NO. 06-002

MSI Reports

2006

WORKING PAPER SERIES

ISSUE TWO

NO. 06-002

MSI Reports

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Creating a Market Orientation: A Longitudinal, Multifirm, Grounded Analysis of Cultural Transformation

Gary F. Gebhardt, Gregory S. Carpenter, and John F. Sherry, Jr.

How do firms become more market oriented? This study suggests that firms engage in a four-stage process of cultural transformation. The "new" firm is defined by values that support market-oriented activities, a shared understanding of the market, and organizationwide learning capabilities.

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Report Summary

The concept of market orientation is central to marketing and increasingly important in other fields, such as strategic management. Marketing research has identified the characteristics of market-oriented organizations, but there have been few studies of how organizations change to become more market oriented. Through an in-depth, longitudinal, multifirm investigation, authors Gebhardt, Carpenter, and Sherry identify four stages (initiation, reconstitution, institutionalization, and maintenance) that firms progress through as they adopt a market orientation. They build upon Jaworski and Kohli's identification of top management focus, interdepartmental cooperation, and reward systems as the three antecedents of a market orientation by noting that the antecedents must not only be present but must be brought into play in the correct sequence to assure successful organizational change.

The authors' investigations uncover six cultural values (trust, openness, honoring promises, respect, collaboration, and the market as the raison d'être) that firms embrace early in the change process. Those values provide a necessary foundation for the changes that follow, leading to market-oriented behaviors and a strong organizational culture.

During the change process, power, originally concentrated in the hands of the highly placed organization members who initiate the change, becomes more equally distributed among all organization members. This shift from concentrated to distributed power is made possible by the growing strength of a market-oriented culture and is necessary for acting collaboratively in a market-oriented manner. Finally, the authors find, market-oriented organizations are learning organizations: organizational learning and the schemas that result—in this case, market schemas and process schemas used in adapting to the market—are important aspects of a market orientation. By continually verifying and updating market schemas over time through shared experiences, market-oriented firms gain more experience with a market-oriented culture. ■

Introduction

Market orientation, the central concept of marketing (e.g., Kotler 2000), has become increasingly important to scholars in other fields such as management (e.g., Besanko, Dranove, and Shanley 2000) and is increasingly recognized as important for organizational success (e.g., Collins and Porras 1994). For example, Paul S. Otellini, Intel's CEO, recently announced that "every idea and technical solution should be focused on meeting customers' needs from the outset" (Edwards 2005). By embracing a market orientation, organizations such as Intel presumably hope to reap the rewards shown to be associated with it (e.g., Narver and Slater 1990).

Despite the great and growing interest in the marketing concept, research on how organizations become more market oriented is surprisingly limited. Research on market orientation has focused on developing measures of a firm's orientation and identifying antecedents and consequences of a greater market orientation (e.g., Homburg and Pflesser 2000; Kirca, Jayachandran, and Bearden 2005; Kohli and Jaworski 1990; Kohli, Jaworski, and Kumar 1993). These studies provide important insights into the dimensions of market orientation and its implications, but they are cross-sectional analyses and, therefore, cannot offer insights into the dynamics of organizational change (Jaworski and Kohli 1993). Using a prescriptive approach, Day (1999) offers a model for moving organizations toward a greater market orientation. His model focuses on creating a more market-oriented organization through formal management actions, such as changing incentives and organizational structures.

Research on organizational change, however, suggests that although formal actions are one important avenue of change, the change process is much more complex. Organizations change as a result of many other forces, including political struggles among factions within the organization, evolutionary change through organizational experimentation and learning, social
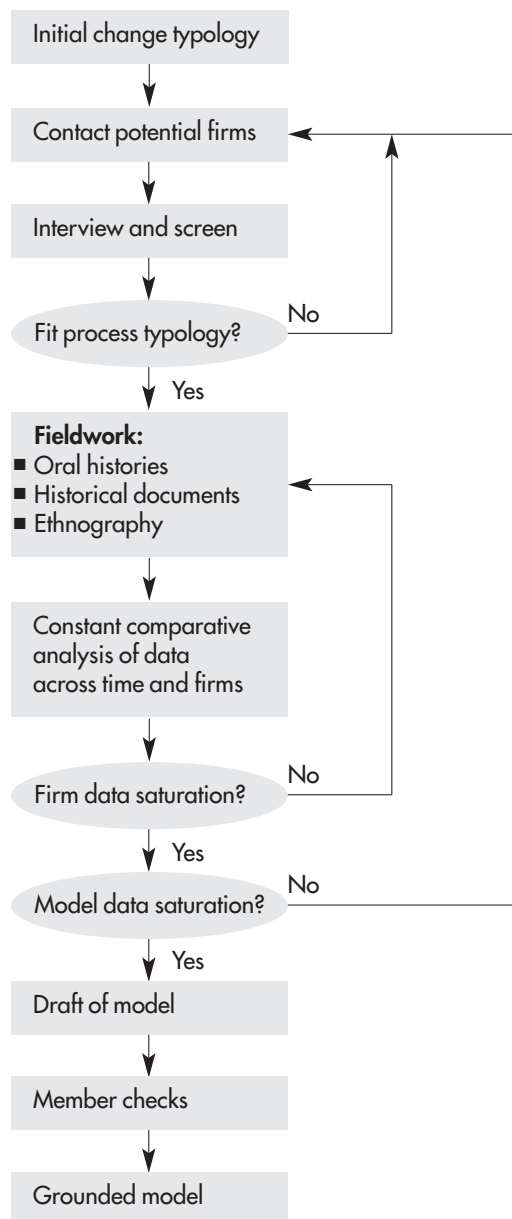
pressures from outside the organization, and the changes that occur naturally as an organization matures through a life cycle (Van de Ven and Poole 1995; Zald and Berger 1978). For example, disempowered members of an organization can create an insurgency that erodes the power of the leadership until it collapses. Similarly, managers can mobilize external pressure to force organizational change. There is evidence of such forces at work in corporate, governmental, and institutional change more generally (Zald and Berger 1978). The question of how, or indeed whether, these forces operate in the context of creating a greater market orientation remains largely unexplored.

To answer that question, we undertook a longitudinal study of a group of firms that were seeking to become more market-oriented. Each of these firms was engaged in a process to create a greater market orientation, although different firms were at different stages of the process. To understand the changes that each was undergoing and to deduce a common process, we employed the longitudinal-processual method of in-depth qualitative examination—including ethnographic observation, oral histories, and analysis of historical documents. To do so, we relied on methods common in consumer behavior, sociology, and organizational research (e.g., Glaser and Strauss 1967; Pettigrew 1990; Sherry and Kozinets 2001; Thompson, Locander, and Pollio 1989). Based on that analysis, we identified a common, longitudinal process leading to a greater market orientation. We identified the stages in that process, the obstacles impeding progress from one stage to the next, and the characteristics of firms that successfully navigate the process.

Methodology and Research Design

To discover how firms create a market orientation, we observed and analyzed firms seeking to create a greater market orientation. We used the longitudinal-processual method (Pettigrew 1979; Pettigrew 1990), which uses in-depth

Figure 1
Research Process

Figure 1
Research Process

develop insights regarding a common change process. Research in organizational behavior has used this approach to study multiyear processes such as internal corporate venturing (Burgelman 1983) and the development of organizational cultures (Pettigrew 1979). Rather than specify possible change mechanisms a priori, as previous studies have done, our approach is inductive: we developed a model for how firms become market-oriented. Based on that analysis, we produced a generalized understanding that can be empirically verified in subsequent research (Glaser and Strauss 1967; Deshpandé 1983).

Research process
Figure 1 provides an overview of how we implemented the longitudinal-processual method for this research. As shown in Figure 1, the process was iterative at a number of points. For example, we continued contacting potential participating firms until we recruited enough firms of each type to participate in the study.

Our first step was to develop a typology of organizations that might offer the greatest insight into the process of creating a market-orientation. Knowing that four to six firms would be the practical maximum we could work with given the longitudinal-processual method, we followed a theoretical sampling approach (Eisenhardt 1989; Strauss and Corbin 1998). Assuming a simple longitudinal model of change, we considered firms at three stages: beginning change, currently changing, and having achieved a market orientation. We sought to recruit two firms in each stage. We identified potential firms based on academic and practitioner recommendations, reviews of the business press and company documents. From that larger pool of firms, we generated a pool of willing candidates.

MediaCo and EquipmentCo (pseudonyms) were the two firms we selected that were at the first stage of the change process. Both had recently launched initiatives with the explicit goal of creating a market orientation.

qualitative data collection techniques—ethnographic observation, depth interviews (in particular, oral histories) and historical documents—combined with comparative analysis to develop a process model of change. This method focuses on comparing each organization with itself at different stages of a chronological process as well as comparing longitudinal progressions across organizations to

EquipmentCo is a capital equipment manufacturer selling to business markets and MediaCo develops communication products and services for consumers on behalf of corporate and nonprofit customers.

We screened firms in the midst of changing, or having completed change to a market orientation through key manager interviews. During this screening, we ascertained whether the firms experienced increases in market orientation over a period of time relative to Kohli and Jaworski's (1990) definition of market orientation as the "organizationwide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments, and organizationwide *responsiveness* to it." These interviews helped mitigate demand characteristics associated with questionnaires and prevented contamination of prospective fieldsites.

Based on these conversations, we recruited two firms in the process of change, BenefitsInc (a pseudonym) and Motorola PCS, and two firms that had recently completed a transformation, Alberto-Culver and Marshfield DoorSystems. BenefitsInc is an employee benefits company created in the 1980s through the merger of two smaller organizations. Within Motorola, Motorola Personal Communications Sector (PCS) develops and manufactures wireless communication devices, which are typically sold to wireless carriers who resell them to consumers. Alberto-Culver is a multinational manufacturer and marketer of consumer and professional hair and beauty care products, such as Alberto VO5. Our research focused on the experiences of Alberto-Culver North America. Marshfield DoorSystems is a privately held commercial architectural door manufacturer in Marshfield, Wisconsin, which was a Weyerhaeuser subsidiary at the time it began its change efforts.

Data collection included gathering oral histories, reviewing historical documents, and conducting ethnography (observing organization members at work). We obtained oral histories by interviewing a cross-section of employees, both vertically (CEOs as well as shop floor workers) and horizontally (employees from marketing, finance, engineering, etc.). The majority of interviewees had been members of the organization from before it began shifting to a market orientation. The interviews lasted from 40 minutes to three hours and were audio-taped. We conducted over 70 interviews during 10 months of fieldwork and accumulated more than 120 hours of audio recordings. We conducted interviews in an exploratory manner, focusing on each individual's phenomenological interpretation of their firm's transformation and current state. Our primary objective was to let informants tell their stories without imposing prior research findings or our developing interpretation of the change process on informant perceptions (Glaser and Strauss 1967; Thompson, Locander, and Pollio 1989).

We reviewed hundreds of historical documents. External documents included annual reports, company press releases, industry publications, and articles from both national and local media. Internal company documents included memos, strategic plans, training materials, and marketing research materials. These documents provided context for the activities and attitudes in firms before and during their transformations as well as confirming and elaborating upon oral histories. Additionally, the internal documents provided deeper insight into the actual process of change at each firm.

Our ethnographic fieldwork consisted of observing and interacting with firms' employees, through sitting in on meetings, training programs, and customer events. We sought to be as unobtrusive as possible and observe how people interact during everyday activities. These observations provided unique insights into how market-oriented firms operate. For firms in the process of transitioning to a greater market orientation, ethnographic observation provided real-time insights into the process of change. During the course of our research, we spent

over 40 days in the field and observed over 25 formal meetings across participating companies.

Data collection and analysis occurred over 10 months. As we developed an understanding of change at each firm, we simultaneously developed a grounded model of change to a market orientation by comparing and contrasting our findings across firms. Once we understood how a given firm had changed and our comparisons of the firm with the other five raised no further questions, we concluded fieldwork with that firm.

An advantage of the grounded theory methodology and a theoretical sampling paradigm is the flexibility to alter research design based on an evolving understanding of the change process (Glaser and Strauss 1967; Strauss and Corbin 1998). Specifically, at some point during our fieldwork, we identified a possible fourth stage of change: maintaining a market orientation. Based on this realization, we recruited Harley-Davidson as a seventh participating firm, representing an organization at that fourth stage. Harley-Davidson is a $4 billion company providing motorcycles, branded products, and services that underwent tremendous organizational change during the 1980s to become market-oriented.

During our fieldwork it also became evident that BenefitsInc, EquipmentCo, and MediaCo were not generating, disseminating, or responding to market intelligence consistent with a market orientation (Kohli and Jaworski 1990), nor had they made any discernable progress in creating a market orientation. Change efforts at BenefitsInc were limited to branding and brand management activities, and although change efforts at EquipmentCo and MediaCo had begun more than a year before our fieldwork, the efforts did not appear to be having much impact at either firm. At all three companies, lack of progress appeared related to a lack of political power to implement change as well as a lack of organizationwide understanding regarding what, in fact, the desired change was. Our understanding of the operations of these

less market-oriented firms provided valuable contrasts to firms that had created a greater market orientation.

At the point where additional information appeared unlikely to change our model, we prepared our findings and sent copies to all interviewees for feedback. This feedback provided assurance that we understood and interpreted the experiences of participating firms accurately. We finalized our model based on comments received.

Results: A Four-Stage Model

Our analysis suggests the process of creating a market orientation involves four distinct stages: initiation, reconstitution, institutionalization, and maintenance. The stages are path-dependent, and each stage is composed of multiple steps or activities, discussed below.

Stage one: Initiation

Given the vast literature suggesting the many advantages of a market orientation, it is surprising that investigations into the antecedents of a market orientation have overlooked what initiates the effort to shift to a market orientation. Our research finds change is precipitated by powerful stakeholders' recognition of a threat and their subsequent creation of coalitions to plan and implement change efforts.

Recognition. The impetus for change was the recognition of an external threat. One dimension of that threat was financial. All the firms we investigated failed to meet financial performance targets. For example, Marshfield DoorSystems was losing millions of dollars on $53 million in revenue the year the company began its transformation. Some firms faced additional challenges. Competitors or changing technology threatened their business models, their industry leadership position, or their organizations' legacies. Motorola, for example, saw its leadership in the cellular phone industry eclipsed by Nokia in 1988. The company's loss

of the leading sales position was a blow to the very essence of how employees viewed themselves and to their image of Motorola as a world-class engineering powerhouse.

Within each participating firm, powerful organizational stakeholders (owners and/or senior executives), having recognized the threat, began the process of transformation. The number of stakeholders involved varied across companies. In the case of Marshfield DoorSystems and Alberto-Culver, a single executive initiated the process. At Harley-Davidson and Motorola PCS, a small group of powerful stakeholders began the process. In every case, stakeholders faced organizations that, in the vast majority, did not agree with their sense of how significant a change was needed or the nature of change required.

Preparation. In the preparation step, dissatisfied powerful stakeholders initiate backstage preparations for the transformation, spearheaded by a new leader. In some cases the new leader is one of the stakeholders; in others, the new leader is appointed by the stakeholders. Preparation activities include forming a guiding coalition whose members share a set of values and agree on a broad plan for change. Coalition membership is based on two criteria: a genuine respect for the ability of every organization member to contribute to the organization's future and a belief that market needs should drive organizational change. At Marshfield DoorSystems, coalition building began with a Weyerhaeuser corporate vice president appointing Bill Blankenship president of Marshfield DoorSystems. Even before officially taking over, Bill Blankenship recruited Jerry Mannigel, a Weyerhaeuser general manager who was well regarded by local management and the union and with whom Bill Blankenship had previously worked. Jerry Mannigel then recruited other coalition members, including a successful production manager who had previously left Marshfield DoorSystems in frustration.

Across firms, these guiding coalitions developed transformation plans that would engage the entire organization in the change effort. Plans focus on organization culture and process changes rather than on specific end-state goals or objectives, such as market share or return on assets. For example, four weeks after taking over at Marshfield DoorSystems, Bill Blankenship and Jerry Mannigel held a senior management meeting outlining a new set of values and norms expected of organization members. These included empathy, respect for others, collaboration, teamwork, and a market orientation. They also put forward six process-focused change initiatives in the areas of (1) value proposition and value delivery systems, (2) communication systems, (3) safety, (4) continuous improvement, (5) organizational alignment, and (6) information technology.

Stage two: Reconstitution
Reconstitution is the organizationwide implementation of the plan for change, comprising five steps: (1) demarcation, (2) value and norm development, (3) reconnect with the market, (4) remove dissenters and hire believers, and (5) collaborative strategy.

Demarcation. A milestone in the change process occurs when the guiding coalition presents its plan to the entire organization. Within participating firms, informants uniformly mentioned the same milestone as the point at which people knew about the change program. Demarcation events share a number of attributes. First, they are public and open—all organization members simultaneously witness the event. Second, they present the challenge to the firm as authentic and compelling. Third, they clearly communicate the plan for change and the values, norms, and behaviors the coalition seeks to inure. Fourth, they characterize the change process as market focused, not marketing-centric. Fifth, they showcase actions of the guiding coalition that are consistent with the desired culture.

The ceremony at Marshfield DoorSystems is an excellent example of the dramatic nature of such events. In January 1994, after three months at the helm, Bill Blankenship and Jerry Mannigel

called a companywide meeting. People were worried. No executive team had ever called a companywide meeting before. Those we interviewed recalled that on entering the makeshift hall inside the plant, they felt that something was more than amiss: the hall's décor looked ridiculous. Railroad crossing posts—lights and all—flanked the podium where Bill Blankenship was standing. On a large banner strung up above and behind the podium was an image of an old-fashioned steam-driven passenger train. Pasted on the locomotive was a picture of "Bill, as engineer, looking out the window." Clearly printed beneath the train were the words "There's a new train in town." People's recollections of that day were consistent:

I'll never forget the first meeting we had when he was introducing himself. He had this banner up . . . [and then he said,] "There's a new train in town. You can get on the train or you can choose not to. If you choose not to, when the train leaves the station, you won't be on it."

It's one of his classic lines. "There's a new train in town." Some people are going to come along for the ride. Some people are going to drive. Some people are going to decide to stay at the station. And some people—it will be decided—they will stay at the station. You did have options. It's your call. What do you want to do? Are you gonna come along? You gonna help us?

The new train in town was really more about how we're all going to march to a similar step. Not necessarily the exact same one, [but] this is the direction we're going. We're going to do business differently. The analogy with the train is: You can get on the train. You can get run over by the train. Every once in awhile the train stops and lets some people off. And you have a choice; what kind of a passenger do you want to be? Everyone agreed they didn't want to be run over by it. So most people jumped on board right away. But [the train] had to stop a couple of times and let people off….

The train analogy captured people's attention, and the all-company meeting marked the first

time senior management publicly outlined the transformation plan. The fact that everyone was informed simultaneously was noteworthy in itself. At the same time, management opened the organization's books to the union, so the union could see Marshfield DoorSystems' financial condition firsthand. More than eight years later, informants recalled the ceremony as a turning point for the company, when management unambiguously invited everyone to participate in the transformation of the firm.

Value and Norm Development. Guiding coalitions perceived existing firms' cultures as major impediments to organizational change and long-term success. The organizations we studied had diverse cultures prior to transformation, but shared certain attributes. All were bureaucratic and internally focused; they relied on historically successful approaches to solve new problems; and they had highly structured routines determined by function. Additionally, their employees identified more closely with their function, job class, location, or other subgroup than they did with the overall organization; there were low levels of trust between groups within the organization; and there was no common understanding of what the firm was trying to accomplish or how. Finally, organizations were characterized by passive aggressive behaviors resulting from internal norms to be nice, while simultaneously using covert methods to accomplish personal or group goals, and by transactional leadership, defined by the extensive use of explicit rewards to manage employee behaviors.

Recognizing these challenges, guiding coalitions sought to create a new set of organizational values that, combined with subsequent activities, would create a more market-oriented culture. The number and nature of these values varied across firms, from Alberto-Culver with ten values—and the mnemonic "HOT CC FIRST" to help employees remember them— to Harley-Davidson, which communicated its values implicitly through a focus on customers and internal cooperation. Among firms, we id-

Table 1
Values, Assumptions, and Norms of Market-Oriented Firms

Value	Assumption	Behavioral Norm
Market as the raison d'être	We come together as an organization to serve the market and make a living.	In all decisions made and actions taken, organization members must consider impact on the market.
Collaboration	Working together, we can achieve more and do so faster and better than we could apart.	Work is done collaboratively by teams. Teams are jointly responsible for outcomes.
Respect/empathy/perspective taking	People are basically good and have reasons for their actions.	Organization members must consider the perspectives, needs, training, expertise, and experience of others when reacting to or interpreting their actions.
Honoring promises	To succeed, everyone must do his or her part.	All organization members are responsible for following through on their commitments to others.
Openness	Honestly sharing information, assumptions, and motives allows others to understand and effectively collaborate with us.	Organization members should proactively and honestly share information, assumptions, and motives with others.
Trust	Everyone is committed to the same goal. Therefore, we can have positive expectations about their intentions and behaviors.	Organization members should trust that their colleagues are telling the truth and will follow through on commitments.

entified six common cultural values. These are listed in Table 1, along with underlying assumptions and behavioral norms, following Schein's (1985) organizational culture framework.

As an organizational value, the market as the raison d'être provides common meaning for all organization members and is broadly inclusive, creating one socially constructed ingroup encompassing all organization members. Such an inclusive ingroup definition fosters positive attributions and behaviors between organization members and creates a cultural foundation for firms that allows for the ongoing adaptation of missions and visions in response to changing market conditions. Additionally, we found the market as the raison d'être to be the cultural value that provides a rationale for the other five values of trust, openness, honoring promises, respect, and collaboration, all of which are required for an effective market orientation. Together, the six cultural values create an organizational environment supportive of collaboration, leveraging the experiences and capabilities of all members, creating a shared understanding of problems, allowing for the creation of more effective solutions to problems, and assisting in effective implementation of solutions through tighter collaboration.

We identified three methods that guiding coalitions use to encourage adoption of these values and norms. First, coalition members themselves explicitly exhibit behaviors consistent with the desired values and norms. Second, they use rewards and recognition to encourage behaviors consistent with the desired values and norms and invoke penalties, including removal from the firm, for failure to adhere to them. Finally, they inculcate the desired values and norms through transformation activities.

Beginning with demarcation, guiding coalition members' behaviors and organization rituals play important roles in changing firms' cultures. For example, after Harley-Davidson's buyout from AMF, management demonstrated its intention to create a culture of trust and collaboration focused on the needs of Harley-Davidson customers through its own actions, which included sharing detailed financial information with the union, as one informant explained:

Ultimately, when you know how desperate the situation is and you truly need assistance—whether it's from the salaried workforce or the union workforce or your lending institutions or your dealer network or the government or whomever it may be . . . to cut through the cynicism, I think you've got to show them the facts. . . . If you're really in trouble and you need someone to extend a helping hand, whomever that may be, you damn well better be honest with them. The way you're honest with them is opening up the books and sharing management responsibility, working with the union, looking at the union as a fellow stakeholder.

Other culturally consistent symbols at Harley-Davidson included elimination of assigned parking at headquarters, participation of senior executives in demo rides, rallies and local rides (alongside other employees), opening one cafeteria at headquarters that all employees had access to, and creation of a policy that everyone had to obtain their personal motorbikes through the dealer network, as any customer would.

Guiding coalitions also used rewards and recognition to create cultural change. The most prevalent recognition was interpersonal; coalition members showed approval, support, or disapproval of particular employee comments or actions in a variety of venues, including Harley-Davidson demo rides, Motorola PCS war room meetings, and on Marshfield DoorSystems' factory floor. By demonstrating appropriate behaviors in front of guiding-coalition members, employees signaled their adherence to change efforts, and coalition members reacted favorably, complimenting or paying attention to employees.

More public and permanent forms of recognition were also used. Alberto-Culver used public awards extensively, as one informant explained:

Everybody goes into a room, and the awards start getting handed out. The guys who are glued to their chairs and never getting up and getting an award with red faces are very, very identifiable. Then those that need a wheelbarrow to take all the awards back to their office are also very visible. So there is a

separation between the haves and the have-nots. It is a very, very public thing.

The effectiveness of these methods of encouraging cultural change varies directly with their authenticity. *Authenticity* refers to the perceived congruency between management's actions, rituals, and symbols and the values and beliefs espoused by the guiding coalition. Guiding-coalition members at Harley-Davidson, Marshfield DoorSystems, Motorola PCS, and Alberto-Culver exhibited an almost evangelical passion and commitment to the change process and related values. Their emotional commitment was unambiguous and entirely consistent with informant recollections.

Reconnecting with the Market. Organization researchers assert that cultural change requires changing organization members' underlying assumptions about how the firm works and what behaviors are appropriate (Schein 1985). In fact, value differences between more effective and less effective organizations exist not in their labels, but what those values mean and the appropriate norms and behaviors tied to them (Argyris 1990). When it comes to creating a market-oriented firm, the greatest challenge appears to be determining behaviors consistent with the market as the raison d'être.

For example, EquipmentCo invested heavily in cultural training relative to other firms in our study. Nevertheless, organization members were vexed by the ambiguity of what constituted a customer focus and, consequently, what behaviors were consistent with a customer focus. A sales manager disclosed,

I'm frustrated because I don't think . . . we clearly understand the market that we're trying to sell [our products] to. … We keep talking about this value customer. Who is that guy? What does he look like? You know? How does he act? I can't tell you. … My frustration really comes from [the fact that] I don't know what winning is. I don't know what winning in a value environment is. Because we haven't defined that. Tell me the 1,500 guys that

you want me to sell and I'll sell 'em. But I don't know which 1,500 right now….

Informants at Harley-Davidson, Marshfield DoorSystems, Alberto-Culver, and Motorola PCS recalled similar frustrations before their transformations. This suggests that an organizationwide market understanding differentiates more market-oriented firms from others. Thus, to increase their market orientation, firms create an organizationally shared market understanding, enabling organization members to determine what behaviors are consistent with the primary cultural value of the market as the raison d'être.

Firms create shared understandings—shared market schemas or shared mental models—by sending cross-functional teams into the market to meet with customers, channel partners, and influencers. Over time and across teams, those experiences coalesce around a shared understanding of the market. Teams explicitly represent this understanding in a market metaphor, such as the "Harley Rider" for Harley-Davidson. Teams then share their experiences with other organization members using stories and artifacts from the field, explaining the meaning encapsulated in the market metaphor. It is through this process that firms create a shared market understanding.

For example, as the first step in developing a value proposition at Marshfield DoorSystems, cross-functional teams were sent out to visit architects, contractors, and distributors. Informants described these visits as transformative. An informant with over 20 years of industry experience said,

I went on a few trips . . . [and] we would ask contractors, "Why are things like that? Why is shipping on time important?" [It] was really very interesting for me … usually only sales guys got to see the customers . . . I got to understand some of the issues, like delivering in the right week is what it's all about. Like issues with doing remodeling and having to have service elevators scheduled. [The

contractors] need precision in big cities like Boston. These are considerations I never knew about before. It's important because now we're talking about the end-use customer. That end-use customer wants it in there at a certain point in time. This has a great impact on the architect [and the] contractor that specified your door and the end-use customer who is going to pay for it. If you do it well, they'll be back. If you don't do it well, they will remember that … and of course, it all has to be correct….

Before going into the field, this informant had been aware that delivering products to specification and on time were important, but meeting distributors, building owners, general contractors, and architects created a new sense of urgency and importance around those requirements. The informant developed an appreciation for *why* they were important and the impact of failing to meet them. When he discussed his firm's value proposition, he relayed these personal stories, providing context and understanding for the value proposition, helping listeners to appreciate the perspectives of the people he met, leading to empathy for their situation.

During the 1980s, Harley-Davidson initially sent employees into the field to staff events because it didn't have the money to hire outside people. Soon thereafter, Harley-Davidson began to realize benefits similar to those at Marshfield DoorSystems and eventually all employees were expected to work in the field as part of understanding customers and their needs (e.g., Fournier et al. 2000). Motorola and Alberto-Culver sent smaller groups of people into the field, and they too brought back market insights that made it possible to create organizationally shared understandings in their firms.

At Motorola, the Global Design Planning (GDP) team was responsible for managing fieldwork that was conducted to uncover consumer needs and trends. As one team member described it, "The GDP team does behavior research. . . . Behavioral research uses a lot of social science methodology—anthropology

methodology." Using a project example, the informant explained, "No one knew what [a leadership phone] meant, other than the definition we had with [our] StarTAC [phone] . . . [So] we actually went out and did interviews and made a research brief. We went out and interviewed the leaders—the cutting-edge people."

To share this field information, team members brought back stories and artifacts, including video recordings and pictures. This allowed others to experience the market vicariously and build a shared understanding. A guiding coalition informant, focused on design, summarized the transformative nature of this process at Motorola:

This is a journey of enlightenment, right? What is enlightenment? Enlightenment is when you truly understand the true cultural points of resonating with what their needs are. What does that mean? That means there's a huge installed base of knowledge within the culture about the world it shares. There's a constant feeling of that knowledge with ethnography that many other points [miss]. It's that point of enlightenment. It's also at the point where you're truly innovating cross-functionally, not only with technology and design, but also with the business that you're creating. . . . Enlightenment, in that context, is a higher art of brand building and value creation.

It comes back down to this notion of collaboration and shared understanding as being really fundamental, you have to have opening the kimono itself be a core function of the company and build a shared vision of where you're going, share the enthusiasm, and that requires a level of intensity and communication that's really never to be underestimated.

In addition to product-specific research, Motorola PCS created a brand compass metaphor highlighting four attributes across market segments: communication, business use, social use, and price. The brand compass was a triangle, with communication as the base, business and social as the sides—and price increasing from entry level at the base to premium at the top of the

triangle. Pictures of five archetypal consumers were superimposed on the triangle, symbolizing five broad consumer segments: (1) everyday communication; (2) easy business; (3) corporate business; (4) networked entertainment; and (5) personal style. Although we did not observe creation of the brand compass, its use in almost every conversation within Motorola PCS was striking—particularly the stories people offered contextualizing each segment. All products were first defined within the brand compass metaphor and then elaborated upon based on their specific attributes, such as corporate e-mail access or fashion/style consciousness. The brand compass gave people a shared understanding of the market from which discussions of various handset and service initiatives could start.

Remove Dissenters, Hire Believers. Although initial cultural transformation efforts are sufficiently effective earlier in the transformation process, at some later point coaching cultural dissenters to change is abandoned and removal of such dissenters becomes the focus. Simultaneously, organizations modify their recruiting processes and begin to choose new members whose individually held values closely match those of the organization. These changes indicate a shift from creating a new culture to preserving and nurturing an existing culture.

Experiences at Alberto-Culver are revealing. At one point, 75% of President Carol Bernick's direct reports were new. Some were part of her initial guiding coalition, subsequently elevated to new positions, whereas others were new to the organization, recruited based on functional competencies and ability to fit into the culture. As one informant recalled,

She made some changes fairly early on in the marketing area. She made a change fairly early on with her financial guy . . . So those two areas changed sooner than later. I can't remember exactly on the sales side. I think she changed it once and then changed it again with Dick Hynes. So I mean, she built her team. The most recent change has been in R&D . . . a year and a half ago. She really feels

strongly, and I absolutely agree with her, that she needs people who really understand the culture and who operate within the culture . . . obviously you've got to perform in your function, but you [also] have to understand and support and drive the culture into the organization.

Conversations with the newer executives revealed that their values were consistent with the firm's values. Newer executives were often puzzled when we asked about collaborative team meetings with invitees from across the company; they said they had always worked that way. Hence, apart from removing people who did not fit the new culture, much of Alberto-Culver's success at becoming more market-oriented was attributed to bringing in people who already believed in the culture and were able to add to it through their unique experiences and competencies.

Collaborative Strategy. At this point, organizations collaboratively address tasks in a more market-oriented manner—precisely because they agree on what the market is, what its unmet needs are and how to work together to meet those needs. Furthermore, by collaboratively developing strategy, firms leverage their collective knowledge and capabilities, leading to more creative and realistic strategies. Additionally, the organizationwide comprehension of strategic goals and their relation to the market provides context for why specific tasks are important, increasing the likelihood of success. This collaborative process also leads to higher levels of commitment to the strategies and the firm, which again, increases the likelihood of success. A Motorola executive explained the change in developing strategy as paradoxical: there were more people involved than ever before, but it was more productive and definitive than pre-transformation efforts:

What you end up doing is creating a camaraderie that . . . may not have any effect at all on the definition of the product. But . . . you've got a team that . . . [is] more focused . . . You make sure that you're open-minded to those big sessions. That you could [reveal

and learn new] stuff. . . . And that's a really wonderful surprise and great things can happen . . . At one point . . . we had 300 people involved in developing the strategy. And it was kind of like, "What the hell are you doing?". . . But it built a portfolio that was focused and clear and driven when we got done with it.

Similarly, Marshfield DoorSystems informants explained that their new culture and value proposition made strategy development and implementation much easier because, in the words of one informant, "There was *one* picture that we all focused on. And everyone knew it!" A shop floor employee recalled, "Basically, when Bill came, he turned the mill over to the people and said, 'This is your baby—make it work!'… [Today,] the union and the company are working together instead of against each other."

Although the process of developing and implementing market-based strategies was more efficient and effective across firms due to a new shared understanding of the market, this shared understanding didn't replace traditional marketing research. As a Harley-Davidson marketer observed, "Market research just meant more…it made it much easier when presenting findings or ideas within Harley-Davidson. People would say, 'Oh yeah! I remember this one guy.'"

The new collaborative approach changes the role of formal organization structures. From this stage forward, collaborative cross-functional teams conduct the vast majority of work, with any one individual on multiple teams and no two teams comprised of the same members. This concept was exemplified by a Motorola informant's observation that "…one of the other things Mike says fifty times a week is, 'Make the matrix work. I know we're a matrix organization. I did it on purpose.…I know it's not easy. … Get your ass down there and figure it out.'"

Summary. In the reconstitution stage the new concept for the firm is made public with a demarcation ceremony. Then, the effort turns to

value and norm development, reconnecting with the market, personnel changes, and the development of a collaborative strategy. These efforts create the culture, understanding, and processes that lead to the organizationwide generation, dissemination and responsiveness to market intelligence described by Kohli and Jaworski (1990). Our analysis, however, suggests that successfully creating an organization that behaves in such a way depends fundamentally on new values and norms that are reflected in organizational learning, personnel decisions, and the collaborative strategy development process.

Stage three: Institutionalization

By this stage in the transformation process, firms have undergone dramatic, fundamental changes, but those changes have remained largely informal. That is, the organizational culture and associated behaviors have changed much more dramatically than the formal organization structure and supporting attributes. In the third stage of change, organizations institutionalize those changes. The speed and effectiveness at which organizations successfully institutionalize these changes depends heavily on their experience in earlier stages. Firms realizing greater levels of market success develop increasing comfort working in a market-oriented manner, thus accelerating their institutionalization.

In the institutionalization stage, guiding coalitions create explicit symbols, artifacts, and rituals to retain and further encourage a market-oriented culture. They do this through (1) formalization, (2) aligning rewards, (3) indoctrination and training, and (4) a power shift. At the time of our fieldwork, Marshfield DoorSystems, Alberto-Culver, and Harley-Davidson had already progressed through the institutionalization stage.

Formalization. Guiding coalitions explicitly formalized their organization's evolving market-oriented culture through symbols, rituals, and artifacts. These included organization structure changes at Harley-Davidson, the implementation of high performance work systems (HPWS) at Marshfield DoorSystems and explicitly defining cultural values at Alberto-Culver and Harley-Davidson. Harley-Davidson's structural changes, which were adopted in 1993, meant embracing a circular organization structure that formally institutionalized their collaborative culture. The functional leadership group, composed of Harley-Davidson's top management, was divided into three subgroups: the "create demand" circle; the "produce product" circle; and the "provide support" circle. A Harley-Davidson executive explained how the circle concept raised expectations and opportunities for collaboration over time:

Circle meetings are pretty functional, although I don't think they always have been. I think we had to find that fine line about what is circle-worthy and what is not. There was a time… I was coordinating some function and the circle . . . sat there and argued about how long the cocktail hour should be. OK, so you've got a bunch of VPs sitting there arguing about how long the cocktail hour should be. So you could fall into a trap. I think they had to find their way about how detailed do we get in our understanding. . . . In that respect, it's important to recognize what do you need other people's support and input on and what don't you. What is within your own function? There is no book that you could have followed that said, "This is a circle thing and this is not." It's a judgment call. When everybody came in, it was just that—some people wanted to know everything about what everybody else is doing—so for everything, "Well, the circle should decide that." And other people said, "Um, I think that's my job to decide that.". . . when Rich [Teerlink] put us all in the circles, along with Jim Paterson . . . they just said, "Here you go. And here's the philosophy around it." So I think there's a lot of struggling to figure out where that is. That's where a lot of trust and communication has to happen. You've got to assume that everyone is doing their job and doing it well. Otherwise you could make everything a circle issue. … So I think we still struggle with that sometimes, but we'll catch ourselves now . . . we had to find the point where there's constructive interaction and where there's just simply meddling.

Align Rewards. The inherent intrinsic motivation to serve the market and work collaboratively toward common goals appears to be the primary driver for employee efforts in earlier stages. Greater levels of intrinsic motivation are created as organizational cultures become stronger and firms begin to experience success. At some point, however, when employees feel empowered and the organization is successful, employees perceive that working harder primarily benefits the organization's owners and top management. This creates perceptions of injustice due to the incongruity between the culture and the allocation of rewards. Within the firms we studied, the implementation of group-based variable compensation schemes addressed these concerns and further institutionalized a market-oriented culture.

For example, in spite of increasing levels of success in the late 1980s and early 1990s, Harley-Davidson's management perceived a growing tension between the firm's culture and its formal incentive structures, which had remained largely unchanged since the early 1980s. Teerlink and Ozley (2000) write, "Employees argued that, at the end of the day, the 'real' work of Harley-Davidson was the work that the company recognized in a paycheck. This 'touchy-feely' stuff seemed okay … but the organization would resist the kinds of behaviors that were being proposed until the company recognized and rewarded those behaviors" (p. 145).

To address these issues, the company first implemented a new personnel development and evaluation system, matching expectations for employees' performance directly with the company's mission, values, and business processes. An executive commented, "This was a vision of the way people needed to be engaged in an organization …that allows for theoretical alignment of an individual's job with the long-term direction of the company" (Teerlink and Ozley 2000). This alignment provided flexibility, allowing the company to adapt to changing market and organizational conditions. Employees were expected to always do what was best for the organization under the broad umbrella of its values and objectives and were not called upon to make tradeoffs between individual compensation and the organization's welfare.

In parallel, everyone's compensation was altered to include a variable component corresponding with Harley-Davidson's success (or lack thereof). Management defined performance metrics at the business unit or plant level and progressively expanded the program to include all salaried employees by 1990 and all employees by 1993. Variable compensation bonuses were paid to everyone or no one.

Indoctrination and Training. Over time, the saliency of shared understandings from the reconstitution stage degrades. More significantly, as firms recruit believers and remove dissenters, an ever-growing number of new employees lack the shared experiences that would help them understand the assumptions underlying the culture. Additionally, employees and managers often are ill-equipped to meet escalating expectations as their organization becomes even more market-oriented. To address these challenges, firms institute indoctrination programs for new employees and ongoing training programs for all employees.

In 1990 Harley-Davidson instituted employee orientation programs. An informant recalled, "Within a few months of me being here we had a new employee orientation. It was like the first one they had had. It lasted a half a day. And it was everybody who had started over the last six months. Now they do it, it starts every week and it lasts three days." Additionally, the informant received a copy of *Well Made in America: Lessons from Harley-Davidson on Being the Best* (Reid 1990), documenting Harley-Davidson's transformation from the early 1980s: "I read that one, too, before I started. They gave it to you before you started. Or at least they gave it to me."

Around the same time, the firm launched the Harley-Davidson Leadership Institute, to reinforce their culture, provide a broader under-

standing of the firm, and familiarize employees with tools for working within the firm. Employees spoke enthusiastically about the Leadership Institute. One informant grabbed a Leadership Institute binder from above his desk and, while thumbing through it, said, "Have you seen this? Here are our values. Here's our issues, our stakeholders, our visions. You've heard these before, right? …So I won't recite them to you—because I can. And then you've got mission and operating philosophy; our objectives. And then my area's functional strategy . . . we'd spend time on what is this and what is [that] and how does it impact us in our area and what are you going to do about it? Make sure we're all connected here… ." Another informant commented, "[Such training] is probably more valuable today, to allow people to interact and understand events and come to some philosophy that was practical for them. It takes that philosophy and makes it practical for them. What does 'tell the truth' mean to you? What does the vision statement [mean to you]? What are stakeholders? A shareholder is a stakeholder—no more, no less than some of these other stakeholders. To really get those issues out on the table and have the discussions about them."

Power Shift. As firms realize higher levels of market orientation, the power to make decisions and act on behalf of the firm shifts from guiding-coalition members to all organization members. Employees are responsible for making decisions and acting appropriately within the agreed upon framework of each firm, as well as ensuring everyone else is doing the same. Within participating firms, guiding coalition members viewed this shift as evidence of a successful transformation. A Marshfield DoorSystems informant commented:

We had [a reengineering blitz] that took place about ten days ago. … There was a group in the shipping department. They were doing a blitz on the palletizing and packaging area. We had seen a large number of claims, complaints, and frustrations about products not being packaged properly.

Our biggest problem was distributors complaining that "It wasn't packaged how I ordered it." So we had this blitz going on . . . hourly people along with the supervisor . . . As part of this blitz, they sat down and interviewed one of our salespeople and asked, "Why is this such a problem?" Something magical *came out if it! The salesperson said, "You've got to understand—the distributors are paying for this special handling and they're not getting what they're paying for." Then one of the hourly people said, "Wait, let me see. Am I to understand this right? We know they're paying for palletizing, but you mean some kinds of packaging cost more than others?" The salesperson said, "We have twenty different ways of palletizing and there's twenty different prices. Whatever you ask for has different prices." The people in palletizing didn't know that! They said, "Really? We just thought, some just wanted it this way—some [others] wanted it that way. A lot of times we're busy, [so we figure] what the hell is the difference? I'm doing the next pallet; I'll do it just the same…" [So the team realized,] "Wait a second! We're creating value! They're willing to pay for this!" And you keep these learning things going on. So we had two different schemes: the sales people wanted to try more options; shipping wanted to get it down to [one option]. They didn't realize the two were causing problems for each other. The salespeople didn't understand some of the associated costs— even though they were charging differently—it wasn't appropriate relative to what the costs really were. So the solutions came out and the rest of that week they spent their time understanding every single one of the options. This is the pure cost of it. So we have a mark-up or discount and everybody knows it. Now they know why, so when they get a request for palletizing in a certain manner, [they understand] this is what the customer wants.*

In addition to decisions about how to serve the market better, employees are expected to enforce the culture by pointing out the cultural infractions of other organization members. In other words, the guiding coalition's power to guide the transformation is progressively distributed among all organizational members to maintain that culture. A Harley-Davidson

informant explained, "We know when we have permission to do things and call people on things. . . . The issue is that training here gave us permission to call people on things; it gave us the community which we work in … it's not a personal attack, but part of getting things done." Similarly, at Marshfield DoorSystems, we observed a union member challenge an executive at an all-company meeting regarding a perceived decline in openness: "We used to get communication all the time. We used to have meetings every morning.… I think there is an issue of communication here.…What are the monthly profit numbers? Shipping on time— we used to get this weekly.…" Not only was this considered acceptable behavior by an employee, a senior executive apologized for the oversight, promised to fix the problem, and suggested the employee follow up if no action was evident.

Summary. Institutionalization of a market orientation requires formalization of organizational structures and processes, aligning rewards with organizational values, and cultural indoctrination through training. These changes lead to power shifting from the guiding coalition to the larger organization. With the exception of the power shift, previous research has focused on similar formal changes as a way to develop a market orientation (e.g., Day 1999). We find that, indeed, these changes are central. However, unlike previous studies, we find that these actions follow a more fundamental cultural shift. Hence, formal changes institutionalize and reinforce earlier cultural changes. Furthermore, a natural consequence of the development of a strong culture is that enforcement of cultural norms shifts from the guiding coalition to individuals distributed throughout the organization.

Stage four: Maintenance

A curious phenomenon occurs once organizations achieve a greater market focus: employees develop increasingly divergent theories regarding why their firms changed and what attributes are responsible for their firms' success. Employees who join firms following trans-formation voice the most significant interpretation variations. There is also variation among organization members who participated in the transformation, with the degree of variation positively correlated with the amount of time elapsed since transformation.

Specific individuals or firm attributes are the most common explanation for a firm's market orientation and success. Individual-focused interpretations create a mythological figure or group of figures out of the guiding coalition's leader or members. Such interpretations transform the messy, progressive, and confusing process of collaboratively becoming market-oriented—a process that involved hundreds or thousands of people—into a story of a savior-driven transformation (e.g., Turner 1975). Similarly, explanations that focus on company attributes reconstruct history to fit current circumstances and play up the inherent capabilities or importance of one of three causes: mythological figures, organization members' collective ability to face adversity, or pure luck. These attribute-focused interpretations are much simpler than the actual series of changes responsible for the organization's transformation. Although more easily comprehended than the true explanation, such attribute-focused explanations lead to nonmarket-focused ideas for handling future challenges, such as recruiting or revealing a new mythic leader, bearing down and working harder, or hoping for good luck.

Given these alternate explanations for market orientation and performance, organizational leaders develop processes and model behaviors in an effort to maintain a market orientation. Three processes reinforce a market-oriented culture: (1) cultural screening of new members, (2) culture maintenance rituals, and (3) ongoing market connection activities to update market schemas and validate market-oriented process schemas. Firms exhibit two additional characteristics protecting their market-oriented cultures from outside influences: (4) culture flame keepers approve organizational changes based

on cultural consistency and (5) a vigilance against management fads and fashions.

Cultural Screening of New Members. Alberto-Culver relied heavily on personal interactions to identify new employees, with Carol Bernick directing executive recruiting and approving managerial hires. Similarly, Marshfield DoorSystems relied on employee referrals to identify recruits who fit the culture, and senior executives were involved in every hiring decision. To maintain a culture of "Harleyness," with a workforce of eight thousand employees and incredible growth, Harley-Davidson implemented an extremely rigorous recruiting process, with a primary focus on a cultural fit. In the words of one informant, "When you bring people into the organization that don't understand the tradition, your product suffers terribly. The neat thing about Harley-Davidson is we've managed to keep people coming in who understand the tradition. So the culture … absorbs them because they're ready to be absorbed and there's no conflict."

Culture Maintenance Rituals. Firms couple screening of new members with cultural indoctrination rituals that teach how the organization progressed to its current state and lay out the organization's cultural values, norms, and expected behaviors. Existing employees are required to partake in similar rituals that are designed to remind them of the history and assumptions underlying their market-oriented culture.

An executive informant described a proposed cultural tune-up program for all employees at Harley-Davidson:

Some people have gone through it, and you have to be aware of that and do it as more of a refresher rather than relive the whole experience. So how do we do that? I think that's what we, as the senior leadership, are going to start talking about. I know that [another executive] has a focus on that—that we really need to start looking at that business process model and make it a refresher so it's not just the words on the wall.

Ongoing Market Connections. As organizations and markets evolve, it appears cross-functional field visits are crucial to maintaining a market orientation. Although Alberto-Culver, Marshfield DoorSystems, and Harley-Davidson all conducted surveys, focus groups, and other research activities to monitor the market and elaborate on their shared schemas, they also performed ongoing or periodic cross-functional field visits to ensure that their organizationally shared market understandings were up-to-date. As an Alberto-Culver marketing executive noted,

"We do workshops around it—and I'll sit through some too.… I mean, I don't do the interview or stuff but I'll certainly [be there]. Have to see some of the stuff with my own eyes. As much experience as I have in this category, it continues to change, and people's beliefs change. So you have to stay with it and understand it. Because sometimes my experience can be detrimental—I have a lot more baggage than most. I have to understand when something's outdated and when things change. So I try to get out there as often as I can."

Marshfield DoorSystems was updating the value propostion of its composites division during our fieldwork. As with its original value proposition work, the company was sending cross-functional teams into the field to interview buyers, etc., and develop a new value proposition based on their shared experiences.

With demo rides and rallies, Harley-Davidson had the greatest level of ongoing market connections. A company veteran commented,

Even when I go to rallies now … I come back with a greater sense of contribution to the business, visioning, and focus than I had before. And as [a high-level manager/executive], I'm hearing our needs, but it's good to get those needs either validated or repositioned hearing it from the customer. … [Regarding dealers], I've had my project managers going out in the field to understand what could/will collaborative inventory management [deliver]. They see customers. They see stocking in

the dealerships. Our people see more about our business because we drive it by processes.… It's not just checking a box—it's driven by the market. I don't have to go to demo rides anymore, but I just wanted to.… Every opportunity you get to leave these four walls—you always learn something. I also go to a dealer almost every other month. It impacts how I direct resources, how I get projects approved, how I run projects, everything.

Additionally, the company's program encouraging employee motorcycle ownership provided a venue for employees to experience dealerships and how Harley-Davidson's support programs, etc. affected end-users. One informant said,

We encourage employees to own and use the motorcycles. Another point that I think is interesting about Harley is that we don't have an executive motorcycle fleet. But we do have a program that encourages people to buy a motorcycle. But the cornerstone of the program is that you go through the same thing a customer does. You have to go to a dealer, you have to get in line with everybody else. You've got to order a bike—I mean everything gets handled … you make the best deal you can get. So the employees, in order to use the product, have to have the customer experience. We're not insulated behind a privileged fleet of bikes.

Cultural Flame Keepers. As the organization adapts to changing market needs, employees are continually faced with procedural and other choices that could affect the organization's culture. Addressing the cultural impact of such changes rests with a small number of "cultural flame keepers" within each organization, whose implicit or explicit role is to ensure procedures or programs adopted in an effort to improve the organization, in one respect, do not negatively impact the organization's core market-oriented culture.

For example, during a Marshfield DoorSystems senior staff meeting, the group discussed designing a system to track and reward employee suggestions for process improvements. A few executives had recently visited another company

with such a system and were adamant that Marshfield DoorSystems should adopt it and require all workers to participate. One of the original members of the guiding coalition questioned whether such a system was consistent with the firm's core values. Following an elaboration of the cultural differences between the firms, the executive summarized his concern. "[Company X's] firm culture won't work here at Marshfield where there is a culture of trust—where you treat people like adults." All participants acknowledged the point and resolved to develop a more culturally appropriate system—or not to implement one at all.
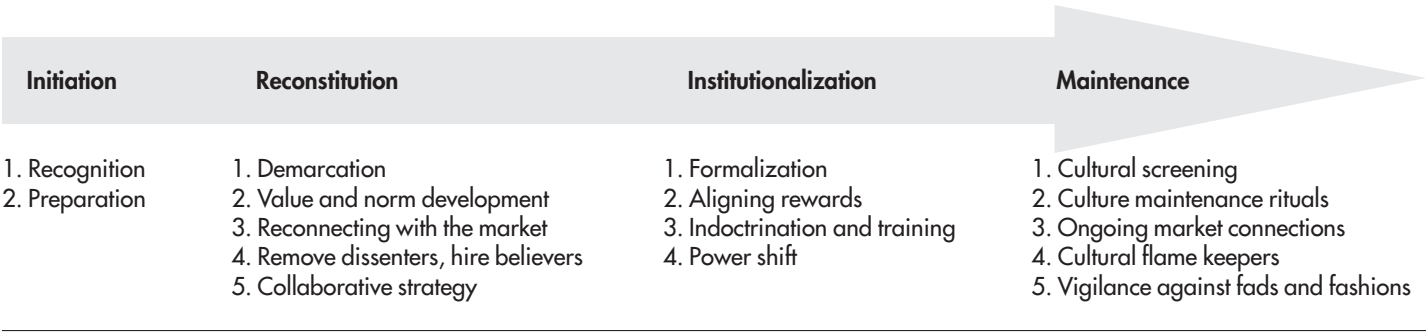
Vigilance against Management Fads and Fashions. Another characteristic of firms that successfully maintain a market orientation is an organizationwide skepticism of management fads and fashions. Employees constantly refer back to shared market schemas to determine the appropriateness of actions, including actions that involve changes suggested by management fads and fashions.

For example, during a discussion about customer relationship management (CRM) systems, a Harley-Davidson informant talked about the abundance of disparate customer databases available from dealers, the Harley Owners Group, demo rides, registrations, etc. The informant did not believe that tying them together was necessarily the right thing for Harley-Davidson to do:

Currently, each dealer has a great database of customer information. The dealer has it—not us. We have great databases too that they don't. The goal of the future would be to find a way to share what we know about our mutual customers and enhance the dealer's ability to sell and focus on more direct customer relationships, as well as us coming up with the right marketing programs.… The point is that we have a lot of data—but what do we do to turn it into actionable information? … And that goes back to a larger strategy of "What is our CRM strategy? How do we want to use customer information?" That's the biggest thing.

Figure 2
Process of Creating a Market Orientation

Initiation	Reconstitution	Institutionalization	Maintenance
1. Recognition 2. Preparation	1. Demarcation 2. Value and norm development 3. Reconnecting with the market 4. Remove dissenters, hire believers 5. Collaborative strategy	1. Formalization 2. Aligning rewards 3. Indoctrination and training 4. Power shift	1. Cultural screening 2. Culture maintenance rituals 3. Ongoing market connections 4. Cultural flame keepers 5. Vigilance against fads and fashions

And that's yet to be determined. That's the age-old question—one of the things that I've written down is I hear people say: "The real power of Harley-Davidson is the power to market to consumers who love the product." I mean, who else can say that? We're singing to the choir, right? People love us. What a job!! We get to market to people who love us!! I mean, car manufacturers can market to me—I don't love them. … The tough part is—if it's true, if the power of the Harley-Davidson brand is due to the power that we get because we market to consumers who love us—the question is "Should we change that? Why would we get closer? Why would we appear intrusive? Why would we be farther away? Why would we change what we're doing?" So at other companies, they're now struggling with what is their consumer relationship management strategy—you know you read it in every document you pick up: CRM, CRM, CRM.… Our people love us already. So the challenge here …is they love us already, we don't want to be intrusive.

Discussion

Our research suggests that creating a market-oriented firm involves a number of interdependent changes at the individual, group, and organization levels that occur over a number of years. The four stages of that process are represented visually in Figure 2.

Creating a market orientation through cultural change

Our analysis, as reflected in this model, suggests that creating a market-oriented organization is essentially a process of cultural transformation. Guiding coalitions create cultural change by inculcating organization members with market-oriented values and providing organization members with transformative market experiences. Initially, the guiding coalition inculcates organization members by taking actions that exemplify the desired values and by recognizing and rewarding behaviors consistent with the desired values. These management actions and rewards focus much more on intrinsic motivation, group dynamics, and social acceptance (e.g., O'Reilly and Chatman 1996; Schein 1985) than do the teleological mechanisms of management direction and extrinsic pay for performance suggested by existing market orientation research (e.g., Jaworski and Kohli 1993).

Our analysis reveals that creating cultural change requires direct or vicarious market experience, providing organization members shared meaning and purpose. It is precisely that organizationwide sharing and the process of making collective sense of market experience that are responsible for change to a market-oriented culture. The cross-functional, organizationwide nature of those activities creates an organization affiliation around serving the market, and that affiliation becomes the most salient and attractive one for all employees. In other words, shared market experiences provide shared understanding and meaning to the cultural value differentiating a market-oriented culture: the market as the raison d'être. Within the context of a larger cultural change process, our findings support the notion that market experiences contribute

to increases in market orientation (Narver, Slater, and Tietje 1998).

Additionally, market experience provides opportunities for functionally or otherwise isolated employees to engage in perspective-taking with others. As a result, employees engage in more generous attributions toward colleagues, facilitating increases in the cultural values of trust, openness, respect, promise keeping, and collaboration. These consequences parallel findings on perspective taking (e.g., Galinsky and Moskowitz 2000) and have been suggested as market orientation antecedents (interdepartmental connectedness and lack of conflict) by cross-sectional research (Jaworski and Kohli 1993; Kirca, Jayachandran, and Bearden 2005). Hence, within the larger process of creating a market orientation, our research offers new insight into how firms create cooperation and reduce interdepartmental conflict.

Overall, however, our model for creating a market orientation differs considerably from the existing literature. Jaworski and Kohli (1993), for example, identify top management focus, interdepartmental cooperation, and reward systems as the three antecedents of a market orientation. One implication of their finding is actions taken to increase the level of any one antecedent will lead to a greater market orientation, all else equal. In contrast, our results reveal a much richer, more complex process of organizational change. Our analysis suggests that, indeed, top management focus, interdepartmental cooperation, and reward systems are important factors influencing organizational change. But the sequence of these factors in a larger process is essential to successful organizational change. Top management focus is required to begin and guide the process, according to our analysis. Empowered stakeholders recognize a threat and begin the process of forming a coalition to transform the organization. Interdepartmental cooperation is essential, but requires top management support, common experiences, and a shared meaning structure to be effective. Organizational rewards are important as well, but

our analysis suggests only after top management support has been created, the challenge to the organization has been presented, the organization has been reconstituted, and an organizational consensus has been created for formalizing a new, successful firm with largely new values and purpose. Thus, rather than being three independent antecedents of change, these antecedents operate in a particular sequence as part of a larger, more complex, cultural change process.

Market orientation and cultural values

Our findings offer new insights into the nature of market orientation, the role of organizational learning, power within the organization, and what sustains a market orientation. Most fundamentally, our results offer a new perspective on debate about whether market orientation is simply a set of behaviors or a culture. Those advancing a behavior perspective suggest the activities of a market orientation are separate from organizational culture (e.g., Deshpandé and Farley 1998; Kohli and Jaworski 1990), whereas others suggest it is an organizational culture that encourages such behaviors (e.g., Narver and Slater 1998; Homburg and Pflesser 2000). Our analysis provides further support for the cultural perspective, but more importantly, it provides new insight into the nature of the cultural values on which a market orientation is based. We find that firms creating a market orientation embrace six cultural values: trust, openness, honoring promises, respect, collaboration, and the market as the raison d'être. The first five values encourage individuals to act as a cohesive whole in addressing the market. The market as the raison d'être provides individuals with a rationale for working toward a common purpose, thus supporting and reinforcing the other five values. These values are developed early in the transformation process, and they provide a foundation for the changes that follow.

These cultural values are the basis for market-oriented behaviors, namely the generation and dissemination of and responsiveness to market intelligence (Kohli and Jaworski 1990). Specifically, among the least and most market-

oriented firms—and as each firm became more market-oriented—more market-oriented firms exhibited much stronger organizational cultures. Characteristics indicative of a strong culture include organizationwide adherence to values and norms, homogeneity of language and meaning, elaborate methods for selecting and indoctrinating new organization members, dispersion of power amongst organization members, distribution of rewards, recognition based on behaviors consistent with the culture, and the organization as members' primary group identification (e.g., O'Reilly and Chatman 1996; Schein 1985). Thus, the market-oriented behaviors we observe are the natural result of deeply held shared cultural values. Those cultural values appear to be necessary, but not sufficient, for the presence of market-oriented behaviors.

Intra-organizational power

Our research suggests that market-oriented organizations are characterized by a particular distribution of intra-organizational power. Power in organizations has been extensively studied (e.g., Pfeffer 1981; Van de Ven and Poole 1995). This work considers an organization as a collection of individuals or coalitions, each advancing their own agenda with differing degrees of success in achieving their desired outcomes. In marketing, analyses of interorganizational power plays a central role in the study of distribution systems (e.g., Stern and Reve 1980). Research on market orientation, however, has not incorporated the notion of power. It implicitly assumes, therefore, that all individuals within the organization share a common goal (e.g., Jaworski and Kohli 1993; Day 1999).

We find that interpersonal and intra-organizational power play a significant role in the change to a market orientation, particularly with regard to instigating change, guiding change, and the distributed use of individual power to maintain a market orientation. Instigation of change to a market orientation begins with a market-oriented coalition gaining control via a dialectical struggle of ideas and

power. Having won this struggle, guiding coalitions wield their power to guide cultural change through values inculcation, transformative market experiences, hiring of fellow believers, and removal of cultural dissenters. As organizations institutionalize a market-oriented culture, power devolves from guiding-coalition members and becomes more equally distributed among organization members. On the one hand, this shift from concentrated to distributed power is possible due to the growing strength of a market-oriented culture; on the other, it is also necessary for acting collaboratively in a market-oriented manner. Thus, our research suggests that the distribution of intra-organizational power is an essential, but overlooked, dimension of market orientation.

Organizational learning and schema development

Organizational learning plays an important, if underappreciated, role in the creation of a market orientation. As typically conceived, organizational learning is the collection, interpretation, and encoding of the organization's experience (e.g., Huber 1991; Nonaka 1994). For example, when launching a new marketing strategy, an organization will perceive some outcomes, interpret the causes of those results, and then encode those lessons in the organization through the creation, modification, or elimination of organizational rules, processes, or principles. Analyses of market orientation have typically assumed that market orientation and organizational learning are independent (e.g., Slater and Narver 1995; Baker and Sinkula 1999). Although market-oriented firms may indeed be learning organizations, organizational learning is not seen as necessary for a market orientation.

In contrast, our research suggests market-oriented firms fundamentally are learning organizations. Through time, members of the organization share common experiences, and those common experiences become formalized as organizationally shared market and process schemas. These schemas enable organization members to communicate and collaborate

effectively in the process of gathering, disseminating, and reacting to market intelligence. Creating and using shared schemas is central to organizational researchers' conceptualization of learning organizations (Huber 1991; Nonaka 1994). It is with these shared schemas that organizations can effectively gather, disseminate, and act on explicit knowledge (Nonaka 1994).

The importance of organizational learning for market orientation extends beyond simply encoding the lessons of history. As a result of creating a market orientation, organizations also develop the capacity to evolve. They do so by creating processes for monitoring and changing schemas, referred to as third-order change (Bartunek and Moch 1987). The creation of such processes is essential for a firm to maintain a market orientation in dynamic markets. By continually verifying and updating market schemas over time through shared experiences, market-oriented firms gain more experience with a market-oriented culture. The culture continues to strengthen, while the firm becomes increasingly adept at monitoring and reacting to market changes. We believe this capability is an integral characteristic for maintaining a market orientation. Organizational learning and the schemas that result—market schemas and process schemas used in adapting to the market—are important, if overlooked, aspects of a market orientation revealed by our analysis.

Organizational change

The process of organizational change that we describe differs in important ways from the processes described in the organizational behavior and sociology literatures. Within the organizational behavior literature, scholars have identified four principal types of change: (1) life cycle (predefined steps in an organizational life cycle), (2) evolutionary (evolution through experimentation with new methods), (3) dialectical (political coalitions creating and frustrating change), and (4) teleological (management actions) (Van de Ven and Poole 1995). At least twelve major research streams have been identified that incorporate one, two, or three of these types of change (Van de Ven and Poole 1995). Sociologists have identified other modes of change, such as coup d'état, insurgency, and mass mobilization (Zald and Berger 1978). That literature describes those mechanisms and modes of change in great detail but does not offer any insight into how they might combine to enable an organization to realize a greater market orientation.

Our research suggests that creating a market-focused organization requires a number of these change mechanisms or modes in a very specific sequence. The change process begins with the formation of an elite group of insurgents who mobilize the masses to create a consensus for organizational change that is later formalized and sustained. This process suggests a unique combination of change mechanisms and motors. It begins with an insurgency, moves to mass mobilization, switches to a teleological change process, and continues with an indoctrination process to sustain the orientation. The combination and sequence of these change mechanisms is unique.

Moreover, each stage has unique characteristics not previously identified. Consider the insurgents who start the process. The sociological literature discusses an insurgency as a group of disempowered members of an organization seeking to topple the empowered. In contrast, we observed an elite insurgency, an insurgency of the powerful. Likewise, mass mobilization is typically a tool of disempowered individuals or groups, used to overwhelm the powerful. We found, however, that it is the (powerful) insurgents who mobilize the masses within the ogranization to create a greater enthusiasm for change. They are, contrary to the conventional stereotype, elitist revolutionaries who plot a revolution from within. They plot to transform the culture, to create a new order that, interestingly, devolves power to the masses but in doing so enhances the power of the organization.

Conclusion

Market orientation is a centrally important idea in marketing and a growing number of other fields. Although the concept of market orientation has received considerable attention, how organizations develop a greater market orientation has received little attention. Our analysis of four firms successfully making the transformation suggests that organizations create a market orientation by engaging a four-stage process of cultural transformation: initiation, reconstitution, institutionalization, and maintenance. The process imbues the organization with a set of cultural values supporting market-oriented activities, an organizationally shared understanding of the market, and organizational learning capabilities. Our results suggest that these cultural values are central to the new organization that emerges and that the intraorganizational distribution of power and organizational learning play central roles in creating and sustaining a market orientation. ■

Acknowledgments

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