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

Market orientation is a foundation of marketing and is increasingly important in other fields, such as strategic management. Research in marketing has identified the characteristics of market-oriented organizations. However, how organizations change to become more market oriented has received less attention. In this article, the authors conduct an in-depth, longitudinal, multifirm investigation of firms that have successfully created a market orientation. Grounded by this in-depth understanding, they develop a theoretical model to explain how firms create a market orientation. The model identifies four path-dependent stages of change. In contrast to current conceptualizations, the authors find that creating a market orientation requires dramatic changes to an organization's culture and the creation of organizationally shared market understandings. The findings offer new insights into how organizations develop a greater market orientation, organizational change, and the nature of market orientation, including the role of intraorganizational power and organizational learning in creating and sustaining a market orientation.

The concept of a market orientation has become increasingly important to the study and practice of management. It is the central concept of marketing (e.g., Kotler 2000), it has become increasingly relevant to scholars in other fields such as management (e.g., Besanko, Dranove, and Shanley 2000), and it is recognized as significant for organizational success (e.g., Collins and Porras 1994). For example, Intel's chief executive officer (CEO) recently announced plans to transform the company so that "every idea and technical solution should be focused on meeting customers' needs from the outset" (Edwards 2005, p. 35). Organizations such as Intel presumably hope to reap the rewards that research has shown to be associated with a greater market orientation (e.g., Narver and Slater 1990).

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Despite the great and growing interest in this marketing concept, research on how organizations become more market oriented is surprisingly limited. Much 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) develops a more expansive model of organizational change to a greater market orientation. Consistent with previous work in marketing, the model focuses on creating a more market-oriented organization through formal management actions, such as changing incentives and organizational structures.

Research on organizational change suggests that though formal actions are an important avenue of change, the change process is much more complex. Organizations change as a result of many 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 naturally occur 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. Such mechanisms play documented roles in corporate, governmental, and institutional change (Zald and Berger 1978). How or, indeed, whether these mechanisms operate and in

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what combination or sequence remains largely unexplored in the context of creating a greater market orientation.

In this article, we explore the process through which organizations change to adopt a greater market orientation by studying a group of firms over time. Each of these firms was engaged in a process to create a greater market orientation, though different firms were at different stages of the process. To understand the changes that each was undergoing and to deduce a common process, we studied each firm using 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 that are common in consumer behavior, anthropology, sociology, and organizational research (e.g., Glaser and Strauss 1967; Pettigrew 1990; Sherry and Kozinets 2001; Thompson, Locander, and Pollio 1989). On the basis of this analysis, we identified a common, longitudinal process that leads to a greater market orientation. We identified the stages of this process, the obstacles impeding progress from one stage to the next, and the characteristics of firms that successfully navigate the process.

Our analysis reveals a four-stage process of organizational change: (1) initiation, (2) reconstitution, (3) institutionalization, and (4) maintenance. We describe each of the four stages (and their linkages and implications) in more nuanced detail subsequently, but the process can be briefly summarized as follows: Members of the organization recognize a threat to the organization. Threats take many forms, but they are typically not widely recognized by the organization. To address the threat, a group of empowered managers creates a coalition to plot the change process. The managers plan the complete transformation of the organization, mobilize the larger organization, and create a cultural shift through a process of reconnecting organization members with customers. Through this process, they build common experiences and perspectives and, at the same time, build a growing consensus for more formal organizational changes. These formal changes follow informal ones and are used to sustain the new orientation of the organization.

The process we identify has important implications for our understanding of creating a more market-oriented organization and for the marketing concept in general. Previous work on market orientation identifies three factors as antecedents of a greater market orientation: top management focus, interdepartmental cooperation, and reward systems (Kirca, Jayachandran, and Bearden 2005). Each of these factors is believed to operate independently to enhance market orientation. Our analysis finds these to be among a larger set of factors that operate to create organizational change. Moreover, we find that these factors are embedded in a larger, richer sequence of change processes. Our analysis describes this fuller range of factors and the sequential process in which they are embedded. For example, the change process we describe depends on the formation of an elite group of top managers who are determined to change the organization in its most fundamental ways, including the values of the organizational culture. We find that reward systems are an important element of the process but only after top management has created greater support for change throughout the organization. We describe each stage in detail, examine the sequence of changes, and discuss the implications of the richness revealed in the change process.

Our results offer new insights into the process of organizational change. Scholars in organizational behavior, sociology, and other fields have proposed different mechanisms and modes through which organizations change, including evolutionary forces and political struggle (Van de Ven and Poole 1995; Zald and Berger 1978). However, which mechanisms or modes of change may or may not play a role in creating a market-oriented organization and how they do so remains unresolved. Our analysis describes which change mechanisms, which modes of change, and which sequences are part of creating a more market-oriented organization. For example, we discuss how the process of formal change in organizational structure and rewards follows a process of mass mobilization led by senior management. Although the mechanisms we identify are clearly related to those previously identified, they differ in important ways in the specific context we examine. We discuss these differences and their implications.

Our results offer new insights into the nature of a market orientation. Marketing scholars have debated whether market orientation is a set of behaviors or a culture (e.g., Deshpandé and Farley 1998; Homburg and Pflesser 2000; Narver and Slater 1998). Our analysis shows that market orientation rests fundamentally on cultural values. We identify six key values that are shared by the market-oriented organizations in our analysis. These values, which are shared throughout the organization, become central to the change process. Indeed, an early objective of people who transform organizations is to establish new values and norms for behavior. These values are central to a market orientation. Unlike previous studies, our analysis shows that the adoption of these values leads to a redistribution of power through the organization, a change in the nature of organizational learning, and a change in the organization's capabilities. Our analysis illustrates that the distribution of intraorganizational power and organizational learning are essential, overlooked characteristics of market-oriented firms. We explore the role of each of these elements in the creation of a market-oriented culture.

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 conducted our research using the longitudinal-processual method (Pettigrew 1979, 1990). This approach combines in-depth, qualitative data collection techniques (i.e., ethnographic observation, depth interviews [in particular, oral histories], and historical documents) with comparative analysis to develop a process model of change. The longitudinal-processual method compares each organization with itself at different stages of a chronological process and compares longitudinal progressions across organizations to develop insights into a common change process. Organizational behavior research 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 distinctly inductive. Grounded by an in-depth understanding of how a sample of firms have changed over time, we develop a model for how firms become market oriented. On the basis of this analysis, we produce a generalized understanding that can be empirically verified in subsequent research (Deshpandé 1983; Glaser and Strauss 1967).

The ethnographic investigation of behavior in complex organizations has a long and discontinuous history in the United States, dating back to the late 1920s. Periodic calls for the revival and sustaining of the tradition have arisen from within the social sciences (Whyte 1978) and business (Bonoma 1985) disciplines and have fueled recent inquiry both from sociologists and anthropologists who are interested in business dynamics and from marketing scholars who are intrigued by a nonpositivist understanding of managerial motivation. Epistemological analyses, methodological tutorials, and exemplary studies (Arnould and Thompson 2005; Arnould and Wallendorf 1994; Belk, Sherry, and Wallendorf 1988; Deshpandé and Webster 1989; Sherry 1995, 1998; Sherry and Kozinets 2001) have established ethnography as part of marketing's canonical toolkit. Our investigation is part of this current wave of qualitative research into marketing.

Research Process

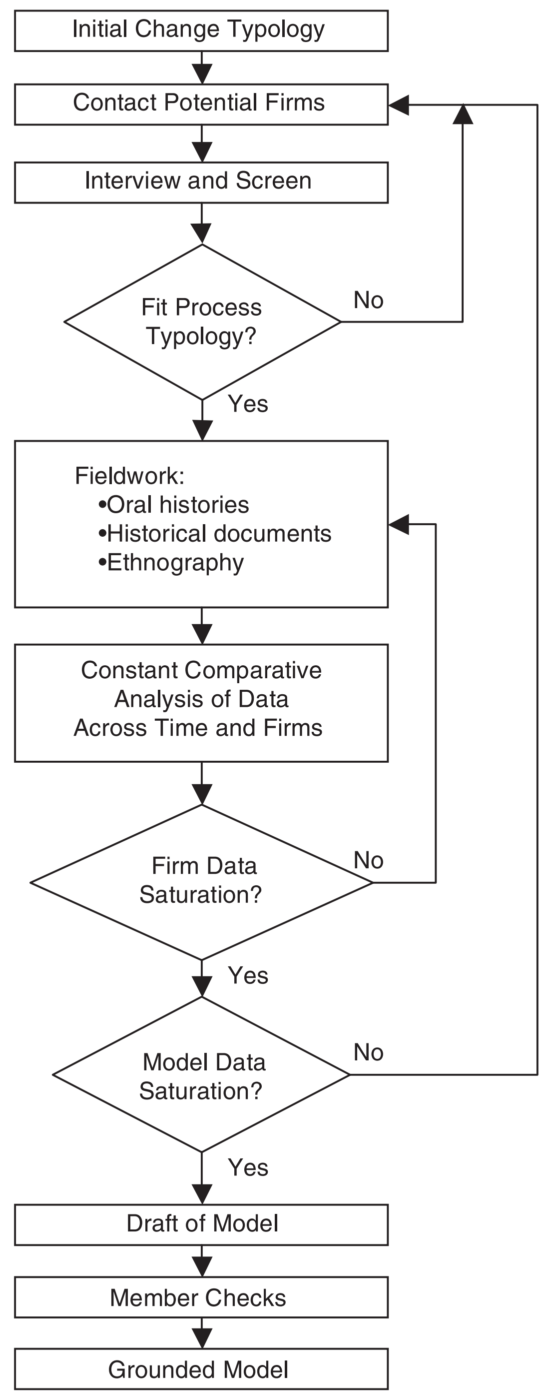
Figure 1 provides an overview of the way we implemented the longitudinal-processual method for this research. Our first step was to develop a typology of organizations that might offer the greatest insight into the process of creating a market orientation. Knowing that four to six firms would be the 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 the change process, currently changing, and having achieved a market orientation. We attempted to recruit two firms in each stage. We identified potential firms on the basis of 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 firms beginning the change process. Both firms recently launched initiatives with the explicit goal of creating a market orientation. EquipmentCo is a capital equipment manufacturer selling to business markets, and MediaCo develops communication products and services for consumers on behalf of corporate and not-for-profit customers.

We screened firms that were in the process of changing or had completed a 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, p. 6) 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 field sites.

On the basis of these conversations, we recruited two firms that were in the process of change, BenefitsInc (a pseudonym) and Motorola Personal Communications Sector (PCS), and two firms that had recently completed a transformation, Alberto-Culver and Marshfield Door-

FIGURE 1
Research Process



Systems. BenefitsInc is an employee benefit company that was created in the 1980s through the merger of two smaller organizations. Within Motorola, Motorola PCS develops and manufactures wireless communication devices, which are typically sold to wireless carriers that resell them to consumers. Alberto-Culver is a multinational manufacturer and marketer of consumer and professional hair care and beauty 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, Wis., which was a Weyerhaeuser subsidiary when it began its change efforts.

Data collection included gathering oral histories, reviewing historical documents, and engaging in ethnographic observation.[1] We obtained oral histories by interviewing a cross-section of employees, both vertically (CEOs and shop floor workers) and horizontally (employees from marketing, finance, engineering, and so forth). The majority of interviewees joined their organization before it began transforming to a market orientation. Oral history interviews lasted from 40 minutes to three hours and were audiotaped. We conducted more than 70 formal interviews during ten months of fieldwork, representing more than 120 hours of audio recordings.

We began interviews in an exploratory manner, focusing on each individual's phenomenological interpretation of the firm's transformation and current state (e.g., Glaser and Strauss 1967; Thompson, Locander, and Pollio 1989). When an informant shared an interpretation of the firm and how it had changed, we clarified ambiguities and summarized what we heard, providing an opportunity for informants to correct or expound on anything we might have misunderstood. We then inquired about factual (e.g., a specific event) and interpretive (e.g., what the event meant) differences among informants within an organization. This provided informants with an opportunity to address events they had forgotten to mention, explain why different people within the same organization interpreted an event differently, and help us make sense of the changes occurring within each organization. Having obtained informants' phenomenological interpretations of change, we concluded the interviews by explaining the nature of the project in more detail, including what we were finding across firms. By sharing this information, we sought to ensure that we elicited any information or interpretation that might be relevant to understanding the transformation to a market orientation. Leveraging the discovery-oriented approach with the vast literature on how other types of organizational change occur, we moved from a phenomenological to a directed inquiry approach, ensuring that we explicitly considered prior suggestions of how firms might change to become more market oriented (Eisenhardt 1989; Strauss and Corbin 1998).

We reviewed hundreds of historical documents across participating firms. 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. Historical documents provided context regarding activities and attitudes in firms before and during their transformations, as well as confirmed and elaborated on oral histories. In addition, historical internal documents provided deeper insight into the actual process of change at each firm.

We conducted ethnographic fieldwork, observing and interacting with firms' employees, customers, channels, suppliers, and consultants. We spent more than 40 days in the field, sitting in senior executive, marketing strategy, sales review, and consultant meetings and sharing breakfasts, coffees, and lunches with informants in company cafeterias, boardrooms, and local eateries. We spent time observing and speaking with employees in company work and break areas. We toured facilities and initiated conversations with whomever we met. We even worked as Harley-Davidson employees at Daytona Bike Week, where we also joined informants for dinners and drinks. Participant observation in the field gave insight into the lived experience of employees engaged in everyday activities.

Data collection and analysis occurred over ten months. We managed interview transcriptions, field notes, and historical documents electronically, using QSR International's NVivo software, which allowed us to code and analyze a vast amount of data across participating firms. Following standard practice for qualitative inquiry, we coded the data iteratively, seeking to find common themes across firms. We refined those themes on the basis of further fieldwork and ongoing discussion (Eisenhardt 1989; Strauss and Corbin 1998). For the initial interviews, field notes, and historical documents, we selectively coded for anticipated change mechanisms (e.g., incentives) and openly coded other passages that appeared to be important to the change process on the basis of informant recollections or our own observations. As we added information from additional sources or incremental firms, we continued to refine our understanding of common processes across firms, which we captured by changes to our coding scheme (Eisenhardt 1989; Strauss and Corbin 1998). Using this approach, we developed an understanding of change at each firm. Simultaneously, we developed a common model of change to a market orientation by comparing and contrasting our findings across firms in a discovery-based approach to theory development (Glaser and Strauss 1967). When we understood how a given firm had changed and our comparisons raised no further questions, we agreed that our understanding had reached saturation, and we concluded fieldwork with that firm (Glaser and Strauss 1967; Strauss and Corbin 1998).

An advantage of the grounded theory methodology and a theoretical sampling paradigm is the flexibility to alter research design on the basis of an evolving understanding of the change process (Glaser and Strauss 1967; Strauss and Corbin 1998). For example, after a period of fieldwork, we identified the fourth stage of change, unanticipated in our original design: maintaining a market orientation. On the basis of this discovery, we recruited Harley-Davidson as a seventh participating firm. Harley-Davidson, a $4 billion

[1]The first author conducted all data collection and analysis under the direction of his dissertation cochairs. We employ the pronoun "we" throughout the article to minimize distraction.

company that provides motorcycles, branded products, and services, 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), and they had not made any discernable progress toward creating a market orientation. Change efforts at BenefitsInc were isolated to branding and brand management activities. Although change efforts at EquipmentCo and MediaCo began more than a year before our fieldwork, these efforts did not seem to be having much impact at either firm. Progress appeared to be impeded by a lack of sufficient political power to implement change and a lack of understanding throughout each organization regarding the nature of the desired change. Nonetheless, an understanding of the change efforts provides a valuable contrast with firms that succeeded in creating a greater market orientation.

We concluded our fieldwork when we achieved theoretical model saturation, a point at which additional fieldwork appeared unlikely to change our model significantly (Glaser and Strauss 1967; Strauss and Corbin 1998). Finally, we prepared our findings and sent copies to all interviewees for member checks, both to help verify the accuracy of our representation and interpretation of each firm's experiences and to provoke any additional insights our informants might harbor (Belk, Sherry, and Wallendorf 1988; Lincoln and Guba 1985).

Results: A Four-Stage Model

Our analysis shows that the process of creating a market orientation occurs over four distinct stages: (1) initiation, (2) reconstitution, (3) institutionalization, and (4) maintenance. The stages are path dependent, and each stage includes multiple steps or activities, which we describe in this section.

Stage 1: Initiation

Given the vast literature suggesting the many advantages of a market orientation, investigations into the antecedents of a market orientation have overlooked what initiates market orientation change efforts. Our research finds that change is precipitated by powerful stakeholders recognizing a threat, who then create coalitions to plan and implement change efforts.

Recognition. The impetus for change was the recognition of an external threat. One dimension of such a threat was financial. All firms 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. For example, having created the cellular phone industry, Motorola saw its leadership eclipsed by Nokia in 1988. Losing the leading sales position was a blow to the essence of how employees viewed themselves and their roles within Motorola as a world-class engineering powerhouse.

Within each participating firm, powerful organizational stakeholders (owners and/or senior executives) recognized these threats and began the process of transformation. The number of stakeholders initiating change varied across companies. In the cases 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, for the most part, did not agree with their sense of how significant a change was needed or the nature of the change required.

Preparation. In the preparation step, dissatisfied and powerful stakeholders initiated backstage preparations for the transformation, spearheaded by a new leader. In some cases, the new leader was also the stakeholder who recognized the need for change; in other cases, the stakeholders appointed a new leader. Preparation activities included development of a guiding coalition based on a shared set of values and agreement on a broad plan for change. Coalition membership was 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. For example, a Weyerhaeuser corporate vice president appointed Bill Blankenship president of Marshfield DoorSystems. 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 focused 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 to outline a new set of values and norms expected of organization members. These included empathy, respect for others, collaboration, teamwork, and a market orientation. The plan for change included six process-focused change initiatives: (1) value proposition and value delivery systems, (2) communication systems, (3) safety, (4) continuous improvement, (5) organizational alignment, and (6) information technology.

In contrast, firms that were failing to create a greater market orientation did not have guiding coalitions based on shared values or agreement on a plan among people expected to create change. Instead, leaders relied on existing management structures, new hires, or consultants to create change, and their plans focused on improving their firms' marketing capabilities and cultures. Plans included creating new brand identities at BenefitsInc and EquipmentCo, hiring experienced marketers to infuse marketing into the organization at BenefitsInc, creating a corporate marketing council to advise and oversee business-unit activities at MediaCo, and marketing and cultural change training at MediaCo and EquipmentCo.

Stage 2: Reconstitution

Reconstitution is the organizationwide implementation of the plan for change. It comprises five steps: (1) demarcation, (2) value and norm development, (3) reconnection with the market, (4) removal of dissenters and hiring of 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 were characterized by several common attributes: (1) They were public and open, and all organization members simultaneously witnessed the event; (2) the challenge to the firm was explained as authentic and compelling; (3) the plan for change and the values, norms, and behaviors the coalition sought to inure were clearly communicated; (4) the change process was framed as market focused, not marketing centric; (5) and the guiding coalition's actions were showcased in harmony with the desired culture.

The ceremony at Marshfield DoorSystems is an excellent example of the dramatic nature of such events. In January 1994, Bill Blankenship and Jerry Mannigel had been in charge for three months when they called a companywide meeting. People were worried. No executive team had ever called a companywide meeting. People entering the makeshift hall inside the plant noticed that something was more than amiss; it was odd, out of context, and blatantly ridiculous. Railroad crossing posts—lights and all—flanked the podium where Bill Blankenship was standing. An old-fashioned, steam-driven passenger train, replicated on a banner that was strung up above and behind the podium, ran 15–20 feet across and 3–5 feet high. Pasted on the locomotive was a picture of Bill Blankenship, 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 a while, the train stops and lets some people off, and you have a choice: What kind of a passenger 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 companywide meeting marked the first time senior management publicly outlined the transformation plan. That everyone was informed simultaneously was noteworthy on its own. At the same time, management opened the organization's books to the union, so the union could review Marshfield DoorSystems's financial condition firsthand. More than eight years later, informants recalled the ceremony and related actions as a turning point for the company, when management unambiguously involved everyone to participate in the transformation of the firm.

EquipmentCo, MediaCo, and BenefitsInc did not have salient demarcation events. Instead, their firms communicated change efforts over time through formal channels; senior managers were notified first, followed by middle managers, and so forth. Informants recalled participating in specific workshops or training sessions, but they did not recall any overall plan for change, other than increasing organizational and/or marketing effectiveness. Finally, informants at the three firms that were failing to achieve a market orientation discussed how executives often acted in conflict with the espoused values and norms suggested by change efforts, and several senior managers publicly disagreed with official change efforts.

Value and norm development. The guiding coalitions perceived their existing firms' cultures as major impediments to organizational change and long-term success. Organization cultures before transformation were diverse, but they can be characterized as sharing the following attributes: a bureaucratic and internal focus; a reliance on historically successful approaches to solve new problems; highly structured routines parsed out by function and historical origin; employees identifying more with their function, job class, location, or other subgroup than with the overall organization; low levels of trust between groups within the organization; a lack of a common understanding of what the firm was trying to accomplish and how; passive-aggressive behaviors due to internal norms to be nice, coupled with the simultaneous use of covert methods to accomplish personal or group goals; and transactional leadership, defined by the extensive use of explicit rewards to manage employee behaviors.

Recognizing these challenges, the guiding coalitions attempted to create a new set of organizational values that, in combination 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 all) to Harley-Davidson, which communicated its values implicitly through a focus on customers and internal cooperation. Among participating firms, we identified six common cultural values. We list these in Table 1. Following Schein's (1985) organizational culture framework, we provide the basic assumption underlying each value and the behavioral norms emanating from each value as well.

As an organizational value, the market as the raison d'être provides common meaning for all organization mem-

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

Value	Assumption	Behavioral Norms
Market as the raison d'être	We come together as an organization to serve the market and make a living.	Every decision and action must consider how it affects the market.
Collaboration	Working together, we can achieve more, faster and better, than 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.	Consider the perspectives, needs, training, expertise, and experiences of others when reacting to or interpreting their actions.
Keep promises	To succeed, everyone must do his or her part.	Each employee is responsible for following through on commitments to others.
Openness	Honestly sharing information, assumptions, and motives allows others to understand and effectively collaborate with us.	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.	Trust that your fellow employees are telling the truth and will follow through on commitments.

bers and is broadly inclusive, creating one socially constructed in-group that encompasses all organization members. Such an inclusive in-group definition fosters positive attributions and behaviors among 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. In addition, we found the market as the raison d'être to be the central cultural value providing a rationale for the other five values of trust, openness, promise keeping, respect, and collaboration, all of which are required for an effective market orientation. As such, the combination of the six cultural values creates an organizational environment that is supportive of organizationwide 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.

The guiding coalitions used three methods to encourage adoption of these values and norms and, consequently, behaviors consistent with these values and norms. First, the guiding coalitions created change by explicitly modeling behaviors aligned with the desired values and norms. Second, they used rewards and recognition to encourage behaviors that were aligned with the desired values and norms, and they penalized (including removal from the firm) failure to adhere to the desired values and norms. Finally, they inculcated desired values and norms in organization members through participation in subsequent transformation activities.

Beginning with demarcation, the guiding-coalition members' behaviors and organization rituals played an important role in changing firms' cultures. For example, following the guiding coalition's leveraged buyout of Harley-Davidson from AMF, there were several symbols of management's intention to create a culture of trust and collaboration focused on the needs of Harley-Davidson customers. These included sharing detailed financial information with the union, as one informant explained:

> [U]ltimately, 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, [and] looking at the union as a fellow stakeholder.

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

The guiding coalitions also used rewards and recognition to create cultural change. The most prevalent recognition was interpersonal, with the guiding-coalition members showing approval, support, or disapproval of particular employee comments or actions in various venues, such as at Harley-Davidson demo rides, in Motorola PCS war-room meetings, and on Marshfield DoorSystem's factory floor. By demonstrating appropriate behaviors in front of the guiding-coalition members, employees signaled their adherence to change efforts, to which the guiding-coalition members reacted favorably by complimenting or paying attention to employees.

More public and permanent recognitions that transcended time and place were also used to engender cultural change. 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.

Regardless of the mix of methods organizations used, we found that their effectiveness at creating cultural change varied directly with their "authenticity." Authenticity refers to the perceived congruency among management actions, rituals, symbols, and the values and beliefs espoused by the guiding coalition. When discussing the change process with the guiding-coalition members at Harley-Davidson, Marshfield DoorSystems, Motorola PCS, and Alberto-Culver, we found that they exhibited an almost evangelical passion and commitment to the change process and espoused cultural values. Their emotional commitment was unambiguous and entirely consistent with informant recollections.

For BenefitsInc, a firm that was not realizing a market orientation, we found no cultural change efforts. Conversely, MediaCo and EquipmentCo engaged in firmwide cultural change efforts, but these efforts were managed by an organizational development consulting firm (both companies used the same consulting firm). All employees were required to participate in cultural change training. However, informants perceived these formal cultural change efforts as insincere. For example, executives received three or more days of extensive training a year before the lowest-level employees received a half-day of training, contradicting the notion that all employees have something to contribute. Informants also noted that some executives openly questioned the value of the training, and other executives claimed to support the desired culture but did not follow the espoused norms. One MedicaCo informant summarized his frustration:

> I think there's this big disconnect. You have those things, the values and visions of the company from [the CEO's] mouth. But that's about as far as they fall. I mean, what are those things? I mean, what do they really mean?… [M]onth, after month, after month, after month of culture transformation exercises and then different [planning] initiatives,… that's where you create credibility gaps with senior leadership who are trying to lead. Because people say, "Wait a minute! *This doesn't sync up!* You tell me one thing but you're doing another."

Reconnection 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). Value differences between more effective and less effective organizations exist not in their labels but in what those values mean and the appropriate norms and behaviors tied to them (Argyris 1990). The same appears to be true for creating a market-oriented firm, the greatest challenge being to determine exactly which behaviors align with the market as the raison d'être.

For example, EquipmentCo invested heavily in cultural training compared with other firms in our study. Nevertheless, organization members were vexed by the ambiguity of what a customer focus meant and, thus, what behaviors exhibited 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 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 1500 guys that you want me to sell, and I'll sell 'em, but I don't know which 1500 right now."

Informants at Harley-Davidson, Marshfield DoorSystems, Alberto-Culver, and Motorola PCS recalled similar frustrations before their transformations. This suggests that an organizationally shared market understanding differentiates more market-oriented firms from those earlier in the change process and differentiates more market-oriented firms from the same firms before beginning the transformation process. Thus, to create a greater market orientation, firms create an organizationally shared market understanding, enabling organization members to determine appropriate behaviors that are consistent with the value of the market as the raison d'être.

Firms create shared understandings—or shared market schemas—by sending cross-functional teams into the market to meet with customers, channels, 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 "a Harley Rider" for Harley-Davidson. Teams then vicariously 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 more than 20 years of industry experience shared the following:

> I went on a few trips.… 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.

The informant was aware that delivering products to specification and on time was important, but meeting distributors, building owners, general contractors, and architects created a new sense of urgency and importance around these expectations. The informant developed an appreciation for *why* these things were important and the impact of failing to meet such expectations. When he discussed his firm's value proposition, he relayed these personal stories, providing context and understanding for the value proposition. This allowed a listener 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 they did not have the money to hire outside people. Soon after, Harley-Davidson began to realize benefits similar to those at Marshfield DoorSystems, and eventually, all employees were *expected* to work in the field to understand customers and their needs (e.g., Fournier et al. 2000). Motorola and Alberto-Culver sent smaller groups of people into the market, who similarly brought back market insights to create organizationally shared understandings in their firms.

At Motorola, the Global Design Planning team was responsible for managing fieldwork as part of the product development teams' uncovering consumer needs and trends. One team member explained, "The [Global Design Planning] 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 StarTac…. [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, much like the employees at Marshfield DoorSystems who heard stories from returning colleagues. 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 that highlighted 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: everyday communication, easy business, corporate business, networked entertainment, and 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 to contextualize each segment. All products were first defined within the brand compass metaphor and then elaborated on the basis of their specific attributes, such as corporate e-mail access or fashion/style consciousness. The brand compass allowed people to discuss various handset and service initiatives within a common understanding of what they were trying to accomplish collectively.

Reconnecting with the market is not defined by fieldwork alone, but also by how such experiences are shared in the field from multiple perspectives and then shared within the organization to create shared meaning. Informants from each of the firms that were failing to realize a market orientation recalled sporadic field visits with customers conducted by functionally homogeneous teams that did not share the results internally. A BenefitsInc informant recalled,

> That reminds me, the first boss I had here believed that people should leave the office. He always thought the people at [divisional headquarters] really never left the office. So he wanted people to go out and do customer interviews. [We found an academic specializing in customer visits and had] an internal interviewing training program to teach people who are not market researchers how to conduct an interview…. [My boss] got all the people in marketing … and some sales people too,… and they went and interviewed customers…. There were teams, three or four at a time…. It worked out pretty well,… but the follow-up through some type of methodical "what did we find" didn't really ever get done, at least not that I know of.

Removal of dissenters, hiring of believers. Although initial cultural transformation efforts are sufficiently effective early 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 recruitment processes, henceforth requiring that individually held values of new members closely match those of the organization. These changes suggest a higher-level change 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, and others were new to the organization, recruited on the basis of functional competencies and ability to fit into the culture. As one informant recalled,

> [Bernick] 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 [research and development] … 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.… [O]bviously you've got to perform in your function, but you have to understand and support and drive the culture into the organization.

In conversations with the newer executives, it was clear that their values were aligned with the firm's values. The Alberto-Culver culture played to new executives' strengths and fit what they were looking for later in their careers, following successful careers with much larger, bureaucratic organizations. When we asked newer executives about collaborative team meetings with invitees from across the company, they were often puzzled by the question and said they had always worked that way. Thus, 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.

Regarding firms that were failing to realize a market orientation, there was no comparable removal or hiring of people based on cultural fit. On the one hand, because their firm cultures appeared much weaker, it is difficult to imagine how they could make personnel decisions based on cultural fit. On the other hand, it appears that the lack of consequences for defying the desired cultural norms impeded cultural change and thus resulted in weak overall organizational cultures.

Collaborative strategy. At this transformation 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, the collaborative development of strategy leverages a firm's collective knowledge and capabilities, leading to more creative and realistic strategies (i.e., they can be implemented). In addition, 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.

Indicative of this process, 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 pretransformation 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 can then work through normal process, which is more condensed. It's more focused.… What's fun is … 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 because of a new shared understanding of the market, this shared understanding did not replace traditional marketing research. As a Harley-Davidson marketer observed, "Market research just meant more.… [I]t made it much easier when presenting findings or ideas within Harley-Davidson. People would say, 'Oh yeah! I remember this one guy.'"

Conversely, this new collaborative approach changed the role of formal organization structures. From this stage forward, collaborative cross-functional teams conducted the vast majority of work; any individual could be on multiple teams, and no two teams comprised the same members. This concept was exemplified by a Motorola informant's observation that "one of the other things Mike says 50 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.'"

Without the benefit of a shared market understanding and agreed-on norms for behavior, the three firms that were failing to achieve a market orientation were demonstrably frustrated in their marketing strategy efforts. Introducing the new brand identity at BenefitsInc was laborious as a result of different conceptions of what the business was versus the proposed brand promise. After the new brand identity was implemented, senior managers believed that it would lead to organizational change, but a member of that effort confided that there was now "this sense of imbalance in terms of what the marching orders are versus what can be realistically achieved. I think, underneath it all, employees understand that big difference, and if they understood that, 'Hey, you know what, there's a realistic mission here, and we're quick to accomplish it,' they'll do it. Otherwise,…

you're told, 'OK, it's D-day, scale that cliff.' [Then the employees say,] 'Well, with what? What kind of backing do I have?'"

Even with the cultural transformation workshops and assistance from outside business consultants, MediaCo and EquipmentCo informants shared a frustration with strategy development, and no one seemed to understand how it all fit together. A MediaCo informant commented, "There's a [strategic] plan, and it's completely divorced from what we're doing.... [A]lthough we suffer from that like everyone else, I've never seen anything ... so completely decoupled [from reality].... We don't have a planning process that actually links our [strategic] plan to our operational plan. In fact, we don't have operation plans; we have budgets." Similarly, an EquipmentCo informant shared, "[W]e were talking yesterday about the planning process in general. We got in these kinds of debates of when we have to have our plans due, and I was like, my team, it's very hard for us to develop our plans before the [product] centers have their plans in place, because what we need from them is, 'What target markets are you going after? What segments?... What kind of market share growth do you want...? What are the key value drivers...?'"

Summary. The reconstitution stage consists of taking the new concept for the firm public with a demarcation ceremony. After the plan becomes public, the effort turns to value and norm development, reconnecting with the market, personnel changes, and the development of a collaborative strategy. As a result of these efforts, the reconstitution stage creates the culture, understanding, and processes that lead to the organizationwide generation of, dissemination of, and responsiveness to market intelligence described. Elements of this process or ethos have been discussed by other researchers (e.g., Allen, McQuarrie, and Barr 1998; Gouillart and Sturdivant 1994; Kohli and Jaworski 1990; Shapiro 1988). For example, others have advocated cross-functional customer visits (Allen, McQuarrie, and Barr 1998). Our analysis shows how these elements are woven into a process. Moreover, we show 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 3: Institutionalization

By the time firms reach Stage 3, they have undergone dramatic, fundamental changes. These changes, however important, remain informal to a significant degree. That is, the organizational culture and resulting behaviors have changed much more dramatically than the formal organization structure and supporting attributes. In Stage 3, organizations institutionalize these changes. The speed and effectiveness at which organizations successfully institutionalize these changes depends heavily on their experience in prior stages. Firms that realize greater levels of market success develop increasing comfort working in a market-oriented manner, accelerating their institutionalization. Simultaneously, the guiding coalitions create explicit symbols, artifacts, and rituals to retain and further encourage a market-oriented culture, characterized by (1) formalization, (2) alignment of rewards, (3) indoctrination and training, and (4) power shift. At the time of our fieldwork, Marshfield DoorSystems, Alberto-Culver, and Harley-Davidson had progressed through the institutionalization stage.

Formalization. The guiding coalitions explicitly formalized their organizations' evolving market-oriented cultures through symbols, rituals, and artifacts. These included organization structure changes at Harley-Davidson, the implementation of high-performance work systems at Marshfield DoorSystems, and the explicit defining of cultural values at Alberto-Culver and Harley-Davidson.

In 1993, Harley-Davidson moved to a circular organization structure, formally institutionalizing its collaborative culture. The functional leadership group was composed of Harley-Davidson's top management with three subgroups: create demand circle, produce product circle, and provide support circle. Even with a history of participation and collaboration, a Harley-Davidson executive explained how the circle concept further 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 [vice presidents] 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.... So we had to find the point where there's constructive interaction and where there's just simply meddling. Meddling is not productive. But it is impossible to live in a silo because we're so integrated with each other. There's very little that I do that somebody else doesn't feel, and vice versa.

Alignment of rewards. The intrinsic motivation from serving the market and working 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. However, at a point when employees feel empowered and the organization is successful, employees perceive working harder as primarily benefiting 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 participating firms, the implementation of group-based variable compensation schemes addressed these concerns and further institutionalized a market-oriented culture.

For example, despite 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, p. 145) note, "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."

To address these issues, the company first implemented a new personnel development and evaluation system, matching individual expectations and 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, p. 106). This alignment also provided flexibility in adapting to changing market and organizational conditions. Employees were expected always to do what was best for the organization under the broad umbrella of its values and objectives, without having to make trade-offs between individual compensation and the organization's welfare.

In parallel, everyone's compensation was altered to include a variable component that corresponded with Harley-Davidson's success (or lack thereof). Management defined performance metrics at the business unit or plant level (the largest collaborative group with control) 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 on the basis of the goal levels achieved.

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 to understand assumptions underlying the culture. In addition, employees and managers often lack the knowledge or skill levels required to meet escalating expectations as firms become even more market oriented. To address these challenges, firms institute indoctrination programs for new employees and ongoing training programs that reinforce and refine the culture through skill development for current employees.

For example, in 1990, Harley-Davidson instituted employee orientation programs. An informant recalled, "When I came here there was an awful lot of formal training.… 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, but it was a smaller company then." In addition, the informant received a copy of *Well Made in America: Lessons from Harley-Davidson on Being the Best* (Reid 1990), which documents 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 the culture, provide a broader understanding 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 above his desk and, while thumbing through it, explained, "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.… [W]e'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 the guiding-coalition members to all organization members. Employees are responsible for making decisions and acting appropriately within the agreed-on framework of each firm, as well as ensuring everyone else is doing the same. Within participating firms, the guiding-coalition members viewed these behaviors as evidence of a successful transformation.

Indicative of this change, a Marshfield DoorSystems informant commented,

> We had [a reengineering blitz] that took place about ten days ago.…[T]here 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, [and] 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 that] 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 other organization members' cultural infractions. In other words, the power used by the guiding coalition to guide the transformation is distributed progressively among all organizational members to maintain that culture. For example, 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 executive behavior regarding the cultural value of openness during an all-company meeting, commenting, "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 acceptable employee behavior, a senior executive apologized for the oversight, promised to fix the problem, and suggested that the employee follow up if no action was evident.

Summary. The institutionalization of a market orientation requires formalization of organizational structures and processes, alignment of rewards, and cultural indoctrination through training. These changes institutionalize a power shift 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. Thus, formal changes institutionalize and reinforce earlier cultural changes. Furthermore, the natural consequence of a strong culture is that it relies on individuals distributed throughout the organization to ensure cultural enforcement rather than relying on power concentrated within an elite guiding coalition, as was the case for instigating cultural change.

Stage 4: Maintenance

A curious phenomenon occurs after organizations achieve a greater market focus: Employees develop increasingly divergent interpretations about why their firms changed and the attributes responsible for their firms' success. Employees who join firms after transformation voice the most significant interpretation variations. Organization members who participated in the transformation also offer variations, and the degree of variation is positively correlated with the amount of time since the 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, engaged in by hundreds or thousands of people, into the more appealing root metaphor of a savior-driven transformation (e.g., Turner 1975). Similarly, attribute-focused interpretations reconstruct history to fit current circumstances and enhance the inherent capabilities or importance of one of three causes: mythological figures, collective organization members' ability to face adversity, or pure luck. Such attribute-focused interpretations offer much simpler explanations than the actual series of changes responsible for firms' transformations. Although more easily comprehended, such attribute-focused interpretations create non-market-focused suggestions for how to handle future challenges, such as recruiting or revealing a new mythological leader, bearing down and working harder, or hoping for good luck.

Given these alternative 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: cultural screening of new members, culture maintenance rituals, and ongoing market connection activities to update market schemas and validate market-oriented process schemas. Firms also exhibit two characteristics protecting their market-oriented cultures from outside influences: Cultural "flame keepers" approve organizational changes based on cultural consistency, and there is 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. With a workforce of 8000 employees and incredible growth, Harley-Davidson screened new members using a prescribed process. To maintain a culture of "Harleyness," Harley-Davidson's recruiting process was extremely rigorous, focusing primarily on a cultural fit. In the words of one informant, "[W]hen 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 at the Motor Company 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 provide a historical context for how firms progressed to their current states and cultures. In contrast to previous indoctrination efforts, seasoned employees also partake in similar rituals, reminding them of the history and assumptions underlying their market-oriented culture.

For example, an executive informant explained that Harley-Davidson was considering some type of cultural tune-up program for all employees:

> [S]ome 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, cross-functional field visits appear to be crucial for maintaining a market orientation. Although all three firms conducted surveys and focus groups and performed 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—of the stuff in the field. 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 its composite division's value proposition during our fieldwork. As with the original value proposition work, the firm was sending cross-functional teams into the field to interview buyers and so forth to develop a new value proposition based on their shared experiences.

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

> Even when I go to rallies now—I hadn't been to a rally in eight years when I signed up for Daytona this year when I met you—I came 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.

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

> 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 firms adapt to changing market needs, employees are continually faced with procedural and other choices that could affect firms' cultures. 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 that procedures or programs adopted in an effort to improve the organization do not negatively affect 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 the identical system and require all workers to participate. One of the original guiding-coalition members questioned whether such a system was consistent with the firm's core values. Following an elaboration on 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 maintaining a market orientation is an organizationwide skepticism toward management fads and fashions. Similar to the constant referencing back to shared market schemas regarding the appropriateness of actions, employees reference their shared market and process schemas before considering changes to any process 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, Harley Owners Group, demo rides, registrations, and so forth. However, tying them together was not necessarily the right thing to do for Harley-Davidson, as the informant explained:

> 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, 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 [CRM] 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

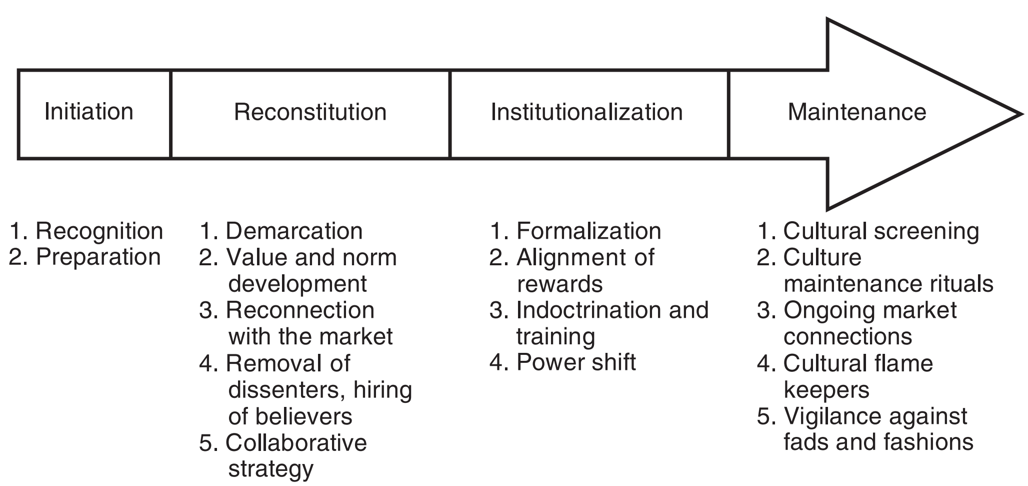
Our research shows that the creation of a market-oriented firm involves several interdependent changes at the individual, group, and organization levels that occur over several years. The four stages of that process appear in Figure 2, which shows that each of the stages has a distinct character and is composed of several steps. Stage 1 focuses on planning for change by a small group of powerful executives. Stage 2 is characterized by guiding-coalition efforts to build a consensus for change, based on new organizational values and norms and shared market experiences. If successful, the firm moves to Stage 3, in which it institutionalizes changes in organizational structure, processes, and formal rewards. In Stage 4, having achieved a greater market orientation, the organization creates mechanisms to sustain it.

Creating a Market Orientation Through Cultural Change

Our analysis, as reflected in this model, illustrates 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 them with transformative market experiences. Cultural values are initially inculcated through management actions that exemplify desired values and through the recognition and rewarding of behaviors that are aligned with desired values. These management actions and rewards bear much closer resemblance to culture change levers that focus on intrinsic motivation, group dynamics, and social acceptance (e.g., O’Reilly and Chatman 1996; Schein 1985) than the teleological mechanisms of management direction and extrinsic pay for performance, as existing market orientation research suggests (e.g., Jaworski and Kohli 1993).

Our analysis reveals that creating cultural change requires direct or vicarious market experience, providing organization members with shared meaning and purpose. We find that organizationwide sharing and making collective sense of market experience is responsible for effecting a change to a market-oriented culture. The cross-functional, organizationwide nature of such activities creates an organi-

FIGURE 2
Process of Creating a Market Orientation



zation affiliation around serving the market as the most salient and attractive association for all employees. In other words, shared market experiences provide shared understanding and meaning to the cultural value that differentiates a market-oriented culture, namely, the market as the raison d'être. Although previous research has investigated the relationship between shared meaning and performance (Hult, Ketchen, and Slater 2004; Moorman 1995), our findings support the notion that shared market experiences contribute to a larger cultural change process to a market orientation (Narver, Slater, and Tietje 1998). Our findings also contrast with prevailing cultural change models in the organizational development literature (e.g., French and Bell 1999). Specifically, we find that firms that rely on organizational development consultants to facilitate change through behavioral interventions but do not reconnect with the market to create shared meaning and purpose do not realize a greater market orientation.

Beyond shared meaning and purpose, 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) in cross-sectional research (Jaworski and Kohli 1993; Kirca, Jayachandran, and Bearden 2005). Thus, within a larger process of creating a market orientation, our research offers insight into how firms create cooperation and reduce interdepartmental conflict previously not addressed.

Overall, however, our model for creating a market orientation differs considerably from the existing literature, which proposes three antecedents to a market focus: top management focus, interdepartmental cooperation, and reward systems (Jaworski and Kohli 1993; Kirca, Jayachandran, and Bearden 2005). One implication of this view is that actions taken to increase the level of any one antecedent will lead to a greater market orientation, all else being equal. In contrast, our results reveal a much richer, more complex process of organizational change. Our analysis shows 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. According to our analysis, top management focus is required to begin and guide the process. Empowered stakeholders recognize a threat and begin the process of forming a coalition to transform the organization. Cooperation among functions is essential, but it requires top management support, common experiences, and a shared meaning structure to be effective. Organizational rewards are important as well, but our analysis reveals that this is the case 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, top management focus, interdepartmental cooperation, and reward systems operate in a particular sequence as part of a larger, more complex cultural change process.

Market Orientation

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 the debate about whether market orientation is simply a set of behaviors or a culture. Researchers advancing a behavioral perspective suggest that the activities of a market orientation are separate from organizational culture (e.g., Deshpandé and Farley 1998; Kohli and Jaworski 1990), whereas others suggest that it is an organizational culture that encourages such behaviors (e.g., Homburg and Pflesser 2000; Moorman 1995; Narver and Slater 1998). Our analysis provides further support for the cultural perspective. For example, as does Moorman (1995), we find that organizational culture plays an important role in organizational information processes. More important, our analysis 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, keeping promises, respect, collaboration, and viewing 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 a rationale to collaborate 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 changes that follow.

These cultural values are the basis for market-oriented behaviors, namely, the generation of, 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 among organization members, distribution of rewards and recognition based on behaviors consistent with the culture, and the organization as the primary group identification of members (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. These cultural values, however, appear to be necessary, but not sufficient, for the presence of market-oriented behaviors.

Intraorganizational Power

Our research demonstrates that market-oriented organizations are characterized by a particular distribution of intraorganizational power. Power in organizations has been studied extensively (e.g., Pfeffer 1981; Van de Ven and Poole

1995). This work considers an organization a collection of individuals or coalitions, both advancing their own agenda with differing degrees of success in achieving their desired outcomes. In marketing, analyses of interorganizational power play a central role in the study of distribution systems (e.g., Stern and Reve 1980). However, research on market orientation has not incorporated the notion of power. Therefore, it implicitly assumes that all individuals within the organization share a common goal (e.g., Day 1999; Jaworski and Kohli 1993).

In contrast, our research finds that interpersonal and intraorganizational power play a significant role in the change to a market orientation, particularly with regard to instigating change, guiding change, and distributing the use of individual power to maintain a market orientation. Instigation of change to a market orientation begins with a market-oriented coalition gaining control through a dialectical struggle of ideas and power. Having won this struggle, guiding coalitions wield their power to guide cultural change through value 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 to a more egalitarian distribution among organization members. This change from concentrated to distributed power is possible because of the growing strength of a market-oriented culture, and it is also necessary for acting collaboratively in a market-oriented manner. Thus, our research illustrates that the distribution of intraorganizational 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 it is 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., Baker and Sinkula 1999; Slater and Narver 1995). Although market-oriented firms may indeed be learning organizations, organizational learning is not considered necessary for a market orientation.

In contrast, our research implies that 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; this is referred to as a "third-order" change (Bartunek and Moch 1987). The creation of such process schemas 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, and by operating in a market-oriented manner, the culture continues to strengthen while becoming increasingly adept at monitoring and reacting to market changes. We believe that this capability is an integral characteristic for maintaining a market orientation. Organizational learning and the schemas that result—market and process schemas that firms use to adapt to the market—are important, yet often-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 literature. Within the organizational behavior literature, scholars have identified four principal motors 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 12 major research streams have been identified that incorporate one, two, or three of these change motors (Van de Ven and Poole 1995). Sociologists have identified other modes of change, such as coup d'etat, insurgency, and mass mobilization (Zald and Berger 1978). This literature describes these 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 illustrates that creating a market-focused organization requires several of these change mechanisms or modes in a 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. Although similar to previous descriptions—each of these stages is recognizable on the basis of similarities to other situations—the combination and sequence is unique.

Moreover, each stage has unique characteristics that have not been previously identified. Consider the insurgents who start the process. The sociological literature discusses an insurgency as a group of disempowered members of an organization who seek to topple the empowered. In contrast, we observed an elite insurgency, an insurgency of the powerful. Likewise, mass mobilization is typically used by disempowered individuals or groups to overwhelm the powerful. In our analysis, however, the insurgents use their power to create a greater enthusiasm for change by mobilizing the masses within the organization. Contrary to the conventional stereotype, they are "elitist revolutionaries" who plot to transform the culture and to create a new order that devolves power to the masses.

Conclusion

Market orientation is a centrally important idea to marketing and a growing number of 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 shows that organizations create a market orientation by engaging in a four-stage process of cultural transformation: (1) initiation, (2) reconstitution, (3) institutionalization, and (4) maintenance. This process imbues the organization with a set of cultural values that support market-oriented activities, an organizationally shared understanding of the market, and organizational learning capabilities. Our results show that these cultural values are central to the new organization that emerges from this process and that the intraorganizational distribution of power and organizational learning play central, though overlooked, roles in creating and sustaining a market orientation.

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