

*Fifty years on, is Life Cycle Theory still relevant? An exploration and development of Life Cycle Models within the contemporary non-profit context*

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## **Fifty years on, is Life Cycle Theory still relevant?**

### **Paper Title:**

Fifty years on, is Life Cycle Theory still relevant? An exploration and development of Life Cycle Models within the contemporary non-profit context.

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## **Fifty years on, is Life Cycle Theory still relevant?**

**Fifty years on, is Life Cycle Theory still relevant? An exploration and development of Life Cycle Models within the contemporary non-profit context.**

### **Summary:**

The purpose of this paper is to review and re-examine the popular Life Cycle Theory, developed over fifty years ago. In particular, the paper critically considers its theoretical relevance to contemporary non-profit sector exploring the theory – practice divide. It reviews extant application of Life Cycle models to non-profit organisations (NPOs) and presents an updated theoretical framework through which to understand the evolution of NPO engagement. Through underpinning the model with robust and relevant theory, it endeavours to act as a basis for future empirical research. The methodology used is narrative literature review supported by secondary research from specialist practitioner reports.

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## **Fifty years on, is Life Cycle Theory still relevant?**

### **Introduction**

The metaphor of biological growth within marketing is alive and kicking. Exemplified by the popular Product Life Cycle (PLC), progress of new product development is charted from birth through growth to maturity and death. Developed as a theoretical concept over fifty years ago (Vernon, 1966, Levitt, 1965), it remains widely used in marketing research (Rosario et al., 2016, Delre et al., 2016, Kortmann and Piller, 2016, Zhang et al., 2015, Heine and Gutsatz, 2015) despite critics (Moon, 2005).

For practitioners, understanding the dynamics of products, brands and organisations ensures they remain competitive through changing market conditions, utilizing appropriate investment and strategy. Life Cycle models can provide a roadmap to help identify responses to critical organizational transitions (Phelps et al., 2007). They help normalize the problems that arise within organisations as they evolve from phase to phase (Koroloff and Briggs, 1996). For theorists, it is no less important to re-evaluate established models and validate against extant literature to ensure academic insight remains current and impactful.

Implicit within the simplicity of mapping phases of product evolution are two assumptions. The first is that products are dynamic, that their characteristics change over time, commonly measured by contextual factors such as growth, time and revenue. The implications for marketing strategy, including pricing, distribution and range, varies as the product moves through different phases of life. The second assumption is that the dynamic journey is organization-driven rather than customer-led: it can be managed by the company and is planned as part of business strategy (Anderson and Zeithaml, 1984, Levitt, 1965).

The purpose of this paper is to review and critically re-examine Life Cycle Theory. Widely taught in marketing pedagogy, it is rarely challenged (Moon, 2005). However, during the last fifty years there have been significant developments in marketing practice including global competition, internet search and purchase driving behaviour change as well as co-creation and co-production trends. This rapid change has been particularly visible in the non-profit sector which has seen exponential growth of new non-profit organisations (NPOs), innovative use of new media to reach wider audiences with scarce resources and increasing responsibility within society to support the most vulnerable.

Therefore, the paper focuses on examining the theoretical relevance of Life Cycle Theory to the contemporary non-profit sector. It reviews extant application of Life Cycle models to non-profit organisations (NPOs) and presents an updated theoretical framework through which to understand NPO evolution, underpinned by robust theory of proven relevance to the non-profit sector. The methodology is narrative literature review (Gephart, 2004) supported by secondary research from specialist practitioner reports.

### **Second generation Life Cycle Theory**

The original product evolution theory has subsequently morphed into a second generation of marketing literature with two distinct strands: Organisational Life Cycle (Duobiene, 2013, Lester, 2004, Mintzberg, 1984, Miller and Friesen, 1983, Pledger, 1981) and Brand Life Cycle (BLC) (Brexendorf et al., 2015, Heine and Gutsatz, 2015, Eisend and Stokburger-Sauer, 2013). There is a myriad of descriptions of the Organisational Life Cycle (OLC). However, following a

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review of ten OLC models, Cameron and Whetton (1981) identified four common stages: entrepreneurial stage, collectivity stage, formalization and control stage and finally the elaboration of structure stage. This framework was subsequently developed by Hasenfeld and Schmid (1989) who added two additional stages: decline and death. In contrast, Bailey and Grochau (1993) propose four stages in which the first three (entrepreneurship, team-building and bureaucracy) match those of Cameron and Whetton (1981). In the fourth stage, they argue the organization can move in one of three directions: stagnation, death or renewal. They also identify critical transitional points that either progress the organization to the next stage of development or, if not recognized, may lead to stagnation or reversal to a previous developmental stage. These transitional points are particularly observed at moments of organizational crisis. Each phase of the OLC is characterized by contextual dimensions (age, growth) but also structural dimensions such as capability, structure and purpose. The early entrepreneurial stages are defined by flexibility, simplicity and informality whereas mature organisations have been described as inflexible, complex and formal (Engelen et al., 2010). In particular, stage of OLC has been shown to be a stronger predictor of Market Orientation (MO) than age or size of the organisation (Engelen et al., 2010, Wong and Ellis, 2007).

With Brand Life Cycle (BLC), there are differing perspectives on the role of brand. One argues for a choice of brand positioning at the start of brand life based on consumer need, whether functional, symbolic or experiential (Park et al., 1986). The subsequent introduction and management is true to that initial positioning. The role of the brand does not change between phases. A more popular view argues that the role of brand does change over time, for example over six stages such as from unbranded to brand as reference, personality, icon, company and policy (Goodyear, 1993). It does not follow that a brand will move through all six stages, they can enter at different points and may not migrate to the full 'brand as policy' endpoint (McEnally and De Chernatony, 1999). Both these BLC perspectives still echo the observed underlying assumptions of dynamic change over time and organization-driven activity. As organizations evolve, their structures, capabilities and behaviours are dynamic. However, for organisations where the company is the brand, such as service providers and non-profits, the divide between BLC and OLC appears artificial or purely linguistic rather than being anchored in theory.

Second generation Life Cycle literature can also be interpreted as a theoretical conversation about how the organization/corporate brand engages with customers. Performance is driven through meeting customer needs; they desire to be customer facing. At different stages of the OLC, marketing capability, ambition and practice will vary. This can be conceptualized as the '*what*' of customer engagement. Through the Brand Life Cycle the role of the brand for customers is evolving. This is the '*why*'. However, a starting point is to understand *how* the organization values and engages with its customers and then, secondly, whether that is a dynamic phenomenon.

Non-profit provides a rich seam to explore these issues. Not only is the sector economically important in size, growth and population reach, it is also theoretically underexplored, particularly with respect to brand and stakeholder relationships (Lee, 2016, Andreasen, 2012, Venable et al., 2005). Life Cycle Theory has the potential to unlock the dynamic nature of NPOs through mapping changing characteristics. It offers a theoretical framework through which to understand a diverse organizational landscape, dominated by mission, values and emotion. Therefore re-examining the contemporary relevance of one of the core marketing theories within a specific

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context where it has significant potential to contribute to our theoretical understanding of that sector is attractive.

### **Life Cycle Theory within the non-profit context**

Although organismic models have not been widely applied to the non-profit context, there have been pockets of insight mapping the attributes of the incubator phase of NPOs (Bess, 1998) and describing structural changes amongst human service non-profits (Hasenfeld and Schmid, 1989, Bailey and Grochau, 1993). Zerounian (2011) examined non-profit *network* organisations and identified four phases of development: Sharing phase – formation, Learning phase – focus and growth, Action phase – productivity and sustainability and finally, the Decline/renewal phase.

However other types of NPOs have more complex needs such as financial and volunteer resource acquisition to ensure their service delivery mission is sustainable in the long term. Any dynamic model for these more complicated organisations must consider not only how the external brand is differentiated and acts as a platform for engaging the different stakeholder groups but also how strategic ambition and internal marketing capability develop over time.

Tapp, Lindsay and Sorrell (1999) argue that NPOs adapt as they move through different phases of strategic orientation, like life stages, which they label Cause, Funding and Need. The cause is often to help solve a particular problem whether large scale, such as the reaction to disasters like the Asian tsunami, or small scale such as local fundraising to support a sick child. Once the funds are raised, the role of the charity ends or migrates into a broader mission. The primary role for brand during this cause phases is to build awareness of the problem (not the solution) and establishing credibility for the charity. The researchers identify that some charities never move beyond this first phase, preserving a simple structure and focused internal capability (Tapp et al., 1999).

The second phase identified is a strategic orientation of the organization to raise funds. In an increasingly competitive environment, the role of the brand is distinct from the cause phase, and concerns building differentiation to effectively target donors. Organisational effort focuses on relationship building and making it easy to give. Communications can feature the ‘victim’ or negative imagery to stimulate an empathetic consumer response. The objective is to achieve standout and convert that differentiation into funds donated, particularly in situations of intense competition or waning public interest.

The final phase within their model describes a need orientation. The mission of the charity is focused on meeting the needs of the service users in a particular way. As charities move into this phase, a visible sign is often a re-branding exercise, away from negative labelling towards a more positive and proactive positioning (Lee, 2013) – such as The Spastics Society to Scope and Help the Aged/Age Concern into Age UK. Both the functional and symbolic roles of the brand contribute to building a distinct positioning. It attracts supporters, including donors and volunteers, who share the vision. For this stage of organizational development in particular the brand is a valuable asset (Tapp et al., 1999).

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The generalisability and subsequent impact of this framework is limited by the number of exceptions that do not fit the model. Some charity brands are synonymous with a particular cause, often a specific health issue such as Stroke Association, Parkinsons UK, or the Cystic Fibrosis Trust. In these cases, the brand represents both the interests of service users, support for their families and being part of the solution going forward. As brand leader for a particular cause, they also become the automatic choice for people who become ‘personally connected’ with the cause (Hubert and Kenning, 2008). Supporters come to the charity through the cause and work with the charity to promote awareness and raise funds from the broader community. The NPO is anchored around the ‘Cause’ and does not move beyond this phase. Secondly, the maturity of the charity market within the UK results in many of the top 100 charity brands occupying the final ‘Need’ phase of the Life Cycle. There are a few examples of successful new charities such as Help for Heroes but they are rare (Harris-Interactive, 2016). In addition, leading charities such as Comic Relief or Children in Need exist purely to raise funds: they inhabit the second ‘Funding’ category without starting in ‘Cause’ or planning to migrate to ‘Need’. They achieve impact through services provided by other charitable organisations. Despite public engagement during the annual media moments, these non-profits focus on intense bursts of involvement rather than deeper on-going engagement.

The ‘Cause, Funding, Need’ framework is described as being built upon Strategic Orientation Theory (Storey and Hughes, 2013, Lester, 2004). Each phase represents a different priority of activity within the organisation. The ‘cause’ and ‘need’ orientations both concern mission and subsequent communication – how the organization understands its purpose in life whether that is specific problem solving or broader solution provision. However the ‘funding’ orientation reflects capability building not mission. Even within this funding phase, communication of mission will need to reflect a cause or need. And the requirement to raise funds exists throughout the Life Cycle of an NPO to pay for achievement of that mission. It can be argued that the need for funding is most vital in the early stage of the organization to ensure critical mass and survival. Finally, the model only harnesses part of Strategic Orientation Theory. It does not discuss the MO of the organization, a construct at the heart of studies of Strategic Orientation (M’zungu et al., 2015). MO is not only the customer focus of the organization but also competitor and technological orientation (Gatignon and Xuereb, 1997, Storey and Hughes, 2013).

In addition to this limited application of Life Cycle models within the non-profit sector, there is research that recognizes the dynamic nature of charity brands. Consistent with other sectors, NPOs must adapt to changes in economic conditions such as intensifying competition both for customers and funding. A visible indicator of dynamic change within NPOs is corporate rebranding (Merrilees and Miller, 2008), a phenomenon that goes beyond product re-branding due the complex nature of stakeholder relationships with the organization as well as implications for culture, identity and image (Lee, 2013). The change in external visual identity is easily observed but the rebranding is often also the indicator of significant change within the organization (Hankinson et al., 2007). This can be seen as a moment of transition from one phase of organizational life to another. The process of corporate rebranding has been described as three phased. Stimulated by a trigger, phase one sees brand understanding built through market and stakeholder research leading to a revised vision for the brand. During phase two, internal buy-in to the new brand vision is built as well as the external re-branding exercise and strategy implementation. In phase three the focus is stakeholder buy in and integrated marketing

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campaigns (Miller et al., 2014). Within the non-profit context in particular, three tensions have been identified as present during the corporate rebranding process: realignment of external image with internal identity, engaging multiple stakeholders and balancing marketing requirement with organizational identity (Lee, 2013).

Therefore, the limited literature that examines Life Cycle Theory within the non-profit context has been found to have a weak connection to theory, limited generalizability and lack of recent redefinition in the light of changes in the marketing landscape. In contrast, there is robust evidence of the dynamic nature of NPOs but a lack of models, anchored in relevant theory, to describe and understand that transition.

### **Developing third generation Life Cycle Theory**

#### *Social Exchange Theory*

An important ‘foundational’ theory within the non-profit context is Social Exchange Theory (Blau, 1964, Emerson, 1976). It argues “*(The) voluntary actions of individuals that are motivated by the rewards they are expected to bring*” (Blau, 1964, p91). Social Exchange Theory assumes people act in their own self-interest. In this context it is the donation of personal time and money and rationally expecting benefits such as meeting personal goals and needs in return. Venable et al (2005) evoke Social Exchange Theory as particularly relevant for non-profit brands.

*“Because of the intangible, service-oriented nature of non-profit organizations, we posit that social exchange and trust play an important role in consumers' decisions of whether to donate money, time, or in-kind goods or services to such organizations.”* (Venable et al., 2005, p296)

Stakeholders consider the rewards of action at an abstract level – including personal satisfaction, social approval or humanitarianism. The authors argue that although there may be social benefits from buying commercial brands, such as status and security, they are more salient amongst non-profit brands. The prospective benefits of achieving those personally important goals are weighed against costs of volunteering, donating or becoming an advocate for the NPO. For volunteers in particular, it recognises that time is not the only cost involved; other costs include opportunity cost of not participating in other activities, potential stigma by association with socially difficult causes (Omoto and Snyder, 1995), plus the emotional cost of supporting someone potentially vulnerable. There has been a clear and robust articulation of the breadth of functional goals people are seeking to meet through volunteering – including social, career and learning (Shye, 2010, Mowen and Sujun, 2005, Bénabou and Tirole, 2003, Clary et al., 1998). Blau believes the social exchange is contingent on the rewarding nature of other people’s reaction; if there was no reaction by others, the action would not have taken place:

*“The tendency to help others is frequently motivated by the expectation that doing so will bring social rewards, the social approval of those whose opinions we value is of great significance to us.”* (Blau, 1964, p17)

Indeed a major national study of civic participation identified:

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*“that if there is not some mutual benefit then people’s involvement may falter.....Interviewees often spoke about gaining from participating (in terms of friendship, satisfaction, influence, support, confidence, skills and recognition) as much as they gave (in terms of time, money, compassion, care and energy.” (Brodie et al., 2011, p5)*

This perspective is in contrast to the research on altruism, defined as a “*general disposition to selflessly seek to help others*” (Mowen and Sujan, 2005, p173), particularly in the cases of blood or organ donation and bystander heroism (Piliavin and Hong-Wen, 1990, Titmuss, 1971, Piliavin et al., 1969). However, Wilson (1997) argues altruism underestimates the role of self-identity – for example someone who thinks of themselves as the type of person who helps others if they are not recognised for it. Several psychological studies have demonstrated that social identity is an important determinant of prosocial behaviour (Blader and Tyler, 2009, Tidwell, 2005).

Five propositions of Social Exchange Theory have been identified by Homans (1961). Three of these propositions can be interpreted as being anchored in repeat purchase behaviour, relevant for donors or customers of non-profit goods and services. For example, the success proposition argues that the more often a person is rewarded for a behaviour, the more likely they are to do it. Likewise with the stimulus proposition, if a person is rewarded for behaviour with a particular stimulus, when those stimulus happen again, so the behaviour will also happen. Finally, the deprivation-satiation proposition argues the more often a person has received a reward, the less valuable it is to that person in the future. For the volunteer stakeholder group, although there is some evidence of serial volunteering (Low et al., 2007) which presents the opportunity for new decisions to volunteer to be based on experiences in the past, overall the decision to volunteer can be seen as an infrequent decision. However, the remaining two of Homan’s propositions do have greater relevance to these non-profit stakeholders. The more valuable the results of that action are to the person making the decision, the more likely it is they will make the decision, known as the value proposition. The implication is that when a person is considering the decision to volunteer for a charity, if they perceive there to be significant personal rewards from volunteering for a specific organisation, then they are more likely to make the decision. Likewise with the rationality proposition, when choosing between alternative potential volunteering opportunities, following Homan’s logic, the person will chose the one where the value of the result combined with the likelihood of the volunteering role happening (Emerson, 1976, Homans, 1961).

Therefore, the Social Exchange construct involves an evaluation of perceived costs and benefits of involvement by stakeholders in NPOs. It implies a conscious decision-making process and an evaluation of alternatives, whether they are other charities or other uses of time and money. As the cost benefit exchange is salient and explicit, it can be recalled by volunteers which might explain its prominence in both national volunteering surveys (Cabinet-Office, 2013) and academic studies (Shye, 2010, Clary et al., 1998).

When a NPO understands this social exchange, they are in effect considering the needs of their customers, their stakeholders. They understand that in order to sustain the multiple stakeholder relationships needed to deliver their mission, as an organization they must fulfil their side of the exchange. Long term stakeholder relationships will not be established if the stakeholders are purely viewed as a source of resource, whether funding or manpower. The NPO must understand

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what each stakeholder group requires in return. In theoretical terms, they need to be Market Orientated.

### *Market Orientation Theory*

As a theoretical construct, MO is anchored in customer focus: where an organisation bases decision-making on current and future customer needs (Jaworski and Kohli, 1993, Kohli and Jaworski, 1990). It is not simply the generation of market intelligence that identifies it as Market Orientated but also the dissemination of and responsiveness to that insight. Narver and Slater (1990) operationalize MO as an organizational culture that creates superior value for customers through customer orientation, competitor orientation and inter-functional coordination. At the heart of both definitions is the customer.

MO delivers mission-based goals, as it has been shown to drive financial performance in commercial sectors (Baker and Sinkula, 1999, Slater and Narver, 1994). However, for non-profit organisations it is driven indirectly through three dimensions: customer satisfaction (beneficiaries and other stakeholders), peer reputation and resource attraction (Shoham et al., 2006). A MO culture not only predicted a growth in resources and higher levels of customer satisfaction within the non-profit context but also a strengthening of reputation amongst peers (Gainer and Padanyi, 2002). However, there is also evidence of mission drift away from community building and advocacy towards service provision (Maier et al., 2016) so the relationship between MO and achievement of mission-based goals needs further exploration.

Perhaps it is for this reason that, despite the wide-spread observation of increasing MO of NPOs (Shoham et al., 2006, Macedo and Carlos Pinho, 2006, Bennett, 2005, Balabanis et al., 1997) there remains unease within the sector. Language around brand remains anchored in values (Stride, 2006) and collaboration (Kylander and Stone, 2012). The dominant observed relationship is between the brand and donor stakeholder group (Michel and Rieunier, 2012, Bennett and Rundle-Thiele, 2005, Venable et al., 2005). Strengthening the gathering and dissemination of market intelligence about donors has a clear and measurable impact (Balabanis et al., 1997, Bennett, 1998). It also concerns NPO behaviour, that is what they do, rather than mission, who they are (Eng et al., 2012, McDonald, 2007). It is less threatening, in contrast to debate about NPO brand as a competitive lever. However, this is changing in the face of increasing pressure on resource acquisition and lack of differentiation within a cluttered operating environment (Dato-on et al., 2015).

MO resides within the broader environment of increasing professionalism within society (Hwang and Powell, 2009). The non-profit sector is no exception (Maier et al., 2016, Carlos Pinho et al., 2014, Urde et al., 2013). The transition from amateur to paid professional, from volunteer founder led to executive leadership is well underway as NPOs become major service providers (Chad, 2014). The resultant changes in structure can include “*the use of managerial and organization design tools developed in for-profit business settings, and broadly framed business thinking to structure and organize activity*” (Dart, 2004, p294).

The impact on ways of working within NPOs has been identified in four distinct dimensions: programme goals, organization of service delivery, organisation management, and organisation rhetoric (Dart, 2004). From a resource perspective, professionalization can strengthen the ability of the NPO to attract and retain qualified staff (Guo, 2006). Enhanced and formalized support structures may drive overall volunteer participation although may potentially alienate grassroots

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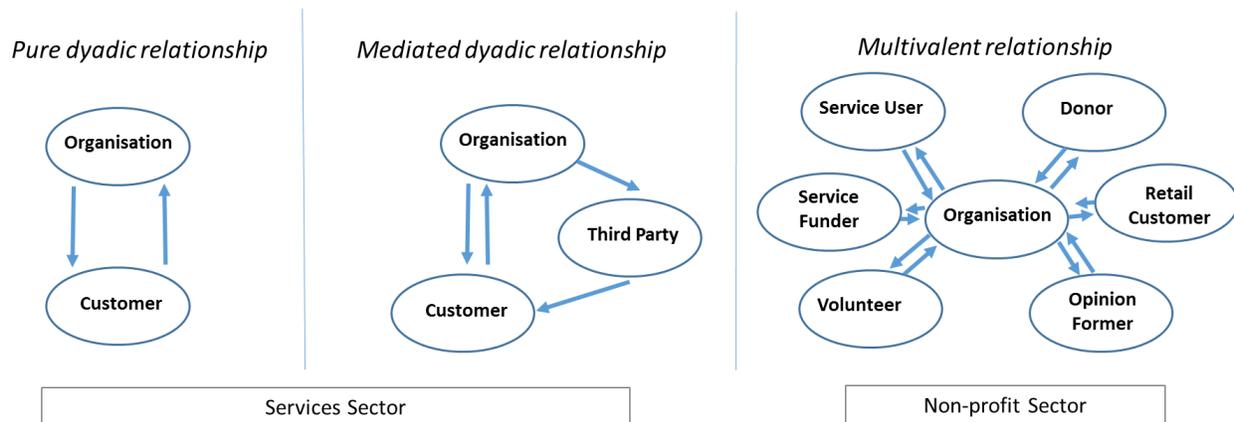
activists. (Maier et al., 2016). Increased fundraising capability through importing strength and depth has a direct and positive impact on net income for the NPO (Betzler and Gmür, 2016). However, the impact on culture and identity of the NPO is not only due to the incoming expertise but also the “*integration of professional ideals into the everyday world of charitable work*” (Hwang and Powell, 2009, p268).

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### A new Life Cycle Framework for the non-profit sector

The translation of the MO construct from the commercial to the non-profit context must consider two situational differences – the complexity of customer relationships and the mission delivery goals, rather than financial goals, of the organization. In the absence of existing terminology, three distinct relationships are identified and labelled in Figure 1. Service companies may demonstrate pure ‘**dyadic**’ customer relationships or ‘**mediated dyadic**’, through a third party such as a booking agent. However, “*identifying who an organization's customers are is even more complex when service is provided to one party, but payments are received from another*” (Kohli and Jaworski, 1990, p4). Non-profit organisations have multiple ‘customers’, including service beneficiaries, individual donors, retail customers, volunteers, service funders and opinion formers. This moves beyond dyadic to what can be described as ‘**multivalent**’ relationships.

Figure 1: Market Orientation Relationships



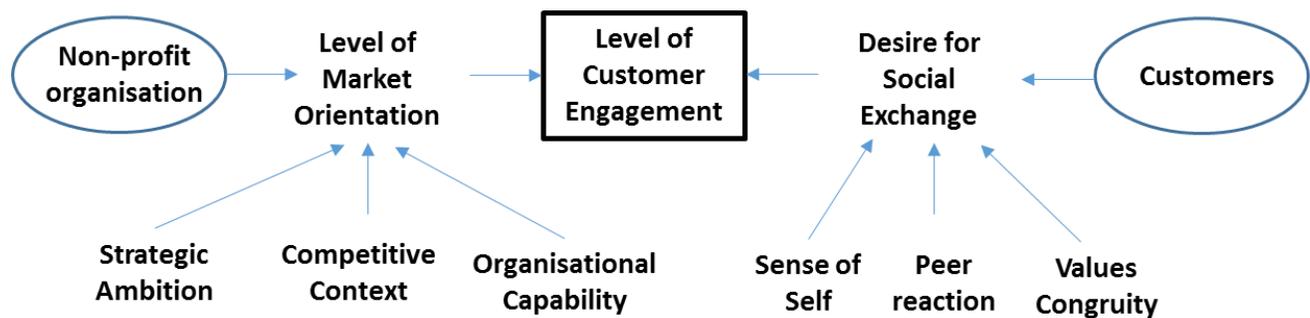
Each stakeholder group is defined as customers, particularly given the importance of Social Exchange Theory (Venable et al., 2005, Emerson, 1976) and Symbolic Consumption Theory (Khodakarami et al., 2015, Randle and Dolnicar, 2011, Wymer Jr and Samu, 2002) observed within the non-profit sector. The level of MO will not be uniform across these relationships (Padanyi and Gainer, 2004); in effect the NPO needs to manage each of these ‘multivalent’ relationships, all with a distinct impact on performance and culture.

However, it is the relationship between the NPO and its stakeholders that reflects its phase of organizational development. Moderating that relationship is the level of MO of the organization, particularly towards its ‘customers’ and the level of Social Exchange that the stakeholders receive from the organization in return for money, goods and time offered. The theoretical model describing these relationships is presented in Figure 2.

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Figure 2: Theoretical Model of NPO-Stakeholder Relationships



In situations where the NPO is highly Market Orientated and understands the need for focus on the customer, and those customers have a strong desire for Social Exchange, where personal needs are met through donation of time, goods or money, then there will be high level of engagement between the two.

The level of MO the NPO exhibits is in turn influenced by three factors: the strength of organizational ambition, the competitive context and the internal capabilities within the organization. Not all NPOs need or desire customer engagement. Some are funded purely by central government grants where the need for social exchange is not only less but also focused on fewer stakeholders. Others exist to fulfil a specific and time-bound mission, such as fundraising for an event, once achieved the NPO will cease to exist. However, for the majority of NPOs, the level of MO is determined by the level of strategic ambition within the organization, how far they want the organization to go in delivering its mission. This will also in part depend on the competitive context. The more competitive that specific cause category or broader civic participation environment, the greater the need to be differentiated and more customer focused. The ability to deliver that opportunity will therefore also be determined by the capabilities within the organization. The skills and expertise needed at each phase will evolve. The challenge is whether the NPO recognises that and can harness the opportunity through actively ensuring they have those required capabilities.

In turn, the level and form of Social Exchange required by the customers, the stakeholders, depends on their sense of self, congruence with the values of the organization and reaction of friends and family. The concept of self is important to the customer: it affects the choices they make directing behaviour towards enhancing self-concept through the consumption of goods as symbols. In this way, people gain or reinforce their sense of self through the services or goods they buy and what it says about them (Beerli et al., 2004). The construct of self has been divided into five categories – ideal self, actual self, social self, ideal social self and self-expectations. Actual self is how a person sees themselves in reality whereas ideal self is how the person would like to perceive themselves in an ideal world. Social self is how we present ourselves to other people (Champniss et al., 2015, Sirgy, 1982). Research by Achouri and Bouslama (2010) demonstrated that people look for opportunities that enhance their identities and when they find them, that relevant identity is reinforced. The more salient self-concepts have been identified as being the ones that are more likely to affect behaviour than those that are not so important (Arnett et al., 2003). The implication is that the stronger the congruity between the consumer's

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actual or ideal self and those of the product or service brand, the stronger the preference for that brand (Joji and Ashwin, 2012, Brunsø et al., 2004, Malhotra, 1988). Finally, choice of and the level of engagement with a specific NPO is made within a wider psycho-social context, one where the opinions of family, peers and community play a role. This is well described within the expressive and emblematic constructs of Symbolic Consumption Theory (Hoyer et al., 2012) where people chose to associate themselves with a brand in part due to what it says about themselves to other people or to associate themselves with a particular group, such as a church congregation or local community

A new framework for understanding different stage of customer engagement in the contemporary non-profit context can therefore be developed, underpinned by this intersection between MO Theory and Social Exchange Theory, illustrated in Figure 3.

Figure 3: Engagement Life Cycle



### *A) Incubation*

At the initial ‘incubation’ stage, there is little or no customer engagement (Bess, 1998). The NPO exists independently of stakeholder involvement. This is because the organisation does not need that engagement to exist, for example, the Sigrid Rausing Trust, which grants £25 million a year to support human rights but identifies recipients through internal research not applications. It can also be because the NPO is new and the engagement process is not established for reasons of context, such as age of the charity and/or capability, including lack of digital marketing skills (May and Broomshead, 2015, Amar and Evans, 2017),

### *B) Interaction*

The second phase is one where interaction exists with multiple stakeholder groups but it is transaction based and time bound. Customers are seen as a resource to achieve the mission. They are a source of funding, volunteer time and retail sales (Macedo and Carlos Pinho, 2006). Likewise the social exchange by the stakeholder is transaction based: their investment is not significant in terms of time or money. The value they receive in return is consistent with this investment, not life changing but enough to balance the donation. The focus of the organization for that relationship is as a means to an end: generating enough funds or encouraging enough people to help to deliver their mission. The NPO does need to understand who and how to target to elicit that support. At a micro level this includes young people volunteering as part of the Duke of Edinburgh award or fundraising to take part in a World Challenge expedition as well as ongoing fundraising events by local Parent Teacher Associations for school equipment. It may be rewarding but achieves specific objectives and is time-bound.

At a macro level it surprisingly also includes major successful organisations such as Children in Need and Comic Relief. Customer engagement may be passive, such as watching the mass TV

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event or active, such as participating in fundraising stunts on or leading up to the ‘big day’. However they are temporally specific, a media moment, and stakeholder relationship with the organisation tends to be arms-length. Despite high awareness, efficacy and perceived credibility, their objective for customer engagement is purely fundraising.

Controversially, it can also be argued that public engagement with many armed forces charities can also be placed within this ‘Interaction’ phase. Despite almost universal awareness, credibility of the cause and high levels of public participation in poppy buying and, to a lesser extent attending remembrance services, the relationship for those outside the immediate forces community is transactional and emotional engagement periodic. There is minimal customer engagement for 51 weeks of the year. One notable exception to this was the art installation at the Tower of London (UK) in 2014 to mark the centenary of WWI. Over 5 million people attended and the subsequent public purchase of ceramic poppies raised £11 million. However, over time as family connections to the major wars fade, customer engagement reverts to interaction, a credible but low engagement relationship.

### *C) Involvement*

During the third phase, the relationship between the customers and organization is one of active involvement. Each customer perceives an ongoing value in the goods or services they buy or the volunteering time they donate. There are often multiple points of functional engagement, for example taking part in a sponsored sporting event and wearing a pin badge or wrist band. They might also buy Christmas cards from the same organization or donate clothes to their shop on the high street. In return for participation, they receive a ‘warm glow’ and sense of civic duty or are entertained or gain a sense of sporting achievement. However the relationship, which may be repeated every year, is not an exclusive relationship and it does not form a deep connection. At this phase, a donor might make one-off donations or even regular direct debits but for relatively affordable amounts and potentially to a range of charities (Sargeant and Lee, 2004). However, between fundraising bursts, the level of ongoing personal engagement is often relatively low, perhaps skimming the periodic newsletter or email.

However, it does also include much larger NPOs. For example, the RSPB<sup>1</sup> has over one million members who, for payment of a modest annual membership fee, receive a regular newsletter and email updates. Over a half a million people participate in their annual Big Garden Birdwatch event and there are over 2 million visits to the network of nature reserves. However, for the majority of supporters the level of interaction during the year is essentially passive. They are empathetic with the cause, the investment is relatively low and the credibility of the charity to make a difference is high.

From an organisational perspective this stage requires insight into the multivalent customer relationships. The NPO needs to understand what benefit the customers perceive they receive in exchange. It requires the internal capability to target and communicate effectively. It needs to create mechanisms for engagement, such as participation events and suitable volunteering roles. In particular, it must understand the offer that its brand and mission provides customers over and above other uses of their time and money, so the NPO is differentiated, not only amongst their cause sector, but also the wider NPO and leisure context. The positioning of the mission might

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<sup>1</sup> Royal Society for the Protection of Birds

## **Fifty years on, is Life Cycle Theory still relevant?**

be framed through cause or need but will be underpinned by credibility and value exchange so stakeholders believe their time and money will be well spent.

### *D) Immersion*

For a NPO to move beyond this stage, into a deeper, more immersive level of engagement, necessitates a strategic shift for the organisation, a real moment of transition. Moving from involvement to immersion requires regular service delivery roles where a volunteer commits significant amounts of time to fulfil the mission of the NPO. It requires donors who not only give now but also pledge legacies for the future. It requires fundraisers who not only stand outside Sainsbury's on a wet Saturday but also go online, share content and are prepared to be very public about their involvement. The level of commitment is significantly higher, as are the emotional rewards for the stakeholders. At this stage, it is much more likely to be the primary NPO supported, given the time and money involved. Stakeholders may support other organisations in a small way but their time, their energy, their focus is with one NPO. Crucially there is also a higher level of emotional engagement and is often marked by a deep personal relevance such as specific health charities like Macmillan or Cancer Research UK. From an organisational perspective, managing these relationships requires different skills and capabilities. Understanding and meeting the need for social exchange is fundamental to meeting expectations, strengthening commitment and reducing churn. Providing multiple opportunities for engagement, investing in feedback communication and consistent brand differentiation maintain the momentum.

However, it requires more than simply strong communication, volunteering and events programmes. To exhibit a high level of customer engagement, there is also involvement *within* the organization (Nfp-Synergy, 2010). Not simply active and on-going stakeholder research to inform decision making, such as the credible customer panels of the Alzheimer's Society and HFT<sup>2</sup> but meaningful involvement in the decision making of the NPO. Culturally this can be described as a shift from being 'For' service beneficiaries to the organisation being run in part 'By' service beneficiaries. This can take the form of participation at trustee level, service user employment and user panels for research and policy development feedback. It may be organic and informal involvement, for example 'Homeless Link' and 'Clink'<sup>3</sup>, or more formal structures such as 'RNIB'<sup>4</sup> or 'Mind'<sup>5</sup> (Smith, 2015).

*"Approximately 75 per cent of RNIB's executive board are themselves either blind or partially sighted people (BPSP). The charity seeks to recruit as many service users as volunteers as possible. It has a workforce of about 3,000 and about seven per cent are blind or partially sighted"* (SCIE, 2017)

NPOs start to exhibit this level of engagement orientation in the involvement stage but for a deeper relationship that participation must be meaningful, embedded and impactful on the organization. This is much rarer, partly because it requires the organization to be open to embrace changes in ways of working and capabilities as a result of the customer participation. It also requires a strong leadership and senior team skill set to manage the engagement orientation

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<sup>2</sup> NPO supporting people with learning disabilities

<sup>3</sup> NPO supporting offenders

<sup>4</sup> Royal National Institute for Blind people

<sup>5</sup> NPO supporting people with mental health

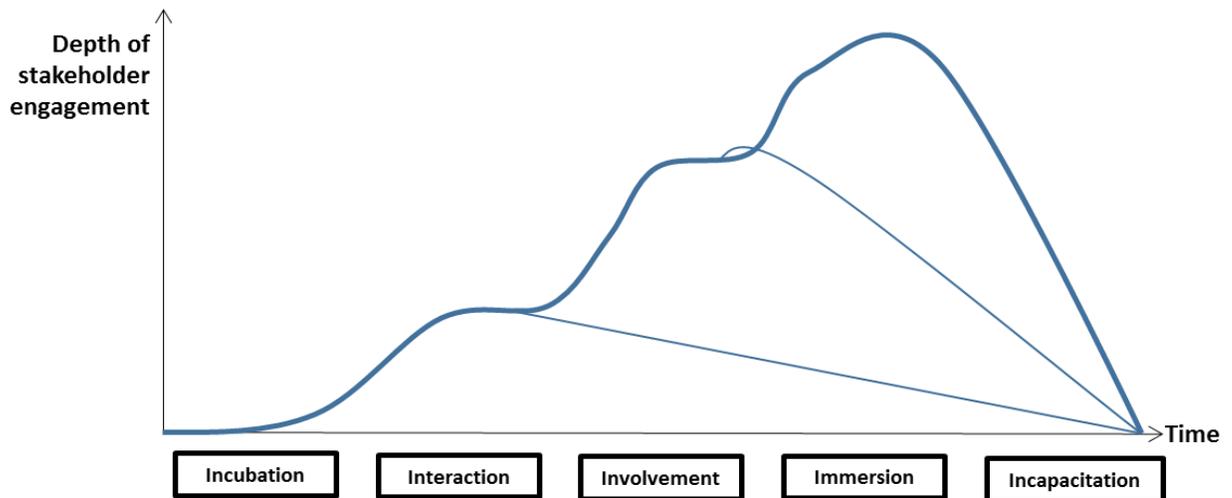
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effectively. From a theoretical perspective, although rarely related to non-profits, this level engagement builds on the rapidly growing body of co-creation research (Brodie, 2017, Ross et al., 2015, Johnson Dretsch and Kirmani, 2014) and link between MO and non-profit innovation (Choi, 2014, McDonald, 2007).

### *E) Incapacitation*

The final phase of NPO development is the end game (Hasenfeld and Schmid, 1989). The organisation might be mature enough to realise its mission has been successful and therefore they are obsolete. However, there are two other scenarios that are more likely. The first is where trust in the NPO is incapacitated by a scandal that they cannot recover from, such as in the case of 'Kids Company' (BBC, 2016). The second is where the competitive context has evolved to such an extent that it is incapacitated as a stand-alone organization. There are two observed outcomes from this situation, the organization either ceases to exist or needs to merge with another charity to achieve critical mass and be sustainable. The combined organization then differentiates from the remaining competition. Strategically this requires a level of strategic thinking anchored in invention. In both scenarios, NPOs must re-invent themselves and develop a new mission, a new purpose, with resultant new modes of delivery and customer groups with which to engage (McDonald, 2007). The NPO does not need to pass through all the first four stages to reach this final stage, it could be because unsustainable even after the first stage after failing to raise enough funds, or after the interaction stage through failing to differentiate, or after the involvement stage after achieving its mission, shown in Figure 4.

Figure 4: Engagement Life Cycle



The characteristics of each stage of the Engagement Life Cycle are described in Table 1. Although depicted as a linear progression of stages, there is no requirement that all stages will be completed, or indeed that moving from one stage to another is aspired, with the possible exception of moving out of vulnerable incubation stage. Successful and well known contemporary NPOs reside in each of the middle three stages, interaction, involvement and immersion, characterised by different types of MO and Customer Engagement.

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Table 1: Characteristics of Engagement Life Cycle Stages within the Non-Profit Context

| Characteristics                     | Incubation                              |   | Interaction   | Involvement  | Immersion  | Incapacitation  |
|-------------------------------------|---|---|---|--|--|---|
| <b>Level of Market Orientation</b>  | None                                    |   | Low   | Medium-High  | High   | None  |
| <b>Description</b>                  | Newly formed                            | Foundation led                                    | Transaction led   | Marketing led  | Mission and Culture led  | Mission completion<br>Incapacitated due to scandal<br>Lack of resource sustainability |
| <b>Level of Customer Engagement</b> | None                                    |   | Multiple stakeholder groups<br>Time bound relationships | Active relationship building,<br>Multiple touchpoints of functional engagement | Customers integrated within purpose and structure<br>High level of emotional & functional commitment | Declining – not sustainable   |
| <b>Strategic Ambition</b>           | Ensuring survival during start-up phase | Focus on maximum impact within mission boundaries | Customers as resource to achieve mission                | Brand differentiation<br>Stakeholder interaction<br>Mission credibility        | Mission drives culture and stakeholder advocacy  | Reinvention or closure  |
| <b>Competitive Context</b>          | Overwhelmed                             | Protected due to secure funding                   | Intense competition for resources                       | Intense competition, for loyalty   | Established and differentiated positioning   | Evolved   |
| <b>Organisational Capability</b>    | Low                                     | Focused   | Developing  | Wide-ranging, Marketing led  | Innovative, Confident  | Change management   |

### Contribution

The paper contributes to a conversation about popular, embedded marketing theories and their relevance today. Life Cycle Theory was developed over fifty years ago and remains a popular theory within marketing pedagogy. The paper identifies two directions of evolution, Organisational Life Cycle and Brand Life Cycle but also argues that for organisations with one corporate brand, the distinction is artificial to practitioners. OLC is explored in the non-profit context, a significant but under-researched sector. Extant literature that applies Life Cycle to the non-profit context is identified, critiqued and found to be lacking a contemporary and holistic explanation of NPO development.

In seeking to challenge and update historic life cycle models, MO Theory and Social Exchange Theory are identified as particularly relevant to the non-profit context. These provide the theoretical foundations for the development of a contemporary model of Customer Engagement (Figure 2). The paper identifies three constructs as moderators of level of MO: strategic ambition, competitive context and organisational capability. It also identifies three constructs as

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moderators of customer desire for Social Exchange: sense of self, peer reaction and values congruity.

The paper then develops this conceptualisation of customer engagement with NPOs into an Engagement Life Cycle (Figure 3), describing five stages as incubation, interaction, involvement, immersion and incapacitation. The distinct characteristics of each phase of organic growth are described in Table 1. For theorists, the paper extends and evolves our understanding of the relevance of Life Cycle Theory to a specific contemporary context. For practitioners, the paper contributes the importance of understanding the ambition and capability of the NPO to deliver social exchange. It discusses benefits received by stakeholders in return for time, money or goods donated, including whether they are functional or emotional, periodic or ongoing. It identifies the capabilities needed by the organization to maximise the stakeholder engagement in order to achieve the NPO mission. Therefore, Life Cycle Theory still presents a useful framework for contemporary organizations but only if the model itself is evolved to understand the engagement between the organization and its stakeholders.

### **Limitations and Future Research**

The purpose of the paper is theory development. By its very nature it is not empirical and therefore limited in scope. It focuses on one specific sector, non-profit, identifying and critiquing the application of Life Cycle models within this context. However, the new Engagement Life Cycle presented in the paper offers a framework to understand levels of relationship and engagement between organisations and their stakeholders. In addition, it aspires to act as a catalyst for research within the non-profit context and identifies five opportunities for future studies to validate and extend the theoretical model and strengthen practitioner impact, shown in Table 2.

Table 2: Opportunities for Future Research

| <b>Research Stream</b>                                   | <b>Description</b>  |
|--|---|
| 1: NPO Life Stage Mapping                                | Identifying measureable characteristics for stage each NPO Engagement Life Cycle and mapping top 100 charity brands against those criteria. |
| 2: Stage Transition Indicators                           | Identifying the indicators of transition from one stage of development to another.  |
| 3: Best in Class Stories                                 | Case studies of Best In Class organisations for each stage of NPO Engagement Life Cycle.  |
| 4: Speed of Life Cycle Evolution                         | Mapping temporal changes of NPO movement through life-cycle stages, including whether social media accelerates the pathways.                |
| 5: Relationship between Life Cycle and Brand Touchpoints | Identifying the relationship between breadth and depth of non-profit brand touchpoints and life cycle stage.                                |

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## **Fifty years on, is Life Cycle Theory still relevant?**

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