Market Orientation of Nonprofit Organizations
An Indian Perspective

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# Table of contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Introduction</strong></td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td><strong>Non-profit sector in India: Origin, History and Role</strong></td>
<td>11</td>
</tr>
<tr>
<td>3</td>
<td><strong>Commercialization Trends in the Changing Landscape</strong></td>
<td>25</td>
</tr>
<tr>
<td>4</td>
<td><strong>Market Orientation Concept</strong></td>
<td>41</td>
</tr>
<tr>
<td>5</td>
<td><strong>Role of Innovation in Market Orientation</strong></td>
<td>63</td>
</tr>
<tr>
<td>6</td>
<td><strong>Performance of NPOs - A Marketing Perspective</strong></td>
<td>73</td>
</tr>
<tr>
<td>7</td>
<td><strong>Market Orientation and Performance</strong></td>
<td>81</td>
</tr>
<tr>
<td>8</td>
<td><strong>Impact of Market Orientation on Performance of NPOs in India</strong></td>
<td>89</td>
</tr>
<tr>
<td>9</td>
<td><strong>Conclusions and Implications</strong></td>
<td>107</td>
</tr>
</tbody>
</table>

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*References*  

*Index*
Chapter 1

Introduction

The scope and role of non-profit sector have expanded considerably over the years in countries across the world. What were once seen as unorganised efforts for humanitarian and relief works are now widely recognised as important participants in all spheres of socio-economic development of countries. It is an undeniable fact that the sector makes a positive and significant impact on the quality of life of people on social, economic and cultural fronts. In several countries, grass-roots level developmental works and public health initiatives cannot be even conceived without active roles for non-profit organizations. These organizations play critical parts as programme partners in social and development initiatives for both government and business sectors. The non-profit sector is also a significantly large employment provider in many countries on account of its expanding size and the spread of its activities. A dynamic and efficient non-profit sector is therefore an asset to any country. And for this reason, capacity building and performance improvement of non-profit organizations is a topic of wide social and economic relevance. Positive implications of performance improvement of non-profit organizations go much beyond the sector. In developing countries, thriving non-profit sectors assume greater roles in society on various fronts ranging from development to strengthening of democratisation. Considering the beneficial impact non-profit sector can have on the well-rounded development of societies, it is surprising to note that capacity building or performance improvement of this sector has not received due attention, be it in academic research or in the present mainstream debate on development challenges of nations. The scenario is particularly disappointing in developing countries like India.

The non-profit sector has a critically important role to play in India, given the country’s still-unfinished agenda in human development despite some remarkable progress on macro-economic fronts. According to the UNDP’s human development report in 2018, India is still in the medium HDI (Human Development Index) category of countries (UNDP, 2018). Single sector solutions to address the mammoth and complex problems are highly unrealistic in this scenario. Only concerted efforts from all three sectors: government, business and non-profit can yield results in countries like India given the size of its population and diversity in needs. Hence there is a compelling case for leveraging the resources and organisational dexterity of the non-profit sector
in meeting the socio-economic development objectives of the country. Herein lies the importance of professionalization and enhancement of performance by non-profit organizations. Against this backdrop, inadequate research output in this field in India is glaring. Most published works on Indian non-profit organizations focus on the activities or projects undertaken by these organizations in their chosen fields of operations, and how these organizations fare in those activities in terms of social reach and impact. As a result, there is a growing literature in India on successful models of social solutions and innovations by non-profit organizations. So, for a practitioner in the sector, there are both anecdotal and research-based accounts on social interventions and programmes by NPOs and their social impacts.

But very little is available on management philosophies or practices of Indian non-profit organizations. How these organizations function, or how they choose to organise themselves or relate to their environments are not adequately discussed in literature. This could even be indicative of the low level of adoption of management techniques in the sector in India, and the general orientation of the sector which tends to focus more on social impacts of their social programmes rather than the mundane management and organizational issues. But, the non-profit sector in India is right in the cusp of next wave of growth and development impelled by the momentum of general economic prosperity in the country and the ripple effects of increased CSR spending by corporate sector following the mandatory CSR rules enacted recently. Professional management and organizational practices in the sector assume great significance in this context of growing need for scaling up of operations for better operational efficiencies. The non-profit sector in India needs to develop its own research agenda in Non-profit Management for meaningful knowledge body of knowledge that reflects the realities of the sector in the country.

Among management concepts, marketing seems to have got the least attention in research possibly because of the general taboo attached to the business-like practices in the sector as most in the sector ties the raison d’etre for the existence of non-profit sector to the distinction the sector maintains from commercial, market-dominated ways of the business sector. Though not as voluminous as the mainstream management literature, body of work in non-profit management available internationally is comparatively richer than the non-profit literature located in Indian settings. Though transfer of knowledge from the extant international literature can enrich the research and practice of non-profit management in India, stark differences in development phase, socio-economic environments between the sectors in developed world and India do call for India-specific studies and analyses for better understanding of the functioning of Indian non-profit organisations. As we know, structure, role and work-
Introduction

ing of non-profit organizations in a country are almost always the outcomes of the legal, social, economic and political circumstances prevalent in the country.

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 non-profit. 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. The non-profit landscape in India today is similar to what Sheth observed about the US non-profit sector in the late '80s, i.e., cooperation and competition with the for-profit sector in an increasingly market-economy oriented society promotes market orientation among non-profit organizations (Sheth, 1989). This book seeks to analyse the relevance of market-oriented behaviours in Indian non-profit sector and how market orientation enhances the performance of organizations in this sector.

True to the nature of the topic it deals with, the book speaks to audiences in two different disciplines; non-profit sector management and marketing. In the field of non-profit management, we believe the book contributes to the discourse on why and how market orientation enhances the performance of non-profit organizations operating in typical developing economy environs. This, we hope, will attract the attention of researchers and practitioners of the field in India and similar developing countries to the important but relatively unexplored area of market orientation as a performance driver in the sector. Though the prime focus is on the non-profit sector in India, the analyses and discussions carry wider relevance extending to a global audience as it presents the dynamics of the non-profit sector from a typical developing economy standpoint. As it stands, the field of non-profit management and non-profit marketing literature is largely dominated by western narratives set in the developed world.

Another area of potential contribution of the book is enriching the market orientation literature. Market orientation, the central theme of the book, is primarily a business philosophy and hence the material presented in the book is of relevance to the marketing discipline. The analysis and the propositions on market orientation and its impact on the performance of organizations helps extend the discussion on the validity of market orientation in not-for-profit environment by reviewing the concept in a developing economy context. The topic needs further exploration in Indian settings since there are research gaps and inconsistent findings as the review and analysis of literature reveals in the subsequent chapters of this book. We seek to address these gaps and present logical arguments based on an extensive review of literature to synthesise a conceptual portrait of how market-oriented behaviours of non-profit organizations can lead to organizational performance. The sys-
A systematic review presented on the topic can be a good source of theoretical and empirical works to those looking for academic material in the field.

Why is it important to understand and analyse the impact of market orientation which is essentially a business philosophy on the performance of organizations inhabiting the non-profit world in a country where gaps in demand-supply of services of public nature are so huge that an organisation can legitimately hope to be effective if it gets its act together in marshalling resources for operations? Should market orientation even be a consideration in such environments where competition in the traditional sense of the term is hardly considered to be a significant factor? Moreover, most organisations in India work in domains where free services to the beneficiaries are the norm and therefore, can market orientation improve performance of an organization so significantly as to offset the costs involved in its pursuit? These are some hard questions and the rest of the book is an attempt to answer these questions. The book is divided into nine chapters, each focusing on separate issues or dimensions relevant to the market orientation-organizational performance link in Indian non-profit sector.

To begin, the rest of this chapter is devoted to discussing the existence of non-profit organisations as an independent sector, separate from the government and corporate sectors. It is important to understand the reasons for the emergence of non-profit organizations and the organizational characteristics of these organizations to appreciate the choices they make as organizations, and the challenges they face in pursuing their choices such as market orientation. The chapter also presents a brief overview of market orientation, the central focus of this book, in order to orient the readers to the relevance of this concept in Indian non-profit sector and to highlight why it merits academic deliberations from a performance improvement angle.

**Why non-profit organizations?**

Non-profit sector accounts for a considerable percentage of national GDP in many countries. Also, it is a substantially big provider of employment. A vibrant non-profit sector can extend the reach of the government in fields of development, and propose alternative models of development especially when the mechanism for constructive debate on national policies are absent, thus justifying the label of Third Sector (Defourny, 2001). Influence of non-profit sector extend beyond the traditional domains of public service to even business sector and th elevated role of non-profit sector as a de-facto regulator of business is widely recognised among scholars in business (Prahalad & Brugmann, 2007). This role of the non-profit 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 organizations
have started looking at non-profit organizations as potential partners in their social responsibility initiatives, marking a clear deviation from the confrontational relationship between corporate and non-profit sectors.

The non-profit sector generally emerges to fill the void in public services created by government and/or market failure (Weisbrod, 1975). Market failure occurs when private sector firms fail to cater to the demand for goods or services in any market. Market failure in public goods and services is a common occurrence as the for-profit business sector is invariably led by profit motives and therefore its resources are channelled strictly to profitable avenues. This often leaves a gap in the supply of certain public or collective services where returns are nil or low. Therefore, such demands in most societies are serviced entirely by governments. Shelter and care for homeless people is an example of one such service. But government action can also fail in satisfactorily meeting the required service levels owing to some inherent inadequacies in government machinery such as bureaucracy or resource constraints. Diversity in needs of different sections of society is another challenge faced by governments in effectively meeting the demands for public goods and services. Government action is often designed for majority groups, leaving many sections of the population under-serviced or unsatisfied with the existing services provided by the government. Non-profit sector plays a constructive role in this context by providing services to these marginalised or neglected sections, making valuable contribution towards ensuring a stable society.

Non-profit organizations are generally understood as those entities whose organisational objectives are not profit-related. This ‘not for profit’ nature of organisational objectives is the common feature of almost all approaches to defining non-profit organizations. The fundamental difference between for-profit and non-profit organizations is this dissimilarity in objectives. For-profit organizations operating across various industrial or service sectors share the common goal of profit making. Non-profit organizations operating in different sub-sectors have social objectives related to their fields of social activity. Though this does not imply that financial considerations are completely absent from decisions in the non-profit sector, financial matters are important only to the extent that they support mission-oriented or beneficiary-related activities.

Advantages of non-profit organizations over other forms of organizations in social sector stem from its unique features such as organisational 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, Anheier, List, Toepfer, & Sokolowski, 1999). These factors make the non-profit sector better positioned than governments in delivering quality services in many social and economic spheres, even though governments too do not carry the baggage of profit concerns. Non-profit organizations, mostly
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## Index

### A
- Administrative innovations, 68
- adoption of market orientation, 7
- Alternative competition, 29
- Arvind Eye Care, 32, 38

### B
- Behavioural innovativeness, 66
- behavioural perspective, 45, 46, 48, 92, 108, 113
- beneficaries, 4
- Beneficiary market, 31
- Beneficiary orientation, 93, 101
- beneficiary satisfaction, 69, 77, 83, 84, 93, 95, 99, 100, 101, 108, 110, 113
- broadening the marketing concept, 9
- *business-like* practices, 2

### C
- CAPART, 14
- Central Statistical Organisation, 16, 23, 117
- Client orientation, 85
- Client satisfaction, 77, 85, 94
- Client/beneficiary satisfaction, 77
- collaboration, 25, 26, 27, 34, 66, 115
- Collegial competition, 29
- Colonial Phase, 12
- Combative competition, 29
- commercial exchange, 28, 69, 82, 110
- commercial funding, 26, 31
- Commercial generation of revenue, 31, 38
- Commercialisation, 25, 30
- commercialism, 26, 27, 31, 38, 39, 107, 120, 126
- comparative advantage of non-profit sector, 6
- comparative evaluation, 77
- competition, 7, 25
- contract failure’, 19
- Coordinated Marketing, 44
- corporate social responsibility, 6
- Council for Advancement of Rural Technology, 14
- cross subsidisation, 26
- cross-sector partnerships, 4, 34
- cross-subsidisation, 31
- cross-subsidise, 31
- cultural perspective, 46, 48, 61
- Customer focus, 43
- customer orientation, 42
- *customer oriented*, 42

### D
- demand–side theory, 18
- demand-supply of services, 4
- difference between non-profit and for-profit, 7
- donor market, 31, 83, 97, 98, 102, 111, 112
- Donor orientation, 83, 93

### E
- Effect of financial resources, 106
Elements of Marketing Concept, 43

**F**
family planning project, 9
FCRA, 13
Foreign Contribution Regulation Act, 13

**G**
gap in supply, 5
Goal approach, 75, 80
government and/or market failure, 5
government/market failure theory, 18
grass-root existence, 5

**I**
Incremental innovations, 64
innovation, 63, 65
innovativeness, 52, 63, 64, 65, 66, 67, 68, 69, 70, 71, 84, 99, 100, 101, 115, 118, 119, 120, 122, 126
institutional isomorphism, 33
intelligence dissemination, 47
intelligence generation, 45, 47, 113

**K**
Kohli and Jaworski, 49
Kohli, Jaworski, and Kumar, 46

**L**
learning orientation, 68, 70
Legal definition, 14
Long-term profitability, 44

**M**
mandatory CSR, 2, 34, 39
Market failure, 5
Market innovativeness, 65
market intelligence approach, 83
Market orientation, 41, 43, 68
market oriented, 42
market-economy, 7
market-economy oriented, 3
marketing concept, 9, 42, 43
marketing discipline, 3
marketing organization, 104
Marketing orientation, 42
marketing oriented, 42
marketization, 25, 118, 124
market-oriented behaviours, 3, 92, 93, 100, 106, 113
market-oriented culture, 85, 92, 93, 100, 113, 119
MARKOR, 46, 50, 117, 121, 122
Measurement of market orientation, 49
Merits of non-profit sector, 6
mission-oriented, 5
MKTOR, 46, 49, 50, 84
Multi-dimensional performance, 74
multiple constituencies, 28, 74, 76, 80, 82, 94, 108, 111, 123
Multiple constituency approach, 76, 83, 84, 109

**N**
Narayana Hridayalaya, 32
Narver and Slater, 43, 45, 46, 48, 49, 50, 84, 92, 98
New Public Management, 7
non-distribution, 16, 17, 18, 19, 20
non-distribution constraint, 16, 17, 18, 19
Non-profit literature in India, 6
Non-profit marketing, 8
not for profit, 5, 7

O
organisational rigidity, 6
Organizational innovation, 64, 117
Organizational innovativeness, 64, 125
organizational size, 103, 105

P
PADI, 14
peer reputation, 79, 82, 84, 85, 94, 95, 101, 109, 110, 111
People’s Action for Development India, 13
Performance measurement, 74
Pfeffer and Salancik, 33
Post-emergency phase, 12
Post-independence, 12, 13
Pre-Colonial phase, 12
process innovations, 64
Process innovativeness, 65
Product innovation, 64
Product innovativeness, 65
do public goods and services, 5
Public reputation, 95, 102

R
Radical innovation, 52, 64
resource attraction, 8, 28, 31, 33, 57, 61, 79, 84, 85, 95, 96, 102, 108, 110, 111, 112
resource constraints, 5
Resource dependence, 33
Resource dependence theory, 33
responsiveness, 45, 47, 50, 92, 106, 113
Revenue diversification, 33
Role of Non-profit Sector, 22

S
Schumpeterian innovation, 64
self-governing, 16, 20
social capital, 5, 6
Social constructionist approach, 76
social enterprise, 8, 26, 27, 36, 37, 38, 116, 118
social entrepreneurship, 25, 26, 27, 31, 32, 35, 36, 37, 38, 107, 118
social marketing, 9, 54, 55, 115, 116, 122, 124
Societies Registration Act, 15, 20, 21, 23
source of funding, 103, 104
Strategic innovativeness, 66
structural-operational, 16, 17, 24
Subjective assessment, 79
System resource approach, 76

T
Technical innovations, 64
Third Sector, 4
Trust-related theories, 19

V
volunteer markets, 31
Volunteerism, 11