

Establishment path and management innovation of mutually beneficial nonprofit organization (MBNPO)

A study based on integrated marketing communications (IMC) theory

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Abstract

Purpose – Research about the modern mutually beneficial nonprofit organizations (MBNPOs) has great value because of the increasingly important role that the MBNPO plays in society. The establishment and management of MBNPOs are critical for its development.

Design/methodology/approach – Integrated marketing communications (IMC) theory is applied to the research on establishment and management innovation. The establishment of MBNPOs needs four sequential steps: identifying the target group, providing services to meet the demand of stakeholders, designing appropriate communication tactics and deploying proper organizational structure to accomplish efficient communication.

Findings – Three types of approach enable traditional enterprises to transform into MBNPOs: product innovation, operational innovation and synergetic development. The application of IMC theory accomplishes management innovation of MBNPOs in three aspects: leading market-orientation specific to stakeholder-orientation, making management innovation systematic in MBNPOs and clarifying targets of management innovation in MBNPOs.

Originality/value – This is one of the first examinations of establishment path and management innovation of MBNPO based on IMC theory.

Keywords Mutually beneficial nonprofit organization (MBNPO), Integrated marketing communications (IMC), Establishment path, Management innovation

Paper type Research paper

Introduction

Mutually beneficial nonprofit organizations (MBNPOs) become increasingly important in the continuously developing society. They provide large amount of public service. They are



much more than merely supplementary section for market but play an irreplaceable critical role instead of market mechanism. MBNPOs bear more social responsibility than traditional enterprises, and they are restrained more strictly on developing model and market competency, which leads to two vital issues:

- (1) comparatively small amount of MBNPOs cannot meet the demand of society; and
- (2) simple management pattern of MBNPO organization cannot improve the operation efficiency.

Research on these two current problems of MBNPOs and finding resolutions for them benefit MBNPOs' thriving development and society progress.

Integrated marketing communications (IMC) theory is applied in solving the two current problems mentioned above. The core idea of IMC is concentrating on reasonable demands of stakeholders and comprehensively using resources to meet them. IMC ideas assist MBNPOs to make a full inspection of stakeholders who, from inside and outside, aim at analysis and exploitation of stakeholders' demands, so as to set up comprehensive united operation strategy. That is beneficial for MBNPO establishment and improving management performance.

Related theories and conceptions are introduced first, such as IMC theory, MBNPO and management innovation, etc., making analysis chiefly on concept, connotation and social value of MBNPO at the beginning of this article. Second, establishment path of MBNPO is researched, especially the transmit path for traditional enterprises to MBNPO. Based on IMC theory, the research elaborates the mechanism and steps of MBNPO management innovation.

1. Research background

1.1 *Integrated marketing communications theory*

The core idea of IMC theory is that it is a communications strategy centered on Marcom Manager. It is based on an outside-in strategic point of view, which is used to effectively communicate with stakeholders and interest groups. It attempts to foster close and organized communication and activities with consumers, employees, investors, competitors and other interest groups, as well as with the community, mass media, government, social groups and other stakeholders (Shin, 2013).

Academic views about the definition of IMC occur in three main stages. The first stage defines IMC's denotation and connotation mainly from a tactical level, and its key viewpoints may be summarized as follows: using the outside-in concept as guidance, and based on an understanding of the needs of customers and stakeholders, it is appropriate to comprehensively apply company marketing communication methods to integrate an identified idea in a single voice.

The second stage mainly discusses IMC implementation levels from a strategic level, to combine a company's marketing activities, strategies, positions and mission; this approach pays more attention to integrating internal interests and strives to achieve a win-win situation. IMC theory in these first two stages was based on the 4Cs marketing mix theory that was proposed by Schultz *et al.* (1994). The third stage has gradually formed the framework of the new IMC theory, including the 5Rs stakeholder communication strategy, Marcom Manager's IMC team and a flat organizational structure centered on a database; this IMC theory has gradually become a new management paradigm. Schultz (2000) further proposed the 5Rs framework as a means of connecting with customers and stakeholders, guiding responsiveness, laying out how Marcom Managers can respond to customer demand rapidly and effectively. Schultz further discusses how the 5Rs framework resolves

problems in the marketing communication plan and the marketing managers' work; distinguishes information from "response mechanism" and provides clear positioning that distinguishes it from other organizational information; refers to information provided to stakeholders; and establishes long-term business relations with customers (Szromnik, 2016).

The implementation of IMC strategy occurs in three steps. In the first step, the IMC is an outside-in oriented concept, starting from the survey and research of the company's customers and stakeholders and a comparative analysis of the customers' and stakeholders' experiences and information. In the second step, the company determines its strategic position and marketing objectives, coordinates between communication activities and strategy, defines the relationship between mission and marketing strategy. Then, based on the situation of the company, IMC helps the company determine what resources are necessary and then obtains the resources to implement the IMC strategy (Luxton *et al.*, 2015). The third step is the implementation of the IMC communication activities, and the effective feedback of the information to the company. Overall, organizations must flexibly change quickly enough to track customer behavior and use customer data to evaluate marketing results (Shin, 2013).

IMC theory is a theoretical tool that may provide methodological guidance for a company's operations and management. IMC theory was developed through iterative observation of the interaction among numerous market factors, driven by recognition that companies must efficiently interact and communicate with stakeholders and fully integrate various marketing means, such as external marketing, internal marketing, database marketing, transaction marketing, relationship marketing to achieve the best marketing effect.

1.2 Mutually beneficial nonprofit organization

The concept of a nonprofit organization (NPO) originally comes from the American "National Tax Law" that lays out the terms of a 501c3 organization, which is an organization that does not pay taxes because it works for the public interest. Other terms, such as non-governmental organization, Third sector and civil society have similar meanings, though these organizations evolve from different sources and have slightly different meanings (Erkoc, 2016). Thomas Wolf indicated that an NPO should have the mission of offering a public service, file its status with the government and obey national laws and regulations. He said it should be a non-profit or charity group, and its operational structure must exclude private possessions and interests. Its operation is tax-free, enjoys a special status in law and any donations it receives are also free of tax duty. A professor from the Johns Hopkins University, Salamon (1999), defined five characteristics of an NPO based on his study of NPOs in 42 countries: organizational, non-profitable, non-governmental, autonomous, voluntary. From China's perspective, Shin and Lee (2007) deem that an NPO is a kind of corporate organization aiming to provide a public service without the goal of making a profit, and argue that it should enjoy the right of free or reduced tax, the profit of which is not allocated to its internal members, and should also enjoy partial civil independence.

The definition of a MBNPO is necessary because of the demand for applying IMC theory in NPO marketing management. Hansmann (1980) divided NPOs into two types according to organizational control and capital sources. Hansmann believed that the capital of an organization typically comes from donations and self-employed income, while the control modes include sponsor control and board control. By interactively combining these factors, four types of NPOs can be identified, as seen below in Table I. The commercial

entrepreneurial NPOs (like civilian-run non-profit hospitals and civilian-run universities and colleges) raise capital mainly through fee for service work that produces income. This makes these NPOs sensitive to the market and interested in building and maintaining stable relationships with stakeholders, especially service payers. Also, this type of NPO generally has a board of directors that is similar to those of for-profit corporations; such boards typically have a division of ownership and control rights, making the NPO able to appoint appropriate staff and construct effective inner governance. From the perspective of the commercial entrepreneurial NPO, the author of this paper defines an MBNPO as shown below.

An MBNPO is a kind of independent public service agency with corporate capacity, not aiming to make a profit, and mainly running on income from fee for service work, despite various other sources of capital; thus, it is stakeholder-oriented.

There is a similar concept called a mutual-benefit nonprofit corporation (MBNPC). An MBNPC – also called a membership corporation – is a kind of organization that is established, organized, sponsored and run by a specialized group and provides service within that group, like a country club. The MBNPC does not enjoy the tax benefits of a 501c organization, as it is not considered to be a charitable organization. The MBNPO and the MBNPC differ mainly in two respects:

- (1) the MBNPC must pay income tax, while the MBNPO is tax exempt; and
- (2) the MBNPC is mostly owned and operated by its sponsors, which aim to benefit themselves, while the MBNPO is usually operated by a board and its services are intended for public use (Bassous, 2015).

Aside from the basic characteristics of the NPO, the MBNPO also involves certain other issues, as enumerated in this section:

- *Issues related to formality:* Cheng and Ma (2008) do not consider organizations without formal registration, to be NPOs. The MBNPO must be registered formally and legally with a formal management structure and running system. Organizations without formal registration, or those that are registration-free, registered as enterprises and so on should not be listed as MBNPOs.
- *Issues related to mutual benefits:* “mutual benefit” means organizations provide services or products and receive pay from them directly; this income is the primary income for the organization, pushing it to stress the interests of stakeholders and to build robust relationships with customers. Mutual benefit causes the MBNPO to value the market response, which gives the MBNPO the features of both NPOs and enterprises. This means that the MBNPO emphasizes relationship building with stakeholders, strengthens two-way communications, integrates and coordinates marketing and communications

| Classification basis | NPO types | Contents |
|----------------------|---------------------|---|
| Capital source | Donative NPO | Capital comes from the donors like the Red Cross |
| Capital source | Commercial NPO | Capital comes from service payments, such as from private schools and hospitals |
| Organization control | Mutual NPO | Controlled by sponsors, as in country clubs |
| Organization control | Entrepreneurial NPO | Controlled by the board like most hospitals and commodity exchanges |

Table I.
The classification of
NPO

and ensures the effectiveness of applying IMC. [Deng \(2006\)](#) made a comparison between civil non-enterprise units and societies. The results showed that 95.7 per cent of the income of civil non-enterprise units comes from services and products, while clubs, associations and societies derived only 54.6 per cent from these income sources. Mutual benefit assures the organization's sensitivity to the market.

- *Issues related to autonomy:* Capital sources directly influence the organization's autonomy. Generally, if the funds of an NPO come from the government, then the autonomy of the NPO may be affected by government interference; if the capital comes from enterprise, then its autonomy would be manipulated by the enterprise; if the capital is derived from a foreign NPO, then it will be influenced by factors from overseas; and if the NPO is funded largely by offering services and receiving pay, the autonomy of the organization may be protected. The capital source of the MBNPO typically comes mostly from fee for service work, which provides the organization with autonomy.
- *Issues related to normalization:* The MBNPO has the features of autonomy, public benefit and interest in developing management, remaining flexible in terms of its inner governance, being sensitive to the market and paying attention to efficiency ([Shin, 2014b](#)).

1.3 Management innovation theory

Overall, modern management theories argue that management innovation is an effective paradigm to integrate resources to accomplish organizational goals and responsibilities and assimilate certain resources or goal formulation. From the view of basic management ideology, management innovation can be divided into three parts:

- (1) management innovation focuses on inner organizational structure and inner management;
- (2) management innovation reinforces operational institutions; and
- (3) management innovation is enhanced by the corporation's culture and management philosophy.

From the perspective of management science, management innovation plays an important role in improving the management performance of corporations and other organizations ([Damanpour and Aravind, 2012](#)).

Innovation theory in economics is derived from Bear Peter's innovation theory, which holds that the purpose of management innovation is to acquire the maximum economic benefit. There are two ways to promote economic benefits: the first is increasing production at a constant cost, and the second is decreasing costs while keeping production constant. From the perspective of input-output, the function of management innovation toward increasing economic performance considers three factors:

- (1) management innovation decreases the scale of capital occupation;
- (2) management innovation saves the expense of materialized labor; and
- (3) management innovation reduces the expense of living labor.

Reduction of living labor expenses helps corporations decrease living labor cost per unit of product or creates more production per unit of time expense; either of these may improve labor productivity (Petroni *et al.*, 2012).

Management innovation has three principles:

- *Principle 1. Management innovation must be market-oriented:* Management innovation needs to adapt to the market by means of management measures to meet the demand of customers, guide consumption, and eventually acquire a competitive edge.
- *Principle 2. Management innovation is a system:* Obviously, management touches on many areas of a company, such as operations, manufacturing, finance, strategy, human resources and so on (Arvanitis *et al.*, 2016). Taking the function of management as an indicator, management innovation can be segmented into marketing management innovation, finance management innovation, strategy management innovation, human resources management innovation, organizational structure innovation and so on. Management innovation is not isolated but is relative to many factors and must be considered comprehensively.
- *Principle 3. Management must centralize on a target:* Management should conduct a comprehensive analysis in advance, establish the current situation and problems as a baseline, concentrate on future development, set up concrete objectives, identify discrepancies between real outcomes and expectations and finally pursue actions toward future improvement.

Management innovation has two types:

- (1) one is gradual management innovation; and
- (2) the other is radical management innovation.

Gradual management accumulates tiny innovations to improve corporate management and achieve significant management innovation. This type of management innovation makes progress gradually, often features imitation, and has a short and transparent innovation cycle. Radical management innovation means that management uses incumbent management innovation, and then, after determining that this previous management innovation does not work, brings in a new and substantial process of management innovation. This type of innovation is mostly accomplished by professional managers or entrepreneurs (Palm *et al.*, 2016).

2. Path for establishment of mutually beneficial non-profit organization

MBNPOs provide large number of essential products and service, not only supplementing to government organization and enterprises but also implementing some unique functions that other organization cannot realize. At present, MBNPOs cannot meet the demand of society because they are less than they are needed. As a result, establishment of MBNPO becomes more significant than ever before. In this research, IMC theory is introduced for MBNPOs establishment in two types: one is establishment of new MBNPOs, and the other transform from traditional enterprises to MBNPOs. IMC theory has the same joint points with MBNPO establishment: they have the same perspective of needs of stakeholders, so stakeholders' interaction theory of IMC builds infrastructure for MBNPO establishment; they both concentrate on integration of resources, and therefore, the ideas and measures of IMC provide theoretical support for MBNPO establishment.

2.1 Background of mutually beneficial nonprofit organization establishment

The MBNPO is developed on the basis of a nonprofit organization, which originated from the National Tax Law of the USA, which designated a 501c status that pertains to groups that work for social and public interests and have preferential tax exemption treatment. Currently, there is no uniform definition of the non-profit organization. Wolf (1990) argues that a non-profit organization is a kind of organization that provides public services to society, and this organization needs to eliminate the influence of private interests. Wolf also posits that an NPO's profits cannot be assigned to individuals engaged in charitable activities or in other non-profit activities; rather, he says that such organizations must file with the government and be subject to national laws and local regulations. According to a study of non-profit organizations in 42 countries, Salamon (1999) argues that a non-profit organization should be formally organized, non-governmental, autonomous, non-profit and voluntary. Shin and Lee (2007) propose (for China) that a non-profit organization is one that aims to provide public services, generally has corporate capacity and is able to enjoy tax-free treatment (because non-profit organizations are not-for-profit, which means that any profit surplus they may generate is not disbursed to internal members). In addition, a non-profit organization has a separate civil nature.

From the perspective of a non-profit organization's significance, the consensus of the non-profit organization's mandate and mission is mainly formed around a certain set of points:

- nonprofits need to complete the mission of a government department entrusted to public affairs;
- many public and charitable affairs rely on the power of non-profit organizations; and
- the non-profit organization has its own influence and publicity channels to influence government policy.

The value of the non-profit organization is associated with the organization's mission: a non-profit organization must have a "mission" to carry out community service activities and gain public support and funding sources; they must not make opportunistic use of public services for profit.

For nearly 30 years, there has been an organizational trend of non-profit organizations being market-oriented along with for-profit organizations. This has yielded a class of market exchange oriented nonprofit organizations, otherwise known as the MBNPO.

The ideas related to MBNPOs that this paper presents are based on Hansmann's classification of non-profit organizations. Based on funding sources and control methods, Hansmann (1980) divides the non-profit organization into two types. According to source of funds, it can be divided into donor and proprietary revenue mode. According to organizational control modes, it can be divided into sponsor control and board control.

Among them, the commercial entrepreneurial nonprofit organizations (such as private nonprofit hospitals, private universities, etc.) have a stronger competitive force, which has driven them to respond to the market more sensitively and to establish relationships with the recipients of their services. Commercial entrepreneurial nonprofits operate relatively similarly to the modern corporate system because their ownership and management are independent. For these NPOs, talent recruitment and effective internal governance structures can enhance the management level. The mutual-benefit non-profit organizations are defined by Shin (2013) as having a legal personality, a not-for-profit economic architecture and a certain profitability; however, their main source of income varies.

2.2 Mechanism of integrated marketing communications in mutually beneficial nonprofit organization establishment

With the help of IMC, stakeholders will be identified and classified, effective marketing communication will be carried out according to the characteristics of stakeholders, and effective marketing communication will improve brand value. IMC contains five parts (the 5Rs): responsiveness, relevance, receptivity, recognition and relationship. Each provides a guide line in MBNPO establishment:

- (1) *Responsiveness*: When an MBNPO is set up, the organizational structure should be designed to enhance rapid response to the demands of stakeholders, and the quality of the response should be considered.
- (2) *Relevance*: The information sent from MBNPO founders to stakeholders should be consistent with what the stakeholders want. The information will be accepted when the information meets the demands of stakeholders. The founders of the new MBNPO should transfer highly relevant information to the target audience, and they should not transfer unexpected information that may disturb stakeholders.
- (3) *Receptivity*: Contact spots should be identified effectively, and the proper contact spots should be chosen to create a two-way communication with stakeholders. Information that stakeholders value will be warmly received.
- (4) *Recognition*: From the beginning of the MBNPO's establishment, marketing communication should focus on brand building and distinction, which can help stakeholders identify the brand easily and simply. The eventual aim of IMC is to promote brand value and enhance the MBNPO's organization value.
- (5) *Relationship*: Long-term profit and sustainable development derive from stable and amicable relationships. IMC theory argues that a lasting win-win relationship between the MBNPO and its stakeholders is the key to the development of the MBNPO (Felicio *et al.*, 2013).

2.3 Path of mutually beneficial nonprofit organization establishment on the basis of integrated marketing communications

The entire procedure of MBNPO establishment contains four steps, which take place one by one and have a clear chronological sequence. When the full procedure of establishment is complete, these four steps recur interactively, allowing for organizational reform in response to any turbulence in the market environment. These four steps of the establishment are shown in Figure 1.

The first step is identifying the target group that the MBNPO will service. Before the MBNPO is set up, its founders must identify the stakeholders and classify them into different groups according to their special features. The main stakeholders should be picked

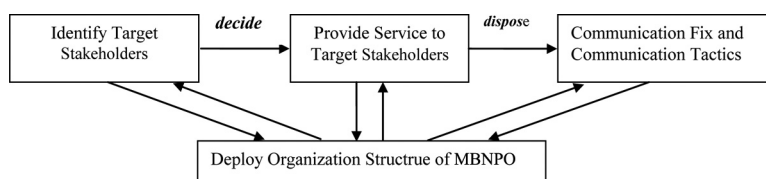


Figure 1.
Interaction between
four steps of MBNPO
establishment

out as the key service objects, and then proper marketing communication should be designed and carried out to create effective two-way communication. IMC theory emphasizes the relationship between the MBNPO and its stakeholders and emphasizes maintaining that relationship by means of proper marketing communication.

The second step is providing services to meet the demand of stakeholders. Enough surveys and market research should be implemented to discover what appeals to the target group. The MBNPO should design and provide services according to its skillset and corporate needs that meet the demand of the target group, and thus find the joint point of interest for both sides. A favorable partnership will be nurtured and continuous cooperation and communication will gradually confirm the relationship. This is the main objective of IMC strategy (Ritala, 2012).

The third step is designing appropriate communication tactics. Each group of stakeholders has its unique features. It is necessary to carry out a special communications strategy in accordance with these features; this can help the MBNPO achieve effective market communication. It is only by this means that the MBNPO can deliver information to target stakeholders timely and precisely. The MBNPO has to make sure that the information delivered is highly relevant to the stakeholders, is needed by the stakeholders and is useful and helpful to the stakeholders.

The fourth step is deploying proper organizational structure to accomplish efficient communication. The expected results of marketing communication will never occur if there is no organizational structure as the basis for implementing a communication plan. Different organizational structures determine a wide range of communication effectiveness. Appropriate organizational structure design is critical to successful marketing communication. Organizational structure helps to guarantee a smooth process of marketing communication. Efficient organizational structure can ensure a rapid response to stakeholders and can help maintain a positive relationship with them.

The four steps mentioned previously make the information and service circulate efficiently and continuously between MBNPO and target stakeholders, as shown in Figure 2.

2.4 Transforming path for traditional enterprise to mutually beneficial nonprofit organization

It can be found from case studies that the MBNPO may obtain economic income in three ways: product innovation, operation innovation and synergetic development. Traditional

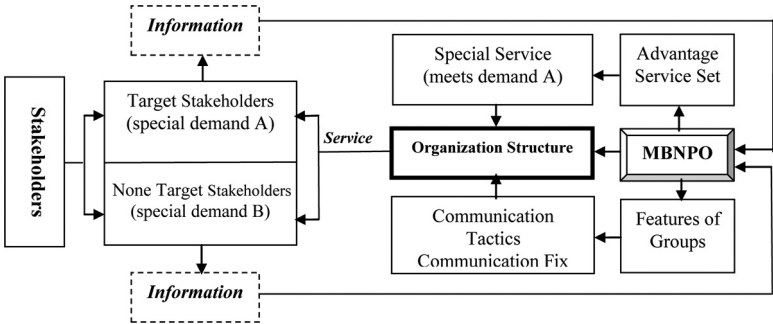


Figure 2.
Flow of information
and service between
MBNPO and
stakeholders

enterprises may draw lessons from the above patterns to effect transformation (Tushman and O'Reifer, 1997).

The first way is product innovation. Traditional enterprises should view challenges as opportunities rather than burdens. If enterprises can seize the opportunity to turn a problem into an opportunity, they may find continued growth in the process of solving social problems. To reach such a target, a goal for social service should be established initially. Then, under the guidance of this goal, traditional enterprises may earn profits continuously by providing innovative socialized products that are more competitive. The general form of socialized product innovation is shown in Figure 3.

For example, Grameen Bank designed a new unsecured loan product meant for low-income borrowers, according its awareness of the social problem that traditional commercial banks do not provide loans to the poor. This socialized product of unsecured loans both improved the quality of life for the poor and contributed to the bank's development (Lin *et al.*, 2013). Another example is Nestle developing a new product called Maggi Masala-ae-Magic, which was aimed at improving the health of children and women in India (Pfizer *et al.*, 2014).

The product innovation of an MBNPO that is guided by solving social problems is different from the innovation of traditional enterprises, which generally occurs only to improve a product's function, appearance and so on.

By analysis, this text argues that the key links of product innovation include three kinds:

- (1) The first is establishing socialized goals. The goal of an organization is the strategic choice of its enterprise, and establishing socialized goals can ensure that enterprises transform into MBNPOs. To implement socialized goals, it is very important for all members of the enterprise to believe in solving social problems and to solve social problems in terms of actual actions. For example, the vision of Canyou is to assure the survival of vulnerable groups such as the disabled.
- (2) The second kind of link is selecting social problems that accord with enterprise competence. There are many reasons for the emergence of social problems, and people have different ideas about social problems. In general, enterprises would receive the praise and support of society if they participate in solving significant or crucial problems. However, enterprises need to consider whether they have ability to solve these problems and to develop continuously in the process of solving them. To choose appropriate problems on which to focus, enterprises need to analyze their abilities and the comprehensive strengths first. Nestlé's

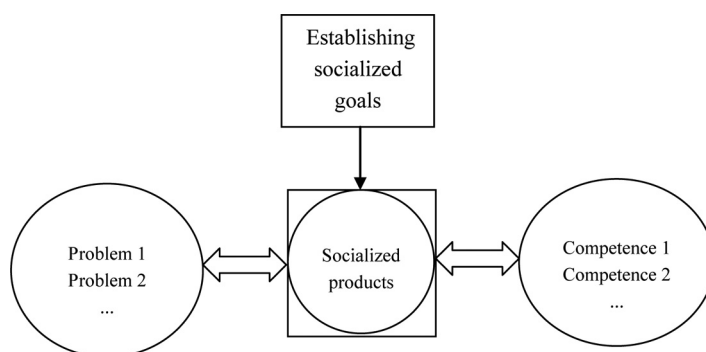


Figure 3.
The general form of
socialized product
innovation

attempt to solve public health problems according to its own research and development capabilities in nutrition is a good example of an enterprise finding the right fit between its specialties and a particular social problem.

- (3) The third kind of link is socializing the design, development and operation of the products. This link is carried out under the guidance of the goal and combined with the abilities of the enterprises. To guarantee that this process runs smoothly, and to prevent losses caused by improper innovation, an enterprise needs to effectively evaluate and inspect each stage of the innovation. To ensure constant operations, enterprises may carry out the innovation of products gradually.

According to the above analysis, traditional enterprises may realize transformation according to the general process of socialized product innovation. It should be noted that this mode requires enterprises to have a comprehensive ability. For example, decision-making must reflect the responsibility and consciousness of non-profit entrepreneurialism, and the enterprise needs to have abilities such as product development, manufacturing, service, etc. (Chen *et al.*, 2012).

The second path toward transformation is operational innovation. When traditional enterprises have difficulty offering new products, or their products are not well differentiated versus competitive products in the marketplace, it is very difficult for enterprises to compensate for additional costs, whether by directly cutting prices or by selecting other social problems to address. Under these circumstances, enterprises should change their way of thinking and consider implementing operation innovation to achieve transformation.

In the process of operations, traditional enterprises may transform successfully through combining social problems with every section of their operations (Shin *et al.*, 2015), such as procurement, human resources management, technological development, marketing, sales, etc. This process of socialized operational innovation is shown in Figure 4.

This process is similar to socialized product innovation, and it is carried out under the guidance of the enterprise's goals and related to its abilities. Three modes of operational innovation are analyzed in the following section.

The first mode is human resource management innovation. The human resource management of traditional enterprises has caused a series of social problems because traditional enterprises often choose employees through strict standards, causing many people, such as the disabled, women, middle-aged and older people and so on, to lose opportunities to earn money through working. Traditional enterprises can realize transformation in solving this problem. However, enterprises need to take appropriate measures to ensure that changes in their approach to human resources are specific.

To help disabled people get jobs, the Canyou Group has created computer-based jobs for thousands of disabled people and made this group a premium human resource. To create a good environment for the disabled to work and study, the company adopted many measures in the process of its operations. Canyou Group equipped corresponding facilities of production and living according to the characteristics of the disabled. At the same time, the company also helps employees with recovery nursing, marriage and psychological counseling and so on through various channels. In this process, the Canyou Group solved the social problem of the employment of the disabled, and at the same time, as an enterprise, it maintained sustainable development through the value creation of the disabled. Human resources management innovation at Canyou is the embodiment of socialized operational innovation.

The second mode is marketing model innovation. To achieve the objective of helping poor people to improve their quality of life, TOMS adopted socialized marketing innovation. The company designed a marketing model of one for one: that is, TOMS will give a pair of

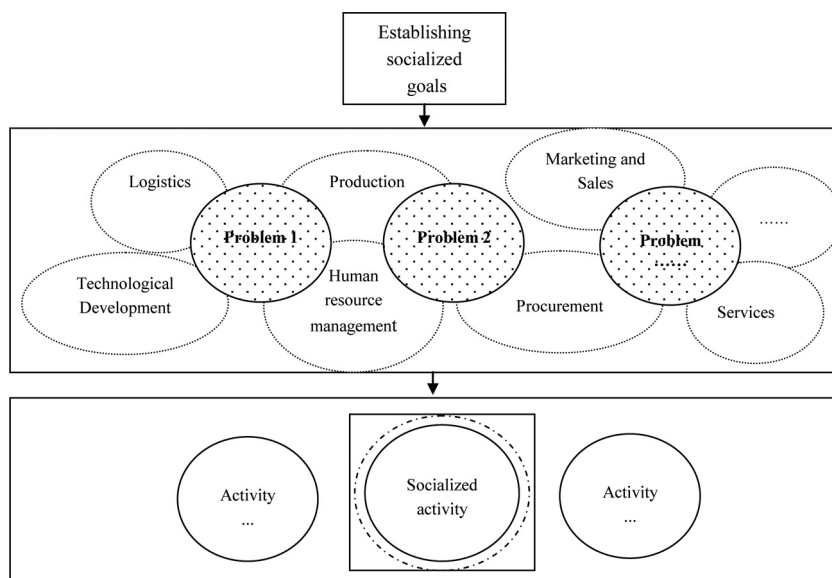


Figure 4.
The general form of
socialized operational
innovation

new shoes to a child in need when a customer purchases one TOMS product. This model is different from traditional enterprises, in that TOMS has adopted a series of corresponding measures to ensure the success of this model. TOMS issues a donation report every year to solicit feedback from the public. TOMS attract customers to participate in sales activities; for example, many customers post photos that are related to TOMS products on the company's website, which helps the company improve its influence in the market. Through this socialized innovative marketing model, TOMS won the trust and support of society and gained sustainable and steady development.

The third mode is extended producer responsibility. The purpose of extended producer responsibility is to reduce traditional industrial impact on the environment (Shin, 2014a). To achieve this goal, the producer is asked to take responsibility for the whole life cycle of a product, and especially for the recovery and treatment of products (Lindhqvist, 2000). Broadly speaking, all activities that go beyond laws and regulations can be deemed extended producer responsibility. Taking responsibility for all corporate actions and product-related issues typically earns enterprise recognition and a good reputation in society. Therefore, through extended producer responsibility, traditional enterprises can build competitive advantage, obtain higher benefits and realize transformation to MBNPO status.

Analysis indicates that traditional enterprises may realize transformation by means of socialize operation innovation. To improve operational quality and effect, traditional enterprises need to analyze their operational processes scientifically and select the appropriate method of transformation.

The third path toward transformation is synergetic development. Social problems caused by many factors are so complex that we need to use integrated measures to solve them. One effective way to solve social problems is synergetic development. With the development of society and the improvement of civil consciousness, governmental and non-profit organizations as well as many other kinds of enterprises, groups and even individuals have

enthusiasm to solve social problems. Thus, there is a solid social foundation for using synergetic development to solve social problems.

Cooperation between enterprises and stakeholders, such as government, non-profit organizations or any other kind of enterprise, can make full use of resources and help to solve social problems. At the same time, synergetic development helps enterprises transform to MBNPOs because social enterprises rely more on external networks than traditional enterprises do (Desa, 2012).

There are two typical models of synergetic development:

- (1) The first one is cooperating with a single-objective. Cooperating with a single-objective means that resolving one social problem, through a concrete project, the MBNPO cooperates with its stakeholders. Government is an important stakeholder for enterprises because government can control and mobilize a variety of resources to solve social problems. Another important stakeholder of the MBNPO is non-profit organizations, which play an important role in philanthropy, education, environmental issues, etc. Synergetic development is easy to accomplish because MBNPOs and non-profit organizations share similar values and goals (Gazzola and Ratti, 2014).
- (2) The second mode of synergetic development is establishing coordinated development platforms to establish a supporting system for solving social problems. Through the operations of such a platform, various social sources may be used effectually, and the corresponding social problems may be managed persistently. For example, to provide eye care for inner cities and remote rural areas, the International Partnership for Innovative Health Care Delivery (IPIHD) cultivates nurses and helps them found clinics. IPIHD has created a coordinated development platform to solve the social problem of eye care. Another example of a development platform is the Qiang embroidery support center established by a company called Aba. This platform provides training in Qiang embroidery for women in disaster-struck areas of Wenchuan and helps them sell products.

To ensure the smooth implementation of synergetic development, enterprises can establish a harmonious mechanism of diversified subjects participating in management. In cooperating with other organizations, enterprises should choose the method and areas of cooperation carefully to ensure their independence.

3. Management innovation of the mutually beneficial nonprofit organization

3.1 Mechanism of integrated marketing communications in mutually beneficial nonprofit organization management innovation

There are three principles in management innovation:

- (1) management innovation is market-oriented;
- (2) management innovation is a systematic process; and
- (3) management innovation is objective-centered.

These three principles play a role in management innovation, keep the innovation process on the proper path and help an organization avoid falling into unproductive habits.

A study of 34 high-tech organizations showed that their ability to simultaneously execute exploration and exploitation was associated with higher performance (He and Wong, 2004). Commercial enterprises and MBNPOs can overcome organizational challenges

by using IMC. The mechanism of IMC in the MBNPO management innovation process is shown as [Figure 5](#).

3.1.1 Lead market-orientation specific to stakeholder-orientation. IMC theory emphasizes that all organizational operation should be stakeholder-oriented, which is almost the same as being market-oriented. IMC theory suggests that organizations pay more attention to stakeholders to understand the real appeal of stakeholders, and that they then carry out proper marketing communication plans to communicate relevant information. With the help of IMC in MBNPO management innovation, the MBNPO can transfer its concentration to groups of stakeholders, not to the entire market, and this may help the MBNPO focus on small, special scopes of its target market ([Amit and Zott, 2012](#)).

3.1.2 Make management innovation systematic in mutually beneficial nonprofit organization. IMC is a systematic process itself, and IMC strategy and an IMC plan include all aspects of organizational operation. IMC is essentially the same as management innovation. IMC procedures may help to support organizational reform with management innovation and consequently may help an organization achieve superior performance. Oriented by the appeals of target stakeholders, the MBNPOs' goals of management innovation become explicit and concrete, the effects of marketing communication will occur as expected ([Salerno et al., 2015](#)). Many aspects must be improved upon, such as strategy management, operational management, finance management and so on, as demanded by both IMC and management innovation.

3.1.3 Clarify targets of management innovation in mutually beneficial nonprofit organization. The procedure of management innovation is an objective-centric approach, and each step of innovation aims at accomplishing the expected goals. But, management innovation theory does not illustrate objectives definitely and clearly, and this decreases the significance of practice instruction. As with management innovation theory, IMC theory is also objective-centric; however, the objectives of IMC are clear and concrete, while this is not always true of management innovation theory. The implementation of an IMC plan aims at reinforcing two-way communication to make the relationship between the organization and stakeholders intimate and consolidated. The execution of IMC plans can improve brand value, increasing the organization's overall value. In other words, IMC makes the objective of management innovation easy to understand and accomplish, and it provides superior guidance to management practice. IMC may provide a beneficial supplement to management innovation ([Ivanov, 2015](#)).

3.2 Mutually beneficial nonprofit organization management on the basis of integrated marketing communications theory

Under the guidance of IMC theory, the MBNPO makes a blueprint of IMC strategy and implements it to achieve a higher operational performance. The MBNPO may use IMC

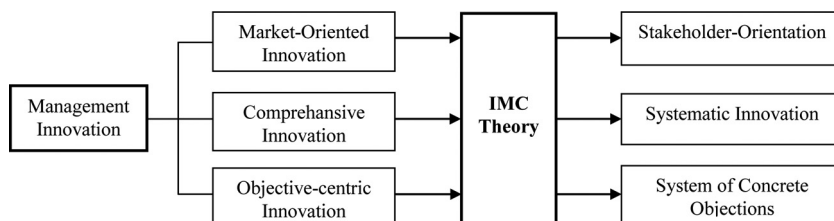


Figure 5.
Mechanism of IMC in
MBNPO
management
innovation

theory to conduct operational plans and to enhance its performance by means of enforcing five steps. The five steps of MBNPO operations described above comprise an entire management circulation as shown in Figure 6.

3.2.1 Identifying existing customers and potential customers. The first step is identifying existing customers and potential customers. Collecting customers' behavioral data is the key element in identifying customers, as well as in understanding the reasons why customers behave in certain ways. The behavioral data about customers should be consolidated and integrated so that marketing communication managers can use it to design proper communication with target individuals or target corporations. Marketing communication managers classify customers according to their behaviors, and this can help the MBNPO devise highly relevant communications with target stakeholders.

3.2.2 Appraising value of both existing customers and potential customers. The second step is appraising the value of both existing customers and potential customers. The estimated financial capacity of existing customers and potential customers should be assessed to provide a clear sense of how much income customers may provide. The MBNPO can design a marketing communication mix according to income scale to attract target customers, to maintain customers, to develop customers and so on.

3.2.3 Hatching communication information and plans of motivation. The third step is choosing and devising communication information and plans of motivation. The MBNPO has to devise persuasive content to communicate with target stakeholders according to their unique features. The aim of communications is to send highly relevant information to both existing and potential consumers on the right occasions and in the right locations. Plans of motivation should be embedded in the information sent to the target stakeholders.

3.2.4 Evaluating return on customer investment. The forth step is evaluating the return on customer investment. IMC theory considers customers as capital and demands a clear

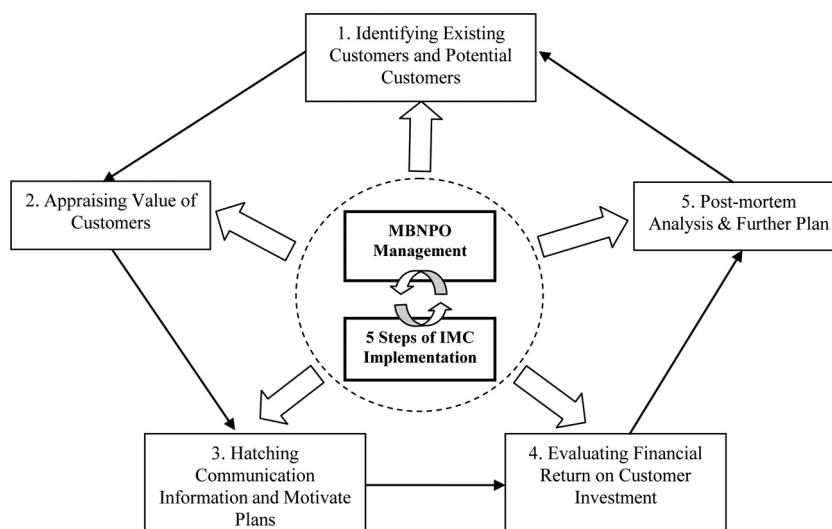


Figure 6.
Management
circulation of
MBNPO based on
IMC theory

financial result for each single marketing communication plan. In IMC procedure, marketing communication managers must prove the positive results of their marketing communication, and they must make clear which communication plan acquires the optimal performance with the highest efficiency. Short-term returns improve business development, considered mainly in terms of the instant growth of revenue; long-term returns concentrate on brand building, paying close attention to incremental development of brand assets in the long run.

3.2.5 Post-mortem analysis and further plan. The fifth step is post-mortem analysis and further planning. An MBNPO must choose a period over which the IMC plan will be implemented in the target marketplace/s. A series of appraisals should be launched after the implementation of an IMC plan. On the basis of deliberate analysis of the marketing communication result, a new investment strategy will be designed for further development. IMC is never invariable, and IMC theory argues that marketing communication is a constant and continuous procedure with no end/that will never be finished ([Battistella et al., 2012](#)).

4. Conclusion

To increase the number of MBNPOs and improve management performance, this research introduces IMC theory to further management innovation and establishment of MBNPOs. The 5Rs of IMC point out the essential purpose of the MBNPO's origins and draw a feasible path for its establishment. IMC makes the relationship between the MBNPO and its stakeholders reinforced and long-term interest supported. MBNPOs have great significance in the realization of social value, and therefore they need increase in quantity and higher business performance by management innovation.

According to findings of the research, four steps in establishment of MBNPO are clear:

- (1) identifying the target group that the MBNPO will service;
- (2) providing services to meet the demand of stakeholders;
- (3) designing appropriate communication tactics; and
- (4) deploying proper organizational structure to accomplish efficient communication.

The four steps mentioned previously make the information and service circulate efficiently and continuously between MBNPO and target stakeholders. Traditional enterprises can transform into MBNPOs. There are three transforming modes listed as below:

- (1) product innovation;
- (2) toward transformation is operational innovation; and
- (3) toward transformation is synergetic development.

IMC theory is beneficial for management innovation of MBNPOs as listed below:

- leading market-orientation specific to stakeholder-orientation;
- making management innovation systematic in MBNPOs; and
- clarifying targets of management innovation in MBNPOs.

There are limitations on content and methods in this research, and the limitations should be taken into account in further research to make progress. Theoretical discussion is in detail, but empirical proving is insufficient in this research. Careful and detailed case study combined with adequate data collection and analysis will make this research enriched and improved. The findings of this research are mainly discussion on establishment path and management innovation of MBNPOs, while study on management practice according to

MBNPOs features is beyond research content. In the future research, specific management measures may be investigated from different perspectives according to features of MBNPOs, such as research on management performance by using ambidextrous organization theory and value co-creation theory, etc.

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Further reading

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