

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).

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.

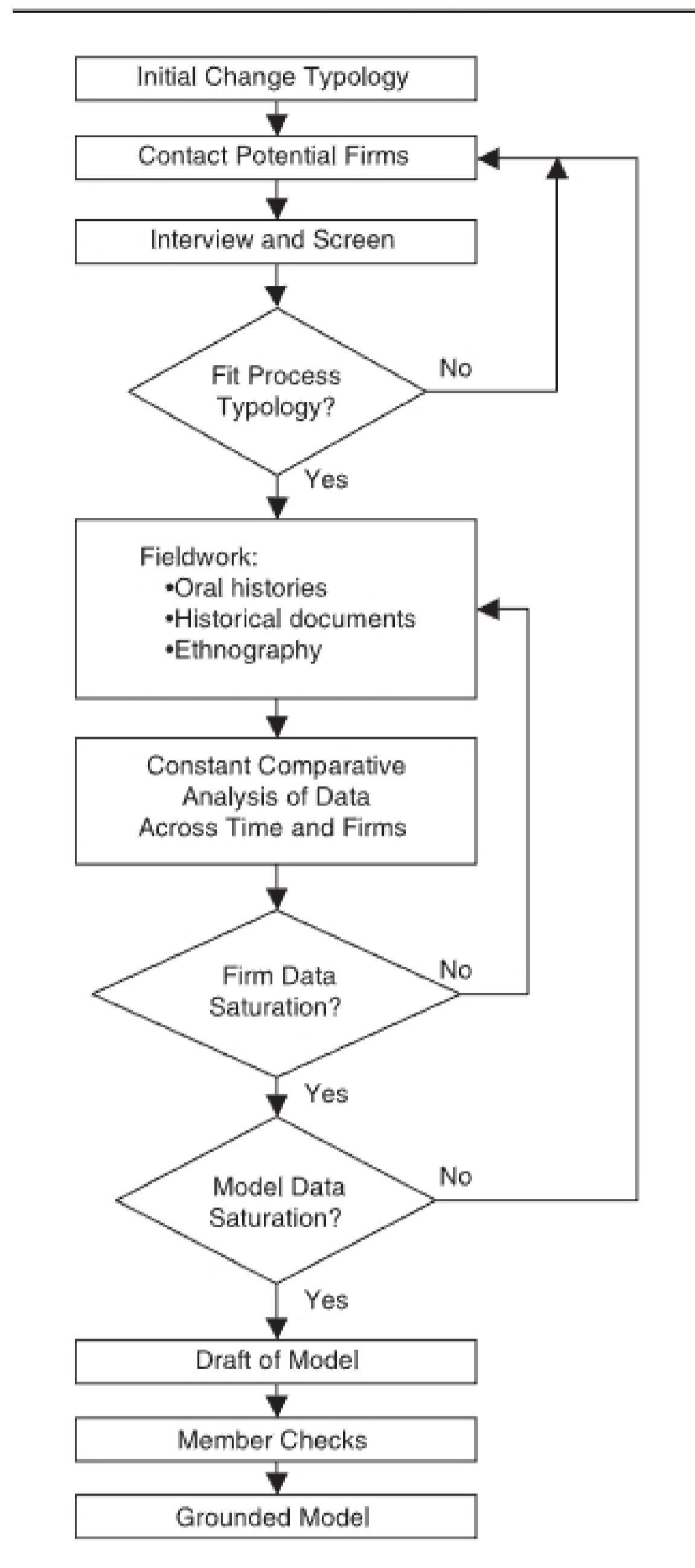
Research Process

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 organiza-

FIGURE 1
Research Process



tionwide *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-