Chapter 7

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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.
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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.
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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,
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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
indicating 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
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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
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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. Selnés (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.