orientation, and inter-functional coordination, and prepared a preliminary scale of 21 items using exploratory methods. A study was conducted on 579 NPOs delivering community service to prepare a valid and versatile scale to study market orientation of non-profit organisations in India. Finally a 14-statement scale was developed which is applicable to NPOs in India. A validated confirmatory scale was developed which can be used by non-profit organisations to study their market orientation. The MONPO scale is only 14 items long which offers the benefits of efficiency and parsimony. The items in this scale are such which the practitioners in an emerging economy like India would find relevant, easy to understand and applicable. The scale named MONPO has certain advantages over other scales as it was developed from scratch by considering the

peculiarities of the functioning of these organisations.

The relationship of market orientation with organisational performance

The impact of market orientation on organisational performance has been studied extensively for the for-profit sector in many countries and across perspectives. However, the impact of MO on organisational performance has been under-researched. Some of the empirical studies conducted in NPOs have been discussed in this section. Among different studies undertaken in the non-profit sector, the impact of market orientation on organisational performance has assumed importance in the marketing literature (Caruana, Ramaseshan, Ewing, 1997; Kumar, Subramanian & Strandholm, 1998; Wood, Bhuian and Kiecker, 2000). In most of the studies conducted in non-profit organisations, it was found that there is a positive relationship between market orientation and organisational performance like fundraising performance (Kara, Spillan and DeShields, 2004), increased attendance (Voss & Voss, 2000) and growth in resources and reputation (Padanyi & Gainer, 2004). Various empirical studies have been conducted in a variety of organisations including universities (Caruana, Ramaseshan & Ewing, 1998; Flavian & Lozano, 2006), cultural organisations (Gainer & Padanyi 2002; Voss & Voss, 2000), hospitals (Wood, Bhuian and Kiecker, 2000) and charities (Balabanis, Stables, Philips, 1997; Bennett, 1998; Kara, Spillan and DeShields, 2004; Macedo & Pinho 2004; Morris, Coombes, Schindehritte & Allen, 2007; Vazquez, Alvarez and Santos, 2002). All these studies have been conducted in the western context and found to have a positive relationship between market orientation and organisational performance, except Voss & Voss (2000).

Balabanis, Staples and Philips (1997) examined UK charity organisations where the correlation coefficient of market orientation and organisational performance

was 0.41. Caruana, Ramaseshan & Ewing (1997) studied the Australian public sector and found that there exists an average correlation of .36 between market orientation and organisational performance of the organisations.

Caruana, Ramaseshan & Ewing (1998b) studied market orientation of Australian universities and public sector organisations. The authors found correlation coefficients of 0.60 and 0.52 between market orientation and public sector performance.

Bennett (1999) examined small UK charities by using proprietary MO operationalisation and reported a correlation coefficient of 0.24 between market orientation and organisational performance (fund-raising success). Caruana, Ramaseshan & Ewing (1999) examined the relationship between market orientation and organisational performance in 171 Australian public sector entities. The study found a positive correlation coefficient of 0.61 between market orientation and organisational performance.

Voss & Voss (2000) examined the relationship between market orientation and organisational performance in 134 theatre artistic organisations. They reported non-significant correlation coefficient of 0.02. Wood, Bhuian & Kiecker in 2000 studied 237 not-for-profit-hospitals in US and the correlation coefficient between market orientation and organisational performance was found to be non-significant (0.08).

Cervera, Molla & Sanchez (2001) studied market orientation, its antecedents and performance in 177 Spanish public sector organisations. The study used operationalisation by Kohli and Jowarski (1990) and two sets of performance indicators - global and citizen participation; the correlation coefficients were 0.35 and 0.40 for two sets.

Vazquez, Alvarez and Santos (2002) studied market

orientation in 191 private not-for-profits in Spain. The authors have asserted that market orientation has a positive impact on beneficiaries and monetary resources. They used operationalisation by Kohli and Jowarski (1990) and reported a correlation coefficient of 0.32.

Gainer & Padanyi (2002) examined the impact of market orientation on organisational performance in 453 social service, community support and art organisations. The study revealed that client activities and culture were positively related to organisational performance. The study found that there exists an average correlation of .22 between market orientation and organisational performance of the organisations.

Pinho & Macedo (2002) studied the relationship between market orientation and organisational performance in Portuguese and asserted that market orientation enhances organisational performance but provided no further details.

Padanyi & Gainer (2004) studied market orientation and culture on one hand, and improvement in customer satisfaction on the other hand, in 599 social service, community support and art organisations in Toronto and Montreal. The study revealed that market orientation activities affect the organisational performance indirectly.

The review has revealed certain gaps in the literature on market orientation in non-profit organisations. The review has also revealed that there is a lack of agreement over the scales used for the measurement of market orientation. First, most of the past studies conducted by various researchers have used the adapted versions of MARKOR scale developed by Kohli and Jaworski (1990). Some authors (Oczkowski & Farrell, 1998) have argued that this scale is narrowly focused on information generation and dissemination, and does not consider the notion of stakeholders. On

the other hand, the scale MAKTOR developed by Narver and Slater has gained applicability in the for-profit context. Various researchers have used the adapted version of this scale to study market orientation and its various dimensions in the commercial sector. But in the non-profit context, there is a need to conceptualize the MAKTOR versions. Modi and Mishra (2010) have argued the conceptualizations of Narver and Slater have better applicability in non-profits. Secondly, most of the previous empirical studies have found the link between market orientation and performance in developed countries. The very first study in a developing country like India has been conducted by Modi and Mishra in (2008) by using the Narver and Slater conceptualization in 211 non-profits and found a link between market orientation and organisational performance.

Non-profit organisations are under increased pressure to prove that they are achieving their missions effectively and efficiently. This tendency of efficient performance by NPOs has forced them to adopt certain characteristics of marketing which are meant for commercial organisations only. There is a plethora of studies conducted in the for-profit domain and the studies have concluded that there is a positive relationship between market orientation and organisational performance. In the non-profit domain also researchers have investigated the marketing concept in different non-profit organisations such as universities, hospitals, charities, etc. and have revealed that there exists a positive association between market orientation and organisational performance.

Methodology

The population of the study consists of all NPOs in Punjab. There are 48,229 NPOs in Punjab as per the report of Economic Adviser, Government of Punjab, published in 2012. Out of these, 34,436 NPOs were traced in the survey. Hence, the population consists of

34,436 NPOs. These NPOs are registered under The Societies Act, 1860, The Charitable and Religious Trusts Act, 1920, The Indian Trusts Act and The Indian Companies Act, 1956. A list of NPOs was obtained from Office of Economic Adviser, Government of Punjab, Chandigarh. As per the survey report by Economic Advisor, Government of Punjab, 2012, 51.06% NPOs are working under the social service category. As social service organisations constitute a major share in the number of total Non-Profit Organisations, the present study has focused on social service organisations only. In Punjab, 4 Districts - Gurdaspur 13.30%, Ludhiana 12.86%, Muktsar 12.13% and Sangrur 10.62% have the highest number of NPOs in the social service sector i.e. 48.91% of total NPOs. A list of NPOs in the social service sector in these four districts was prepared. Out of this list, a sample of 100 NPOs (25 in each district) was selected using simple random sampling.

A structured questionnaire was framed. It was designed using the MONPO conceptualizations developed by Modi (2012) and Vazquez, Alvarez & Santos (2002). The scale was adapted to study the market orientation of NPOs in the social service sector in Punjab. The scale consists of 25 items distributed across four factors. A few items were reverse coded.

- Donor orientation - Six items indicating whether Non-Profit Organisations are oriented towards their donors for financial resources.
- Peer orientation - Six items on the knowledge about peer organisations and collaboration with peer organisations to achieve organisational objectives.
- Beneficiary orientation - Seven items indicating how these organisations are sensitive towards the need of the very important stakeholder - the beneficiaries.

The responses of the respondents were taken on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Organisational Performance

It is often argued by the researchers that the performance of Non-Profit Organisations is difficult to define and measure as there is a vast diversity in the goals and objectives pursued by these organisations. Padanyi & Gainer (2004), Balabanis, Staples and Philips, (1997) in their studies have defined various measures of performance. They have used two judgmental measures to measure the performance of Non-Profit Organisations - achievement of short term objectives and long term objectives. Other authors - Gainer & Padanyi (2005) have used client satisfaction as an organisational performance measure.

In the present study, we have considered the measure adopted by Modi and Mishra, 2010 - beneficiary satisfaction, resource attraction and peer reputation - to measure the performance. To measure effectiveness, we have considered judgmental measures adopted by Balabanis, Staples and Philips in 1997. They have defined effectiveness as the degree to which an NPO could achieve its organisational mission. In their study, they used a two-item scale - long term and short term objectives - for measuring the effectiveness of the organisation.

The studies conducted in different Non-Profit Organisations such as hospitals (Wood, Bhuian & Kiecker, 2000; Kumar, Subramanian & Strandholm, 2011), charities (Balabanis, Staples & Philips, 1997, Bennett, 1998; Kara, Spillan & DeShields, 2004, Macedo & Pinho, 2006; Modi & Mishra, 2010; Morris, Coombes, Schindehritte & Allen, 2007; Vazquez, Alvarez & Santos, 2002) and cultural organisations (Gainer & Padanyi 2002, 2005, Voss & Voss 2000) have found a positive relationship between market orientation and overall organisational performance. Studies have shown that market orientation leads to enhanced beneficiary satisfaction (Gainer & Padanyi 2005, Morris, Coombes, Schindehritte & Allen, 2007, Vazquez, Alvarez & Santos, 2002) and good reputation

amongst peers (Gainer & Padanyi 2005). Hence we posit the following hypotheses:

H1(a): Non-Profit market orientation is positively associated with overall performance.

H1(b): Non-Profit market orientation is positively related to beneficiary satisfaction.

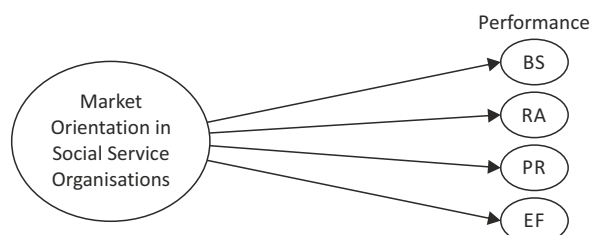
H1(c): Non-Profit market orientation is positively related to the attraction of resources.

H1(d): Non-Profit market orientation is positively related to the peer reputation.

A Non-Profit organisation which is market oriented creates value for the donors as well as beneficiaries, which enhances the effectiveness of the organisation (Vazquez, Alvarez and Santos, 2002). A study conducted by Balabanis, Staples and Philips (1997) has found that market-oriented NPOs achieved their organisational objectives more effectively than NPOs that were less market oriented. Thus, we hypothesize: *H2: Non-Profit market orientation is positively associated with effectiveness.*

A conceptual model by Modi & Mishra (2010) has been presented, which exhibits the relationship between market orientation and performance indicators, namely, beneficiary satisfaction, resource attraction, peer reputations and effectiveness of the organisation.

Figure 1: Relationship between market orientation and performance



Source: Modi & Mishra, 2010

Note: Beneficiary Satisfaction (BS), Resource Attraction (RS), Peer Reputation (PR), Effectiveness (EF)

Table1: Overall market orientation of NPOs

	Mean (S.D)	t-value	p-value
Donor orientation	3.25 (1.22)	2.10	0.03*
Peer orientation	2.88 (1.063)	1.07	0.28NS
Beneficiary orientation	3.88 (0.91)	9.63	0.00**
Market orientation	3.37 (0.945)	3.92	0.00**

Note: **p<.01, *p<.05, NS p>.05

Source: Author's own research and computations

Table 1 shows the descriptive analysis of market orientation and its three determinants - donor orientation, peer orientation and beneficiary orientation. It was found that the mean value for market orientation was 3.37 with standard deviation of 0.94. In case of determinants of market orientation, the highest mean score was for beneficiary orientation i.e. 3.88 with standard deviation of 0.91 followed by the mean score of donor orientation i.e. 3.25 with 1.22. The mean score for peer orientation was found to be 2.88 with 1.06. It can be seen that the mean for market orientation (t= 3.92, p= 0.00) and beneficiary orientation (t= 9.63, p= 0.00) were significant at 1% level of significance and donor orientation (t= 2.10,

p=0.03) was significant at 5% level of significance. The mean score for peer orientation was found to be non-significant.

It can be inferred that social service organisations are beneficiary oriented and donor oriented to some extent, but on the aspect of peer orientation, these organisations need more emphasis. NPOs must be equipped with information of peers and efforts must be made to collaborate on various social issues.

Comparison of market orientation in urban and rural NPOs

This section deals with the comparative analysis of market orientation of non-profit organisations working in urban and rural areas of Punjab. To find whether there exists any difference in the extent of market orientation by non-profit organisations working in urban and rural areas, independent t-test was employed. The results so obtained have been discussed in Table 2.

Table 2: Comparison of market orientation in urban and rural NPOs

	No. of items	Full sample (n=100)	Urban (n=69)	Rural (n=31)	p-value
Donor Orientation	6	3.25(1.22)	3.72(1.04)	2.22(0.95)	0.00**
Peer Orientation	6	2.88(1.06)	3.10(1.12)	2.40(0.75)	0.00**
Beneficiary orientation	7	3.88(0.91)	3.95(0.890)	3.73(0.97)	0.28 ^{NS}
Market orientation	19	3.37(0.945)	3.61(0.93)	2.83(0.72)	0.00**

Note: ** p<.01, NS p>.05

Source: Author's own research and computations

Table 2 depicts the comparison of market orientation and its determinants in urban and rural social service organisations. The results of the table signify that there exists a significant difference in mean market orientation with respect to donor orientation, peer orientation barring beneficiary orientation of NPOs working in urban and rural areas. It can be interpreted

from the results that there exists a difference in the extent of market orientation between social service organisations working in urban and rural areas. The reason for this can be attributed to a difference in the working, infrastructure, knowledge about marketing concepts and their importance to organisations. These factors help Non-Profit Organisations working in urban

areas to be more oriented towards donors, beneficiaries and peers. The reasons were further explored by probing the demographics of these organisations; 36% of the organisations working in urban areas are managed by a person having a post-graduate or a higher degree and 7% of the large organisations are working in urban areas. These factors play a significant role in the market oriented activities of organisations.

Relationship of market orientation and organisational performance

In this section, the relationship between market

orientation and organisational performance has been discussed. Three measures of overall organisational performance were used - beneficiary satisfaction, resource attraction and peer reputation. The results have been presented in Table 3. Regression analysis was conducted to find the effect of market orientation on organisational performance (beneficiary satisfaction, resource attraction, peer reputation) and effectiveness of NPOs. Market orientation was taken as an independent variable and overall performance and effectiveness as dependent variables. Different regressions have been run and the results have been summarized in Table 3.

Table 3: Effect of market orientation on organisational performance

Independent variable	Overall performance	Effectiveness	Beneficiary satisfaction	Resource attraction	Peer reputation
Market Orientation	0.331**	0.372**	0.345**	0.294**	0.300*
S.E	0.07	0.08	0.09	0.07	0.09
F	17.75	17.41	13.64	15.67	9.8
R ²	0.153	0.142	0.113	0.129	0.09
Sig.	0.000**	0.000**	0.000**	0.000**	0.02*

Note: **p<.01, *p<.05, S.E Standard error

Source: Author's own research and computations

Table 3 presents the regression results for the effect of market orientation on organisational performance and effectiveness. The results demonstrate statistical significance in explaining variations in overall organisational performance (R² 0.145), effectiveness (R² 0.142), beneficiary satisfaction (R² 0.113), resource attraction (R² 0.129) and peer reputation (R² 0.129). The predictor variable, market orientation has a significantly positive impact on overall performance of the organisation ($\beta= 0.331, p=0.000$), effectiveness ($\beta= 0.372, p=0.000$), beneficiary satisfaction ($\beta= 0.345, p=0.000$), resource attraction ($\beta= 0.294, p=0.000$) and peer reputation ($\beta= 0.300, p=0.02$). These results lend support to H1(a), H2, H1(b), H1(c) and H1(d). The

regression analysis suggests that market orientation is important for overall organisational performance of NPOs. Further, the results of multi-collinearity indicate that there is no inter-relationship between different factors, as the tolerance value is greater than 0.1 and VIF are less than 10. Moreover, the value of standard error was 0.08, which is also acceptable as a lower value indicates a better fit of regression and thus, a better predictive power of regression.

Limitations of the Study

The study has been carried out within certain limitations. The study is limited to Non-Profit Organisations serving the social services sector in four

districts of Punjab; hence, the study may not present a complete picture of the non-profit sector. The study is restricted to social service organisations only; other categories of the sector have not been considered to make the study feasible. Some amount of bias might have crept into the responses as some information may have been concealed. Since the data was provided on the condition of confidentiality, the names of respondent NPOs could not be disclosed.

Conclusion

This study has achieved its objectives and provides a better understanding of the concept of market orientation in social service organisations. The findings have empirically supported to a great extent, hypothesis and ideas promoted by literature. Most importantly, the study has raised a number of issues which help to improve the market orientation conceptualization of non-profit organisations in India. The consequences derived from the market orientation concept appear to be highly relevant and organisations should undertake transformations as necessary for this concept to assume an operative perspective. In this sense, it would be desirable for non-profit organisations to take a series of steps to implement a market orientation strategy. The results of the present study indicate that Non-Profit Organisations focus on two most important stakeholders - donors and beneficiaries - and a significant difference has been found in the market orientation and its determinants in Non-Profit Organisations working in urban and rural areas. The possible explanation for this could be that the social service organisations operating in urban areas have the expertise of professionals, more financial resources and infrastructure. These help Non-Profit Organisations to remain in contact with donors and beneficiaries, to analyse their satisfaction levels and improve service quality. We have found that market orientation is positively associated with beneficiary

satisfaction, resource attraction and peer reputation. The results of the study lend support to the views of various thinkers who advise non-profit organisations to adopt marketing concepts. In the present scenario where the number of NPOs is increasing and financial resources are shrinking, there is a need to focus on building market orientation.

Implications for non-profit organisations

The study implies that Non-Profit Organisations need to focus on organisational performance and build stronger organisations in terms of human resources and expertise. Non-profits need to develop a framework; to-date, frameworks have been adopted from the private or public sector. None of the frameworks have been completely appropriate. The non-profit sector is maturing; there is a need to focus on good management as well though this is a departure from the original values of the sector. Although non-profits have started focusing on management issues, the sector is lagging behind. The non-profit organisation must permanently generate information for its donors. This implies continuously providing information to the donors of all changes related to beneficiaries' needs and their degree of satisfaction, accomplishment of certain projects, and all other activities undertaken for the accomplishment of objectives. Furthermore, it is important to remain in personal contact with the donors to obtain their ideas that may have value in the future.

Secondly, organisations must deal with their peer organisations and relevant information should be discussed periodically on the environment's future tendencies. The organisation must regularly analyze the activities, strengths and weaknesses of the peer organisations and discuss about the opportunities to collaborate on certain fronts to achieve strategic objectives.

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