The Implementation of a Market Orientation

Erik M.van Raaij

THE IMPLEMENTATION OF A MARKET ORIENTATION

Designing Frameworks for Managerial Action

Erik M. van Raaij

Promotoren

    Prof. dr. ir. J.M.L. van Engelen, Rijksuniversiteit Groningen
    Prof. dr. A. Rip, Universiteit Twente

Assistent-promotor

    Dr. ir. J.W. Stoelhorst, Universiteit Twente

Overige leden van de promotiecommissie

    Prof. dr. ir. J.J. Krabbendam, Universiteit Twente
    Prof. dr. H.S.J. Robben, Universiteit Nyenrode
    Prof. dr. W. van Rossum, Universiteit Twente
    Prof. dr. A.M. Sorge, Rijksuniversiteit Groningen
    Prof. J.R. Wensley BA MSc PhD, University of Warwick

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Erik Martijn van Raaij
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This thesis deals with the question of what a market orientation is, and how a market orientation could be implemented in an organization. A word of warning should be issued here: popular interpretations of what a market orientation is, may be totally different from what has become known over the past decade as 'market orientation' in the marketing literature. Within the marketing literature, an organization is called 'market oriented' when it has the abilities to collect market intelligence, disseminate this intelligence across departments, and use this intelligence to create distinctive value for its customers. It is this understanding of the market orientation concept as collecting, disseminating, and using market intelligence, that underlies the argumentation that is developed in this thesis.

Furthermore, before you start reading the core text of this thesis, I need to stress that this thesis discusses the implementation of a market orientation with the manager as the ultimate user of this study's findings. This means that the usefulness of this study's outcomes has always been one of the driving forces behind my research endeavors. The ambition of this study is not to develop theory per se, but to develop theory that allows for managerial action, or, in the words of Stoelhorst (1997), theory that allows for (social) engineering. Such an engineering approach is revealed in various aspects of the thesis: in my analyses I look at organizations as systems, with a focus on the business processes that transform inputs into outputs; my overall approach is a design approach; and in my recommendations I concentrate on those factors of organization that can be 'engineered' by managers.

Many people have contributed to the thesis as it now lies before you in its definitive form. Some have contributed by shaping me as a person, others by shaping my thinking about research in general and market orientation in particular, and yet others by shaping the book itself. First of all, there is Jan-Willem Stoelhorst who got me into this, back in 1994, and who continued to provide me with the support to get me through. Jan-Willem, you have been much more than an advisor for my Ph.D. research; I shamelessly copied many aspects of your ways of teaching, supervising students, and writing in English, though I will probably never be as good as the original. On those occasions where I lost sight of where I was heading with my Ph.D. research, footnote 19 on page 106 of your thesis always reminded me of my mission.

If there is anyone who helped me to develop an engineering approach to business problems it is my first *promotor*, professor Jo van Engelen of the University of Groningen. Jo, right from the start you have been an indispensable personal coach and motivator. You always managed to say the right things at the right times in order to help me pursue this project to its completion. Thanks to you, relevance and usefulness of scientific research have always received a high priority.

I am grateful to my second *promotor*, professor Arie Rip, for his guidance in the final stage of the research. Arie, despite your late involvement in the project, you quickly brought yourself up to speed. Although, or perhaps because, we did not always speak the same language, you have made an important contribution to the quality of the argumentation in the manuscript.

This study could never have been completed without the support of the two companies that were willing to grant me access to their attempts to implement a market orientation. Although, of course, many employees in both companies have made invaluable contributions, I specifically want to mention Hans Jan, Henk, Jos, Nico, and Willemijn. Above all, access to organizational reality is founded on strong, trust-based relationships with organization members. You have all made me feel more than welcome in your organizations. Without you, this research would have lacked its essential linkages to the real world of organizations.

As the Ph.D. research progressed there were a few instances where I found an elephant blocking the road. Not only Jo and Jan-Willem have helped me chase those elephants off, or gently push them aside, Arjen van Dijk, Koos Krabbendam, and Wouter van Rossum have also been more than helpful clearing the path towards completion of the project.

Many friends and colleagues have crossed my path, walked with me for a portion of the trip, provided direction when I was lost, or just stood beside me when I needed some help. During the six years that I spent in the BB-building, I shared my room with ten fellow researchers. These were, in order of appearance, Marc Douma, Jurgen Alblas, Eric Otto, Dietje van Eif, Joanke Visser, Patrick Bliek, Eric ten Pierick, Renee Dooyeweerd, Jeffrey Powell, and Marijke van der Veen. Although I always felt that it was *my* room, which made it difficult for me to get used to the idea that I had to share the room with you, I had a great time with all of you.

If there was one thing that I really loved about being a Ph.D. student it was meeting fellow Ph.D. students at doctoral seminars and conferences. I have fond memories of many people, but I specifically want to mention

To all family and friends that I have not mentioned here by name: although you might not have had a direct role in the realization of this thesis, you did contribute to making me the person I am now, and I thank you all for that. As I write this, my head is filled with names of those I would have liked to mention here; yours is surely among them.

Finally, of course, I want to thank Karin, who, as soon as she realized this project was never going to end without my full dedication to its completion, stepped back and gave me the time and the support to bring it to a closure. Karin, soon we will again be able to have a cappuccino whenever we feel like it, travel to all corners of the world, and do everything in between.

Erik M. van Raaij
Enschede, May 2001

I SETTING THE STAGE

This thesis consists of four parts. The first part covers chapters one to three. In these chapters the 'why', the 'what', and the 'how' of this study are discussed. The starting point for this study is the lack of normative theory for the implementation of a market orientation. The marketing literature extols the virtues of a market orientation, but is almost silent when it comes to practicable insights for the implementation of such an orientation. The aim of this study is to fill that vacuum through the design of frameworks that may guide managerial action. Chapter 1 describes the background of the study and provides a brief overview of the thesis. Chapter 2 presents a review of the market orientation literature, leading up to the conclusion that the implementation issue in market orientation is in dire need of additional research. Chapter 3 introduces the design objective for this study and presents 'designing-in-action' as the design-oriented action research strategy for this study. With these three chapters the stage is set for the design of managerially relevant frameworks for the implementation of a market orientation.

Ten years ago Benson P. Shapiro introduced us to Wolverine, an industrial company that manufactures control equipment. The Chief Executive Officer (CEO) had called together the management team for a crisis meeting. Sales were off, and earnings were off even more. Market share was down in all product lines. After having explained the problems his company was facing, the CEO concluded:

> "The only way we can get out of this mess is for us to become customer driven or market oriented. I'm not even sure what that means, but I'm damn sure that we want to be there." (Shapiro 1988, p. 119).

It is clear from this statement that this CEO is convinced that improvements in the organization's market or customer orientation will lead to improved performance, but that he lacks a clear understanding of what such an orientation is, and, consequently, does not know what needs to be done to implement such an orientation in his organization. Twenty-five years earlier, Robert Lear had also noted the popularity of the concept and its common misunderstandings:

> "It is fashionable for a speech-making president these days to contend that his company is 'market-oriented'. He seldom defines the term, rarely goes into further detail, and frequently is not quite sure what he has said. [...] Having thus established himself as a forward-thinking executive, the president goes back to his company to administer his product divisions, to review his industry participation by product groups, to analyze his profitability by product lines, to appoint more product managers, and to initiate more product development programs" (Lear 1963, p. 53).

In this thesis I am interested in the plight of the professional (manager, consultant, clinical researcher) who has the aspiration to make an organization more market oriented, but does not exactly know what a market orientation is, or what should or could be done to make an organization more market oriented.

§ 1.1   *Why study the implementation of a market orientation?*

Let me introduce a marketing manager called Alan Smithee[1], and ask which roads Alan could or should take on his quest to make his organization more market oriented. Let us assume that Alan is a member of the board of directors of a medium-sized firm, with four hundred employees and a yearly turnover of 250 million guilders ($\approx$ 113 million Euro). Alan is ambitious and persistent, but he is inexperienced in leading an organization in a change towards improved market orientation. He is convinced, however, that the road to market orientation is the road to improved business performance; as convinced as Wolverine's CEO in the quote by Shapiro. The questions faced by Alan are the questions that have inspired this thesis. It is my aim to develop a theoretically grounded, yet practicable implementation approach that will help Alan, and those who find themselves in similar situations, lead the change process to improved market orientation.

A number of developments are presently fuelling the drive of managers like Alan to instill a more outward orientation in their organizations. First of all, increased competition, shorter product life cycles, and more demanding customers drive firms towards establishing a focus on customers, competitors, and the market in general. Note that the question is not whether these market developments are actually taking place[2], the driving force is a perceived increase in competitive pressure, rate of change, or emancipation of the customer. Second, performance that falls short of business targets may be a driving force for top management action, and this unsatisfactory performance may be ascribed to a lack of external focus. Thirdly, macro-economic developments can be a driving force behind the search for a customer or market focus. Privatization, deregulation, and cutbacks on government subsidies push organizations towards a more conscious consideration of customer demands and competitive advantages. Over the past decade, examples in The Netherlands include the privatization of the Dutch railways, the Dutch post and telephony company, and housing corporations; deregulation in the utilities sector and in health care; and subsidy cutbacks for cultural organizations and charities. The market orientation philosophy may also be

1. Since 1967, Alan Smithee is used as a pseudonym for film directors who do not wish to be associated with the end product. Alan Smithee supposedly is an anagram for The Alias Men (see http://us.imdb.com/). The name Alan Smithee has also surfaced in the marketing literature, see e.g., Smithee (1997): 'Kotler is Dead!'.

2. As we have been reading about these 'new challenges' for more than ten years it is difficult not to become skeptical of the validity of these popular exhortations.

recognized in current marketing fashions such as customer relationship management (CRM), one-to-one marketing, mass customization, or relationship marketing[3].

Efforts to increase the orientation of organizations towards the market are as important now as they were forty years ago. At the same time, I have found that while people (academics as well as practitioners) may easily relate to the market orientation theme, they are often talking about concepts other than what has been defined as a 'market orientation' in the scholarly literature, like for instance, the principles of a free market, cross-selling, or marketing in general. As Lear (1963) has noted, if we can use the term market orientation so loosely, we can say a lot about market orientation while in fact *doing* quite different things.

In this dissertation I am concerned with two questions that are paramount in the examples presented above: *what exactly constitutes a market orientation and how can managers make their organizations more market oriented?* Over the past decade a lot of work has been done in this area and our knowledge of what a market orientation is and how it relates to performance has progressed, but theoretically grounded approaches that could help managers like Alan improve their organization's degree of market orientation are few.

The market orientation concept has its origin in a management philosophy known as 'the marketing concept'. The marketing concept has been a cornerstone of the marketing discipline since Drucker (1954) argued that "[t]here is only one valid definition of business purpose: *to create a customer*" (p. 37) and described marketing as "the whole business seen from the point of view of its final result, that is, from the customer's point of view" (p. 39). Over the years it has served as marketing's implicit theory of the firm by relating performance differentials between firms to their degree of market orientation. By stating that firms that are more market oriented will be more successful in their markets, the marketing concept has appealed to generations of managers and has been one of marketing's most influential ideas. And yet, formal research into the concept has been lacking until the (academic) 'rediscovery' of the concept (Webster 1988) which has led to a stream of recent research papers. This contemporary market orientation literature deals with four issues (Van Raaij, Van Engelen, and Stoelhorst 1998):

3. The approaches mentioned here have more of a customer orientation than a true market orientation, as they focus on the customer, rather than on competitors and the market in general as well.

1. The definition issue – focusing on the conceptualization of the construct. This literature addresses the question: what is a market orientation (e.g., Kohli and Jaworski 1990; Narver and Slater 1990; Ruekert 1992; Day 1994; for an overview see Jaworski and Kohli 1996).
2. The measurement issue – focusing on the development of scales. This literature is concerned with how the market orientation construct can be operationalized and assessed (e.g., Narver and Slater 1990; Kohli, Jaworski, and Kumar 1993; Deshpandé, Farley, and Webster 1993; Deng and Dart 1994; for a discussion see Wrenn 1997; Deshpandé and Farley 1998).
3. The model issue - focusing on the antecedents and consequences of a market orientation. This literature deals with the causes and effects of a market orientation (e.g., Narver and Slater 1990; Jaworski and Kohli 1993; for an overview see Tuominen and Möller 1996; Wrenn 1997).
4. The implementation issue – focusing on approaches for managerial action to implement a market orientation. This literature addresses the question: how can firms become more market oriented (e.g., Biemans 1995; Narver, Slater, and Tietje 1998; Day 1999a).

The emphasis of this dissertation is on the fourth issue: that of implementing a market orientation. This issue has remained largely unexplored in the literature. At the start of this research project in 1995, the marketing literature showed a number of isolated attempts at tackling the implementation issue conceptually (e.g., Payne 1988; Ruekert 1992; Lichtenthal and Wilson 1992; Day 1994; Biemans 1995), but empirical investigations were scarce. The following quotes, most of them taken from the discussion section of influential papers on the subject, illustrate the continuing relevance of the implementation issue (see also Biemans et al. 1997):
– "the most important question to practitioners becomes, 'How does one increase and sustain a market orientation'" (Narver and Slater 1990, p. 34);
– "it would be useful to conduct in-depth studies of a few organizations engaged in the change process so as to better understand the factors that influence the initiation and implementation of change efforts directed at improving the market orientation of a business" (Jaworski and Kohli 1993, p. 65);
– "Little is known [...] about the characteristics of successful programs for building market orientation. [...] The largest payoff will surely come from thoughtful clinical investigation of best practices and failed transformation efforts, supplemented by broad-scale research into the

determinants of effective change programs" (Day 1994, pp. 37+50);
– "The research challenge is to [...] develop knowledge about specific management practices and the way they should be configured to provide solid guidance to managers in their efforts to build market-oriented learning organizations" (Slater and Narver 1995, p. 72);
– "A lot more work has to be done in coming up with practical suggestions for enhancing market orientation" (Jaworski and Kohli 1996, p. 131);
– "[W]e need to develop an understanding of what change mechanisms/interventions can be used to increase market orientation in firms with a low level of it and maintain market orientation in firms with a high level of it" (Lehmann, as cited in Deshpandé 1999, p. 5);
– "[C]omparatively few studies have examined the processes and dynamics of developing market orientation. The complex nature of this organizational phenomenon clearly dictates the adoption of an exploratory qualitative research design. Such methods designed inductively to generate data-driven theory should provide deeper understanding of the issues, processes and dynamics involved and facilitate the generation of contextually richer and conceptually more innovative theory. Indeed, until these issues are more fully understood, it seems likely that the topic of 'market orientation' will remain perplexing to theorists and continue to be elusive for practitioners" (Harris 2000, p. 619).

§ 1.2   *A design-oriented approach to the implementation issue*
In order to contribute to the implementation issue in market orientation research I approach the issue from the perspective of the practitioner, personified in this thesis by Alan Smithee, a manager who wants to improve the degree of market orientation of his firm[4]. The majority of market orientation research has concentrated on assessing the relative degree of market orientation across populations of firms. The implementation issue, by contrast, calls for an understanding of market orientation in a single organization setting (Van Bruggen and Smidts 1995; Bisp, Harmsen, and Grunert 1996; Van Raaij et al. 1998). Empirical laws (e.g., about the relationship between market orientation and performance) do not diagnose the local situation Alan is facing, nor do these laws prescribe the strategy for change (Lewin 1946). The practitioner in his specific setting can be assisted with a practicable, yet theoretically grounded, model

4. As Alan Smithee happens to be a male figure I will use the masculine form throughout the text.

that bridges empirical laws and daily practice. Based on such a model, the professional can take action to improve the degree of market orientation of his firm. I will argue in chapter 3 of this thesis that 'designing-in-action', a research strategy that builds on the ideas of design-oriented research (cf. Van Aken 1994b; Van Engelen and Van der Zwaan 1994) is a productive strategy for the development of such models.

So far, I have signaled a practical problem (a lack of understanding by the practitioner on how to implement a market orientation) and a theoretical problem (a lack of implementation theory in market orientation). Given the focus on implementing a market orientation in a single organization, a methodological problem can be added: a lack of consensus, acceptance, and precedent with respect to qualitative, longitudinal case studies in marketing. Within marketing, and thus within the area of market orientation as a subset of that literature, empirical research usually aims at theory testing based on quantitative methods using cross-sectional data from surveys. Although calls for more qualitative, longitudinal studies aimed at theory development have been made (e.g., Bonoma 1985; Hunt 1994), they remain scarce in marketing's leading journals (two notable exceptions being Workman 1993; Workman, Homburg, and Gruner 1998)[5].

The design-oriented research tradition builds on qualitative, longitudinal research. The aim of design-oriented research is the development of knowledge for the improvement of social systems (Van Aken 1994a; a more in-depth methodological discussion is provided in chapter 3). This so-called design knowledge can be cast in conceptual frameworks that describe directives for professional action[6] (Gummesson 1991). This knowledge is developed from an actor's perspective, i.e., via clinical interventions in the social systems under investigation (Van Aken 1994b). Design-oriented research is characterized by a cyclical process of inquiry, cycles in which action and reflection alternate (cf. Susman 1983; Van Aken 1994a). The cyclical research process of this study is depicted in figure 1.1.

A design objective, based on a problem in practice, is formulated and the literature is consulted as input for a first design. An initial approach to the implementation of a market orientation based on the current literature is cast in a set of preliminary frameworks. Access is established to an

5. In other than the leading journals more examples of case-based research in marketing can be found. In the area of market orientation two examples are Ballantyne (1997) and Hennestad (1999).

6. The word 'directive' does not necessarily mean 'assignment' or 'instruction' but can also mean 'pointing the way' or 'advisory set of directions' (Webster's Dictionary 1986, p. 641).

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     │ Design   │
     │ objective│
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│ Reflection│              │ Design of│
│           │              │ frameworks│
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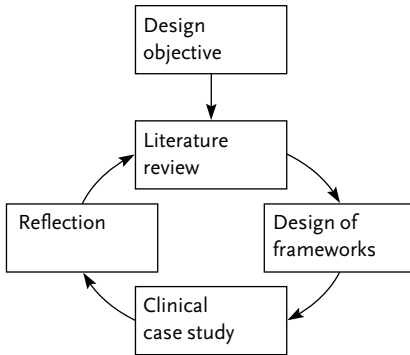
Figure 1.1: The cyclical research process

organization where a real-life change process towards more market orientation takes place, and through observations and interventions the value of the preliminary designs is assessed. The new insights lead to a renewed consultation of the literature. This is the start of a new cycle. The design cycle stops when the conceptual frameworks are satisfactory in light of the initial design objective and in consideration of the resources that would be needed for further enhancement of the design. In this research project the empirical data were gathered in one pilot case study (eight months in length) and one longitudinal case study (three years in length).

The cyclical structure of the research process is reflected in the structure of this thesis. Instead of visiting places with names like 'literature review', 'conceptual frameworks', and 'results' only once, the reader will make repeated visits to these places as s/he goes through the text. But although the names of these places are similar the reader will see that their substance develops over time as s/he visits them for the second or third time. This brings us to the role of time in the structure of this book.

In the chronology of the study there are three important timelines. First of all, there is the timeline of knowledge development in the marketing literature, specifically in the area of market orientation. This is a process that started long before this author was born, continued during the research project, and will continue to develop after this research is finished. This knowledge development proceeds largely independently from this research; the literature will have more influence on this study than my research will have on the literature. Drucker's (1954) *Practice of*

Management is often referred to as the starting point of the market orientation literature. Of specific interest is Kaldor's (1971) *Imbricative Marketing*, where the marketing concept is linked to a resource-based view *avant la lettre*. Webster's (1988) *Rediscovery of the Marketing Concept* sparked an era of new interest in the marketing concept and market orientation and was a prelude to the two most often cited works in this area today: Kohli and Jaworski's (1990) *Market Orientation: The Construct, Research Propositions, and Managerial Implications* and Narver and Slater's (1990) *Effect of a Market Orientation on Business Profitability*. Another fundament for today's thinking about the market-driven organization is Day's (1994) *Capabilities of Market-Driven Organizations*. Later contributions are often extensions and replications of, or rejoinders to these studies[7].

Parallel to this continuous timeline of developments in the literature is the timeline of this study, which consists of the empirical investigations in the two case studies and the process of designing the conceptual frameworks. These conceptual frameworks are designed in three steps: A preliminary design in 1995 based on the literature to that date (1950-1995), an intermediary design in 1997 based on the pilot case study and further developments in the literature (1996-1997) and a final design in the year 2000 based on the main longitudinal case study and subsequent developments in the literature (1998-2000). These timelines and the corresponding chapters of the thesis are depicted in figure 1.2.

§ 1.3   *Reading guide*

Following this chapter that serves to introduce the thesis as a whole, two more chapters set the stage for the study: chapter 2 provides an overview of the market orientation literature and chapter 3 describes the problem statement and the research strategy. These three chapters make up part i of the thesis. Part ii consists of two chapters that describe the first design cycle. Chapter 4 introduces the preliminary frameworks based on the existing literature, while chapter 5 presents the pilot case study. Part iii presents the second design cycle. It starts with the intermediate designs in chapter 6, followed by a chapter that presents the longitudinal case study (chapter 7). The study is wrapped up in part iv. Chapter 8 presents the final designs of the frameworks and chapter 9 concludes the thesis with a discussion of the results.

7. As these are all us studies one might wonder whether European contributions to the market orientation discussion exist. Such contributions do exist, with a strong presence of uk scholars (cf. Greenley 1995b; see also chapter 2), but the market orientation literature is undisputely dominated by the us based scholarly works mentioned here.

| 1950 | – | 1988 | – | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |

Most influential literature

Drucker (1954)	Kaldor (1971)	Webster (1988) Shapiro (1988)	Kohli & Jaworski (1990) Narver & Slater (1990) Ruekert (1992) Day (1994)	Jaworski & Kohli (1996)		Narver, Slater & Tietje (1998)	Day (1999) Harris & Ogbonna (1999)

Empirical research

RCC   Novum NL

Design process

Preliminary design   Intermediate design   Final design

Chapters of the thesis

Ch 4   Ch 5   Ch 6   Ch 7   Ch8

Figure 1.2: The chronology of the thesis

I can envision three distinct audiences for this thesis, each of which will have interests in specific parts of the book. The first is the practitioners audience, whose primary interest is expected to lie in the practical outcomes of this study. The answers to practical problems can be found in chapter 8 and section 9.5, where the final designs of the frameworks as well as the practical recommendations are discussed. The descriptions of the case studies in chapters 5, and 7 might be of further interest to practitioners as examples of implementation efforts.

The second audience I label the (marketing) theorists. Their main interest is expected to be an answer to the theoretical problem, i.e., how marketing theory can be enriched with a grounded approach for the implementation of a market orientation. Chapter 2 provides an overview of the market orientation concept, from its historical roots to its current status. Chapters 4, 6, and 8 contain literature reviews where insights from strategic management and organization theory are added to the marketing literature in order to build the theoretical frameworks needed to address the implementation issue. Section 9.2 presents an outlook for the future of market orientation research and section 9.4 provides suggestions for further research.

A third audience can be labeled the methodologists. The answer to the methodological problem is expected to be their main interest. Chapter 3 describes the strategy of inquiry that was called 'designing-in-action' with which the theoretical frameworks of this study were developed. The application of this method is found in all remaining chapters of the thesis, but chapters 4, 6, and 8 are the most informative to observe the method in action. Section 9.3 summarizes the methodological contributions of the study.

A Dutch summary is provided toward the end of this book. Since the field of business management is known to make use of quite a few abbreviations, I have also included a list of abbreviations in the back.

The core literature of this study is the market orientation literature. The current market orientation literature builds on two influential publications in the *Journal of Marketing*: Kohli and Jaworski (1990) and Narver and Slater (1990). Both publications report on studies into the market orientation construct supported by the Marketing Science Institute (Swartz 1990). The historical roots of the concept, discussed in section 2.1, lie in the marketing concept, a management philosophy first practiced by General Electric in the early 1950s (Drucker 1954; McKitterick 1958). Since the 1950s the marketing concept has been acclaimed, criticized, discarded, rediscovered, and finally, rehabilitated under a new name: market orientation. Section 2.2 discusses alternatives to a market orientation as well as its major critiques. The current market orientation literature focuses on four issues: the definition issue, the measurement issue, the model issue, and the implementation issue (Van Raaij et al. 1998). Section 2.3 provides an overview of these four issues.

This chapter provides an overview of half a century of scholarly work on the marketing concept and market orientation. More importantly however, this chapter serves to establish what the market orientation concept is, and what it is not, why it is such an important concept within the field of marketing, and what we do and do not know about the implementation of a market orientation. In section 2.4 this chapter concludes with an evaluation of the current status of the market orientation concept in light of the questions professionals like Alan Smithee face when they want to improve the degree of market orientation of their organization. I will show that the implementation issue is in dire need of new practicable and theoretical insights and that the search for these new insights necessitates the use of research methods that are new to the field of market orientation research.

§ 2.1   *The historical roots of the market orientation concept*

In the literature there is wide support for the idea that the market orientation concept as it is discussed in today's marketing journals originates from the 'marketing concept' (Kohli and Jaworski 1990; Ruekert 1992; Lafferty and Hult 2001). The marketing concept is a management concept that was so popular in the 1950s that Felton (1959) described it as the latest business fad[1]. Drucker (1954) illustrates the central tenet of the marketing concept – marketing is the whole business seen from the customer's point of view – through the example of General Electric, where a reorganization in the early 1950s provided marketing

with the authority to direct engineering, design, and manufacturing based on their market knowledge (see also Lusch and Laczniak 1987). Although McKitterick (1958) was the first to use the term 'marketing concept', Drucker (1954) is most often referred to as its source (e.g., Webster 1988; Ruekert 1992; Day 1994a). Sachs and Benson (1978) trace the central theorems of the marketing concept back to two philosophical strains of the eighteenth century: rationality of man and utilitarianism. Rational consumers seek to maximize utility, and based on this notion, companies should be created in which marketing identifies the consumers' utility functions and "will establish for the engineer, the designer, and the manufacturing man what the consumer wants in a given product, what price he is willing to pay, and where and when it will be wanted" (General Electric's 1952 Annual Report, p. 21, as quoted in Sachs and Benson 1978, p. 68).

Another very early quote in which the central tenets of the marketing concept can be recognized, is found in Converse's (1930) marketing textbook:

> "The seller should study the consumer, his wants and his buying motives [...] he should know how many consumers there are, where they are located, their age, sex, income, occupations, needs, wants, wishes and desires [...] success in business is based on giving the consumers what they want, when they want it, and at the price they can afford to pay [...] many business men have thought themselves market-minded when in fact they only partially grasped the meaning and importance of the term" (pp. 29-30, as quoted in Wensley 1995, p. S76).

From the moment that McKitterick (1958) and Felton (1959) introduced the terms 'marketing management concept' and '(integrated) marketing concept', the term 'marketing concept' has been embraced by the marketing literature (e.g., Hise 1965; Barksdale and Darden 1971; McNamara 1972). The advent of the marketing concept is attributed to the maturing of the United States economy in the 1950s. The transformation from a production economy to a consumption economy was characterized by an abundance of suppliers and brands, and an increasingly affluent

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1. Felton's uses a remarkable metaphor that illustrates the socio-cultural character of that era. After having introduced the marketing concept amidst a listing of 'popular fads', he adds: "Sometimes it seems as though American business as a whole is as subject to stylish fads as is the women's dress industry. Not that it is necessarily bad, but (as in the case of the unfortunate husbands of wives who buy dresses) it is liable to be very expensive" (Felton 1959, p. 55).

consumer (Webster 1988). Keith (1960), h.t. executive vice president of The Pillsbury Company, describes how a 'marketing revolution' took place in his organization as a result of the emancipation of consumers and the consequent necessity to align with the needs and wants of current and potential customers. In that same year another call for more customer orientation is published, this one with a more critical tone: Levitt (1960) accuses American industry of 'marketing myopia'[2]. American managers supposedly limited their perspective to R&D and production, while management should think of itself as providing "customer-creating value satisfactions" (p. 56). The customer should be the starting point and the product the derivative. In the 1960s and 1970s, the marketing concept, according to Webster (1988), was pushed into the background by the advent of financial planning and strategic planning, but it was 'rediscovered' in the late eighties. Houston (1986) adds that the misapprehension and the misuse of the marketing concept (e.g., the misguided advice that companies should depend on current, expressed needs and wants of customers) also contributed to its temporary decline in popularity.

The interpretation of the term has evolved over the years of its use. Felton (1959) uses the term with a strong internally focused interpretation, when he states that the marketing concept is a "corporate state of mind that insists on the integration and coordination of all of the marketing functions which, in turn, are melded with all other corporate functions, for the basic objective of producing maximum long-range corporate profits" (p. 55). The customer obtains a more prominent role in McNamara's (1972) definition of the marketing concept as "a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments" (p. 51). Houston (1986) provides a definition that includes the customer as well as the potentially restrictive or facilitative capabilities of the firm: "The marketing concept states that an entity achieves its own exchange determined goals most efficiently through a thorough understanding of potential exchange partners and their needs and wants, through a thorough understanding of the costs associated with satisfying those needs and wants, and then designing, producing, and offering products in light of this understanding" (p. 85). Finally, competition is also considered in Kotler's (1997) definition: "The marketing concept holds that the key to achieving organizational goals consists of

2. While Levitt's (1960) *Marketing Myopia* became a marketing classic, Felton had used the term 'marketing myopia' already one year before (Felton 1959, p. 56).

being more effective than competitors in integrating marketing activities toward determining and satisfying the needs and wants of target markets" (p. 19).

Despite the sometimes complex definitions of the marketing concept its message has always been straightforward: every firm's success depends upon its capacity to match organizational capabilities with market needs, and a thorough understanding of the market will contribute to the firm's matching capability. This message has undoubtedly helped to strengthen marketing's position amidst other functional areas within the firm (cf. Keith 1960). Unlike its success in practice, the marketing concept did

not earn marketing a leading role in the academic world. Recognizing its potential as marketing's contribution to a theory of organizational performance, preeminent members of the Marketing Science Institute (MSI) initialized the reinvigoration of the marketing concept (Webster 1988; Swartz 1990).

In the 1990s two influential publications in the *Journal of Marketing* that emanated from research sponsored by the MSI (Kohli and Jaworski 1990; Narver and Slater 1990) heralded a new era: subsequent works use these publications as a reference point, and in the academic debate the term 'marketing concept' is replaced by the term 'market orientation'. Kohli and Jaworski (1990) have prompted this replacement by using the term market orientation as the implementation of the marketing concept. By this they mean that organizations which implement the marketing concept (a management philosophy) possess a specific trait, which is called 'market orientation'. These two publications have made an impressive impact on the marketing literature. These were the first attempts to define market orientation, develop scales for measuring the construct, and formulate propositions that linked market orientation to business performance. Despite the (methodological) concerns these first attempts have raised (e.g., Gabel 1995; Langerak 1997) a considerable body of literature has been built upon the foundations laid by Kohli and Jaworski, and Narver and Slater. Before I turn to a discussion of the contemporary market orientation literature I will put the market orientation concept in perspective by looking at alternative business orientations, diminishing returns on market orientation, and market orientation's most prevalent critiques.

§ 2.2   *Alternatives, diminishing returns, and critiques*
The central tenets of the marketing concept and the market orientation concept – that a strong focus on market needs is related to business

performance – have sometimes led to the misguided conclusion that investing in a market orientation is the only possible road to improved performance. Market orientation however is one business orientation among many. Alternative orientations that have been described in the literature include production orientation, product orientation, and sales (or selling) orientation (Keith 1960; Kotler 1997). Firms with a *production orientation* focus on production efficiency and wide distribution. The underlying philosophy is that consumers will favor those products that are widely available and low in cost. Henry Ford pioneered this philosophy to expand the automobile market. Firms with a *product orientation* focus on developing and manufacturing superior products. The underlying philosophy is that consumers favor those products that offer the most quality, performance, or innovative features. Philips has often been mentioned as an example of a product oriented company. Firms with a *sales orientation* focus on aggressive selling and promotion efforts. The underlying philosophy is that consumers, if left alone, will not buy enough of the organization's products. Well-known examples are the financial advisors and insurance brokers using telesales around dinner time, and the political parties hard-selling their candidates. Keith (1960) suggests that there can be a sequential order in these orientations. The Pillsbury Company, he notes, has evolved from a production orientation to a sales orientation, to a marketing orientation. This seems to imply that market orientation is the best orientation for the modern firm, and that the production, product, and selling orientations are outdated. Contrary to this supposed hierarchy of orientations, Houston (1986) proposes a contingency approach in which different circumstances ask for different orientations. Kotler (1997) provides examples of these circumstances: suppliers of unsought goods (e.g., funeral plots) have to rely on a sales orientation, while a production orientation might be the most successful in markets where demand exceeds supply[3].

Remarkably absent from these lists of alternative orientations

3. At first sight, empirical research by Avlonitis and Gounaris (1997) seems to confirm the assumed superiority of a marketing orientation over other orientations, at least for the industrial firms in their sample. A second look however reveals that the marketing oriented industrial firms in their sample might only be performing better than the product oriented, sales oriented, production oriented and agnostics because so few industrial firms have adopted the marketing concept. Within the consumer companies studied the differences in performance between the orientations are largely statistically insignificant. Within this group, the percentage of marketing oriented firms is higher, and it might be that the distribution over the various orientations is matching market contingencies.

mentioned in the marketing literature is the *shareholder orientation* that emerged as a dominant organizational orientation in the mid and late 1980s (Arzac 1986; Young and Sutcliffe 1990; Vantrappen 1992). The focus on quarterly earnings that results from such a shareholder orientation is said to lead to short-term thinking, resulting in the failure to make capital investments or pursue long-term strategic objectives (Eccles 1991). Eccles (1991) further argues that the focus on quarterly earnings in the eighties will give way to a focus on customer service and customer satisfaction in the nineties, a shift that indeed has taken place in the business world. The balanced scorecard (Kaplan and Norton 1992; 1993; 1996) has undoubtedly contributed further to a more healthy balance between financial and non-financial performance measures being used by companies today. Greenley and Foxall (1998) argue further that a customer orientation is partly dependent on a shareholder orientation, as a customer orientation can only be sustained when there is satisfaction of shareholder payout and share price interests. Their empirical research provides evidence to support the assumption that an orientation on one stakeholder at the expense of another stakeholder is not advisable (see also Chakravarthy 1986; Deshpandé et al. 1993). This same balance is also needed between the two components of market orientation: customer orientation and competitor orientation (Day and Wensley 1988; Narver and Slater 1990; Day and Nedungadi 1994). Too much of a competitor orientation can lead to a situation where profits are sacrificed just to eliminate a competitor (Armstrong and Collopy 1996), whereas too much of a customer orientation leads to short-term thinking and reactive management (Christensen and Bower 1996; Day 1999c; Slater and Narver 1999).

Market orientation is a continuous construct rather than a dichotomous, either-or construct. The market orientation of an organization is one of degree, rather than either present or absent (Kohli and Jaworski 1990, p. 6; Baker and Sinkula 1999, p. 413). In this sense, market orientation is comparable to a concept like organizational flexibility. Just as organizations are flexible to a greater or a lesser extent and organizational redesign can enhance an organization's degree of flexibility (Volberda 1992), organizations also vary in their degree of market orientation. This brings us to the issue of optimum degree of market orientation. Could it be that an organization spends more on being market oriented than can be justified by increases in performance, just as an organization might be more flexible than is needed (Bruggeman and Koster 2000)? Narver and Slater (1990) as well as Kohli and Jaworski (1990) have raised this issue in their early work (see also Steinman et al. 2000). At some point the

incremental costs of increasing the degree of market orientation will exceed the incremental benefits. The authors pose the question whether there are environmental factors that affect the optimal level of market orientation (p. 34; see also Kohli and Jaworski 1990, p. 15). Since this question has not been answered over the past decade of market orientation research, we can only resort to Narver and Slater's conclusion that what counts is what a business perceives to be its *optimal* degree of market orientation within its *current* and expected market environment vis-à-vis its current degree of market orientation. Exactly how such a degree of market orientation could be measured is discussed later in this chapter.

An organization that is better aligned with its target markets is assumed to be able to achieve higher performance. Furthermore, being market oriented should enable an organization to obtain a positional advantage vis-à-vis its competitors. This view, however, is not shared by everyone. The marketing concept and the market/customer orientation concepts have received quite a bit of critique over the years. It is said to have led to incremental and trivial product development (Bennett and Cooper 1979; 1981), decline in industry competitiveness (Hayes and Abernathy 1980; Hayes and Wheelwright 1984), confused business processes (Macdonald 1995), myopic R&D programs (Frosch 1996), and loss of industry leadership (Christensen and Bower 1996). Furthermore, the marketing concept is said to conflict with the company's social and ethical responsibilities to consumers (Bell and Emory 1971; Sachs and Benson 1978), and it ignores the creative abilities, unique capabilities, and objectives of the firm (Kaldor 1971; Sharp 1991). These critics are not so much concerned about optimal levels of market orientation; they claim that being market oriented as such can be detrimental to success.

Responses to these critiques have come from Houston (1986), Slater and Narver (1998; 1999), and Day (1999c). These responses can be summarized in three statements:

1. A market orientation is not necessarily the best orientation for all organizations in all environments (Houston 1986; see also Kohli and Jaworski 1990; Kotler 1997).
2. A market orientation is not limited to a focus on (current) customers and their expressed needs and wants (Slater and Narver 1998; Day 1999c; see also Dickinson et al. 1986; Kohli and Jaworski 1990; Narver and Slater 1990).
3. A market orientation needs to be balanced with creativity and a deep understanding of the firm's unique capabilities and objectives (Houston 1986; see also Kaldor 1971; Sharp 1991).

§ 2.3 *The four issues in the contemporary literature*

Despite these criticisms the marketing concept has been a cornerstone of the marketing discipline since the mid-1950s. The contemporary market orientation literature (from its 'rediscovery' in 1988 onwards) deals with four issues (Van Raaij et al. 1998):

1. The definition issue; focusing on the conceptualization of the construct. This literature addresses the question: what is a market orientation?

2. The measurement issue; focusing on the development of scales. This literature is concerned with how the market orientation construct can be operationalized and assessed.

3. The model issue; focusing on the antecedents and consequences of a market orientation. This literature deals with the causes and effects of a market orientation.

4. The implementation issue; focusing on approaches for managerial action to implement a market orientation. This literature addresses the question: how can firms become more market oriented?

The definition issue

The literature prior to 1988 provides a multitude of definitions and descriptions of the *marketing concept*. I have offered examples earlier in this chapter. Here, I will focus on definitions of *market orientation*. The most influential definitions are undisputedly those of Kohli and Jaworski (1990) and Narver and Slater (1990). But, in order to be able to put these definitions in perspective, a wider set of definitions is provided here:

– A company is market oriented if "information on all important buying influences permeates every corporate function", "strategic and tactical decisions are made interfunctionally and interdivisionally", and "divisions and functions make well-coordinated decisions and execute them with a sense of commitment" (Shapiro 1988);

– "Market orientation is the organizationwide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments, and organizationwide *responsiveness* to it" (Kohli and Jaworski 1990);

– Market orientation is defined as "the business culture that most effectively and efficiently creates superior value for customers"[4].

4. In the same publication this is also extended into "the business culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for customers" (italics added).

Market orientation "consists of three behavioral components
– customer orientation, competitor orientation, and interfunctional
coordination – and two decision criteria - long-term focus and
profitability" (Narver and Slater 1990)[5];
– "The level of market orientation in a business unit [is] the degree
to which the business unit (1) obtains and uses information from
customers; (2) develops a strategy which will meet customer needs;
and (3) implements that strategy by being responsive to customer
needs and wants" (Ruekert 1992);
– Customer orientation[6] is "the set of beliefs that puts the customer's
interest first, while not excluding those of all other stakeholders such
as owners, managers, and employees, in order to develop a long-term
profitable enterprise" (Deshpandé et al. 1993);
– "Market orientation represents superior skills in understanding and
satisfying customers" (Day 1994a).

Jaworski and Kohli (1996) discuss the similarities and differences between
the definitions. All definitions entail an external focus with the customer
as a focal point. All, except for the definition of Deshpandé et al. (1993),
have a clear action component, i.e., being responsive to customers. And all
definitions except for that by Ruekert (1992) suggest that market orienta-
tion involves more than just a focus on customers. The major differences
lie in the organizational element that is emphasized in each definition:
Shapiro emphasizes the decision-making processes, Kohli and Jaworski
the information processing activities, Narver and Slater the organization
members' orientations, Ruekert the organizational strategy process,
Deshpandé et al. the business culture as set of beliefs, and Day emphasizes
skills and organizational capabilities.

As Dreher (1994) and Langerak (1997) point out, the definitions of
market orientation generally lack a clear specification of the underlying
theoretical domain: is market orientation a philosophy, a culture, or a set
of behaviors? What I see as problematic is that some definitions are in-

5. In a 1995 publication of these same
authors a different definition of market
orientation is provided. A market orientation
is defined as "the culture that (1) places the
highest priority on the profitable creation
and maintenance of superior customer value
while considering the interests of other key
stakeholders; and (2) provides norms for
behavior regarding the organizational

development of and responsiveness to
market information" (Slater and Narver
1995, p. 67)
6. Deshpandé et al. (1993) do not use the
term market orientation, but use customer
orientation instead. They refer to the same
concept however, as they "see customer and
market orientations as being synonymous"
(p. 27).

determinate (e.g., Deshpandé et al. 1993; Day 1994a), some are too general (e.g., Shapiro 1988) and some appear to be tautological (e.g., the opening statement of Narver and Slater's (1990) definition). The definitions by Kohli and Jaworski (1990) and Ruekert (1992) seem to be the most specific, though as a result of their specificity, the question can be raised whether the activities they specify as distinguishing the more market oriented organization from the less market oriented really cover the essence of an improved alignment with the market[7]. From 1994 onwards, most of the research in the area of market orientation has adopted (and often adapted[8]) either Kohli and Jaworski's (1990; 1993) or Narver and Slater's (1990; 1994a) definition.

Some authors use the term market*ing* orientation instead of market orientation (e.g., Keith 1960; McNeal and Lamb 1980; Payne 1988; Sharp 1991; Avlonitis and Gounaris 1997), while customer orientation (or customer focus) is also used to denote roughly the same concept (e.g., Deshpandé et al. 1993; Webster 1994)[9]. While others use marketing orientation, market orientation, and customer orientation loosely and interchangeably, Kohli and Jaworski (1990) provide reasons for the term market orientation to be more preferable to the other two: on the one hand, the term marketing orientation could suggest that aligning the organization to its target markets is exclusively a concern of the marketing function or that the marketing function should be treated as the most important department in the organization (cf. Walker and Ruekert 1987; Shapiro 1988; Slater and Narver 1994b). On the other hand, the terms customer orientation and customer focus could suggest that a focus on (current) customers is enough, while an effective alignment between market and organization also needs a focus on potential customers (cf. Hunt and

7. The development of a more refined specification of activities that are associated with a market oriented organization is part of this study.

8. Cf. Deng and Dart (1994): Market orientation is "the generation of appropriate market intelligence pertaining to current and future customer needs, and the relative abilities of competitive entities to satisfy these needs; the integration and dissemination of such intelligence across departments; and the coordinated design and execution of the organization's strategic response to market opportunities" (p. 726), and Hunt and Morgan (1995): "market orientation is (1) the systematic gathering of information on customers and competitors, both present and potential, (2) the systematic analysis of the information for the purpose of developing market knowledge, and (3) the systematic use of such knowledge to guide strategy recognition, understanding, creation, selection, implementation, and modification" (p. 1).

9. Other terms I have come across to denote related concepts, or to convey the same meaning as market oriented, are market-driven (Ames and Hlavacek 1989; Day 1990; Swartz 1990; Webster 1994), market responsiveness (Masiello 1988), market-led (Piercy 1997), and customer-led (Connor 1999).

Morgan 1995; Slater and Narver 1998),on indirect customers (end users), on the organization's unique capabilities (cf. Kaldor 1971; Sharp 1991), on the firm's competitors (cf. Day and Nedungadi 1994; Deng and Dart 1994; Balakrishnan 1996), and other exogenous market forces that affect the market alignment, like new technologies (cf. Slater and Narver 1998). The term market orientation seems to be the best term to convey an external focus on all these entities and forces that shape the target markets of an organization[10].

Just as the market orientation concept is one orientation among many possible business orientations (Day and Nedungadi 1994; Greenley 1995a; Greenley and Foxall 1998), it is also one organizational approach for competitive advantage among many others. There are four business concepts that are particularly close to the market orientation concept: organizational learning, organizational capabilities and the resource-based view, business process management (e.g., total quality management), and innovation (Stoelhorst and Van Raaij 2001). Various scholars have discussed the relationships between these business concepts and the extent to which these concepts converge or diverge from each other. With respect to a market orientation and organizational learning some scholars posit that creating a market orientation is a start, but this should be complemented by the creation of a learning organization (e.g., Slater and Narver 1995; Morgan et al. 1998; Baker and Sinkula 1999), while others see organizational learning as a necessary component of the market-driven organization (e.g., Day 1994a; 1994b). The resource-based view of organizations (Wernerfelt 1984; Peteraf 1993) is another concept that has been related to the market orientation concept. The views on how the market orientation concept relates to firm resources differ among scholars. Hunt and Morgan (1995) argue that a market orientation can be a source of sustained competitive advantage, i.e., a resource in terms of the resource-based view, because it "could potentially enable a firm to produce a market offering for some market segments more efficiently or effectively than one's com-

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10. While the majority of scholars implicitly or explicitly favor 'market orientation', two scholars argue for the use of 'marketing orientation'. Sharp (1991) argues that the received definition of market orientation implies a considerable bias towards customer needs and wants. Sharp's marketing orientation seeks to be true to the market*ing* concept of matching customer demands to company objectives and capabilities and accords equal weights to these two sides of the matching equation. Wrenn (1997) provides separate definitions for marketing concept, marketing orientation, and market orientation. In his view Kohli and Jaworski (1990) are really talking about a market*ing* orientation (as implementation of the marketing concept), while e.g., Narver and Slater (1990) are talking about market orientation (as an orientation on customers and competitors).

petitors" (p.11), because it "is a resource that is rare among competitors" (p.11), and because it "is intangible, cannot be purchased in the market-place, is socially complex in its structure, has components that are highly interconnected, has mass efficiencies, and is probably increasingly effective the longer it has been in place." (p.13). Others do not view market orientation as a resource in itself, but rather that a market orientation is based upon resources, i.e., sets of organizational capabilities. According to Day (1994a), a market orientation is based on market sensing and customer linking capabilities; Tuominen et al. (1999) argue that a market orientation is based on 'marketing capability', consisting of Day's market sensing and customer linking abilities, complemented with coordination and business process management abilities; while Vorhies et al. (1999) argue that a market orientation is based upon market research, pricing, product development, distribution, promotion, and marketing manage-ment capabilities. Clearly, there is consensus in the literature on the relationship between market orientation and organizational capabilities.

The relationships between market orientation and business process management have not been explored extensively either. Day (1990; 1994a) has compared the implementation of a market orientation to the imple-mentation of total quality management (TQM), while Lynch (1995) notes that business process re-engineering (BPR) "offers a major opportunity for the more effective implementation of the marketing concept" (p. 45). These opportunities of cross-fertilization notwithstanding, TQM and BPR seem to suffer from their practical origin and their consequential lack of respect from (marketing) academics (Anderson et al. 1994; Dean and Bowen 1994; Grint 1994; Mumford 1994).

Finally, the concept of innovation has been related to the market ori-entation concept (e.g., Hurley and Hult 1998; Verhees 1998). The same passage that is cited as the origin of the marketing concept is used to argue for the importance of relating innovation to market orientation: "Because it is its purpose to create a customer, any business enterprise has two – and only these two – basic functions: marketing and innovation" (Drucker 1954, p. 37). Innovation has been conceptualized as an input to market orientation (Song and Parry 1999), as dependent upon the level of market orientation (e.g., Atuahene-Gima 1996; Han et al. 1998), and as a con-struct that explains performance in parallel to market orientation (Deshpandé et al. 1993). Finally, innovation could be conceptualized as a particular manifestation of Kohli and Jaworski's (1990) responsiveness component, thus being part of the market orientation concept.

It should be clear from the above that defining the market orientation construct is still somewhat of an issue in the literature. Many have accepted either Kohli and Jaworski's or Narver and Slater's definition – though Narver and Slater have used slightly different definitions over the years – and the majority uses the term market orientation instead of marketing orientation. Most scholars agree that a market orientation involves generation and dissemination of market intelligence[11]. Just as important as a clear definition of the construct is its place amidst related constructs. As disagreement prevails with respect to questions whether organizational learning or innovation are part of market orientation or not, I will treat organizational learning, organizational capabilities, business process management, and innovation as sensitizing concepts in the development of the conceptual frameworks. The empirical research will have to show to what extent these concepts can support the development of practicable frameworks for the implementation of a market orientation.

The measurement issue

With the variety of definitions of market orientation comes a multitude of scales for measuring the construct. In an extensive review Wrenn (1997) counts thirty-two empirical market orientation studies between 1964 and 1996[12]. Most of these studies have developed their own scale for measuring the market orientation construct or a related construct (e.g., marketing concept or market*ing* orientation). Only a few scales have reached the status of being reused by other researchers. Wrenn (1997) mentions a number of studies that have used Kotler's (1977) marketing effectiveness scale, but these studies have not been published in the major marketing journals. Since the early nineties the measurement batteries of Narver and Slater (the MKTOR scale, see Deshpandé and Farley 1996 for the full scale) and Kohli and Jaworski (the MARKOR scale, see Kohli et al. 1993) have been reused often; either as they are, or as the basis for adapted scales.

11. It seems however that this emphasis on market intelligence is not in concordance with intuition. Those who are not initiated in the market orientation debate in the scholarly literature (e.g., practitioners, but also academics from other fields) generally use 'market orientation' in terms of product differentiation and customization.
12. No such overview can be complete. I can,

in fact, add nine empirical studies published in this time frame; eight of them in international journals (Hooley et al. 1990; Deshpandé et al. 1993; Diamantopoulos and Hart 1993; Wong and Saunders 1993; Deng and Dart 1994; Atuahene-Gima 1996; Pitt et al. 1996; Selnes et al. 1996), and one Dutch/Belgian empirical study (Langerak et al. 1996b).

In answering, please use the following response scale and place the most appropriate number to the left of each statement. Please respond to each statement.

Not at all	To a very slight extent	To a small extent	To a moderate extent	To a consid- erable extent	To a great extent	To an extreme extent
1	2	3	4	5	6	7

In our strategic business unit –

___ 1. Our salespeople regularly share information within our business concerning competitors' strategies.
___ 2. Our business objectives are driven primarily by customer satisfaction.
___ 3. We rapidly respond to competitive actions that threaten us.
___ 4. We constantly monitor our level of commitment and orientation to serving customer needs.
___ 5. Our top managers from every function regularly visit our current and prospective customers.
___ 6. We freely communicate information about our successful and unsuccessful customer experiences across all business functions.
___ 7. Our strategy for competitive advantage is based on our understanding of customers' needs.
___ 8. All of our business functions (e.g., marketing/sales, manufacturing, R&D, finance/accounting, etc.) are integrated in serving the needs of our target markets.
___ 9. Our business strategies are driven by our beliefs about how we can create greater value forcustomers.
___ 10. We measure customer satisfaction systematically and frequently.
___ 11. We give close attention to after-sales service.
___ 12. Top management regularly discusses competitors' strengths and strategies.
___ 13. All of our managers understand how everyone in our business can contribute to creating customer value.
___ 14. We target customers where we have an opportunity for competitive advantage.
___ 15. We share resources with other business units.

Table 2.1: The MKTOR *scale (source: Deshpandé and Farley 1996)*

The MKTOR scale by Narver and Slater is a 15-item, 7-point Likert-type scale, with all points specified (see table 2.1). Market orientation is a one-dimensional construct, but underlying these fifteen items are three components of market orientation: customer orientation, competitor orientation, and interfunctional coordination. A business's market orientation score is the simple average of the scores of the three components (Narver and Slater 1990, p. 24).

The MARKOR scale is a 20-item, 5-point Likert scale, with only the ends of the scale specified (see table 2.2). Underlying these twenty items are three components: intelligence generation, intelligence dissemination, and responsiveness. The third component is composed of two sets of

In responding to the following questions, please focus on your strategic business unit (SBU) rather than the corporation as a whole. If a question is not applicable, please leave a blank.

	Strongly Disagree				Strongly Agree
1. In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.	1	2	3	4	5
2. In this business unit we do a lot of in-house market research.	1	2	3	4	5
3. We are slow to detect changes in our customers' product preferences. (R)	1	2	3	4	5
4. We poll end users at least once a year to assess the quality of our products and services.	1	2	3	4	5
5. We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation). (R)	1	2	3	4	5
6. We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.	1	2	3	4	5
7. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.	1	2	3	4	5
8. Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.	1	2	3	4	5
9. When something important happens to a major customer or market, the whole business unit knows about it in a short period.	1	2	3	4	5
10. Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.	1	2	3	4	5
11. When one department finds out something important about competitors, it is slow to alert other departments. (R)	1	2	3	4	5
12. It takes us forever to decide how to respond to our competitors' price changes. (R)	1	2	3	4	5
13. For one reason or another we tend to ignore changes in our customers' product or service needs. (R)	1	2	3	4	5
14. We periodically review our product development efforts to ensure that they are in line with what customers want.	1	2	3	4	5
15. Several departments get together periodically to plan a response to changes taking place in our business environment.	1	2	3	4	5
16. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.	1	2	3	4	5
17. The activities of the different departments in this business unit are well coordinated.	1	2	3	4	5
18. Customer complaints fall on deaf ears in this business unit. (R)	1	2	3	4	5

19. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion. (R)	1	2	3	4	5
20. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.	1	2	3	4	5

(R) = Reverse-scored

Table 2.2: The MARKOR scale (source: Deshpandé and Farley 1996)

activities: response design and response implementation (Jaworski and Kohli 1993, p. 54). Here also, the market orientation score is an unweighted sum of the three components (p. 60).

Although the differences in definition between Narver and Slater – with a *cultural* definition – and Kohli and Jaworski – with a *behavioral* definition – have been emphasized (e.g., Dreher 1994; Griffiths and Grover 1998), both measurement scales focus largely on concrete activities (Jaworski and Kohli 1996; Gauzente 1999). Looking at the MKTOR and MARKOR scales, the conclusion is that the received view of measuring market orientation is one of self-administered questionnaires directed at senior executives[13], that measure self-evaluations of business unit activities via Likert-type scales.

In the past years there have been some attempts to compare and/or integrate some of the market orientation scales. Deshpandé and Farley (1996) have synthesized the 15-item MKTOR (Narver and Slater 1990), the 20-item MARKOR (Kohli et al. 1993), and the 9-item Deshpandé et al. (1993) scales. The result is a parsimonious 10-item scale for market orientation. Strikingly, these 10 items are all *customer* orientation items. In a similar vein Gray et al. (1998) have attempted to synthesize the MKTOR, MARKOR, and Deng and Dart (1994) scales. The result is a 20-item scale that combines some of the factors of the original scales. Oczkowski and Farrell (1998) have compared MKTOR to MARKOR and their conclusion is that the MKTOR scale outperforms the MARKOR scale in explaining variations in business performance.

13. Often, a senior (marketing) executive is targeted in a single-informant design (e.g., Deng and Dart 1994; Greenley 1995c; Fritz 1996; Langerak et al. 1996b; Pitt et al. 1996; Avlonitis and Gounaris 1997; Appiah-Adu 1998; Gray et al. 1998; Becker and Homburg 1999). Jaworski and Kohli (1993) use a dual informant design with one senior marketing executive and one senior nonmarketing executive. Narver and Slater (1990) targeted all members of the top management team of each SBU in one multibusiness firm.

Both the MKTOR and MARKOR scales have been criticized from a methodological scale development perspective. Gabel (1995) and Langerak (1997) have assessed the scale development procedures of these two scales using Churchill's (1979) framework for scale construction. Their conclusions are not very reassuring, in that both procedures are deemed problematic. Gabel, who has looked only at the MARKOR scale is particularly critical of the academic (versus practitioner) domination in the generation and purification of scale items, while Langerak concludes that both scales lack basic specifications of method as well as specific reliability and validity checks. Gabel is worried about future research in this area, as these are scales "published in the discipline's premiere methodological journal and thus likely to be (blindly) employed by future researchers" (p. 374; see also Farrell and Oczkowski 1997)[14]. Wrenn (1997) attacks the scales from a more fundamental angle, by arguing that for measuring market orientation a Thurstone scale should be preferred over the Likert-type scales that are used in both MKTOR and MARKOR[15].

The received view of measuring market orientation has also been criticized for its single informant strategy (e.g., Wensley 1995). Such a single informant strategy is dubious because it assumes that one senior executive is able to assess the degree of market orientation for the whole organization. However, differences in perceived market orientation were hypothesized to exist between management levels (Jaworski and Kohli 1993) and between marketing and non-marketing executives (Kohli et al. 1993). Ruekert (1992) found that within one company significant differences in perceived market orientation existed between SBU s. Van Bruggen and Smidts (1995) found heterogeneity between departments, within departments, and between hierarchical levels[16]. This raises doubts as to whether a single informant self-administered questionnaire provides us with reliable insight with respect to the degree of market orientation of an organization. Moreover, one respondent is generally used to assess both the degree of market orientation and business performance, which leads to the risk of common respondent bias (Slater and Narver 2000).

14. Gabel refers to the Kohli, Jaworski and Kumar (1993) publication in the *Journal of Marketing Research*. Kohli and Jaworski's (1990) and Narver and Slater's (1990) publications in the *Journal of Marketing* are in the same position of being followed blindly as they are also published in one of the premiere marketing journals (cf. Hult et al. 1997).

15. I do not want to discuss the merits of a Thurstone scale for measuring market orientation here, but it is important to realize that the commonly used Likert scale may not be the best scale type available. The interested reader is referred to Wrenn (1989; 1997).
16. My own assessments of market orientation in the case studies confirm this finding.

The received view is also criticized for including only the focal organization in measuring market orientation (Gabel 1995). Intuitively one could accept that the firm's customers are in a good position to judge the degree of market orientation of the focal firm (cf. Webb et al. 2000). As Gabel (1995) argues, this could be the direct customer as well as the end user. Deshpandé et al. (1993) have applied a measurement technique which they called 'quadrad analysis', and which consisted of double dyads of interviews, each conducted with a pair of marketing executives at a vendor firm and a pair of purchasing executives at a customer firm (see also Steinman et al. 2000). They find that the vendor firm's assessments of their degree of market orientation did not correlate with performance, but that the customer's assessment of the vendor's degree of market orientation did.

A final remark about the received view of measuring market orientation concerns the instruments' usefulness as a diagnostic tool for managers (Van Bruggen and Smidts 1995). Existing instruments have aimed at assessing levels of market orientation across companies. Bisp, Harmsen and Grunert (1996) argue that these instruments are less suitable in cases where a single company wants to assess its current level of market orientation and its potential for increasing market orientation. Bisp et al. employ an intervention theory that hypothesizes that successful intervention for increased market orientation rests on identifying and reducing three gaps: (1) gaps between attitudes towards market orientation and actual market oriented behaviors; (2) gaps between the degree of market orientation as perceived by different groups in the organization (top management, sales/marketing, production); and (3) differences between orientations towards three external groups (end users, customers, and competitors). Therefore, they have developed a measurement instrument that measures attitudes and behaviors related to an orientation towards these three external groups, administered to three different groups of organizational members. Lastly, they propose pre- and post-change measurements of market orientation to assess the effectiveness of the change effort.

Within the multitude of scales that have been proposed in the literature, the MKTOR and MARKOR scales represent the current state-of-the-art in measuring market orientation. At the same time, this received view of measuring market orientation is not without critique. But as alternative approaches have not reached the premiere publication outlets in marketing, it seems unlikely that the two accepted scales will be replaced by a more reliable, more valid, and/or more actionable scale in the near future.

The model issue

The next issue in market orientation research is the model issue. The model issue focuses on the antecedents and consequences of a market orientation, as well as variables that might moderate the relationships between market orientation and its consequences. Although the marketing concept was readily accepted as an article of faith for better performance since its inception in the 1950s (Swartz 1990), a vast amount of studies have researched the relationship between the degree of market orientation and business performance. This relationship has been studied for large firms (Jaworski and Kohli 1993) and small firms (Pelham and Wilson 1996), for manufacturers (Langerak 1997) as well as service suppliers (Pitt et al. 1996), industrial firms (Narver and Slater 1990) and consumer goods companies (Avlonitis and Gounaris 1997), for profit (Slater and Narver 1994a) and not-for-profit organizations (Caruana et al. 1998), in industrialized economies (Selnes et al. 1996) and transition economies (Akimova 2000). See Wrenn (1997), Tuominen and Möller (1996), and Harris (2001) for more examples.

In these studies, performance is almost exclusively assessed through subjective measures. Performance is measured as return-on-investments (ROI), return-on-assets (ROA), new product success, sales growth, profits, turnover, or overall performance. Furthermore it is often measured as perceived performance *relative* to competitors, expectations, or targets. Note that in the type of cross-sectional research that is common here, the *current* degree of market orientation is expected to correlate with current performance. Studies into the association between market orientation and *objective* measures of performance are scarce. A recent study by Harris (2001) in the UK context suggests that such an association exists only under very specific environmental conditions (high competitor hostility and low market turbulence).

Contrary to what is often reported (e.g., Jaworski and Kohli 1996; Wrenn 1997) there is no consistent finding that being market oriented does improve business performance (see e.g., Dawes 2000). Deshpandé et al. (1993) did not find a positive correlation between self-reported customer orientation and performance (but they did find a positive correlation between the customer's assessment of the supplier's customer orientation and supplier performance). Greenley (1995a) concludes that there is no significant relationship between market orientation and performance. Avlonitis and Gounaris (1997) found a positive relationship between market orientation and performance for the industrial firms in their

sample, but not for the consumer goods companies. Langerak et al. (1996b) did not find support for the hypothesized relationship between market orientation and performance in their sample of Dutch and Belgian manufacturing firms. And Appiah-Adu (1998) did not find a positive relationship between the two constructs either in his Ghanaian study. Both Langerak et al. (1996b) and Appiah-Adu (1998) postulate that time lags between improvements in market orientation and improvements in performance are the reason for the lack of empirical support for the market orientation - performance relationship[17]. The differences in the industrial and consumer goods samples in the Avlonitis and Gounaris (1997) study could be explained by the low level of adoption of the marketing concept in industrial firms, thus giving those firms that do have a market orientation an advantage vis-à-vis their competitors.

Despite these 'anomalies', the dominant view is that an organization's degree of market orientation has a positive effect on business performance, especially profitability (Narver and Slater 1990; Jaworski and Kohli 1993; Slater and Narver 1994a; Pelham and Wilson 1996; Jaworski and Kohli 1996). Conceptually, market orientation has also been related to customer-level performance measures, like perceived quality, value, and satisfaction (e.g., Slater and Narver 1994b; Slater 1997). Empirically, little research has been done to relate market orientation to quality, value, and customer satisfaction. Pelham and Wilson (1996) have shown that market orientation is positively related to managers' perceptions of relative product quality. Gray et al. (1998) have found a positive and significant relationship between market orientation and a subjective measure of customer satisfaction relative to the nearest competitor. A more moderate but still significant relationship with subjective/relative customer loyalty was also found. Webb et al. (2000) found positive correlations between market orientation and service quality, and between market orientation and customer satisfaction. Market orientation is also believed to have positive consequences for employees (Jaworski and Kohli 1996). Ruekert (1992) found a positive effect on job satisfaction, trust in leadership and organizational commitment, Jaworski and Kohli (1993) found a positive

17. The validity of this argument for large scale cross-sectional research is disputable. The time lag argument can only hold for populations where it is reasonable to expect that an overall increase in the independent variable (market orientation) has occurred just prior to the time of measurement, while time lags prevent an effect to show in the dependent variable (performance). Thus, time lags may well be a valid argument for Appiah-Adu's (1998) study in a transition economy, but not for studies in a developed economy. More on the role of time can be found in Gauzente (2001).

effect on employees' esprit de corps and organizational commitment, and Siguaw et al. (1994) found a negative effect on role stress, and positive effects on job satisfaction, and organizational commitment of sales people.

Various variables have been introduced as potential moderators in the market orientation - performance relationship, such as market turbulence, technological turbulence, competitive intensity, market growth, and buyer power (Jaworski and Kohli 1993; Slater and Narver 1994a; Greenley 1995c). These moderators have little effect on the positive impact of market orientation on firm performance (Wrenn 1997). The study by Avlonitis and Gounaris (1997) suggests that it might be interesting to study the impact of the rate of adoption of market orientation[18] on the market orientation - performance relationship.

Apart from consequences and moderators, the antecedents of a market orientation have been studied. A distinction can be made between external antecedents, i.e., environmental factors that stimulate a firm's adoption of market oriented behaviors, and internal antecedents, i.e., organizational factors that enable the adoption of the market orientation concept. External antecedents that have been proposed in the literature are market dynamism and competitive intensity (Kohli and Jaworski 1990; Pelham and Wilson 1996). Kohli and Jaworski (1990) argue that in a stable environment few adjustments to the marketing mix are needed, requiring a low level of market orientation. Furthermore, the lower competitive intensity, the more that a firm can 'get away with' a low level of market orientation (Pelham and Wilson 1996, p. 31). Narver and Slater (1990) introduce six external control variables (market growth, firm concentration, entry barriers, buyer power, seller power, technological change) that are contributors to market dynamism and competitive intensity.

Various internal antecedents have been proposed and empirically tested by Ruekert (1992) and Jaworski and Kohli (1993). Ruekert (1992) has identified three organizational processes that foster a market orientation: recruiting and selecting customer focused individuals; market oriented training; and market oriented reward and compensation systems. All three factors were found to be positively correlated with market orientation. Jaworski and Kohli (1993) advanced eight antecedents: top management

18. What we would want to measure then is the scarcity of the market orientation capability (cf. Hunt and Morgan 1995). The degree of scarcity of such a resource in an industry is assumed to influence the degree to which the possession of the resource impacts performance (cf. Barney 1991; Peteraf 1993).
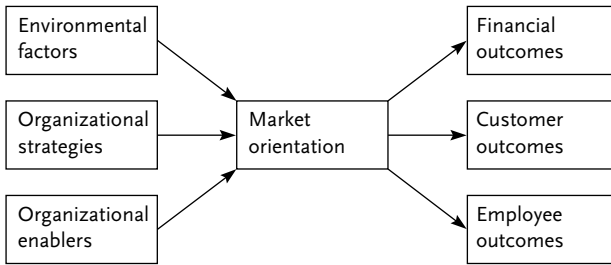
Figure 2.1: Market orientation, antecedents, and consequences

emphasis on market orientation (+)[19]; top management risk aversion (-)[20]; interdepartmental conflict (-); interdepartmental connectedness (+); degree of formalization (-/+)[21]; degree of centralization (-/+); degree of departmentalization (-/+); reliance on market-based factors for evaluations and rewards (+). Not all hypothesized relationships are empirically supported. Top management emphasis, interdepartmental conflict and connectedness, and reward systems appear to be the most important antecedents. Within the set of internal antecedents, strategies (mentioned as an antecedent by Pelham and Wilson 1996) play a specific role as they do not *enable* the adoption of market oriented behaviors, but specific strategies (e.g., a differentiation strategy) *necessitate* the adoption of market oriented behaviors. Strategies are, in that sense, more like the external antecedents, increasing the need to adopt more market oriented behaviors.

Summarizing the model issue as it is put forward in the literature, a market orientation leads to improvements in financial, customer, and employee outcomes. The adoption of market oriented behaviors is stimulated by certain environmental factors and specific organizational strategies, and is enabled by specific organizational factors. A summary of the relationships between market orientation, its antecedents and its consequences is depicted in figure 2.1. Empirical support of the relationship between market orientation and financial outcomes is rather strong, while empirical support for the other relationships is sketchy, at best.

19. Factors followed by (+) are antecedents with a hypothesized positive correlation with market orientation.
20. Factors followed by (-) are antecedents with a hypothesized negative correlation with market orientation.

21. Factors followed by (-/+) are antecedents with a hypothesized negative correlation with intelligence generation, dissemination, and response design, but a positive correlation with response implementation.

The implementation issue

The fourth issue in market orientation research is the implementation issue. By 1995, the year this study into the implementation issue was formulated, a number of isolated attempts at tackling the implementation issue had been published (e.g., Payne 1988; Lichtenthal and Wilson 1992; Ruekert 1992; Day 1994a; Biemans 1995)[22]. I will use this section to discuss each of these early implementation approaches. The approaches are analyzed from Alan Smithee's perspective, i.e., the perspective of the practitioner who wants to intervene for improved market orientation. I will therefore focus on each approach's prescriptions for diagnosis, intervention, and evaluation; the three functions improvement knowledge should fulfill (cf. Argyris 1970; Van Eijnatten 1990).

Webster's new marketing concept approach

Webster's *Rediscovery of the Marketing Concept* (1988) concludes with a paragraph dedicated to the basic requirements for developing a market-driven, customer-focused business. These five basic requirements include: (1) customer-oriented values and beliefs supported by top management; (2) integration of market and customer focus into the strategic planning process; (3) the development of strong marketing managers and programs; (4) the creation of market-based measures of performance; and (5) the development of customer commitment throughout the organization. His later work (Webster 1994) provides a list of fifteen guidelines for implementing the new marketing concept. Even more so than the basic requirements of his 1988 publication, these guidelines do not specify how to diagnose the current level of market orientation of an organization, nor how to evaluate the effects of the interventions. Furthermore, most of the requirements or guidelines are mere should-do's without specification of the interventions a manager could carry out to make that happen.

Payne's management development approach

The timing of Payne's (1988) program to increase market orientation coincided with Webster's *Rediscovery of the Marketing Concept*. His approach consists of three steps: (1) understanding the mix of orientations in the organization; (2) identifying the present levels of marketing effectiveness;

22. During the course of this study a number of significant contributions to the implementation issue were added (Narver et al. 1998; Becker and Homburg 1999; Day 1999a; 1999b). As these latter contributions will be discussed extensively in later chapters I will not discuss them here.

and (3) implementing a plan to improve market[23] orientation. The third step is broken down into five sub-steps: (3.1) understand the organizational and cultural dimensions of the problem; (3.2) identify a marketing champion; (3.3) conduct a training needs analysis; (3.4) design a marketing training and development program; and (3.5) organize key support activities. Steps 1, 2, 3.1, and 3.3 together comprise the diagnostic stage of the implementation approach. Payne proposes to use Kotler's (1977) marketing audit to diagnose current marketing effectiveness (step 2), and the well-known 7S framework (Waterman et al. 1980) in order to understand the organizational and cultural dimensions of the problem (step 3.1).

The main interventions that Payne suggests are described under step 3.4 and 3.5. Through a management development program involving marketing staff and executives from other functions, this training program will explain the knowledge, skills, and attitudes necessary for the development of a market-driven organization. Key support activities that need to be considered are e.g., organizing around markets, recruitment of marketing talent, promotion of market-oriented executives, development of a marketing information system, and installing an effective marketing planning system.

Payne's management development approach does not deal explicitly with an evaluation phase in implementation. Though its main thrust is management development and training, this approach attempts to cover almost all aspects of organization as defined by McKinsey's 7s framework.

Kohli & Jaworski's information processing activities approach
Kohli and Jaworski (1990) define market orientation as "the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it" (p. 6). In a subsequent publication (Jaworski and Kohli 1993), responsiveness is defined as "being composed of two sets of activities – response design (i.e., using market intelligence to develop plans) and response implementation (i.e., executing such plans)" (p. 54).

Kohli and Jaworski (1990) explicitly provide suggestions for implementing a market orientation based on their exploratory study. The authors have identified antecedents to a market orientation (the antecedents mentioned in the previous section on the model issue), and since

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23. Payne seems to prefer the term 'market-*ing* orientation', though he uses both 'market orientation' and 'marketing orienta-tion' in his text. I will stick to the term 'market orientation' throughout this discussion.

these factors are controllable by senior managers, the authors argue that deliberate engendering of a market orientation is possible (p. 15). First of all, senior managers must communicate their commitment to a market orientation to junior employees. This means that junior employees need to witness behaviors and resource allocations that reflect that commitment. Next, interdepartmental dynamics need to be managed. Connectedness needs to be improved, while reducing interdepartmental conflict. Interdepartmental activities and exchange of employees are examples of specific interventions. The third category of interventions pertains to organizationwide systems. Changing organization structure (less formalization and centralization) and more market-based reward systems should facilitate the implementation of a market orientation. In their later work (Jaworski and Kohli 1993) the authors show that all antecedents, except for formalization, have a significant correlation with market orientation. The authors suggest that their measurement instrument MARKOR can be used for an initial diagnosis of the current degree of market orientation as well as for post-intervention measurements of market orientation (Kohli et al. 1993, p. 475).

Lichtenthal & Wilson's norm-based approach

Lichtenthal and Wilson provide a social structure perspective to implementing a market orientation. Based on Bates and Harvey (1986), their main focus is on the interfunctional coordination aspect of market orientation. According to Lichtenthal and Wilson, norms prescribe individual behaviors, and, in the context of organizations, the behavior of individuals in relation to others within the organization. For an organization to act in accordance with the marketing concept, it must inculcate and transmit the appropriate values and create a set of norms to guide behavior.

To change, an organization must first define its current value system that creates the norms that drive behavior. This is the diagnostic phase in Lichtenthal and Wilson's approach. Next, it can select what values need to be altered and instigate changes in these values. Norms can change with respect to their prevalence, rigidity, frequency of activity, directionality, specificity or diffuseness, and object of orientation (Bates and Harvey 1986, pp. 77-80). The firm's first task is to develop a list of desired behaviors. The norms that drive these behaviors can be derived and programs can be developed per department to change these norms or create new ones. These changes are best made from the top down. The activities of change include revising job descriptions, educational programs, communication programs, and incentive programs to reward

appropriate behavior. These activities constitute the intervention phase. Lichtenthal and Wilson do not outline any evaluation activities.

Ruekert's strategy and support processes approach

Ruekert defines the level of market orientation as the degree to which the business unit: (1) obtains and uses information from customers; (2) develops a strategy which will meet customer needs; and (3) implements that strategy by being responsive to customers' needs and wants (p. 228). In the discussion of his empirical study Ruekert provides recommendations for diagnosis, intervention, and evaluation. In order to assess the current degree of market orientation Ruekert recommends corporate management to use an approach as outlined in the study, i.e., a questionnaire with Likert type items, administered to all managers, as well as a sample of sales reps and sales managers of each business unit. The questionnaire developed by Ruekert included subscales on market orientation practices and behaviors, organizational systems of recruiting and selection, training, and reward and compensation, individual outcomes, and business unit performance. This assessment should make it possible for corporate management to design initiatives to improve customer responsiveness at the business unit level.

According to Ruekert, interventions for increased market orientation should be found in the organizational support systems. The findings of the study suggest that changes in an organization's behavior in the marketplace need to be supported by organizational structures and processes which serve to guide the activities of the business unit. "While a temporary change in behaviors may be accomplished without the corresponding changes in organizational systems, the long term shift toward a market orientation probably requires a more permanent shift in organizational processes as well" (p. 243). These support systems, in Ruekert's view, are first and foremost human resource systems of recruiting and selection, training, and reward and compensation.

In terms of evaluating the change process, Ruekert notes that the study showed a positive relationship between the degree of market orientation and the attitudes (job satisfaction, commitment to the organization, and trust in management) of managers. Moreover, the study also showed a positive relationship between market orientation and long run financial performance. Ruekert warns us however, that there is merely an association between the degree of market orientation and the outcomes, both individual and organizational. A repeated assessment of the degree of

market orientation using the same instrument might also serve as an evaluation of the interventions.

Day's capabilities approach

According to Day, market orientation represents superior skills in understanding and satisfying customers (1990, p. 358). This implies that market-driven organizations have superior market sensing, customer linking, and channel bonding capabilities (Day 1994a, p. 41). Day offers a comprehensive change program inspired by the TQM literature and aimed at enhancing these capabilities. This change program includes: (1) the diagnosis of current capabilities; (2) anticipation of future needs for capabilities; (3) bottom-up redesign of underlying processes; (4) top-down direction and commitment; (5) creative use of information technology; and (6) continuous monitoring of progress. The diagnostic stage of Day's approach involves an analysis of current capabilities and anticipated future capabilities. It is not clear from Day's work what these capabilities exactly are. The description of this capability assessment is in fact an assessment of the business processes.

The interventions Day proposes in his 1990 publication are cast in a four-step program. The focus of these interventions is on aligning strategy, structure, people, and programs as well as redesigning performance measures so as to encourage and reward market-driven behavior. In his later work (Day 1994a), the author focuses on business process redesign, either radically or gradually from the bottom up, combined with top down signaling of commitment and stretching of improvement targets. The use of information technology enables firms to do things they could not do before. Day suggests defining key performance indicators (KPIs) and use these to monitor progress and evaluate the results of the interventions.

Day's change program is characterized by broad sketches of what should be done to build a market-driven organization. Biemans (1995) extended Day's model, resulting in a more detailed implementation framework. The market sensing and customer linking capabilities are supplemented with internal interaction, organizational learning, and continuous improvement capabilities, thus incorporating insights of Jaworski and Kohli (1993) and Slater and Narver (1995). Furthermore, Biemans complements the change program with a list of major obstacles that may hinder successful implementation as well as the most relevant facilitating factors. Biemans recommends a pilot approach to implementation through which short-term success can lead to long-term momentum

AUTHOR(S)	DIAGNOSIS
Webster (1988; 1994)	– No specific guidelines for diagnosis
Payne (1988)	– Understand mix of current orientations – Identify present level of marketing effectiveness – Understand organizational and cultural dimensions – Conduct training needs analysis
Kohli & Jaworski (1990; 1993)	– The authors suggest that their MARKOR scale to measure current market orientation might be used to make a diagnosis (Kohli, Jaworski, and Kumar 1993).
Lichtenthal & Wilson (1992)	– Diagnose current organizational value system
Ruekert (1992)	– Diagnosis via an organizationwide questionnaire assessing behaviors, systems, individual outcomes, and business performance
Day (1990; 1994a)	– Diagnosis of current market sensing, customer linking, and channel bonding capabilities – Anticipation of future needs for capabilities
Biemans (1995)[24]	– In addition to the capabilities mentioned by Day, diagnosis should include current internal interaction, organizational learning, and continuous improvement capabilities

for change. Biemans' suggestions enrich Day's capabilities approach with obstacles and facilitators to implementing a market orientation, but the approach remains rather broad-stroked in its diagnosis, intervention, and evaluation.

Table 3 summarizes the main tenets of these early implementation

24. Biemans' approach draws heavily on Day's suggestions and can therefore be seen as an extension of Day's approach.

INTERVENTION	EVALUATION
– Instill customer-oriented values and beliefs – Integrate marketing in strategic planning – Develop strong marketing managers and programs – Create market-based measures of performance – Develop customer commitment throughout the organization	– No specific guidelines for evaluation
– Design management development program (with a focus on knowledge, skills, and attitudes) – Organize key support activities (structure, recruitment, promotions, information systems, planning systems)	– No specific guidelines for evaluation
– Instill senior management commitment – Improve interdepartmental connectedness and reduce interdepartmental conflict – Redesign organizationwide systems (organization structure, reward systems)	– The authors suggest that a repeated use of their MARKOR scale to measure current market orientation might be used to evaluate the effect of interventions (Kohli, Jaworski, and Kumar 1993).
– Develop list of desired behaviors – Develop top-down programs to change norms and/or create new norms	– No specific guidelines for evaluation
– Adapt systems for recruitment and selection – Adapt systems for training – Adapt systems for rewards and compensation	– Evaluation of interventions through repeated use of the questionnaire
– Redesign of business processes – Signaling of management commitment – Stretching of improvement targets	– Monitoring of key performance indicators
– Removal of common obstacles to market orientation and creation of facilitators	– No specific guidelines are provided, but the author warns that managers should not expect results to materialize in the short term

Table 2.3: A comparison of early implementation approaches

approaches. The approaches for implementing a market orientation vary from highly conceptual and broad stroked (Webster, Day) to fairly concrete suggestions for diagnosis, intervention, and evaluation (Payne, Ruekert). While some focus on achieving a change in more abstract aspects of organization like orientations (Payne), customer commitment (Webster), or norms (Lichtenthal & Wilson), others focus on changing concrete activities (Kohli & Jaworski, Ruekert) or processes (Day).

The current status of the market orientation concept

The preceding sections provided a survey of half a century of market orientation research, with an emphasis on the achievements of the last 10 years. The market orientation concept has earned itself a prominent position in the marketing literature, where it is still honored with special issues of scholarly journals. The idea that a market orientation is related to business performance is not only intuitively appealing to managers and marketers, it is also marketing's most promising contribution to explanations of organizational performance. What did this past decade of market orientation research provide us with? On the bright side, it has provided us with more precise definitions, with scales for measuring the degree to which organizations are market oriented, and with empirical support to the market orientation - business performance relationship. From a more critical stance, one can argue that 10 years of research has left us with many definitions of the construct, leading to a diversity of measurement instruments. The most prevalent of these instruments – MARKOR (Kohli et al. 1993) and MKTOR (Narver and Slater 1990) – are not without problems, and the exact relationships between the market orientation construct and its antecedents and consequences are not clear.

For the purpose of this thesis, the following question is more important: To what extent does the market orientation literature provide adequate suggestions for Alan Smithee to manage a change process for improved market orientation?[25] For Alan Smithee, three questions are particularly important to answer:

1. In what parts of my organization should I look for areas for improvement? What has to do with market orientation and what has not?
2. On what grounds should I prioritize a list of improvement areas? A long list of areas for improvement can usually be made, but where should I start?
3. How should I go about making changes such that improvement in the degree of market orientation can be expected to ensue?

Partial answers can be found in the literature. The definitions of market orientation and the measurement scales provide parts of the answer to Alan's first question. If Alan were to follow Ruekert's (1992) suggestions,

25. Please note that this question was formulated in 1995, when a number of important contributions to the implementation issue were not yet published. Later contributions to the implementation issue are discussed in chapters 6 and 8.

for instance, the answer to the first question would be to analyze current processes of recruitment, selection, training, and rewarding. Ruekert's scale may be a starting point for such an analysis. On the other hand, Alan could also follow Lichtenthal and Wilson's (1992) proposals, and analyze current organizational norms in order to find areas for improvement. Answers to the first question thus can be found in the market orientation literature, but these answer vary by author.

The second question is very difficult to answer based on the current state of the literature. For instance, if Alan uses a market orientation scale to find areas for improvement, should it be the items on the market orientation scale that have received the lowest score that are improved first? This study will have to find an answer to the second question if it is to be helpful for practitioners who want to manage an process of organizational change.

And insofar as the literature has anything to suggest with regard to Smithee's third question, the answers in the literature up to 1995 are purely conceptual and lack empirical grounding. Day (1994a) is perhaps most specific with his approach based on what has been learned about the implementation of TQM. Biemans (1995) provides some extra pointers with his suggestion to start with a small-scale pilot project and build on early successes. Other authors leave the 'how' of the change process untouched.

In sum, the 'why' of making organizations more market oriented has been treated extensively in the marketing literature. In empirical studies, market orientation has repeatedly – though not entirely consistently – been related to organizational performance. With respect to the 'what' of making organizations more market oriented, a variety of suggested starting points have been forwarded: norms (Lichtenthal and Wilson), human resource processes (Ruekert), organizational processes and capabilities (Day), et cetera. The 'how' question, finally, has received only limited attention. This 'how' question, the core question of the implementation issue in market orientation research, is the central question of this study: *how can managers make their organizations more market oriented?*

In this study I want to investigate this question empirically. As I have shown in the literature review, most empirical research in market orientation has been quantitative survey research. This is not only the conventional research strategy in the area of market orientation, but in marketing research in general. Yet, 'how' questions usually do not favor survey research (Yin 1994). Moreover, for an insightful questionnaire to

be developed, a lot more needs to be clear about the process of implementing a market orientation. In order to find answers to my central research question, I will combine exploration with design. An exploration of how real-life organizations cope with the change process towards improvements in market orientation is needed because few thoroughly documented and published case studies in this area exist[26]. Furthermore, I expect that first-hand experience with such a change process is needed to understand the intricate dynamics of such a process. The value of exploratory case studies is also recognized by the thought leaders in market orientation. Kohli and Jaworski suggest to use "in-depth studies of a few organizations engaged in the change process" (1993, p. 65), while Day calls for "thoughtful clinical investigation" of transformation efforts (1994a, p. 50).

The exploratory study of real-life change processes will provide the foundations for the development of a general approach for the implementation of a market orientation. This implementation approach will provide answers to the question how managers can improve the degree of market orientation of organizations. The core of such an implementation approach will be a set of conceptual frameworks that guide managerial action. This study, then, is a design-oriented study aimed at the development of clinical knowledge. The designs of the frameworks are on the one hand based on the literature, and on the other hand on observations and interventions in organizations engaged in a change process towards improved market orientation. The research strategy that I use to develop these frameworks I have called 'designing-in-action'. In the next chapter I will refine the problem statement and describe the elements of designing-in-action.

26. Exceptions are a small number of teaching cases (see e.g., www.ecch.cranfield. ac.uk) and two journal publications (Ballantyne et al. 1995; Hennestad 1999).

Theorie ist nicht die Wurzel, sondern die Blüte der Praxis[1]

In order to develop an implementation approach for market orientation I use a research strategy that I have called designing-in-action. Designing-in-action combines elements of action research and design-oriented research: frameworks for the implementation of a market orientation are designed on the basis of a series of participative case studies. The purpose of this chapter is to show that this research strategy is a productive strategy. I embarked on a search for knowledge that can help professionals (academics and practitioners) address the issue of implementing a market orientation in an organization. In other words, knowledge that can help someone like Alan Smithee make his organization more market oriented. In section 3.1 I discuss what kind of knowledge such professionals typically need in order to improve organizations. Over the past years, there has been ample attention within Dutch methodological debates for the development of improvement knowledge. Such knowledge has been referred to as design knowledge (*ontwerpkennis*), and a set of methodological rules for developing such knowledge has been established as design-oriented research (*ontwerpgericht onderzoek*). The foundations of design-oriented research are discussed in section 3.2. These two sections precede the problem statement in section 3.3 because they help to understand what type of knowledge is expected to ensue from this research. Section 3.3 also delineates the scope of the project. Section 3.4 covers the core elements of designing-in-action. The interactive nature of the research exchange is discussed, the focus on the analysis of change processes in their temporal and spatial context, the use of in-depth case studies, and finally, the cyclical research process of designing-in-action. This chapter concludes with a summary of the strengths and weaknesses of designing-in-action in section 3.5.

§ 3.1   *Theory development for professionals*
In the previous chapter the central research question was developed: *how can managers make their organizations more market oriented?* From the wording of this question it is clear that the envisioned audience for this study's knowledge products are, first of all, managers. But the manager is used here as an epitome of change agents in organizations. Consultants

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1. 'Theory is not the root, but the blossom of practice'; quote from an unknown source, found in Scharroo (1924).

and academics are also expected to benefit from the outcomes of this study. The total group – managers, consultants, and academics – are labeled '(marketing) professionals'[2]. These professionals-as-change-agents need knowledge products that enable them to improve organizations. According to Van Strien (1986) a professional uses four types of knowledge products when trying to solve a problem: (1) nomological theory (empirical laws and algorithms); (2) heuristics; (3) case examples and documented experiences of colleagues; and (4) his own experience (see also Schön 1983; Weick 1993; Visscher and Fisscher 1999).

The frameworks that are developed in this study are heuristics that professionals can add to their repertoires. These frameworks have a 'searchlight function' in the sense that they can help professionals name and frame issues regarding the implementation of a market orientation. They aim to provide a comprehensible structure for implementing a market orientation, but they do not provide empirically tested or testable laws for implementing such an orientation. In terms of Gummesson (1991), the frameworks should be seen as "generalized substantive theory", a "modifiable guide to action", that "will never take on a finalized form". This theory is used by professionals to "increase their theoretical sensitivity and ability to act". This type of theory is "tested and modified in action". The theory can be expected to be continuously "transcended, that is, take on new and more adequate forms" (Gummesson 1991, p. 180).

In Gummesson's terms the frameworks could be called 'theory', while Van Strien would call them 'heuristics'. Within Roethlisberger's characterization of the knowledge enterprise the frameworks would fall in the category of 'clinical knowledge' (see figure 3.1). As the conceptual frameworks that emanate from this study represent a structure for understanding rather than explanation, would it be appropriate to call these frameworks 'an implementation theory' or not? According to Sutton and Staw (1995), these frameworks do not comply with the properties of good theory. Good theory, in their eyes, answers 'why'-questions, and thus reveals a causal logic between variables. Weick (1995), in a response to Sutton and Staw, argues that the road towards 'grand theory' is paved by 'approximate theories'[3]. The conceptual frameworks that come out of this study are such intermediary products. They could deserve the label 'implementation theory', as they build on existing marketing theory,

2. In cases where I specifically want to address consultants and managers I will use the term 'practitioners'; where I specifically want to address academic professionals I will use the term 'academics' or 'scientists'.
3. See also Schuring (1997, p. 24) for a more elaborate discussion.

CHARACTERISTIC STATEMENTS (theories)	METHODS	PRODUCTS

Analytical (scientific) knowledge	General propositions	↑ Creative and inductive leap of imagination	↓ Deductive systems
	Empirical propositions	↑ Operational definitions Rigorous measurement	↓ Statements of the form x varies directly or indirectly with y under given conditions
	Elementary concepts	↑ Definition of concepts and variables Elementary measurement	↓ Statements of the form x varies with y
Clinical knowledge	Conceptual schemes	↑ Observation and interviewing	↓ Descriptive cases and syndromes
		↑ Classification	↓ Taxonomies
Skill	Knowledge of acquaintance	↑ Practice and reflection	↓ How-to-do-it statements and aphorisms
	The phenomena		

Figure 3.1: The knowledge enterprise (source: Roethlisberger 1977, p. 393)

strategic management theory, and organization theory, and as they represent a coherent description of observed and experienced phenomena relating to the implementation of a market orientation (cf. Gioia and Pitre 1990, p. 587; see also Van der Zwaan and Van Engelen 1994, p. 28). Nevertheless, in order to avoid misunderstandings about the status of this study's products, I choose to use the term 'implementation approach' and not 'implementation theory'[4]. The implementation approach consists of a set of frameworks and the companion text that explains how to use the frameworks[5].

4. Note for Dutch readers: De conceptuele raamwerken representeren een algemene aanpak voor de implementatie van markt-gerichtheid. Het Engelse 'approach' is de eerste vertaling van zowel 'aanpak' als 'benadering' (Van Dale 1999).
5. I have also considered the term 'imple-mentation method'. I do not use this term for the set of frameworks because the 'method of application' is in the text that explains how to use the frameworks. A designed artifact is not complete without a 'manual' that describes how the design should be used (Roozenburg and Eekels 1995). Ergo: Approach = Frameworks + Method.

Within the Dutch academic community, specifically within the area of business administration (*bedrijfskunde*), there is an ongoing philosophical debate on so-called design-oriented research (*ontwerpgericht onderzoek*) versus empirical[6] research. According to van triest (1999) this debate is confined to the Dutch academic community, and specific terminology in this debate is not even used in other countries. This debate is relevant for the methodological argumentation of this study, since this study develops design knowledge, in other words knowledge that professionals can use to improve organizations. I will therefore now turn to a discussion of design-oriented research.

§ 3.2   *Theory development as design-oriented research*
The first questions to be answered are: What is design-oriented research and what is the debate on design-oriented research versus empirical research about? As soon as we have satisfactory answers to those questions we can ask ourselves: In what way can we use the insights of design-oriented research in this specific study?

Van Aken (1994) makes a distinction between three categories of science:
– the formal sciences, like philosophy and mathematics;
– the empirical sciences, like the natural sciences, and a large part of the social sciences;
– the design sciences, like medicine, technical sciences, and law (p. 18).

According to Van Aken, the mission of the empirical sciences is to describe, explain, and where possible predict observable phenomena. The mission of the design sciences on the other hand, is to develop knowledge for designing artifacts and/or for improving existing entities. The empirical sciences strive towards quantitatively testable laws, while the design sciences strive towards knowledge that is demonstrably effectual in a specified context. Business administration – with its focus on the creation and management of organizations – can benefit both from knowledge

6. Actually, I am not very happy with the term 'empirical' in this distinction between design-oriented research and empirical research, because it might suggest that design-oriented research is non-empirical. Design-oriented usually has a significant empirical component, in the sense that a lot of empirical work is done in generating design knowledge (cf. Van Engelen and Van der Zwaan 1994). More fitting perhaps would be 'analytical research' or Van Strien's (1986) term 'deductive-nomological research' instead of 'empirical research', but as the discussants in this debate (e.g., Van Aken 1994a; Verschuren 1997) keep using 'empirical research' I will do so too.

production in the empirical sciences (e.g., sociology) and design sciences (e.g., information science).

The empirical paradigm dominates research in management, and more specifically, marketing. 'Good theory' is based on the positivist research tradition and comes accompanied by quantitatively testable hypotheses (Zaltman et al. 1982; Hunt 1994; Sutton and Staw 1995). Within the particular area of market orientation research this is illustrated by the vast amount of academic papers that contain empirical studies on the relationship between market orientation and performance. These studies try to establish a 'physicalistic' law of the $y = f(x)$ type, where the variable y stands for business performance, and x is the degree of market orientation, or y stands for market orientation and x is an antecedent to market orientation. In this way, Jaworski and Kohli (1993) have established that one of the antecedents to market orientation is interdepartmental connectedness. This finding is insightful, but it does not help professionals improve the degree of market orientation. It does not tell how important this factor is vis-à-vis other factors in a specific organization, what measure M can be taken to improve interdepartmental connectedness, nor how M can be implemented successfully. Design-oriented research on the other hand specifically aims at answering such 'how'-questions.

Design-oriented research is research that yields design knowledge, which is knowledge that is used to design and improve technical and/or social systems (Van Aken 1994a). Design knowledge can be characterized as follows:

– The output of design-oriented research, i.e., design knowledge, is aimed at being used by professionals, such as managers, consultants, marketing academics (Van Aken 1994a).

– Design-oriented research generates knowledge aimed at solving problems in practice. Designing is a goal-directed activity, aimed at satisfying one or more objectives, formulated at the start of the process, and possibly adjusted as the design process progresses (Visscher and Fisscher 1999). "All designers hope to improve organizations – to make organizations more efficient, more humane, more rational, more fun, more useful to societies, more profitable for owners, more satisfying to members, more submissive to top managers, more democratic, more stable, more flexible, or whatever [...]" (Nystrom and Starbuck 1981, p. xiii).

– Design knowledge is generated in an interplay between practitioner and scientist (Van Aken 1994a), or management consultant and academic researcher (Gummesson 1991), wherein the practitioner
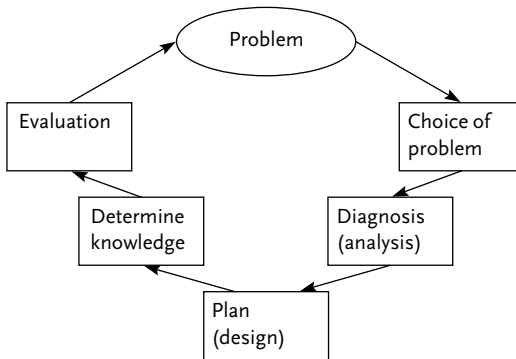
Figure 3.2: The regulative cycle (source: Van Aken 1994a)

solves unique problems, and the scientist tries to generalize the problem-solving approach for a class of similar problems. The roles of practitioner (problem-solver) and scientist (generalizer) can be united in one person (Schön 1983; Verschuren 1997).
– The test of good design-oriented research is in the question whether the design knowledge contributes to anticipated results in the specified contexts (Van Aken 1994a).

The process of generating this design knowledge follows the logic of a design process. Such a design process also has some specific particularities:
– The process of designing is an iterative process of analysis, synthesis, evaluation, iterating until a design is made that satisfies the design specifications (Roozenburg and Eekels 1991; Van Aken 1996).
– Where empirical research aims at breaking up wholes into parts and analyzing relationships between parts, design-oriented research aims at synthesizing parts into wholes (Florusse and Wouters 1991).
– Designing is a process where creativity plays an important role, and where the outcome of the process is an artifact (concrete or abstract) that is, at least in some respects, new and unique (Akin 1994; Van Engelen and Van der Zwaan 1994).

In the Dutch discussion on design-oriented research the so-called 'regulative' and 'reflective' cycles are used to describe the process of developing design knowledge. The origin of the regulative cycle can be traced back to Van Strien (1986), though the most cited reference is Van
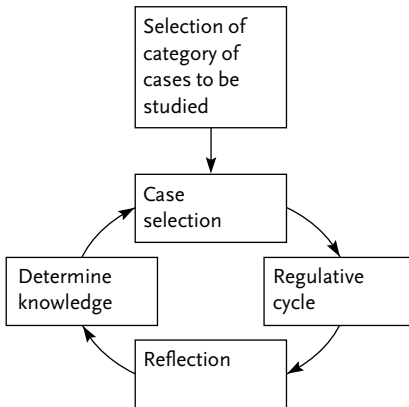
Figure 3.3: The reflective cycle (source: Van Aken 1994a)

Aken (1994a). Van Aken's visualization of the regulative cycle is depicted in figure 3.2. This cycle includes the following steps: problem definition – diagnosis – planning – intervention – evaluation. Van Strien (1986) notes that the basic tenets of this cycle can also be recognized elsewhere in the social sciences, namely: systems thinking and systems control, product development, (rational) decision-making, and problem solving in general.

The step from solving specific problems via the regulative cycle to generating design knowledge for a class of problems is made via the 'reflective cycle' (see figure 3.3). With this cycle, the scientist role is added to the practitioner role. While a solution to one unique problem might be enough to satisfy the practitioner, the scientist is aiming for the generation of design knowledge that is applicable in a class of problems.

The discussions on design-oriented research can be confusing because there are two levels of abstraction for the 'designing' that takes place. At the higher level of abstraction and in the domain of the researcher in his academic role is the process of knowledge development (the reflective cycle). This design knowledge (knowledge on how to design something, e.g., a market oriented organization) can have the form of conceptual frameworks, as in this thesis. The development of these frameworks resembles a design process (level 1 designing). At the lower level of abstraction, in the domain of the researcher in his interventionist role, there is the process of intervening in real-life systems (the regulative cycle). In this study, this is the researcher participating in the real-life process of designing a more market oriented organization (level 2 designing).

Designing the frameworks:		Designing a market oriented organization:
Solitary activity	→	Group interaction
Rational process	←	Political process
Emphasis on general approach		Emphasis on specific solutions
Focus on theory development		Focus on changing social systems
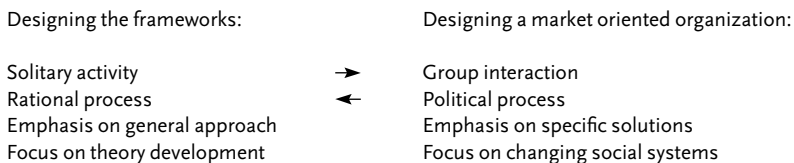
Figure 3.4: The two worlds of the design-oriented researcher

Ultimately, then, the researcher is designing frameworks (as an academic behind his university desk), based, to a large degree, on the insights from designing more market oriented organizations (as a practitioner participating in a real-life change process; see figure 3.4).

In this interplay between designing frameworks behind the desk and designing market oriented organizations in real life, the researcher is moving back and forth between two worlds. Van Aken's reflective cycle represents the world of the researcher/theory developer, while the regulative cycle represents the world of the change agent/interventionist. This switching back and forth between theory development and intervention is reflected in the structure of this book in which chapters covering the design of conceptual frameworks and chapters with case descriptions alternate.

While the reader might conclude that I propagate design-oriented research at the cost of empirical research, I would like to emphasize that I see design-oriented research and empirical research as complementary and intertwined (cf. Florusse and Wouters 1991; Van Engelen and Van der Zwaan 1994). Although with different objectives in mind, both strategies include one or more phases of empirical data collection. Both research strategies share methods for data collection, though the emphases on certain methods may differ significantly. The use of the data is also different: the empirical researcher uses the data to *analyze* specific relationships between variables (e.g., with the aim to test hypotheses), while the design-oriented researcher uses the data to *synthesize* concepts into artifacts (e.g., with the aim to develop a model or framework that can help solve a specific class of problems).

With the above introductions to theory development for professionals and design-oriented research I now turn to a refinement of the problem statement, in which I will formulate research objectives, define the scope of the project, and describe this study's overall approach to the development of design knowledge.

§ 3.3   *Research objective and scope of the project*
In this study I am concerned with the question: *how can managers make their organizations more market oriented?* The research objective is to generate design knowledge based on which practitioners can specify action for improving the market orientation of their organization. Such design knowledge comes in the form of conceptual frameworks. Not only do these frameworks need to be practicable, they also need to be theoretically grounded. The research objective can be formulated as follows:

> *To develop an implementation approach that professionals can use to improve the degree of market orientation of an organization.*

This research objective is a design objective, inspired by the calls for practicable insights in to the implementation of a market orientation, as quoted in the introduction of this thesis. A design objective can be delineated further by a set of design specifications (Cross 1989; Roozenburg and Eekels 1991)[7]. These specifications serve to clarify the design task (Dym 1994). At the start of the research these specifications can be rather general, as they describe the minimum requirements that a design should meet. Over the course of the research additional specifications should be added and the general specifications can be made more specific as the insight in the problem matter and its potential solutions increases (Cross 1989). For the formulation of such specifications we need to consider a priori conditions, functional demands, user demands, and design limitations (Van Aken 1996). Here, I will focus on functional demands and user demands only. User demands can be formulated by asking ourselves what the frameworks should do for a professional like Alan Smithee. Functional demands can be identified when we consider the role that the frameworks should fulfill in the academic system of knowledge creation and knowledge application (cf. Roethlisberger's knowledge enterprise, figure 3.1). At the start of the project five design specifications can be formulated:

1. The approach should be designed taking an improvement perspective. This means that the application of the frameworks should lead to recommendations that inspire and guide diagnosis, interventions, and evaluation of effects.
2. The approach needs to have a managerial orientation. This means that the knowledge that is produced needs to be applicable in practice,

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7. I use the term specifications to mean all statements that further detail the design objective and thus restrict the range of alternative solutions.

it needs to be put in the language of the practitioner, and the recommendations that come forth from this research should be within the realm of managerial responsibility and authority.

3. The recommendations need to be applicable in a single organizational setting. This means that the frameworks should help identify areas for improvement for the focal firm, not from a cross-sectional perspective, but based on an analysis from within the focal firm.

4. The approach should be applicable in a population of organizational settings wider than those settings studied in this research. Its generalizability should be clear, and the applications of the frameworks should be described in such a way that practitioners can judge whether, or with what adaptations, the frameworks are applicable to their particular situation.

5. The approach should build a bridge between the state-of-the-art in the theory of market orientation and the practical issues faced by the professional who wants to improve the degree of market orientation of an organization.

These design specifications are sufficiently restrictive to clarify the design task, but at the same time leave enough freedom of movement to consider a variety of alternative designs.

In order to keep the research project manageable the scope of the project needs to be delimited. First of all, I choose to focus on for-profit organizations. There has been some conceptual and empirical work on market orientation in not-for-profit sectors (e.g., McNeal and Lamb 1980; Balabanis et al. 1997; Caruana 1997; Caruana et al. 1998; Wood et al. 2000), and that research shows that studying market orientation in these sectors requires special adaptations of key concepts, like for instance organizational performance. Since all the market orientation literature that I build my frameworks on is based on for-profit sectors, I will limit myself to those sectors as well.

Second, this research will have a focus on organizations that sell to the business, or industrial market. The business market is defined as all organizations that acquire goods and services used in the production of other products or services that are sold, rented, or supplied to others (Kotler 1997, p. 204). The specific relevance of implementing a market orientation in industrial goods companies is illustrated by the study of Avlonitis and Gounaris (1997), who show that the adoption of a market orientation within industrial companies is less frequent than within consumer companies (see also Hutt and Speh 1992). At the same time

those industrial companies that have adopted a market orientation enjoy a performance advantage in all eight performance measures, while those consumer companies (among whom a market orientation is more widespread) that have adopted this orientation only enjoy advantages in sales volume and market share (Avlonitis and Gounaris 1997). Day states that for some firms a market orientation is "as natural as breathing", while for others a market orientation is "a sharp departure from their history and instincts" (Day 1999c, p. 5). It is no coincidence that Day uses the consumer company Nestlé as an example of the first kind while he uses the industrial company Asea Brown Boveri as an example of the second.

Most market orientation studies examine organizations or business units as a whole, in fact, most studies treat organizations as black boxes. For the implementation issue it is essential to open up these black boxes. A focus on a specific set of activities in the organization helps to keep such research manageable. Previous research that has focused on a subset of organizational processes has had a predominant emphasis on new product development processes (e.g., Biemans and Harmsen 1995; Moorman 1995). In this study I focus on the transactional processes of an organization, i.e., the sales and marketing processes. There is some prior work in this specific area (e.g., Siguaw et al. 1994), and there are indications that a market orientation in marketing and sales is not self-evident (cf. Kasper 1990). The transactional processes represent the service component of the activities of industrial firms. It is in this service component where customer interactions are the most frequent, and hence a market orientation could be a major source of competitive advantage (cf. Bitner et al. 1990).

Fourth, this study will be executed from a process perspective[8]. The implementation of a market orientation is a process of organizational change. Process research is concerned with understanding how things evolve over time and why they evolve in this way (Langley 1999). Variance theory, by contrast, is concerned with the relationships among dependent and independent variables (Langley 1999; see also figure 3.5). Both approaches could be used with respect to the implementation issue in market orientation. A variance theory of implementing a market orientation could for instance specify 'less departmentalization and more market-based rewards correlate with more market oriented behavior', while a process theory could specify 'first build a good customer database

8. Here, I use 'process' as "a sequence of individual and collective events, actions, and activities unfolding over time in context" (Pettigrew 1997, p. 338), not 'process' as a sequence of transformation or transactional activities in an organization to produce an output, as I used it above in 'sales and marketing processes'.

1. A focus on firms in competitive, for-profit markets
2. A focus on business-to-business markets
3. A focus on the transactional processes within the firm
4. A focus on the change process of implementing a market orientation
5. Taking a multi-disciplinary perspective on market orientation

Table 3.1: The scope of the project

and then reward the use of customer information in order to stimulate market oriented behavior'. My interest in the change process rather than the explanation of relationships between variables has implications for research design, data collection, and data analysis, which will be covered in later sections of this chapter.

Finally, this study will be executed from a multi-disciplinary perspective. This means that it is not limited to the marketing discipline alone. Market orientation studies have already crossed over to the domain of strategic management (e.g., Hunt and Morgan 1995; Slater and Narver 1998), organizational learning (e.g., Day 1994; Sinkula 1994; Slater and Narver 1995), and links with organization theory are being explored (e.g., Homburg and Becker 1998). This research will build on these first steps towards a multi-disciplinary approach to the implementation issue of market orientation. The five elements that define the scope of the research are summarized in table 3.1.

The objective of this research, then, is to develop an implementation approach that guides professionals in their efforts to improve the market orientation of an organization. The frameworks that make up this implementation approach will be developed with inputs from both theory and practice. In order to be able to help practitioners with the implementation issue of market orientation we need to understand the process of implementing such an orientation better. And in order to understand such a complex process we need to study such processes in-depth. In this study I follow the adage 'if you want to understand something, try to change it'[9]. This implies that in order to understand the process of implementing market orientation, I will have to aim for a long-term involvement with an organization that wants to improve its degree of market orientation. Through active participation in the change process, I expect to reach a level of understanding that allows me to develop design knowledge for implementing a market orientation. I have called the research strategy that

combines these roles of change agent and designer 'designing-in-action'. In the remainder of this chapter I explain what this designing-in-action is and how I use it in this study.

§ 3.4   *The elements of designing-in-action*
The core principle of designing-in-action is that design knowledge – i.e., knowledge that can be used to solve a specific class of problems – is developed through a combination of design, intervention, and reflection, whereby the researcher becomes a member of the network of problem solving agents in the settings that are being studied. In this study, designing-in-action is being used to develop an approach for implementing market orientation. As a first step in designing-in-action, the researcher designs a preliminary implementation approach. Such an approach could be cast in conceptual frameworks, based on the researcher's preunderstanding of the problem area and of the relevant literature. Then, the researcher takes a membership role in a setting where such a change process takes place, and he participates in the change process in order to be able to develop a deep understanding of the events in the change process. The choice for specific interventions, initiated by the researcher or by other change agents, the success or failure of those interventions, and the overall proceeding of the change process inform the researcher of strengths and weaknesses of the implementation approach.

The researcher can adjust the frameworks, based on his reflection of what happened in the real-life change process. These adjustments are not made to increase the fit between the frameworks and the setting that was studied (retrospective adjustments), but in order to increase the fit with future cases (prospective adjustments). In order to increase the validity of

9. Den Hertog and Van Sluijs (1995, p. 163) ascribe this statement to Kurt Lewin, one of the fathers of action research, using Nystrom and Starbuck (1981, p. xii) as their source. According to the latter authors however, the real source is a Walter Fenno Dearborn, as quoted by Bronfenbrenner (1976). It could well have been Lewin's adage though. In one of his two papers on the subject he writes: 'The research needed for social practice [...] is a type of action-research, a comparative research on the conditions and effects of various forms of social action, and research leading to social action. Research that produces nothing but books will not suffice' (Lewin 1946, p. 35).

'It is important to understand clearly that social research concerns itself with two rather different types of questions, namely the study of general laws of group life and the diagnosis of a specific situation. [...] The knowledge of laws can serve as guidance for the achievement of certain objectives under certain conditions. To act correctly, it does not suffice, however, if the engineer or the surgeon knows the general laws of physics or physiology. He has to know too the specific character of the situation at hand. [...] For any field of action both types of scientific research are needed' (ibid. pp. 36-37).

these prospective adjustments, the researcher should be able to detach himself from the setting and stay well-informed of the literature in order to prevent that case-specific 'improvements' find their way into the frameworks.

Designing-in-action thus has a number of specific characteristics. It is first of all interactive research: the researcher participates in the change process and becomes an (inter)active member of the setting. Second, it has a focus on change processes within organizations, which means that time, and sequence of events are important, not correlations between variables in a cross-section of a large set of entities. On the contrary, and this is the third characteristic of designing-in-action, because it is such an intensive research strategy, the frameworks are based in-depth and intensive, longitudinal case studies. And fourth, designing-in-action follows a cyclical process of knowledge development; a process in which a full cycle of design – intervention – reflection leads to a new (re)design – intervention – reflection cycle. In the subsequent sections I discuss these four elements: interactive research, process analysis, small sample case studies, and the cyclical research process.

Interactive research

Designing-in-action is an interactive, or participative, research strategy for two reasons. First, in order to really understand why a change process in an organization proceeds in a particular way, becoming a member of the setting provides access to events, people, and information that remain undisclosed to non-members. Second, first-hand experience as a member of the network of change agents can provide invaluable insights in how and why certain interventions lead to certain outcomes.

Participant observation, participative inquiry, clinical research, action research, and action science are all examples of interactive research strategies. When labels like 'participation' and 'action' are used, they can have meanings ranging from 'liberating the oppressed' to mere participation in the processes under study (Gummesson 1991; Hamilton 1994). The word participation can relate both to the researcher participating in the organizational processes, and organizational members (subjects) participating in the research process (Whyte 1991; Elden and Chisholm 1993; Reason 1994). In this study there is no objective of 'liberating oppressed people', as is often implied when the term action research is used within Marxist or feminist studies. Furthermore, in this study, the term 'participative' relates to the participation of the researcher in the

organizational processes, not to the participation of the subjects in the research process.

Lee distinguishes four categories of 'participant observation' (Lee 1999, pp. 98-99):

The complete participant: This researcher participates fully but covertly as an organizational member. In addition, the researcher takes precautions to hide his or her scientific intentions, role, and observational activities. The researcher establishes and nurtures normal work and personal relationships with other organizational members.

The participant as observer: This researcher participates fully but overtly as a researcher; his or her scientific intentions, role, and observational activities are public and not hidden. The researcher establishes and nurtures normal work and personal relationships with other organizational members.

The observer as participant: This researcher participates as if s/he were an organizational member, and makes no effort to hide his or her scientific intentions, role, and observational activities. Although friendship ties can (and often do) form, the researcher is relatively passive in establishing and nurturing ties with organizational members.

The complete observer: This researcher remains in the background and watches and listens to (a) what others do, (b) what they say, and (c) the circumstances in which these actions and comments occur. As much as possible, the researcher remains unobtrusive; s/he is unlikely to form friendship ties with organizational members.

In order to attain sufficient access I need to become a 'participant as observer' in the settings that I study. This means friendship ties and working relationships with organizational members are established in combination with an overt role as researcher. The overt researcher role avoids ethical objections that are associated with covert operations. Establishing 'normal' friendship and working relationships enhances access to the site and to participants. A shared interest, as perceived by the subjects, in realizing certain organizational objectives (in this study: becoming more market oriented) reduces the barriers to getting involved in projects, initiatives, and discussions. I strive for "an involvement with members of an organization over a matter which is of genuine concern to them" (Eden and Huxham 1996, p. 75, italics removed). More of an observer and less of an participant will undoubtedly lead to a perception of being more of an outsider to the organizational processes which will obstruct this involvement, and hence, access. An observer has to invite himself to meetings and

activities of his interest; a participant gets invited as long as his added value to the organizational processes is recognized (Watson 2000). In the words of Guba and Lincoln (1994), I will not be a 'disinterested scientist', but an 'action-oriented participant'.

This means that the researcher assumes a membership role in the setting. The advantages of the membership role, according to Adler and Adler, are that it allows the researcher to participate in the routine practices of members and thus form constructs about the setting's everyday reality in much the same way as the members, and that the researcher can gain access to 'secret' information (Adler and Adler 1987, p. 34). The three ideal types of membership roles can be described as follows (p. 35):

– Peripheral-member-researchers participate as insiders in the activities of the group they are studying, but they refrain from engaging in the most central activities.

– Active-member-researchers participate in the core activities in much the same way as members, yet they hold back from committing themselves to the goals and values of members.

– Complete-member-researchers study their topics from the perspective of full members by either selecting groups to study in which they have prior membership or by converting to membership in these groups.

Because of the advantages of increased access that a researcher has in a functional role, a role of active membership researcher (AMR) is chosen in this research. AMRs do not have to rely solely on friendship ties with members in order to gain access to information, people, and events as peripheral membership researchers do. A complete membership researcher role would also be instrumental in gaining access, but an AMR role has several advantages. AMRs maintain several escape routes that safeguard their greater commitment to their academic role. First, they periodically withdraw from the setting to engage in analytical self-reflection, nourish their outside interests, and limit their involvement. Second, they periodically realign their perspective with those of outsiders in order to analyze the setting critically. Third, they retain sight of the fact that, ultimately, their participation in this research will be temporary in scope, and that their personal and career commitments lie elsewhere (Adler and Adler 1987, p. 51). The active membership role allows the researcher to gain true reciprocal access: access to the system, and to the individuals in the system, as well as access of the system and its individuals to the researcher (Gummesson 1991).

So far, I have discussed membership in its various possible forms, yet interactive research also implies that the researcher intervenes in the process that is being studied. Schein has discussed interventionist roles of researchers in his work on the clinical perspective (Schein 1987a; 1987b). Schein's overview of differences and similarities between the clinician and the ethnographer helps to explain the clinical perspective (see table 3.2). In the designing-in-action strategy, like in the clinical perspective, theory development and consultative problem-solving go together. Design-oriented research and action research also share this aim of improving of the social system under study (cf. Clark 1972; Gummesson 1991; Van Aken 1994a; Van der Zwaan 1995; Eden and Huxham 1996). This means that the researcher has certain obligations to the organization and the change process, that may require him to perform activities for the better of the organization that go beyond those activities that may have been sufficient for data collection (cf. Van der Zwaan 1995). Improved access and rapport come at the 'cost' of less research efficiency[10].

Processual analysis

The second characteristic of designing-in-action that I discuss is its focus on the analysis of processes. My focus in this study is on the process of change towards more market oriented sales and marketing processes. Studying processes of change requires a longitudinal involvement with an organization (Pettigrew 1990). Research methods for longitudinal studies of organizational change are discussed in the literature under the heading of 'processual analysis'

(Pettigrew 1990; 1997; Van de Ven and Huber 1990; Langley 1999; Pentland 1999). Processual analysis is concerned with describing and explaining the temporal sequence of events that unfold as an organizational change occurs (Van de Ven and Huber 1990, p. 213). Process data

10. In Schein's view, the interest of the client overrides the interest of the researcher on many accounts. It is his opinion for instance, that the objective of theory development should always come secondary to helping the client: according to Schein, clinicians should potentially be willing not to publish outcomes of clinical research. Secondly, according to Schein's model, the client not only initiates the process but continues to fuel it through continuation of the request for help, and the process terminates when the client no longer feels the need or want to continue the relationship, not when the researcher feels that empirical saturation has occurred (cf. Adler and Adler 1994; Morse 1994). In this study I aim for a more balanced combination of research and consulting in which the interests of the client and the interests of the researcher are served in mutual understanding.

	CLINICAL PERSPECTIVE	ETHNOGRAPHIC PERSPECTIVE
– Who initiates the process of inquiry?	– The client chooses the clinician.	– The ethnographer chooses the subject group or organization to be studied.
– What implicit model of the organization operates?	– The clinician typically starts with an 'action research' model, i.e., the assumption that one cannot understand a human system without trying to change it.	– Ethnographers assume that they are not supposed to change the system, but they must perturb it a bit at times in order to elicit a response to be observed or interpreted.
– Whose needs drive the process of inquiry and data gathering?	– The client not only initiates this process but continues to fuel it through continuation of the request for help, and the process terminates when the client no longer feels the need or want to continue the relationship.	– The ethnographer initiates the process of inquiry by seeking out the organization, gain entry, form a relationship, and elicit interest and motivation.
– What is the psycho-logical contract?	– The client expects to pay fees and expenses in exchange for which he or she will experience some improvement or obtain some help in a defined problem area.	– The 'subject' expects to give access to various organizational settings, make introductions, and in other ways smooth the way in exchange for which he or she will ultimately obtain some feedback on what the research results revealed, which, in turn, will provide insights that would permit the organization to be more effective.
– What is the conceptual focus of the data gathered?	– The clinical perspective is oriented toward concepts of health and pathology, toward problem areas that require remedial action, toward the dynamics of change and 'improvement'. The clinician's role requires an analysis 'in-depth' in that the area of agreed upon pathology must be pursued until enough insight has been produced to discover a remedial intervention.	– The ethnographer's categories of analysis are likely to be broader, to deal more with the total context of the situation, and to be related to sociological, anthropological, and social psychological theory. The ethnographer is generally more concerned with completeness of description so that the total situation can be understood by the reader.
– How are the data determined to be scientifically valid?	– For clinicians the ultimate valida-tion test is whether or not they can *predict the results of a given inter-vention*. Actual improvement of the situation would be the ultimate criterion.	– The ethnographer ultimaty uses the traditional scientific criterion opf *replicalibility*. The ethnographer also relies *internal consistancy* and on giving enough detail of what is going on to give *credibility* to the argument.
– What are clinical data especially relevant for?	– The best use of clinical data is in the construction of variables and theoretical models.	– Ethnographies also reveal dynamics of human systems and help build better theory, but clinical studies and ethnographies focus on different aspects of human systems.

– How should the investigator be trained to conduct inquiry?	– For clinicians, helping theory and consultation theory become central learning foci, and the practice of helping (e.g. sensitivity training) becomes a primary skill.	– For the ethnographer to learn to help his or her subjects is a secondary skill.
– How are clinicians and ethnographers alike?	– Both clinicians and ethnographers have a commitment to scientific objectivity and are trained in how to maintain such objectivity. Both clinicians and ethnographers are likely to become exposed to 'backstage information' that cannot be shared with anyone and that can never be published.	
– What are the ethical dilemmas?	– One has to take a clinical stance toward feedback and not to promise any feedback except in relation to goals that the subject may be willing to articulate. If something of scientific value comes out of the cases, clinicians must totally disguise them, be willing to check them with the subject, and potentially be willing not to publish them.	

Table 3.2: Differences between the clinical and the ethnographic perspective (based on: Schein 1987a)

therefore consist largely of stories about what happened and who did what when, in other words, narratives (Langley 1999, p. 692). Process theory is complementary to variance theory. In research on organizational change, variance theory focuses on co-variations between certain inputs (independent variables) and certain outputs (dependent variables), whereas process theory focuses on the process of change (Van de Ven and Huber 1990, p. 213), as illustrated in figure 3.5.

Processual analysis starts with a narrative account of the process of organizational change. This narrative is descriptive and represents the surface structure of the events. Narrative data are characterized by the following properties (Pentland 1999, pp. 712-713):

1. Sequence in time: chronology is a central organizing device, although the narrative does not need to present events in sequence. Events can be rearranged for dramatic effect or for the reader's understanding.

2. Focal actor or actors: narratives are always about someone or something – in this study about a process of planned change. It is important to identify protagonists and antagonists in this process of change.

3. Identifiable narrative voice: a narrative is a story told by someone. That voice reflects a specific point of view. In this study the narrative will be told from the perspective of the researcher, which is why the story is told from the first person.

4. Evaluative frame of reference: narratives encode, implicitly or
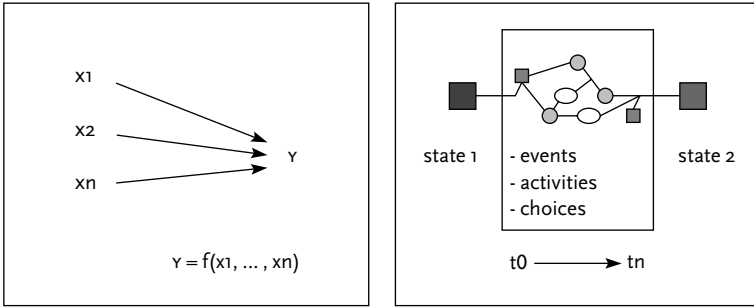
Table 3.5: Variance theory versus process theory (Langley 1999, p. 693)

explicitly, standards against which actions of the characters can be judged. In this study the standard is the advancement of the change towards a more market oriented organization.

5. Other indicators of content and context: narrative texts contain more than just the bare events. In particular they contain textual devices to indicate time, place, attributes of characters, and attributes of the context. These indicators may be essential to the interpretation of the events.

Process research is best characterized in terms of cycles of deduction and induction (Pettigrew 1997, p. 343). Via a process of deductive structuring, themes, conceptual frameworks, conceptual vocabulary, and empirical research questions are formulated. This is a prelude to the process of inductive reasoning and pattern recognition, as well as disconfirmation and verification of earlier assumptions (Pettigrew 1997, p. 344). In this study the narrative of the change process is the basic empirical data set. On the one hand this data set is used to verify the assumptions that underlie the designs as they exist prior to the start of each case study. On the other hand this same data set inspires to consider new relationships between variables in an inductive way, thus adding new insights to the designs. It is important to note that the researcher, in a participant role, helps create the events in the narrative. The researcher's actions (interventions) are informed by his understanding of the frameworks and the relationships between the variables at the time of the act. The actions of all actors, including the researcher, lead to the events that make up the narrative of the case study.

A researcher that is a full member of the setting can combine various

data collection methods in order to construct the narrative. The advantage of using multiple methods in combination is that a research problem can be attacked with an arsenal of methods that have nonoverlapping weaknesses in addition to their complementary strengths (Jick 1979; Brewer and Hunter 1989). As an active member researcher all five of Brewer and Hunter's categories of methods can be used:

– *Observation* to study 'natural behavior' in an unobtrusive way;
– *Interviewing* to elicit specific information and to test ideas;
– *Surveys* to collect quantitative and qualitative data on a larger population;
– *Document analysis* to study indirectly the outcomes of behaviors;
– *Interventions* to experiment with ideas and frameworks.

As observational methods I can use presence in meetings, casual interviewing, participation in social processes (lunches, social events), and casual observation of social processes from a distance. The interviewing methods can consist of informal interviews (planned or ad hoc) and planned semi-structured interviews. Individual face-to-face interviews can also be part of a series of interviews, but then they are to be classified as a survey. Apart from such interview surveys, mailed questionnaires can be used as a survey method. Document analysis can consist of analyzing company newsletters, brochures and reports, meeting minutes, and company information in the media (third party documents). Interventions can consist of participation in discussions and meetings thereby introducing 'foreign' ideas, writing reports that influence behaviors, giving presentations, and indirect interventions by influencing organizational members to take certain actions. I have used all of these methods in the case studies.

Summarizing the above, I will use methods to collect data on non-reactive, or natural events, and data on reactive events, i.e., events that would not have taken place if the researcher were not there. Apart from the observed events there will be of course a much larger amount of unobserved events that might be relevant to the study. To minimize the chances of missing out on events that are highly relevant to the study, the researcher has to make sure that key people are informed of the purposes of the study, that no adversarial relationships with key informants develop, and that the researcher shows that his presence at important events adds value, or at least does not disturb the process. Sponsors within the company at levels of influence in the company can play an important role in this respect.

The change process and its context that I want to capture in a narrative will manifest itself in documents, meetings, conversations, and other events. These raw data need to be processed and transposed into verbal data. Techniques for processing such data are: memo writing, writing of meeting minutes, and the archiving of documents and files. Informal discussions, visual stimuli, personal experiences, and feelings that are deemed important will be captured in verbal data. This will be done by keeping a fieldwork diary. New verbal data will be created and will be stored with existing verbal data. A collection is built up of natural verbal data (such as company brochures), verbal data created by the researcher (such as diary entries and meeting minutes), and reactive verbal data created by subjects (such as written responses to researcher's questions).

The narrative that is constructed from the verbal data should be such that the variety and richness of the incidents described and of the linkages between them convey a high degree of authenticity (Langley 1999). Another strategy for structuring the verbal data is to use a visual mapping strategy. By mapping process data in a graphic representation, large quantities of information can be presented in relatively little space. Visual maps allow the simultaneous representation of a large number of dimensions, and they can easily be used to show precedence, parallel processes, and the passage of time (Langley 1999). The narrative and the visual maps can be combined to identify the most critical events that shaped the story.

Time is a crucial factor in the study of change processes. First of all, time sets a frame of reference for what we see as a change versus continuity. The more we look at present-day events the easier it is to identify change, but the longer we stay with an emergent process the more we can identify continuities (Pettigrew 1990). Understanding the big picture of the structures that underlie the "long sequence of simple and uncomplicated events" takes time. What is critical is not just events but the underlying logics that give events meaning and significance (p. 273). As Pettigrew aptly puts it: "truth is the daughter of time" (p. 271). Processual analysis, and therefore designing-in-action, is a very labor-intensive and time-consuming research strategy. As a consequence, the number of case studies that can be executed in a research project is limited (Biemans and Van der Meer-Kooistra 1994b). The next section discusses the use of in-depth longitudinal case studies as my strategy of inquiry.

In-depth longitudinal case studies

It is not easy to place the concept 'case study' in the methodological arena. The case study has been introduced as a research strategy – alongside participant observation, grounded theory, and survey (Janesick 1994), as a form of empirical material – alongside personal experience, observational, historical, interactional, and visual texts (Denzin and Lincoln 1994), or as a fundamental choice for studying the particular instead of the general (Stake 1994). I will use the term case study as a strategy of inquiry with the following meanings:

– A focus on in-depth analysis (as opposed to survey research);
– A focus on contemporary processes (as opposed to archival analysis);
– A focus on processes in their natural setting (as opposed to controlled experiments);
– A focus on real-life situations in their complexity, context, and history (as opposed to simulations).

The fact that resources (time, money, and manpower) are limited, sets constraints on the ability to study change processes in multiple cases. There are three ways in which resources inhibits the use of a large number of case studies when studying the implementation of a market orientation via participative research. The first constraint is in the time it takes to establish access to the case site. Gummesson (1991) identifies 'access to reality' as the most crucial, and yet most difficult to realize, element of good participative research (p.11) . It takes time to become part of the social networks and to gain enough trust to get involved in the real decision-making processes. The second constraint is in the time it takes to observe, participate in, and initiate discussions, decision-making processes, and processes of change. These processes have a certain throughput time and one should not draw back before results of at least some of these processes become visible (cf. Pettigrew 1990). The third constraint is in the number of participative case studies one researcher can execute in parallel. With processes as complex and important for the company as implementing a market orientation, the researcher should limit his attention to one case study at a time (cf. Dyer and Wilkins 1991).

The objective of this study is to build theoretical frameworks that are applicable in a wider set of organizations than those studied. The change process towards a more market oriented organization is observed in two *specific* organizations, and I want to build frameworks for the implementation of a market orientation *in general*. Case study research does not allow

for statistical generalization, instead, the case study researcher should aim for 'analytical generalization' (Yin 1994), also known as 'theoretical generalization' (Biemans and Van der Meer-Kooistra 1994a). Case study researchers who are interested in theory development can aim for 'tentative generalizations' (Bonoma 1985), with the objective "not to demonstrate the validity of an argument for statistical populations or universes. Rather, [the case study researcher] aims to create and expand rich theoretical frameworks that should be useful in analyzing similar cases" (Niederkofler 1991). In designing-in-action, generalization refers to the design of frameworks for a class of problems, based on, for as far as it concerns the empirical work, observations in a limited number of case studies.

Unlike in studies that seek statistical generalization, the representativeness of the case studies is only of limited importance. The generality of the theoretical frameworks does not depend upon the representativeness of the underlying cases. Still, insight into the representativeness of the cases might be relevant to the intended user of the frameworks, because he might want to assess the degree to which the cases share relevant attributes with the organization he is trying to make more market oriented, in order to make predictions about what might happen in his specific setting[11]. Kennedy (1979) provides three criteria for assessing the degree of representation. *A wide range of attributes* across the cases increases the potential that the cases represent a wider population. This is the criterion of between-case heterogeneity[12]. At the same time, *many common attributes between sample case(s) and the population of interest* increases the strength of the representativeness. The third criterion is *few unique attributes in the sample case(s)*. In addition, for all three criteria above, *the relevance of attributes* is important.

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11. Kennedy (1979) provides two examples, that of legal precedent and clinical treatments of unique cases, where the responsibility of judging representativeness and generalization is not with the one who describes the case, but with the one who wishes to apply the findings to a new situation. In both occasions the receiver of the case determines the applicability of the case study findings based on extensive and accurate accounts of the case and its attributes.

12. Kennedy only considers between-case heterogeneity. While there is, by definition, no between-case heterogeneity in a single case study, there is often considerable heterogeneity within a case study. This within-case heterogeneity is often not acknowledged and thus left untapped (Whyte 1991). On the other side, survey research (especially single informant surveys) generally assumes homogeneity within the unit of analysis, which is usually not the case (Whyte 1991). This within-case homogeneity is also generally assumed in survey research in the area of market orientation, while studies have shown that this assumption is incorrect (see e.g., Van Bruggen and Smidts 1995; Bisp et al. 1996).

The generality of the frameworks is not determined by the representativeness of the cases, but the one may be influenced by the other. It all depends upon the extent to which the researcher is aware of which relevant attributes of the cases are unique and which attributes are common. The (re)design of the frameworks should then be based upon observations that relate to attributes that are considered common, and are thus expected to be present in future cases (earlier I have called this prospective adjustments of the frameworks). Observations that relate to attributes that are considered unique should not be used for the redesign of the frameworks. The generality of the frameworks is furthermore strengthened when existing theory is used as a complement to the case findings (Biemans and Van der Meer-Kooistra 1994a; 1994b). The generality of the frameworks is high when they are based on empirical observations that relate to phenomena that can be considered common among the class of problems for which the frameworks are developed, when these frameworks build on general theories about market orientation and implementation, and when these frameworks are described in a universal language. I discuss the generality of the frameworks resulting from this study at the end of chapter 8.

The cyclical research process

Design-oriented research, action research, and designing in general all share a common feature: a cyclical, iterative process of knowledge development. The cyclical process of action research as defined by Susman and Evered is shown in figure 3.6 (Susman and Evered 1978). The resemblance with Van Aken's regulative cycle of design-oriented research (figure 3.2) is clear. These research processes are presented as cycles in order to show that the development of knowledge within these methodological strands progresses incrementally with each new case that is added to the repertoire of the researcher.

Designing-in-action also follows a cyclical, iterative research process (figure 3.7). Theoretical investigations and empirical observations follow one another, tied together by the (re)design of conceptual frameworks. Let me illustrate the steps in the process of designing-in-action by means of the sequence of activities presented in this thesis. The research project has started with a problem in practice as outlined in the introduction of this thesis. Then, the market orientation literature was consulted in order to find answers to this problem. What we took away from this literature review was that market orientation theory was not sufficiently developed
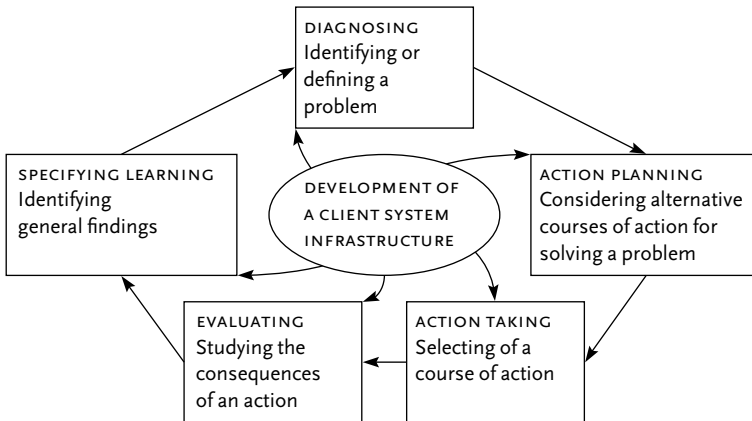
Figure 3.6: The cyclical process of action research (source: Susman and Evered 1978, p. 588)

to answer the implementation issue of market orientation (chapter 2). Based on what is available in the literature and on prior experience and common sense, conceptual frameworks for implementing a market orientation will be developed (chapter 4). With these frameworks in mind, the process of enhancing a market orientation in a real-life setting will be observed, as well as 'co-produced' (chapter 5). A reflection on these observations and interventions, and a new consultation of the literature lead to adaptations in the conceptual frameworks (chapter 6). These redesigned frameworks can be presented as a solution to the practical problem, or they can be input to a new round of empirical investigations in order to come to further refinements.

With each subsequent loop our understanding of the problem increases. Gummesson (1991) aptly calls this iterative process of building up understanding the 'hermeneutic spiral' (p. 61-62; see figure 3.8). At the end of this spiral the conceptual frameworks are sufficiently refined to address a class of problems in practice. Due to the nature of the design process, design cycles need to be short at the start and might lengthen at the end of the process. The short cycles at the start are needed because design problems are typically open-ended and ill-structured (Dym 1994, p. 14). At the start of a design process, the designer needs to come up with an early sketching of tentative ideas, serving the dual purpose of clarifying the problem and setting an initial direction in the search for solutions
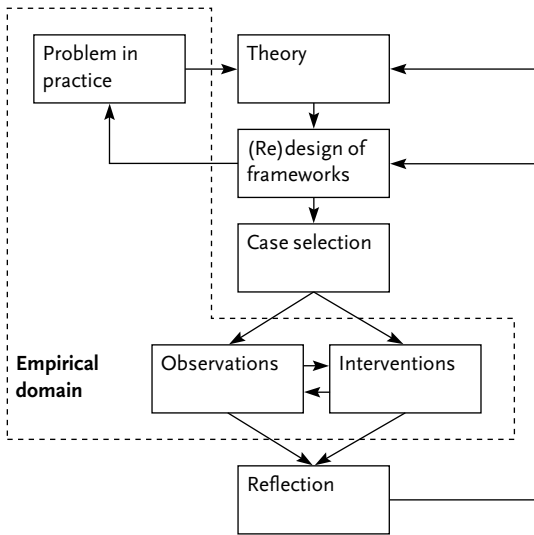
Figure 3.7: The research process

(Cross 1989). This initial solution is then subjected to analysis, evaluation, refinement and development. The process is heuristic: the designer proceeds using previous experience, general guidelines, and 'rules of thumb' that lead in what the designer hopes to be the right direction, but with no absolute guarantee of success (Cross 1989, p. 19). The evaluation of the initial solution might uncover fundamental flaws in the design sketch, leading to the abandonment of this design and the development of a new preliminary design. In that case, a second quick design cycle is needed. These first tests can be quick and dirty as the designer is only looking for a promising direction for more detailed designs later in the process. As the level of detail increases, the design cycles can become more lengthy in later stages.

In this study I present three designs with two case studies in between the designs. The first loop – from preliminary design to intermediate design – is a relatively quick one with a short pilot case study, while the second loop – from intermediate design to final design – is a long one as it includes the main longitudinal case study. If the hermeneutic spiral of this study would be stretched out, a flow of activities as depicted in figure 3.9 emerges.

The case studies are structured around the six elements listed in table
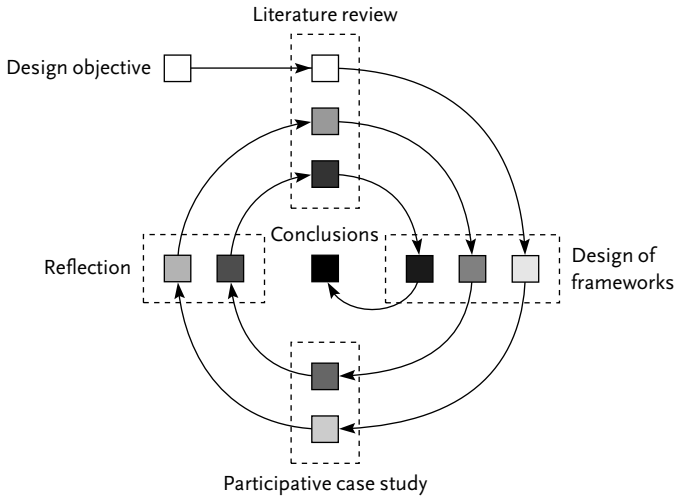
Figure 3.8: This study's hermeneutic spiral

3.3. The case study starts with an introduction to the company. This is followed by a discussion of my role and position within the company. The case design treats the objectives of the case study, what data I intend to collect, and in what ways I intend to collect that data. The case narrative presents the events in their temporal and spatial context, and this is followed by a dual analysis: one analysis of the change process in this specific organization, and one analysis of the implications for improving market orientation in general. The conclusions of each case study cover the degree of success with respect to the change process; the degree to which access to events, information, and people was adequate; and the extent to which the objectives of the case study were met. For the pilot case study all six elements are presented in chapter 5. The main longitudinal case study is presented in chapter 7.

In the previous sections of this chapter I presented an overview of the strategy of inquiry for this research project: designing-in-action. In the next section I discuss the specific strengths, weaknesses, risks, and critical success factors for this research strategy.

1. Introduction to the company	
2. My role and position within the company	How did I get in and what were my (intended) role and position within the network of change agents?
3. Case design	Objective of the case study
	What kind of data do I want to collect and how do I intend to do that?
4. Case narrative	What happened when, why, and in what context?
5. Case analysis	What was achieved with respect to improving the degree of market orientation?
	What does this mean for improving market orientation in general?
6. Conclusions	Was the case study successful?
	– With respect to access?
	– With respect to the change process?
	– With respect to the goal of the case study (framework evaluation)?

Table 3.3: The elements of the case studies

§ 3.5   *Strengths and weaknesses of designing-in-action*

This strategy of designing-in-action combines elements of action research (Susman 1983; Gummesson 1991; Eden and Huxham 1996), processual analysis (Pettigrew 1997; Langley 1999), clinical research (Schein 1987a), and design-oriented research (Van Engelen and Van der Zwaan 1994; Van der Zwaan and Van Engelen 1994; Van Aken 1994a).

The role of the investigator is one of an action-oriented participant, not a 'disinterested scientist' (Guba and Lincoln 1994). Dualism (investigator-subject independence) is bypassed in this study. I do not assume to 'uncover' objective reality in this study. I accept that theories are socially constructed models of reality (all competing with each other for survival) as such products of a creative design process. There is no one single solution, or one best design; there are only better and worse designs in a specific context (cf. Cross 1989).

Designing-in-action has specific strengths, weaknesses, and risks. An important strength of case study research is the opportunity for taking a holistic view of a process of interest, in this case the process of improving the degree of market orientation of an organization (Gummesson 1991). Processes of change are complex phenomena to study, and the combination of researcher and change agent roles provides privileged access to such complex realities (Gummesson 1991). Processual analysis enables the researcher to address questions of *how* organizational change emerges,

THEORY	DESIGN	PRACTICE
Theoretical problem	Design objective	Practical problem
Literature review	Initial specifications	
	Preliminary design	
		Participation Evaluation
Literature review	Further design specifications	
	Intermediary design	
		Participation Evaluation
Literature review	Further design specifications	
	Final design	
	Conclusions	
Contributions to theory		Contributions to practice

Figure 3.9: The research flow

develops, grows, or terminates over time (Van de Ven and Huber 1990). The involvement with members of an organization over a matter which is of genuine concern to them provides a richness of insight which could not be gained in other ways (Van der Zwaan 1995; Eden and Huxham 1996; Watson 2000). As a clinician the researcher builds a trust-based relationship with the organization and its members, and this trust can be the basis for access to organizational realities that cannot be matched through other research methods (Schein 1987a).

But there are also downsides to this strategy of inquiry. Obtaining a holistic view of a change process is a time-consuming job and it is therefore generally not possible to carry out more than one or a few in-depth case studies in a research project (Gummesson 1991). The opportunity of conducting quasi-experiments is sometimes suggested as a strength of interactive research, but as one is dealing with a real organization, one

cannot experiment with interventions and clinical advice. The clinician's professional responsibility would preclude 'experimenting' by making both negative and positive interventions, so predictions can only be tested on what the clinician regards as constructive or facilitative interventions (Schein 1987a). Moreover, the set of predictions that can be tested is limited further to those constructive and facilitative interventions that are approved by the organization. Finally, real-time in-depth process research generates a vast amount of data, the importance of which can only be determined post hoc (Leonard-Barton 1992).

Then, there are also certain risks associated with this strategy of inquiry. As one deals with real-time longitudinal process research, one is dependent upon continued access to the site(s). A research design with one or a few longitudinal case studies carries some risk as a sudden discontinuation of access might result from the sponsor leaving the organization, powerful individuals feeling threatened by initial results, or other developments threatening the study (Leonard-Barton 1992; Van der Zwaan 1995). All qualitative research carries the risk of data asphyxiation. Qualitative research can generate so much data that the researcher may become overwhelmed by the volume and the diversity of the data. Preunderstanding and the use of a well-defined guiding framework can reduce this risk. Schein (1987a) states: "Clinicians are legally liable in the sense that they can be sued for malpractice, where malpractice is defined as incompetent delivery of promised help, the actual harming of the client, or the taking of fees for services not actually delivered"; "[They] can be sued for libel or slander if they publish material in a scientifically irresponsible manner by not adequately disguising identities, revealing confidential information, or in other ways making the organization vulnerable by what has been publicly revealed about it". And, according to Argyris (1970, pp. 175-185), an interventionist risks high levels of psychological stress.

The designing-in-action research strategy is particularly useful under a certain set of conditions. As this strategy can be used to develop approximate theories as a first step towards better theory (Weick 1995), this strategy is applicable in projects where there is a research objective of theory generation in an area where theory is non-existent, fragmented, or equivocal. These approximate theories are close to the daily problem-solving routines of practitioners which makes this strategy fitting for situations in which there is also an objective of generating actionable and managerially relevant knowledge. Furthermore, this research strategy is suitable for those projects where the object of study is a complex process of decision-making, implementation, and/or change. Finally, it is

appropriate where an improvement in the situation is of genuine concern to the members of the organization(s) studied.

In order to employ this strategy successfully, one should know the specific critical success factors that are associated with this strategy. Good participative role relationships with major decision makers, line and staff representatives, and other informants based on trust are critical in order to gain access to information, people, and events (Adler and Adler 1987; Gummesson 1991; Stewart 1998). Although there is always the risk that unforeseen events cause a discontinuation of the cooperation between the researcher and the research setting, it is crucial that there is mutual commitment for extended cooperation between researcher(s) and case site(s). Then, preunderstanding both of the operations of a business and of the problem at hand is essential, as one intervenes to improve processes in a real-life organization (Schein 1987a; Gummesson 1991). A pilot case study, a formal training in management, and a thorough literature review (including documented experiences of others) can all contribute to the development of this preunderstanding. Leonard-Barton notes that "a researcher who is a useful source of information in some way is more likely to be visible and to be kept informed when events occur that affect the study. Therefore, some researchers regularly send papers and other information that could be useful to the managers who are cooperating in the study" (Leonard-Barton 1990, p. 263). The importance of researcher-added-value is also stressed by Argyris: "In field research, the employees are mainly concerned that the research will not be relevant to their lives" (Argyris 1970, p. 109). Because external validity might well be the most critical quality criterion, it is important that the researcher provides an accurate and comprehensive account of the case(s), such that the reader can assess the applicability of the findings for a specific situation s/he is facing, and such that the generality of the findings can be assessed, based on the relevant attributes of the case(s) and of the wider population. Finally, researcher's skills and preferences should match with the strategy of inquiry. Leonard-Barton (1992) stresses interviewing skills, a high tolerance for initial ambiguity, and a predisposition towards fieldwork. Morse (1994) states that qualitative researchers must be patient, resilient, flexible, and versatile. They are persistent, meticulous about their documentation, file methodically, and keep notes up-to-date. They are well prepared in their topic. They can recognize an appropriate 'framework' and still work inductively. They are not stymied by ambiguity. They are not discouraged when progress is slow, nor are they hasty in jumping to conclusions. They keep working until the study is published. Schein (1987a)

Strengths	– one can obtain a holistic view of a process of interest
	– one has privileged access to complex realities
	– one can address questions of *how* organizational change emerges, develops, grows, or terminates over time
	– one can gain a richness of insight which can not be gained i other ways
Weaknesses	– usually one has time and resources for only one or a few in-depth case studies
	– one can not experiment with interventions and clinical advice in an organizational setting
	– real-time in-depth process research generates a vast amount of data, the importance of which can only be determined post hoc.
Risks	– the risk of sudden discontinuation of access to a case site is far-reaching as one is dependent upon one or only a few case sites
	– risk of data asphyxiation
	– clinicians can be held liable for malpractice and/or libel
	– clinicians are at risk of high levels of psychological stress
Conditions	– a research objective of generating 'approximate' theory
	– a research objective of generating actionable and managerially relevant knowledge
	– a complex process as object of study
	– a setting where an improvement in the situation is of genuine concern to the members of the organization(s) studied
Critical success factors	– build and maintain trust-based participative role relationships
	– mutual commitment for extended cooperation between researcher(s) and case site(s)
	– develop pre-understanding of the operations of a business
	– add value to the organization (information, advice)
	– provide accurate and comprehensive case accounts
	– researcher's skills and preferences should match with strategy of inquiry

Table 3.4: Strengths, weaknesses, risks, conditions, and critical success factors of designing-in-action

emphasizes formal training in theories that focus on changing and improving human systems, skills in developing relationships with clients and subjects, and in the 'practice of helping', and learning to exercise the responsibility that goes with the authority of the helping role. The strengths, weaknesses, risks, conditions, and critical success factors of designing-in-action are summarized in table 3.4.

In this study, designing-in-action is used as a research strategy to develop a set of frameworks that offers guidance to professionals who want to improve the degree of market orientation of an organization. Designing-in-action is particularly suited for the development of this kind of knowledge because:

– designing-in-action takes the change process, in this case the process of improving the degree of market orientation of an organization, in its temporal and spatial context as the unit of analysis, and as such, it addresses the 'how'-question professionals need answers to;
– the researcher becomes a member of the setting, and therefore learns about the change process from the inside;
– the researcher participates in the change process as a member of the network of change agents, and therefore builds up first-hand experience about the dynamics of the change process; and
– as the researcher operates in a clinical role, s/he adds value to the organization, in exchange for which s/he is likely to have better access to people, information, and events.

Designing-in-action is an innovative research strategy in the area of market orientation; an area that is dominated by quantitative, cross-sectional variance studies informed by the positivistic research tradition. With the development of designing-in-action as a research strategy, I not only hope to advance our understanding of the implementation issue of market orientation, but I also hope to make a contribution towards new research directions and new research methods in market orientation research. Market orientation research that scores high on relevance, where the questions of practitioners drive the research, and where new theory blossoms as a result of a better understanding of management practice.

II   FIRST DESIGN CYCLE

In the previous chapters I have set the stage for this study: the lack of an implementation theory for market orientation was identified as a short-coming in the marketing literature, and a research strategy was developed in order to design a set of conceptual frameworks for the implementation of a market orientation. In this second part of the thesis I provide an account of the first design cycle of the research process. The first task is to design preliminary versions of the frameworks. This is done in chapter 4. This preliminary design serves the dual purpose of clarifying the problem and setting an initial direction in the search for solutions. A pilot case study is used to determine the value of these preliminary designs, so as to be able to redirect the design process if there are indications that an unproductive route has been chosen. The pilot case study shows that the preliminary frameworks were incomplete, but that the process-based approach to market orientation that was chosen presents a fruitful design trajectory for the frameworks. The narrative and the analyses of the case study are presented in chapter 5. The preliminary designs were made in 1995, and the pilot case study was executed in 1996.

4 PRELIMINARY DESIGN

In this chapter I present the preliminary designs of the frameworks for implementing a market orientation. The chapter starts with a further clarification of the design task in section 4.1. The preliminary designs are based on what is called a process-based approach to improving market orientation, because the central idea behind it is, that the degree of market orientation of an organization can be improved through the (re)design of business processes. Section 4.2 presents the arguments for a process-based approach. This approach is cast in a set of three frameworks: (1) an activity framework, which specifies the processes and activities that are associated with a market oriented organization; (2) a causal framework, which specifies the relationships between market oriented processes and firm performance; and (3) an implementation framework that specifies the nature and sequence of the activities that are needed for implementing a market orientation. The three frameworks are presented in section 4.3. Together, these three frameworks provide initial answers to the questions identified as Alan Smithee's main concerns at the end of chapter 2.

§ 4.1   *Further clarification of the design task*
The objective of this research project is 'to develop an implementation approach that professionals can use to improve the degree of market orientation of an organization'. This implementation approach will consist of a set of frameworks that guide interventions for improved market orientation. With these frameworks in hand, professionals should be able to implement the necessary changes for making an organization more market oriented. At the end of the second chapter I have identified three questions a professional like Alan Smithee faces[1]. Let us take a closer look at these three questions in order to get a better grasp of the intended functions of the frameworks.

In what parts of the organization should the professional look for areas for improvement?
With a little thinking and reading one can come up with a number of different approaches for improving the degree of market orientation. Suggestions in the market orientation literature range from a norm-based

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1. Although I often use Alan Smithee as a singular professional I expect that generally a team of professionals will be involved in such an improvement process.

approach (Lichtenthal and Wilson 1992), via a management development approach (Payne 1988), to process redesign approaches (Day 1990; Biemans 1995, chapter 2). This brings a problem of choice. Alternatively, the professional can, consciously or unconsciously, disregard the literature and go for the first approach that comes to mind: the marketing professional might opt naturally for an internal communications approach, the human resources professional for a management development approach, and the quality manager for a process redesign approach. Personal experience and individual preferences limit the number of options considered. In this case there is no problem of abundant choice but a problem of limited perspective. The implementation approach developed in this study should help the professional to take a well-chosen perspective and employ a consistent course of action for finding areas for improvement.

On what grounds should the professional make a prioritization in a list of improvement areas?

Irrespective of whether one of the above approaches or a mix of approaches is chosen, it will be easy to come up with a long list of potential improvements in the organization's structure, culture, processes, people, products and/or systems. The professional is now faced with the problem of choice and prioritization of potential improvement projects. The risk of wanting to do everything at once is large, with the consequence that nothing is done adequately. The implementation approach should help reduce the risk that an excess of resources is spent on improvements that have only limited impact on firm performance.

How should the professional go about making changes such that improvement in the degree of market orientation can be expected to ensue?

After having identified areas for improvement the necessary changes need to be implemented. The professional is faced with the question what steps should be taken in which order, and whether this implementation should be top-down or bottom-up, coercive or collaborative, pre-planned or emergent. As the guidelines for implementation should be general enough to be applicable in a variety of organizations, it cannot specify a detailed change program, but it should specify a sequence of steps for diagnosis and intervention that is consistent with the overall implementation approach. These three questions are answered at the end of this chapter.

§ 4.2   *A process-based approach to improving market orientation*
In chapter 2 of this thesis I reviewed the contributions to the implementation issue that were published prior to 1996. In the early years of the marketing concept, organizational structure was considered the key to market orientation (Keith 1960; Lear 1963; Hise 1965; McNamara 1972)[2]. Other scholars seek the essence of a market orientation in cultural aspects of organization, like orientations (Payne 1988), norms (Lichtenthal and Wilson 1992), or customer commitment (Webster 1994)[3]. Still others focus on *processes* or *activities* (Kohli and Jaworski 1990; Ruekert 1992; Day 1994). Out of these three – structure, culture, and process – I have chosen to develop a process-based approach to implementing a market orientation. By this I mean that for improvements in the degree of market orientation managers (and other change agents) are directed towards an analysis of business processes, redesign of business processes where needed, and an implementation of these redesigned processes. There is a number of reasons for this focus on business processes.

First and foremost, the essence of being market oriented is being able to deliver superior value to customers (Webster 1988; Slater and Narver 1994b), and the organization delivers this value through its business processes (Boer and Krabbendam 1993; Kordupleski et al. 1993). Those organizations that collect, disseminate, and use more and better market intelligence are able to produce outputs that are valued more by their target customers vis-à-vis the outputs of other firms. The business processes generate these valued outputs, not the organizational structure, nor the business culture. Second, managers manage processes, not theoretical abstractions like structures or cultures. A theory that is to be managerial meaningful should ultimately be cast in terms of the improvement of business processes (Stoelhorst 1997, p. 106)[4]. And third, the process approach is considered the most effective and efficient approach for improving the degree of market orientation of an organization when compared to structural and cultural approaches, because a structural

2. Although in the academic literature this structural approach dominated in the early years only, both case studies will show that this structural view is still popular among practitioners.
3. Narver and Slater (1990) also focus on business culture, but had not specified an implementation approach by 1995.
4. The preliminary designs that are developed in this chapter are based on the status of the literature in 1995. Nevertheless, the ideas that are presented in this 1997 publication could be used as input for the preliminary designs, because I had access to the author's ideas before they were published. The same applies to many of the ideas published in Van Raaij et al. (1998), Stoelhorst and Van Raaij (1999), Van Raaij (1999), Van Raaij et al. (1999), and Kemperman and Van Engelen (1999).

adjustment is usually fast, but limited in effect, while a change in business culture can be very effective, but takes years to accomplish. The process approach is considered to be more effective in instilling purposeful change than the structural approach and at the same time a process change can be effectuated in a more reasonable time frame than a cultural change[5].

Approaches for the (re)design of business processes abound in the management literature of the early nineties (e.g., Davenport and Short 1990; Hammer 1990; Harrington 1991; Davenport 1993; Johansson et al. 1993; Hammer and Champy 1994; Rummler and Brache 1995). Total quality management (TQM) was also a popular topic in those years (e.g., Anderson et al. 1994b; Dean and Bowen 1994; Grant et al. 1994), and both business process redesign (BPR) and TQM forged a link between process improvement and the creation of superior customer value (Mohr-Jackson 1991; Harrington 1991). The marriage between process improvement and a market focus has not always been successful though (Kordupleski et al. 1993), and the question has been raised whether business process re-engineering is a threat to marketing (Lynch 1995). In those cases where efficiency is the principal objective, business process re-engineering has no goal of creating superior customer value. Johansson et al. (1993) have called this a production driven process orientation. But such a focus on efficiency, waste reduction, and cost cutting is not inherent to the process redesign method. In what Johansson et al. (1993) have called a market driven process orientation, business process redesign is focused on the generation of customer value and customer satisfaction. This latter perspective sparked my interest in implementing a market orientation through business process redesign.

Researchers at the University of Groningen had just started using a new approach for business process redesign[6]. This RuG approach[7] is founded

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5. This comparative assessment of structure, culture, and process as starting points for the implementation of a market orientation was carried out in 1995. More arguments have been presented in the literature in later years. Jaworski and Kohli (1996) argue that "it is not enough to simply believe customers are important; rather the organization must act to provide value to customers" (p. 121). In a recent critical evaluation of the market orientation literature, Harris and Ogbonna (1999) conclude that organizational culture is discussed in a naïve way, as something that is malleable and easily changed through managerial action. Day (1999) proposes to start the change program with the transformation of processes and behavior, resulting in a change in values and beliefs in the long run. Narver and Slater, who represent the cultural approach to market orientation, also seem to suggest in their more recent work that a change in behavior proceeds a change in culture (Narver et al. 1998).

6. Jo van Engelen, 1995, personal communication.

7. RuG stands for Rijksuniversiteit Groningen, the Dutch name for the University of Groningen.

on the notion that business process redesign efforts need to be directed by a customer value statement. Such a customer value statement represents the choice of the firm for a specific value dimension on which the firm aims to distinguish itself from the competition (e.g., a catalog retailer's choice to distinguish itself on the 'speed' dimension). The customer value statement functions as a unique selling point towards the customers, but also as a directive for the internal business processes. To stay with the example of the catalog reseller: 'speed' will need to be ingrained in all internal processes, more than value dimensions like 'exclusiveness' or 'customized services'. With a choice for 'speed' as its customer value statement, stock levels need to be adequate for same day delivery, procedures need to be standardized, and supply chain management needs to be optimized for swift deliveries.

A straightforward definition of a business process is provided by Harrington: a process is an "activity or group of activities that takes an input, adds value to it, and provides an output to an internal or external customer" (Harrington 1991, p. 9). Some of these activities will be executed by machines or automated systems, yet others will require human execution. Many service activities are executed by humans and involve interactions with external customers. While automated activities follow strict procedures, most human interactions can not be scripted. The value of the output of such human interactions is determined by the behavior of individuals. Processes, activities, and behaviors are interrelated concepts. Within what I have called the 'process-based approach', these three terms will be used in the following way:

– the term *process* refers to a group of activities that takes an input, adds value to it, and provides an output to a customer;
– the term *activity* refers to an operation that is executed by a human, a machine, a computer program or a combination of the above as part of a process;
– the term *behavior* refers to human conduct as (part of) an activity in a process.

The RuG approach to redesigning business processes for improving the degree of market orientation, identifies business processes, analyzes the activities that make up those processes, and looks for improvements in the process with the customer value statement as the objective function. The RuG approach was used in a number of organizations prior to this study, but it was never documented. I will use the ideas that are central to the RuG approach as a basis for the design of the preliminary frameworks.

Both the RuG approach and most BPR approaches use an implementation approach that can be characterized as 'collaborative design'. It is a design approach as there is a separation between the design of the new business process and the implementation of that design (cf. Rummler and Brache 1995, p. 118). It is a collaborative approach because in both the design phase and the implementation phase input is sought from a wide range of functional domains and hierarchical levels in the organization. The process redesign effort is undertaken by multi-functional teams, composed of representatives of all departments involved in the process that is to be redesigned (Harrington 1991, pp. 62-63). This collaborative team-work approach distinguishes this implementation approach from coercive implementation approaches (cf. Dunphy and Stace 1988).

§ 4.3   *Preliminary frameworks*
The next step is to design the frameworks that make up the approach for the implementation of a market orientation. What kind of frameworks do we need in order to answer the three questions of section 4.1? The overall message of the process-based approach is that processes, activities, and behaviors represent the elements of organizations were improvements should be looked for. An activity framework that specifies the processes and activities that are associated with a market oriented organization, helps the professional in his search for areas for improvement[8]. Improvements in processes, activities, and behaviors should lead to improved business performance. An understanding of how improved processes lead to improved performance helps explain to others why these processes, activities, and behaviors need to be changed, as well as which processes, activities, and behaviors should receive the highest priority. A causal framework that specifies the chain of effects from process to performance provides such insight. When the 'what' and the 'why' of the change are explained, the 'how' is next. The implementation framework the nature and sequence of the steps that are needed in order to improve the degree of market orientation. These three frameworks make up the implementation approach: the activity framework, the causal framework, and the implementation framework, and the text that explains how these frameworks can be applied.

8. A list of processes, activities, and behaviors would already be helpful, but a framework adds the insight of how these processes, activities, and behaviors are interrelated.

The activity framework

The market orientation literature is quite unanimous in suggesting what activities a firm should focus on when it aspires to improve its degree of market orientation. In most cases these activities follow directly from the definitions of market orientation (e.g., Kohli and Jaworski 1990), for some publications it is necessary to analyze the text and/or the measurement scales to determine market oriented activities (e.g., Narver and Slater 1990; Day 1994). Day's (1994) categories of market sensing and customer linking/channel bonding combined with Kohli and Jaworski's (1990) categories of market intelligence generation, dissemination, and responsiveness are used as a reference point for identifying market oriented activities.

Day (1994) defines market orientation as representing "superior skills in understanding and satisfying customers" (p. 37). More specifically, market-driven organizations "have superior market sensing, customer linking, and channel bonding capabilities" (p. 41). More insights about what really happens in market-driven organizations are provided by the author's discussions of the market sensing and customer linking capabilities (the channel bonding capability is not discussed separately by the author since it has many features in common with the customer linking capability). Market-driven organizations are systematic, thoughtful, and anticipatory in their processes for gathering, interpreting, and using market information. Furthermore, market-driven organizations have close collaborative relationships with critical customers (end users and resellers), illustrated by activities like joint problem solving and joint planning.

Kohli and Jaworski (1990) define 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" (p. 6). In a subsequent publication (Jaworski and Kohli 1993), responsiveness is defined as "being composed of two sets of activities – response design (i.e., using market intelligence to develop plans) and response implementation (i.e., executing such plans)" (p. 54). In terms of activities that reflect a market oriented business philosophy we recognize data collection activities, internal information exchange activities, planning activities, and lastly a, at first sight, rather vague category of activities that have to do with executing plans. The vagueness of this fourth category is reduced with the statement that "responsiveness takes the form of selecting target markets, designing

ACTIVITY CATEGORIES	SOURCES
– Collection and dissemination of market information	– Day's (1994) market sensing Kohli and Jaworski's (1990) generation of market intelligence – Kohli and Jaworski's (1990) dissemination of market intelligence
– Selecting target markets and planning of activities	– Jaworski and Kohli's (1993) response design
– Managing relationships with customers	– Day's (1994) customer linking/channel bonding – Jaworski and Kohli's (1993) response implementation

and offering products/services that cater to their current and anticipated needs, and producing, distributing, and promoting the products in a way that elicits favorable end-customer response" (Kohli and Jaworski 1990, p. 6). Based on the works of Day (1994) and Kohli and Jaworski (1990; 1993) we can identify three categories of organizational activities that are associated with the degree of market orientation of a firm. Narver and Slater (1990) and Ruekert (1992) also provide examples of market oriented activities in these three categories. Taking all these perspectives together, a rich picture can be painted of the activities that constitute a market orientation (see table 4.1).

The preliminary activity framework, as a graphical representation of those organizational activities that are associated with a market orientation, is depicted in figure 4.1. This activity framework with these three related categories of activities will function as my framework for making sense of market orientation in the pilot case study.

– Market-driven firms are distinguished by an ability to sense events and trends in their markets ahead of their competitors (Day 1994)
– Market intelligence includes an analysis of current and anticipated customer needs, as well as of those exogenous factors that influence those needs and preferences (Kohli and Jaworski 1990)
– For an organization to adapt to market needs, market intelligence must be communicated, disseminated, and perhaps even sold to relevant departments and individuals in the organization (Kohli and Jaworski 1990)
Market oriented firms acquire information about the buyers and competitors in the target market (Narver and Slater 1990)
– Market oriented firms measure customer satisfaction systematically and frequently (Narver and Slater 1990)
– Market oriented organizations disseminate market information throughout the business(es) (Narver and Slater 1990)
– Managers collect and interpret information from the customer (Ruekert 1992)

– Selecting target markets (Kohli and Jaworski 1990)
– Designing and offering products/services that cater to the customers' current and anticipated needs (Kohli and Jaworski 1990)
– Business units develop customer focused strategies which set objective, allocate resources, and assign responsibility for carrying out the plan (Ruekert 1992)

– Producing, distributing, and promoting the products in a way that elicits favorable end-customer response (Kohli and Jaworski 1990)
– Having close collaborative relationships with critical customers (end users and resellers) (Day 1994)
– The implementation and execution of a customer oriented strategy by being responsive to marketplace needs and wants (Ruekert 1992)

Table 4.1: Three categories of market oriented behaviors

The causal framework

Narver and Slater consistently link market orientation to the creation of superior customer value (Narver and Slater 1990; Slater and Narver 1994a; 1994b). Being more market oriented than competitors enables a firm to attain a position of sustainable competitive advantage by creating superior, or rather distinctive[9], value for its customers. Gathering and sharing market intelligence, the selection of target markets, and the

9. Although most scholars use the term 'superior customer value' (e.g., Narver and Slater 1990), I prefer 'distinctive customer value'. Positional advantages are not necessarily the result of offering the best product available, but are the result of attaining a unique and valued, i.e., distinctive, position in the mind of the customer. Such a unique and valued position can also be a low cost/low service position, or a niche position that would not be deemed 'superior' but still is 'distinctive' and valued by a specific customer group. Unless I specifically quote or refer to a source that uses the term 'superior value' I will use the term 'distinctive value'.
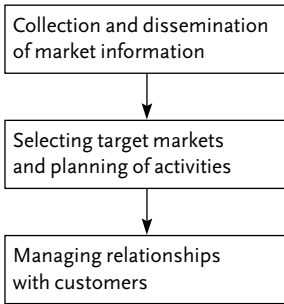
Figure 4.1: The preliminary activity framework

management of relationships with customers are all directed towards the creation of distinctive customer value. Through the creation of distinctive customer value the firm can obtain a positional advantage in its product markets. The idea that positional advantages in product markets may lead to performance differentials between firms goes back to Chamberlin's theory of monopolistic competition (Chamberlin 1933). In the marketing literature, Alderson developed this idea into his notion of competition for differential advantage:

> "[E]ach firm will seek some advantage over other firms to assure the patronage of a group of households. Such a process is called 'competition for differential advantage'" (1957, p. 108). "Competition among sellers is the unending process of trying to attract customer by giving the consumer the same satisfaction for less money or by providing greater satisfaction without a corresponding increase in price [...] Both are ways of giving the consumer a better value [...]" (1957, pp.122-123).

The value of a seller's offering to a buyer is the difference between what the buyer perceives as the offering's benefits and what the buyer perceives as its total acquisition and use costs (Zeithaml 1988; Anderson et al. 1993), i.e., the difference between what the buyer gets and what s/he has to give up in order to get it. A seller has opportunities for creating additional value through increasing a buyer's benefits and/or decreasing a buyer's total acquisition and use costs (Narver and Slater 1990). Customers and prospects evaluate the value of an offering before and after the exchange. The customer's evaluation before the exchange is called the *expected* value of the offering, while the evaluation after the exchange is called the

perceived value of the offering (Zeithaml et al. 1990). Distinctive expected value, as *perceived* by the (prospective) customer, leads to preference before the exchange. Only after the exchange a certain degree of customer satisfaction can result. In line with the (dis)confirmation paradigm (Parasuraman et al. 1985; 1988) satisfaction is derived when the perceived value of the offering meets or exceeds the expected value.

Work by Fornell (Fornell and Wernerfelt 1987; Fornell 1992; Anderson et al. 1994a) and at the universities of Twente (Bender 1989; Rapp 1994; Stoelhorst 1997; Van Raaij 1999) and Groningen (Kemperman and Van Engelen 1999) has resulted in a model of the relationship between customer value, satisfaction, loyalty and business performance (see also Heskett et al. 1994). With respect to the consequences of customer satisfaction the model holds that satisfied customers become loyal customers and that retaining loyal customers leads to increased market and financial performance. The reasoning behind this relationship is that satisfied customers will stay with the firm, and, in becoming loyal customers, may buy more, cost less to service, and become less price sensitive, as well as contribute to further expansion of the customer base of the firm by referrals. Dissatisfied customers, by contrast, will tend to buy less, or may take their custom elsewhere, while becoming a potential source of negative word of mouth (Reichheld and Sasser 1990; Fornell 1992; De Ruyter 1993). As a result of this mode of reasoning there is increasing awareness within the marketing management literature that so-called defensive marketing aimed at the retention of customers should complement the more traditional offensive approach aimed at attracting new customers. Moreover, given the fact that attracting customers is much more expensive than retaining existing ones, the former approach, in terms of return on marketing investment, is increasingly seen as the more rewarding.

This chain of effects from distinctive value to superior business performance is driven by a balance between expected customer value and perceived customer value. Although actually achieving this balance is dependent upon subjective evaluations in the head of the customer, the firm has an active role in this balancing act by consciously managing the business processes that generate expectations and perceptions. This is where marketing and business process management meet (cf. Shapiro et al. 1992; Kordupleski et al. 1993; Lynch 1995). The business activities that were associated with the market oriented organization in the previous section of this chapter are all instrumental in generating distinctive customer value. A chain of effects emerges that relates market oriented

Figure 4.2: The preliminary causal framework

activities to value, satisfaction, loyalty and performance (cf. Day 1994; Slater and Narver 1994b). This causal framework[10] is presented in figure 4.2.

The implementation framework

In order to be able to evaluate the current state the organization is in, it is important to assess the current level of performance of the organization. Performance measures for the organization as a whole, e.g., growth, financial performance, customer loyalty, may on the one hand help create a sense of urgency for the improvement program (Kotter 1995), while on the other hand these measures may help identify areas for improvement. Performance measures that focus on specific processes and/or departments, such as process quality, employee evaluations of processes, and complaint levels, can pinpoint areas for improvement more accurately (Kordupleski et al. 1993).

With the process-oriented approach outlined above, improving the degree of market orientation of a firm boils down to the improvement of those business processes associated with market oriented activities, such that the balance between expected value and perceived value (in the eyes of the customer) is optimized. Optimization of the balance does not mean that every firm should strive to deliver quality that is *superior* to the competition. Optimization means, first, that the firm does not over-promise and under-deliver, and second, that within the perceptual map of the target market(s), a value position is sought after that is attainable, distinctive and profitable. Value is delivered when the firm manages to achieve such a distinctive and valued position in the minds of the target customer.

In order to achieve this it is important that the organization first decides on the value position that it strives to attain. In other words, management

10. I use the term 'causal' because it reflects the cause-an-effect nature of this framework. It does not mean that the causality of the relationships in this framework has been established empirically (cf. Stoelhorst and Van Raaij 2000).

needs to choose a customer value statement that is subsequently communicated to all employees and to the market in order to set the appropriate expectations, and after that, management needs to redesign business processes in such a way that these promises to the market are fulfilled. The activities that were identified in the activity framework as critical activities for a market oriented organization deserve special attention in these redesign efforts.

This focus on the creation of distinctive customer value and the redesign of processes for increased market orientation leads us to the following change program:

1. Assess the current level of performance, with a focus on process performance, customer satisfaction, customer loyalty, complaints, growth, and financial performance.

2. Develop a customer value statement that matches current and anticipated capabilities with current and anticipated needs and wants of promising target customers.

3. Identify, analyze, and improve the business processes in which those activities that are associated with a market orientation (i.e., those activities that generate expectations and perceptions of customer value) are executed[11].

4. Implement the improvements in these business processes, with the creative use of information technology as an enabler.

In line with the earlier observation that a collaborative mode should be chosen for design and implementation, a team with representation from various functions, i.e., those functions that execute the processes that are to be redesigned as well as those functions that are the customers of these processes, has to be formed to participate in design and implementation. The implementation framework is shown in figure 4.3.

These three frameworks represent the 'early sketching of tentative ideas', the 'initial solution' the designer should develop early in the design process (Cross 1989). The three frameworks provide preliminary answers to the three questions that were raised in section 4.1. With regard to the first question the answer is that the professional should look at processes, activities, and behaviors in order to find areas for improvement. With regard to the second question, the answer is that improvement areas (in terms of processes, activities, and behaviors) should be prioritized based

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11. As outlined in section 3.3, the focus of this study is on the marketing processes that occur at the interface between market and organization.
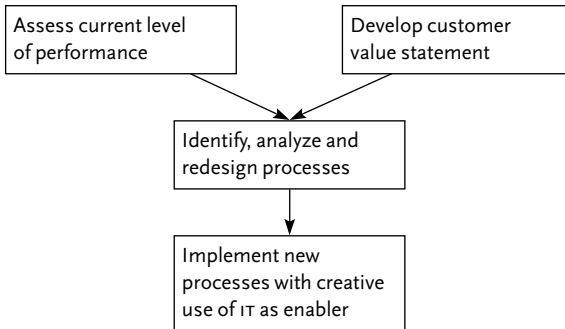
Figure 4.3: The preliminary implementation framework

on their contribution to the creation of distinctive customer value. The preliminary implementation framework provides the answer to the third question: changes in processes, activities, and behaviors are accomplished through value-based business process redesign.

These preliminary frameworks set the direction for the rest of the design process, ruling out other approaches to the implementation issue in market orientation. My choice has been to develop a process-based approach to improving the degree of market orientation of an organization, but someone else might have opted for an approach based on organizational culture, which would have led to a different set of frameworks. The next step is to determine the value of these frameworks through a confrontation with organizational reality. The subsequent chapter presents the pilot case study that is used to assess the validity of the frameworks and to review whether this initial design trajectory is worth pursuing in the remainder of the study.

After having developed the preliminary designs in the previous chapter I now turn to the first empirical phase of the design process. In this empirical phase the value of the preliminary designs is to be assessed, such that the merits of the process-based trajectory can be determined, and the designs can be refined. In this chapter an account is provided of a real-life change process of an organization in which I was part of a team that was assigned to improve the degree of market orientation of that organization. Section 5.1 provides an introduction of the company that has participated as the pilot case study, RCC Informatieservices B.V.[1], hereafter referred to as RCC. Section 5.2 clarifies my intended role and position within the network of change agents at RCC. Next, the case design is presented in section 5.3. The case narrative is presented in the section 5.4. The narrative is followed by a dual case analysis in section 5.5. The first part presents an evaluation of the change process from the perspective of the change agent. It focuses on questions like whether the change process was successful, whether it was a smooth process, and such. In the second part of section 5.5 I look at the case material from the perspective of the framework designer and I focus on what has been learned with respect to designing market oriented organizations in general. This chapter concludes with short evaluations of the success of the change process, of the degree of access to events, information, and people, and of the case study as a whole.

§ 5.1   *Introduction to* RCC
The origin of RCC lies in the establishment of the *Rijkscentrale Mechanische Administratie* (the government center for mechanical administration) in 1950, a department within the Ministry of Internal Affairs in The Hague, where punch cards were processed for various ministries[2]. In 1969 the name was changed into *Rijks Computercentrum* (governmental computer center), abbreviated as RCC. In that same year the center moved to Apeldoorn. In 1987, the Dutch cabinet decided to disengage RCC from the government (Binnenlands Bestuur 1989). This independence was formalized in 1990. A strategy of growth via acquisitions was launched

1. B.V. stands for 'Besloten Vennootschap', a legal status of private companies that is comparable to 'Inc.' (US) or 'Ltd.' (UK). Shares are not tradable at the stock exchange.
2. Historical facts and figures are based on Roccade annual reports (Roccade 1995a; 1996), 'Roccade. De nieuwe Informatica Groep die u al jaren kent' (Roccade 1995b), the Roccade website (Roccade 1999), the PinkRoccade website (PinkRoccade 2000), 'RCC is de praktijk' (RCC 1995), and Blom's (1996) Master's thesis.

– Mission: Roccade wants to be the supplier of facility management services for information intensive organizations, through turn-key delivering and maintenance of information systems, using modern technologies[3]

– 3.100 employees

– Net sales: Dfl. 561 million

– Net income: Dfl. 24 million

– ROE: 33%

– ROS: 4%

Table 5.1: Roccade facts and figures 1995 (source: Roccade 1996)

and RCC-*groep*[4] ('RCC-group') was created in 1992, of which RCC was one subsidiary. The process of RCC's privatization was considered an example of successful privatizations by the Dutch government (Horrevorts 1993). Following even more acquisitions in the subsequent two years, Pink Elephant being one of those, the name of the holding was changed into *Roccade Informatica Groep* per January 1st 1995, RCC still being one of its subsidiaries. The Dutch government remained Roccade's only shareholder. By the end of 1995, just prior to the start of the pilot case study, Roccade had 13 subsidiaries (100%) and six participations (10-50%). Table 5.1 provides facts and figures that describe the situation for Roccade in 1995.

The Dutch government, once RCC's only customer, still was the main customer of the Roccade group by 1995. Table 5.2 provides the break-up of Roccade's turnover over its various markets.

This case study focuses on RCC, the largest subsidiary within the Roccade group. At the start of the case study early 1996, RCC had about 900 employees, of which more than 600 worked in development and maintenance of information systems, and operations. A large computing center is located in Apeldoorn where data processing takes place for customers' financial and personnel administrative processes (e.g., for IBG, the office that manages the financial transactions between the Dutch government and all Dutch students). More than a million Dutch citizens receive their salary or scholarships via the data processing facilities of RCC

4. Original statement in Dutch: "Roccade wil dé facilitaire dienstverlener zijn voor informatie-intensieve organisaties, door het gebruiksklaar opleveren én houden van informatiesystemen, waarbij gebruik wordt gemaakt van moderne technologie" (Roccade, 1996, p. 4).

3. The official name was N.V. RCC/RCC-Groep. N.V. stands for 'Naamloze Vennootschap', a legal status of public companies that is comparable to 'Inc.' (US) or 'Ltd.' (UK). Shares are in principle tradable at the stock exchange. In the case of RCC however, the Dutch government owned all shares.

– Central government	46%
– Local government	19%
– Finance (banking & insurance)	13%
– Industry	13%
– Media	3%
– Care	2%
– Utilities	2%
– Others	2%

Table 5.2: Roccade turnover per market (source: Roccade 1996)

in Apeldoorn. RCC also operates, maintains, and upgrades mainframe systems of public institutions, semi-public institutions and private companies on the customer's site. Furthermore, RCC offers print & mail services and network development and maintenance. More than half of RCC's turnover comes from long-term contracts. RCC's turnover in 1995 was roughly 250 million guilders, with a projected turnover for 1996 of 280 million guilders (almost half of Roccade's total turnover).

The case study at RCC started in April 1996 and lasted until the end of that year. The restructuring of Roccade and its subsidiaries continued in the years up to the publication of this thesis. In 1997, RCC ceased to exist as a separate organizational unit, and was split up into three business units: RCC Public, focusing on public institutions; Roccade Megaplex, the 'factory' focusing on data processing; and Roccade Atribit, focusing on outsourcing projects. At the time of writing, the name of the holding is PinkRoccade N.V., and its shares are traded at the Amsterdam stock exchange (AEX) since July 7, 1999. All subsidiaries are regrouped into twelve business units; one that focuses on outsourcing (PinkRoccade Atribit), eight business units that focus on application services (including Roccade Public, Roccade Finance, Roccade Civility, and RocCare) and three business units that focus on infrastructure management services (including Pink Elephant Business Online Services, and Pink Elephant Megaplex). The case narrative however will cover the period from April 1996 to December 1996 when RCC was still a subsidiary within the Roccade Informatica Groep.

Up to 1996 RCC was simply divided into three departments: *Systeembeheer en -ontwikkeling* ('systems administration and development') and *Rekencentrum* ('computing center') housed in Apeldoorn, and the *Commerciële organisatie* ('commercial organization') with offices in Zoetermeer, The Hague, and Gouda. Per January 1, 1996, RCC was reorganized into 18 business teams and 5 support groups (De RCC Krant 1995). Within
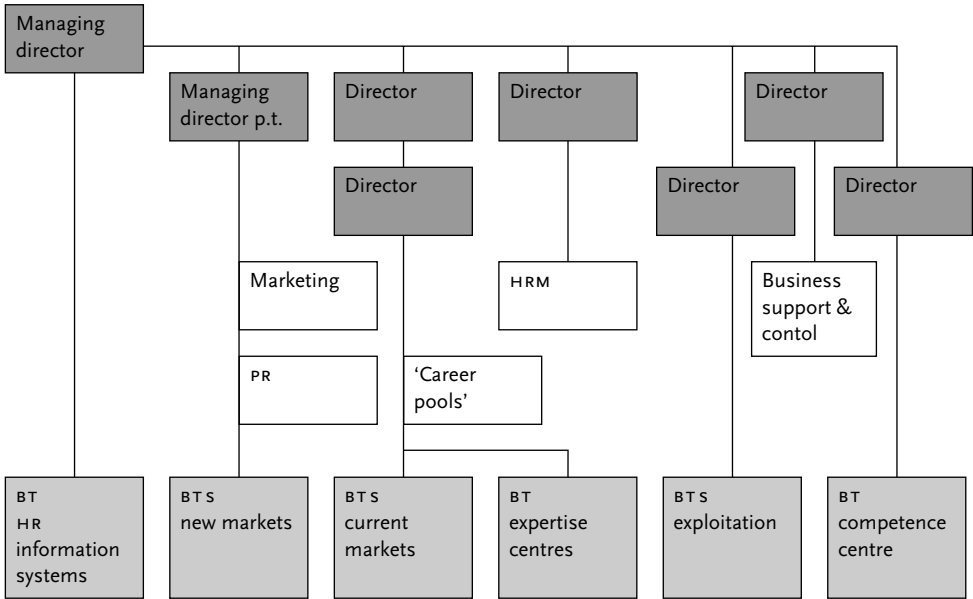
Figure 5.1: RCC's structure in 1996 (sources: De RCC Krant 1995; Blom 1996)

each business team, commercial and operational responsibilities were now integrated under one business manager. Each of these business teams is either responsible for one market or set of large accounts, or responsible for a specific expertise or set of products. Each business team is indirectly represented in the board of directors. Some business teams are grouped together, like the groups 'new markets' and 'current markets' (see figure 5.1).

Business teams and departments have their own team meetings, each director has a weekly meeting with the managers in his group, all directors and managers of business teams and departments meet on a monthly basis, and all directors meet weekly in the directors' meeting (in Dutch: *directie-overleg*, abbreviated as DO).

The group 'current markets' is focused on customers within the central government, local public institutions, and semi-public institutions. Traditionally, this has been RCC's main market. Among the seven business teams within this group are e.g., one business team focusing on the Ministry of Education and related institutions, one business team focusing on Ministry of Justice, police, and immigration, and one business team

focusing on new ventures within the central government. Within the group 'new markets' we find a business team focused on the utility sector and industry at large, one focusing on banking and insurance, and one focusing on health care and social security. All business teams are encouraged to look for synergy with other subsidiaries in the Roccade group. Roccade subsidiary ZCS for example is already focused on the health care sector, while subsidiary DPFinance is already focused on the financial sector.

The formation of business teams was announced as 'RCC: a market oriented organization' (De RCC Krant 1995). The use of the term 'market oriented' in this context shows that in everyday language 'market oriented' is easily associated with the formal structure of an organization, an association that I have found often in my case studies[5]. Because of this structural connotation of the term 'market oriented' in everyday language I have often used the term 'customer focused organization' instead of 'market oriented organization', in spite of the theoretical and semantical differences between market focused or market oriented and customer focused or customer oriented.

In summary, RCC, as I got to know it in 1996, was an IT service provider, with its main services being the development, maintenance, exploitation and renewal of information systems and computer networks. Core assets of RCC are its computing center in Apeldoorn, and its fine-meshed nationwide network infrastructure. Traditionally, the Dutch government has been RCC's most important customer. With the privatization of RCC, governmental contracts were no longer automatically granted to RCC. RCC was confronted with two challenges: increasing its stake in the private sector, and at the same time, protecting its traditional share in the public sector. Profitable growth (sales growth with consolidation of current margins) in both current and new markets was formulated as RCC's main financial objective. RCC's strategy to achieve this is an orientation on life-cycle enabling of IT systems for 'customer columns', vertical structures of networked customers[6] (De RCC Krant 1995).

5. I found this to be true for the use of 'market oriented organization' (*marktgerichte organisatie*) in the Dutch language. I cannot say for sure that this is also true for the English language. Kotler (1997) is exceptionally prudent in this respect, as he uses the term 'market-centered', not 'market oriented' for an organization that is structured around markets, and sees this as one, but definitely not the only, step in building a marketing orientation (p. 763).

6. One example of such a column is the Education column, consisting of the Ministry of Education, the Dutch student administration office IBG, the Dutch universities, and other educational institutions.

§ 5.2   *My role and position within* RCC

My introduction to the RCC organization was established through the acquaintance of my Ph.D. advisor with one of the directors of RCC. Some of the principles of the frameworks as developed in chapter 4 were already presented by my advisor to the board of directors of RCC before I became involved with RCC. The Q-S-P relationship (causal framework) and the redesign of processes based on the notion of customer value generation (implementation framework) were enthusiastically received by the board of directors. While my advisor agreed with the board of directors that a proposal for such a redesign effort would be developed for the DO (the directors' meeting) of May 7, 1996, I was asked to prepare such a proposal with the marketing manager of RCC (this marketing manager was not a member of the board of directors).

The first meeting at RCC took place on April 22, 1996. It was decided that the redesign effort would focus on the sales and marketing processes for the current markets of RCC, i.e., the Dutch government (in Dutch: *Rijksoverheid*, abbreviated as RO). The project was labeled the Customer Base Marketing (CBM) project. The project proposal was discussed in the DO of May 7th, and given the green light for the project two days later.

My role within the project was formalized as the secretary of the CBM project team. Further members were the marketing manager as chairman, my advisor as facilitator, one director, one business team manager, two account managers, and one assignment manager (≈ project manager). Within the organization I was an advisor and assistant to the marketing manager. The marketing manager was my principal informant and sponsor throughout the project, and the director in the project team was my link to the board of directors. My desk was in a room next to the marketing manager's office, which I shared with the legal liaison of RCC and a student working for the marketing manager. The marketing department was housed in the Zoetermeer office. The commercial representatives of the various business teams, like business managers and account managers, were also housed in the Zoetermeer office, while the majority of operational employees was based in Apeldoorn. The business teams were responsible for their own business-specific sales and marketing activities, while the marketing department was responsible for 'corporate marketing'. Further access to the rest of the organization would have to be obtained via interviews, questionnaires, and informal discussions.

The formal agreements about my cooperation with RCC were drawn up between my advisor and the board of directors. My activities at RCC were limited to those activities necessary for the CBM project. I planned to be

present at the RCC office for about two days a week. I would use my own laptop and printer and make use of a visitor's badge. I assumed a functional role within the organization, with the intention to act as an active member of the setting (Adler and Adler 1987).

§ 5.3 *Case design*

Three preliminary frameworks were developed based on a process-based approach to improving the degree of market orientation of an organization. The objective of the pilot case study is to evaluate this initial choice and the preliminary frameworks. The pilot case study should help to decide whether to continue on this trajectory of process redesign as it is, to alter the course, or to abandon this process-based approach altogether and take a different road.

Ideally, faced with the objective of testing the preliminary frameworks, I would like to be in a position where I could use the organization as an experimental testing site, where I could force the team to follow the frameworks and then evaluate the outcomes. But we are faced with the situation that organizations cannot be used as testing grounds for preliminary theories, both on ethical and professional grounds as well as on methodological grounds, as the environment cannot be controlled during the experiment (cf. Schein 1987a). But despite these barriers to experimentation, I can actively participate in the change process in order to convince the organization to follow an approach that is sufficiently close to the preliminary frameworks. I do not want to force the organization to follow the frameworks at any cost, as deviations from the frameworks might lead to valuable new insights and improvements in the frameworks.

In sum, I want to be in a position where I can influence the development of the change process with the aim to stay as close to the preliminary frameworks for as far as that is possible and ethically acceptable – i.e., without knowingly harming the organization. This position should also allow me to observe the actual change process as it is developing in the organizational context. I need to be alternately committed (in order to stimulate the use of the preliminary implementation approach) and detached (in order to be able to see the arguments against the preliminary approach and to be able to see the bigger picture of events).

I will collect the data in my role as secretary of the project team that is in charge of the process redesign effort. This position in the project team, as well as my position within the marketing department, allows me to initiate interventions for increased market orientation as well as to employ the other four methods for data collection: observation, interviewing, surveys,

and document analysis. Using a research diary and minutes of meetings and interviews, all data will be transposed into verbal data. In this way, a case study database is built up, containing natural verbal data (such as company brochures, reports about the company made by others), verbal data created by the researcher (such as diary entries and meeting minutes), and reactive verbal data created by subjects (such as written responses to researcher's questions). These raw data are translated into a case narrative that describes the change process in its spatial and temporal context (Langley 1999).

§ 5.4   *The case narrative*

The case narrative tells the story of the change process at RCC[7]. Theoretical reflections, historical flashbacks, and personal remarks will be included, but the main thrust will be the sequence of events unfolding over time. The case narrative will be summarized in a visual map at the end of this section (see figure 5.3). In order to make the narrative text more readable, it is split up into episodes. Each episode ends with a short summary that recaptures the main events in that episode.

Episode 1: establishing access
(April 22, 1996 – May 22, 1996)

My involvement with RCC started with two meetings with the marketing manager to develop a proposal for the Customer Base Marketing (CBM) project[8]. In this project proposal the background, the objective, the main research question, the project planning, and the composition of the project team were presented. RCC's privatization was not mentioned as a motive for an increased market orientation, rather processes of deregulation, decentralization of political decision-making, and privatization of public institutions were mentioned as developments that changed RCC's traditional customer base from a limited number of large customers (the Ministries of the central government) to a more diverse set of smaller potential customers. There is a need for more effective marketing and relationship management in RCC's current markets.

7. The narrative and the analyses contain the researcher's interpretation of events. While the narrative has been checked for factual errors by an informed representative of the organization, the articulated views are those of the researcher, and do not necessarily comply with the views of the organization and its members.
8. The title for this project was inspired by the work of Jay Curry (e.g., Curry 1993).

The following objective was formulated: To make a (re)design of the process of sales and relationship management in RCC's traditional market, aimed at the reduction of customer defection and the realization of profitable sales growth per customer. An effective relationship management process should ensure that during the length of the contract the customer stays convinced that RCC is offering such value for the customer that RCC is on the shortlist for future contracts. In one of the discussions the marketing manager remarks that the philosophy of relationship management is not alive within RCC, and that most people do not feel the need for a change.

A seven-step approach for the redesign was proposed:
0. Preparation
1. Definition of the process and mapping of the current process
2. Formulation of customer value statement
3. Alternative redesigns of the process
4. Presentation of alternatives to management and choice
5. Translation of chosen alternative into actions
6. Final presentation
7. Implementation (not part of this proposal)

A time planning with a throughput of twenty weeks was proposed. The final part of the project proposal was dedicated to the composition of the project team: one director, one business manager, one account manager, one assignment manager (≈ project manager), all from business teams in the traditional market, the marketing manager, my advisor as facilitator, and myself as secretary of the project team.

This proposal was presented in the board meeting (*directie-overleg*, DO) of May 7. My advisor presented the key concepts of customer value, the chain of effects from value to performance via customer loyalty, and the process approach to improving the degree of market orientation of an organization. After that, the project proposal was presented to the board of directors. Questions were asked by the board of directors and small adaptations were made to the proposal. Two days later my advisor told me the project was accepted by the board of directors. On May 10, the CBM project was presented to the RCC organization in a special edition of *De RCC Krant* (De RCC Krant 1996). The text of this announcement was a good reflection of the project proposal[9]. Furthermore, the CBM project was nicely embedded in recent developments like the formation of business

teams as well as in relation to earlier attempts to improve the customer focus of RCC, like *Klant in Zicht* (customer in sight), Streams, and *Dienstverlening is Mensenwerk* (service is a people's business). According to the marketing manager these earlier attempts were largely aimed at changing the business culture of RCC.

In the meantime, the other team members were picked by the director of the business teams current markets; two account managers were chosen instead of one, so that the team totaled eight members. The first team meeting is scheduled for May 22. This will be the first test of the acceptance of the CBM project and of my role within the project team. My advisor could not be present at this meeting so a separate meeting (without me) is planned for June 6 to discuss the more theoretical foundations of the project.

The meeting of May 22 was held in the RCC office in Gouda. The director hands the chair of the project team over to the marketing manager. He shortly introduces the project and I present the background and the approach. In this meeting we want to start defining and mapping the current sales and relationship management processes. More than once do team members mention that we know too little about our customers[10]. We lack a good customer database. Earlier discussions with the marketing manager showed that there is a customer database with name & address data, and a database with orders and bids. We have quite some difficulties thinking of sales and relationship management as processes. So many sub-processes of relationship management are triggered by external events (e.g., complaint handling). We will all work on a sketch of the process so that we can compare ideas in the next session. I conclude that there appears to be a good spirit in the team, that we are pressed for time, and that I have to do my best to convince all team members that I fulfill the role of pace-maker of the team. On the one hand I have to position myself as the expert in the area of customer value based process redesign, while at the other I am applying these ideas for the first time in a real-life setting.

9. Part of the text read (in Dutch): "Het project 'Customer base marketing strategie RCC' is erop gericht de marktgerichtheid van RCC te helpen vergroten door middel van een proces(her)ontwerp van de marketingactiviteiten van RCC. Doel is het behouden van klanten binnen de Rijksoverheid en het verwerven van vervangende omzet bij deze bestaande klanten. [...] Hiervoor is een (her)ontwerp nodig van het proces van verkoop en relatiemanagement. Hierbij staat het theoretische klantwaarde-concept centraal."

10. As a part-time member of the setting I have chosen to use 'we' and 'our' in my observations about the company.

Episode 2: peripheral membership
(May 22, 1996 – July 5, 1996)

Two days after the meeting I filled in the business manager, who missed the first meeting, and the assignment manager, who was belated. The business manager points out the difficulty of finding only one customer value statement for the current markets of RCC. And with the recent changes in organization structure he advises not to suggest another change in organization structure.

On May 29 I have a meeting with the marketing manager to evaluate our first team meeting. He warns me that quite some projects at RCC have been abandoned before the recommendations were implemented. He also informs me of three customer satisfaction studies that have been executed over the past three years that I can look into. Together we set up a communications plan to stay in touch with the DO, the management meeting, and the RCC employees at large.

A separate discussion with one of the two account managers in the team teaches me something about the coordination between commerce and execution. When an assignment is acquired, the account manager searches for an assignment manager and a team for project management and execution. Account management performance is measured by sales figures, while assignment managers are evaluated by margins. She has a number of suggestions for improving the customer focus of RCC: (1) more contacts on a higher level in the customer organization; (2) a customer database; (3) an internal department for sales support; (4) improved communication between sales and execution; (5) one contact person for the customer; and (6) a distinction between (long-term) relationship management and (project-related) customer management.

After a short vacation I have a meeting with the marketing manager on July 1. He has six research reports from the years 1993-1996 that say something about what quality dimensions customers find important, on what dimensions RCC's performance is weak and on what dimensions RCC is strong. These findings are summarized in table 5.3. During my meeting with the marketing manager one account manager calls off the next team meeting while the other account manager had already cancelled. On the day of the team meeting (July 4), the meeting is cancelled altogether because all managers are called to Apeldoorn for 'important announcements' by the board of directors.

So far I have been present at RCC only when I had a meeting with

IMPORTANT DIMENSIONS	HIGH PERFORMING	LOW PERFORMING
Reliability, trustworthiness	Reliability, trustworthiness	
Continuity	Continuity	
Competence	Competence	
Credibility		Credibility
Price level		Price level
	Courtesy	
		Flexibility
		Innovativeness
		Knowledge of the customer

Table 5.3: Importance of quality dimensions and RCC's performance

someone, either in Zoetermeer, Apeldoorn, or Gouda. In this way I am still quite detached from the RCC people and processes. It would be good to expand my presence at RCC to a few days a week at the office in Zoetermeer.

Episode 3: charting the process
(July 5, 1996 – August 1, 1996)

July 5 marks my first whole day at RCC. During the first team meeting on April 22 I asked all team members to make a sketch of the sales and relationship management process as they see it. To facilitate this I have handed out a checklist to identify activities, customers, process outputs, process inputs, and possible indicators for process performance. The marketing manager and I discuss the sketches that we have received (six out of eight). Our next team meeting will be on July 11. We decide that it would be good if I would have a bilateral discussion with all members so that we can make eight flip-over sheets with sketches of the process.

Our team meeting is quite successful. We decide to limit our focus to processes for customer retention and customer development, thus excluding sales processes for the acquisition of new accounts. Based on the flip-over sheets that I have collected we are able to draw one process map for sales and relationship management. That day I also learn what has happened last week when all managers were called to a meeting in Apeldoorn for 'important announcements' by the board of directors. A further reorganization is planned under the code name 'Operation Acceleration'. Instead of one RCC business unit with 18 business teams, separate business units will be created. Operation Acceleration is expected to result in a new structure per September 1, 1996[11].
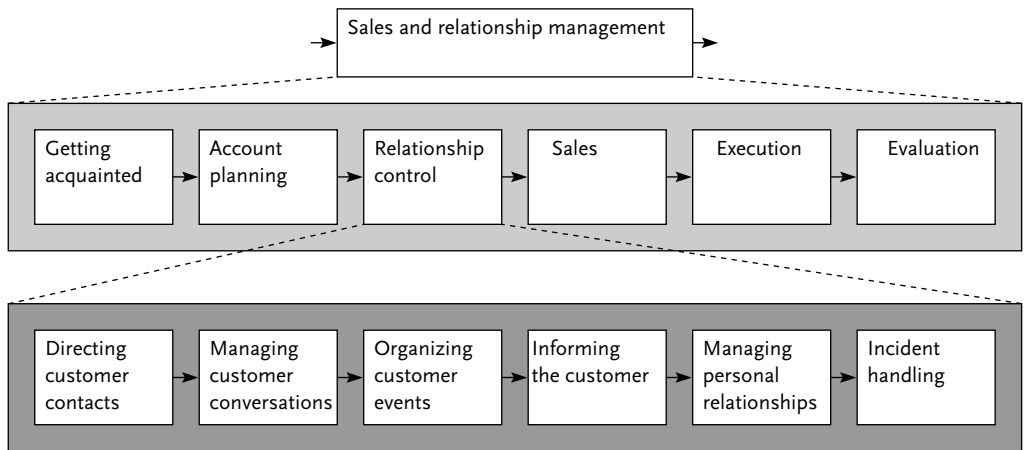
Figure 5.2: RCC*'s sales and relationship management process*

With one more team session on July 18, I manage to complete a document which includes a draft version of all six sub-processes of the RCC sales and relationship management process: getting acquainted, account planning, relationship control, sales, execution, and evaluation. The box 'relationship control' is split up into six separate sets of activities[12]: directing customer contacts, managing customer conversations, organizing customer events, informing the customer, managing personal relationships, and incident handling. These are all 'mini-processes' that are triggered by an outside event or are initiated by an RCC employee. For all the processes I have made detailed flowcharts, based on input from the team members (see figure 5.2).

While we are busy producing the flowcharts we are also thinking about ways to set up a dialogue with a broader group of RCC employees. In the team meeting of July 18 we decide to send out a 'mini-questionnaire'. This

11. Later I hear that this new structure might be a reaction to due diligence investigations related to the Dutch government's plans to sell their Roccade shares. In May 1996, the state had decided to sell Roccade via a controlled tender. Prime candidates were Getronics, IBM Nederland, KPN, EDS, and CSC (Elsevier 1996). It was no secret that Roccade's CEO has always had a preference for a merger with Getronics (De Auto-

matisering Gids 1995; 1996; Elsevier 1996; FEM 1997a). The controlled tender did not lead to a satisfactory bid – the procedure was ridiculed in the media as a 'soap' (FEM 1997b) - and early 1998 it was decided that the privatization of Roccade would be completed via a quotation at the Amsterdam stock exchange (PinkRoccade 1999).
12. Or sub-sub-processes.

questionnaire should elicit interest in the subject, and it should enable us to select 15 employees from various functions for setting up a dialogue. We also decide to write a note on relationship management for the company newsletter[13].

July 25 brings a strange incident: one of the two account managers in the team introduces me to a colleague who, as she says, would be a nice addition to the project team. At first I am enthusiastic about the idea, but later I start to wonder why the least committed team member would start suggesting new team members? The team session of today is cancelled as we need some work done on the flowcharts. After bilateral discussions with four team members on July 29 I finish the flowcharts the next day.

I am satisfied with the output, although I have done most of the work myself, and four team members are already causing problems when I try to plan meetings or bilateral sessions. Except for the marketing manager, the assignment manager and myself, commitment seems to be very limited. I noted also that some people, the business manager in our team being an example, have difficulties thinking in process terms about their work.

Episode 4: broadening the data collection
(August 1, 1996 – September 12, 1996)

On August 1, the first version of our mini-questionnaire is finished. Our weekly team meeting is cancelled and I use the time to process the comments that one of the marketers has given on my questionnaire. At the same time I have started planning some interviews for the 'process walkthroughs' (cf. Harrington 1991). In these process walkthroughs employees are asked to what extent the flowcharts represent the current process, or perhaps an ideal process. After two more rounds of comments the mini-questionnaire is sent out on August 6. This questionnaire consisted of twelve statements with five response categories: totally agree, agree, disagree, totally disagree, don't know/n.a. These statements were inspired by the existing market orientation scales (Kohli and Jaworski 1990; Narver and Slater 1990) and focused on information gathering, information sharing, and the use of information in sales and marketing processes. These twelve statements (with translation in English) are presented in table 5.4.

13. But no follow-up was given to this action item.

ORIGINAL STATEMENT	ENGLISH TRANSLATION
1. Ik heb goed en tijdig inzicht in hetgeen mijn collega's bespreken met klanten met wie ook ik contacten onderhoud.	– I have good and timely insight in all that my colleagues discuss with those customers I also have contact with.
2. Ik heb goed inzicht in wat medewerkers op verschillende niveaus binnen klantorganisaties van onze dienstverlening vinden.	– I have good insight in what employees on the various levels of the customer organization think about our services.
3. Ik vind dat RCC op zorgvuldige wijze omgaat met persoonlijke kontakten met klanten.	– I feel that RCC handles her personal contacts with customers in a careful way.
4. Ik vind dat binnen RCC goede en toegankelijke informatie over klanten en relaties beschikbaar is.	– I feel that accurate and accessible information about customers is available within RCC.
5. Ik vind dat RCC op zorgvuldige wijze omgaat met vragen en klachten van klanten.	– I feel that RCC handles questions and complaints of customers in a careful way.
6. Ik heb volledig en tijdig inzicht in de vragen en klachten van klanten met wie ik een relatie onderhoud.	– I have complete and timely insight in the questions and complaints of customers with whom I manage a relationship.
7. Ik word door mijn collega's goed en tijdig geïnformeerd over feiten en gebeurtenissen die van invloed (kunnen) zijn op mijn relaties met klanten.	– My colleagues inform me proficiently and timely of facts and events that have a (potential) influence on my relationships with customers.
8. Ik kom in een gesprek met een klant nooit voor verrassingen te staan die door betere interne communicatie vermeden hadden kunnen worden.	– Conversations with customers never bring me any surprises that could have been prevented by improved internal communication.
9. Ik denk dat klanten van RCC tevreden zijn over de wijze waarop wij de relaties met de klantorganisatie onderhouden.	– I think that customers are satisfied with the way we manage the relationships with the customer organization.
10. Ik vind dat RCC haar offertes tijdig en met de juiste inhoud uitbrengt.	– I feel that RCC puts out her offers and bids in a timely fashion and with the accurate content.
11. Ik vind dat RCC op zorgvuldige wijze omgaat met telefonische kontakten en correspondentie.	– I feel that RCC handles her telephone and written correspondence in a careful way.
12. Ik vind dat ik goede ondersteuning krijg vanuit de organisatie om goed werk af te leveren voor mijn (interne en externe) klanten.	– I feel that I get good support from the organization in order to deliver good work for my (internal and external) customers.

Table 5.4: The twelve statements of the mini-questionnaire

Apart from the twelve statements the questionnaire included three open-ended questions asking for factors that determine customer satisfaction, reasons for customer defection, and ideas for improving the sales and relationship management process. Furthermore, five general questions asked for name, function, and the willingness to cooperate further via an interview.

This questionnaire was sent to seventy RCC employees in the board of directors, business management, consulting, account management, assignment management, marketing, PR, exploitation, expertise centers, and secretariat. In the first week we receive thirty responses, the second week twelve, and the third week five more. We stop taking in more questionnaires on September 2, when we have fifty-one responses: a response rate of 73%. Of these respondents twenty-two were willing to be interviewed. With the results of the first week I can already start planning interviews; the first three are scheduled for August 15. The upcoming team meeting is on August 22 so I should be able to present some preliminary results of both the questionnaire and the interviews.

In the days preceding the 22nd I conduct ten interviews. All interviewees are very helpful in providing suggestions for improvement of the process under review. What was surprising to me was the reaction of one of the directors who seemed to have accepted that RCC is not a customer focused organization and will never be a customer focused organization. It is the more surprising as this director supposedly was very contributive to us being invited to RCC.

In the meeting of August 22, only four team members are present. We go through the flowcharts one by one and we draw six general conclusions:

1. The flowchart is a theoretical description of how the process *should be*.
2. It is a contribution to the professionalization of marketing & sales.
3. It provides insight into how relationship management works.
4. It can be a tool for commercial training.
5. The performance indicators can be used to review the people who work in the process.
6. The flowcharts are a basis for identification of the information needs in this process.

The 3rd of September we will have our next team meeting. All eight of us will be there and we will have a dinner after the meeting. In the days leading up to this meeting I conduct three more interviews and I process the responses of the questionnaire, for which I have set the closing date on September 2. Fifty-one questionnaires and thirteen interviews provide the data for identification and prioritization of improvements for the process.

In the meeting of September 3 a lot of results are presented to the group. First of all, the flowcharts of the sales and relationship management process are approved by the whole team. The document totals 44 pages. It defines important terms and for each process out of a total of 13,

there is a definition, a flowchart, a description of inputs, outputs, and customers, a set of performance indicators, and an evaluation of the process through a process walkthrough form. The conclusion of the team is that is an informative document, but that a different approach needs to be taken when we would want to communicate these outcomes to a larger audience.

Next, I present the results of the mini-questionnaire. The response is high and the willingness to cooperate further via an interview is large. For most statements about the degree of market orientation the answers are distributed around the center. There are two notable exceptions: 80% of the respondents does not agree with the statement that accurate and accessible information about customers is available within RCC, and 68% feels that surprises in conversations with customers could be prevented by improved internal communication. But based on the other ten statements we conclude that individual perceptions of the situation appear to be varying to such an extent that it seems impossible to assess the degree of market orientation of the RCC organization via this type of self-administered questionnaire.

With use of the outcomes of the thirteen interviews I present nine areas for improvement that surface from our broadened data collection:

1. Setting up a department for internal sales support[14].
2. Redesign of the bidding process.
3. Implementing a database for sales and relationship management.
4. Professionalization of incident handling.
5. Stimulating team approach and information exchange between functions.
6. More strategic account management.
7. Delegation of acquisition, relationship management and customer satisfaction management responsibilities to operational level.
8. Definition of roles and responsibilities in sales and relationship management.
9. More proactive relationship management.

At a later stage we will need to reduce this number of improvement areas to a manageable set of recommendations. While I was compiling the data

14. Described by some as inside order takers (Dibb et al. 1997), this department can support account management and assignment management not only by order taking, but also by managing the customer database, ensuring telephone accessibility, managing direct mail campaigns, and customer relationship management. The common Dutch name for this department is *verkoop binnendienst*.

from the questionnaires and the interviews in order to reach this list of improvement areas four interrelated enablers for an improved process of sales and relationship management were emerging: not only was formal redesign of specific sub-processes needed (e.g., suggestion 2), but also changes in structure (e.g., suggestion 1), systems (e.g., suggestion 3), and skills (e.g., suggestion 4) were needed in order to 'enable' an improved sales and relationship management process.

For the continuation of the project we decide to focus on the formulation of customer value statements for RCC. This will be the topic of our next meeting, to be held on September 16.

Altogether I am quite satisfied with the cooperation I received from the rest of the RCC organization and the interest these people have showed in the project through the participation in the questionnaire and the interviews. We haven't really been working on a process redesign however, as there was no clear idea of what the 'old' process was. This was the first attempt at charting this process (or rather, this collection of processes). The suggestions for improvement are more in communication and systems 'around' the process than in the process itself. With respect to the interviews I am not sure whether I have been critical enough, teasing out the true attitudes and behaviors of the interviewees.

Episode 5: formulating customer value statements
(September 12, 1996 – October, 1996)

As a preparation for our meeting on September 16 I make a list of fourteen generic customer value statements, like e.g., we deliver the highest quality service, we are the cheapest supplier in our industry, we are the fastest to respond to your inquiries (cf. Treacy and Wiersema 1993). The others are also asked to come to the meeting with a list of customer value statement for RCC.

During the meeting on the 16th we discuss all the proposed value statements until we all understand the intended meaning. All proposals are regrouped under thirteen statements (see table 5.5). With the six of us together we could prioritize and choose from these thirteen statements, but we agree that it might be better to ask a larger group of employees to look at these statements. We will send out a questionnaire to those that have responded to our first questionnaire. All respondents are asked to score these thirteen statements on four criteria: (1) Is this value statement a necessary condition to stay in business?; (2) Does this value statement provide an opportunity to distinguish ourselves from competition?;

1. RCC is een slagvaardig bedrijf; wij zijn altijd bereikbaar en reageren snel en to-the-point.

2. RCC is flexibel in haar dienstverlening; wilt u iets speciaals dan kunnen wij daarop inspelen.

3. RCC doet op een nette manier zaken. Wij zijn eerlijk, open en hebben respect voor u als klant.

4. Bij RCC staat duidelijkheid hoog in het vaandel; u weet wat we kunnen, wat u van ons mag verwachten en wie voor u werken. U hoort één geluid en u krijgt een duidelijke aanbieding.

5. Bij RCC betaalt u een reële prijs; de prijs die u betaalt is niet altijd de laagste, maar is wel voor u uitlegbaar.

6. RCC biedt u zorgeloos gemak; wij bieden u een probleemloze uitvoering van uw processen.

7. RCC garandeert uw tevredenheid; bent u niet tevreden dan betaalt u minder of helemaal niet.

8. Bij RCC krijgt u de aandacht die u verdient; wij zijn open en houden u op de hoogte van wat er gebeurt en wat wij doen.

9. RCC is een betrouwbare leverancier; wat een RCC-er zegt daar kun je op vertrouwen. Afspraak is afspraak en we doen wat we beloven.

10. RCC gaat mee met de technologische vooruitgang; wij bieden u nieuwe technologieën met bewezen betrouwbaarheid.

11. Bij RCC blijft u aan het stuur; U heeft als klant het laatste woord.

12. Wij denken actief met u mee; ook voor een vrijblijvend advies kunt u bij RCC terecht.

13. RCC is betrokken bij uw situatie; wij begrijpen uw processen en de vraagstukken die u in uw persoonlijke positie bezighouden.

– RCC is an agile company; we are accessible and we react swiftly and to-the-point.

– RCC is flexible in her service delivery; if you want something special we can make it happen.

– RCC is a decent company. We are honest and open, and we respect you as our customer.

– RCC considers clarity of utmost importance; you know what we can do, what you can expect, and who is working for you. You will hear a consistent story, and you will receive a crystal-clear offer.

– At RCC you will pay a fair and realistic price; this price may not be the lowest, but the price can always be explained.

– RCC offers you carefree convenience; we offer you a problem-free execution of your processes.

– RCC guarantees you satisfaction; if you are not satisfied you will pay less or pay nothing at all.

– At RCC you receive the attention that you deserve; we are open and we will inform you of what is going on and what we are doing for you.

– RCC is a dependable supplier; everything an RCC-er says can be trusted. A deal is a deal, and we deliver what we promise.

– RCC operates at the edge of technology; we offer you new technologies with proven reliability.

– At RCC you are in control; as our customer, you have the final say.

– We are your active sparring partner; you may consult us for an advice without further obligations.

– RCC is committed to your business; we understand your processes as well as the issues you are faced with in your particular position.

Table 5.5: The thirteen customer value statements

(3) Does this value statement fit with RCC?; and (4) Does this value statement fit our target customers?

By October 3 thirty-two responses have come in for our second questionnaire. Quite some people have made remarks about the difficulty they had in responding to these questions. In our team meeting of that day we choose for a combination of four customer value statements. These are: agility (statement 1), carefree convenience (statement 6), satisfaction guaranteed (statement 7), and commitment (statement 13). Agility is a value that is considered a necessity in the marketplace but is currently not associated with RCC, while the other three provide opportunities for distinguishing RCC from its competitors. The choice for these customer value statements should help us to reduce the nine improvement areas that were identified earlier to a manageable set of recommendations. We will discuss this within the team in our next meeting on October 17.

The method that we used for formulating customer value statements was a satisfactory method for the team and appeared to be very democratic by using a questionnaire. But ultimately it was the team who decided on what criteria we would choose the values (and thus how to interpret the 'democratic votes'). One could ask the question on what grounds we can make a strategic decision like that.

Episode 6: communicating the results
(October 4, 1996 – December 10, 1996)

On October 4 the marketing manager and I start writing the report for the board of directors. We have set a target for ourselves to limit the report to a maximum of ten pages. At the end of the day I meet the 'transformation manager', an interim manager who will guide the reorganization from one RCC with business teams into a limited number of separate business units. On the days leading up to our meeting of the 17th I finalize the report and the appendices that come with it. The meeting itself does not bring any new insights with only four members present. Individual discussions with the marketing manager and with my advisor lead to the choice for four improvement projects:

1. Setting up a department for internal sales support.
2. Implementing a database to support the sales and relationship management process.
3. Professionalization of incident handling.
4. Redesign of the bidding process.

On the 22nd the marketing manager and I discuss the report with the transformation manager. It is clear to us that we need to sell the project to this new influencer if we want anything of the project to survive the new turmoil. In the meeting it appears that the report is very welcome and the transformation manager shows his commitment to the recommendations. One week later, on the 29th, we can discuss the report with the director in our team who has been abroad for a month. On the 1st of November I take the word 'concept' off the cover of the report and I say good-bye to my roommates and direct colleagues at RCC Zoetermeer. The final presentation of the project and its results will be in the DO of December 10.

While we were finalizing the report of the CBM project, the prelude to the grand finale of RCC's next reorganization had started. The composition of the board of directors had changed in the past months, a transformation manager had been appointed in September, and now the board was about to fall apart as the splitting up of RCC in a number of separate business units was dawning. Directors had other things on their minds while we were ready to sell our recommendations. In our final presentation the recommendations for RCC were changed into recommendations for the business units but no-one knew for sure at that time that we were presenting these recommendations to the right people.

Epilogue

In 1997 and 1998 I have had three more meetings with the marketing manager, and one meeting with the marketing manager and two former directors of RCC. In March 1997 I learn that the decision has been made to split RCC up into three business units: RCC Public, with a focus on public and semi-public institutions; Roccade Megaplex, the computing center; and Roccade Atribit, the specialist in outsourcing. In June of that same year I am told that there is no central marketing department anymore. The former marketing manager is now senior account manager within Roccade Megaplex. The two former directors of RCC are now managing director of Roccade Megaplex and Roccade Atribit. The business manager of the CBM team is now director within RCC Public.

I am told that the term CBM has not been heard anymore within the organization. Looking back to the recommendations it is possible to see developments in the business units that seem to follow up these recommendations[15], but it is not clear whether there is any direct link to the CBM project. The philosophy of using customer value statements to direct the change process is used by the transformation manager, but not

Figure 5.3: A visual map for the RCC case study

22/4	22/5	5/7	1/8	12/9	4/10	10/12

| Prologue | Episode 1: Establishing access | Episode 2: Peripheral membership | Episode 3: Charting the process | Episode 4: Broadening the data collection | Episode 5: Formulating cust. value statements | Episode 6: Communicating the results | Epilogue |

First meeting at RCC — First CBM team meeting — First full day at RCC — First questionnaire sent out — Second questionnaire sent out — Final report published – last day at RCC — Final presentation

Project approved

First interview — Last CBM team meating

6   7   4   4   4   8   6   5   4

Formation of business teams — Split of RCC into 3 seperate business units announced — Transformation manager appointed — Rumors about takeover: IBM, Getronics mentioned — Managing director leaves

Figure 5.3: A visual map for the RCC *case study*

with the value statements that we have formulated for RCC in the CBM project. The latest change initiative is an empowerment project. According to one of the managing directors this would prohibit a top-down implementation of CBM recommendations. If there has been one important enabler for the changes within RCC towards a more market oriented organization it has been the change in leadership. According to the two managing directors, only two of the top managers in the old RCC have survived the changes since 1990.

The developments between April 1996 and December 1996 can be captured in a visual map. In such a visual map process data can be presented in one graphical representation. Such representations can be used to show precedence, parallel processes, and the passage of time (Langley 1999). A visual map for the RCC case study is presented in figure 5.3.

15. One example is the study that the business manager in the CBM team, now director, had commissioned into the feasibility of a department for internal sales support for RCC Public (Filippo and Delvaux 1997).

§ 5.5   *Case analysis*

The case narrative presented the sequence of events, actions, and activities unfolding over time at RCC for as far as they were relevant to the process redesign effort for improved market orientation. In this section I will analyze this sequence of events from two different angles. First I will adopt the perspective of the change agent/interventionist and focus on what was achieved with respect to improving the degree of market orientation at RCC. In the second part of this section I focus on what we can learn from this case study for improving market orientation in general.

Achievements in implementation at RCC

Looking at the change process at RCC the most important observation is that a nice design of the new process for sales and relationship management was made, but implementation of this new process did not take place. The final presentation that was held on December 10, 1996, did include seven concrete recommendations for future action, but there was no formal follow-up on these recommendations. A varied set of reasons can be given for this 'implementation failure'. First and foremost, as the CBM project progressed, the future of RCC was becoming increasingly uncertain by Roccade's reorganization plans. And second, there was limited buy-in from the rest of the organization.

The reorganization of RCC that had taken place just before the start of the CBM project – the formation of business teams per January 1, 1996 – was a first step towards improving the degree of market orientation of RCC. This restructuring around markets would only make it easier for RCC to manage more market oriented processes. The plans for a further reorganization of RCC came somewhat as a surprise, and, followed by the rumors about a possible takeover/merger, these new changes had a negative impact on the CBM project in at least two ways. The continual flux the organization was in consumed a lot of energy of organization members, especially since the fate of RCC as one independent organization[16] was endangered by both a split-up in business units and perhaps a 'hostile' takeover. From the first announcement of the new plans on July 4 up to the end of the project in December it was not clear how many business units would be formed out of the old RCC, nor was it clear who would buy the Roccade shares from the Dutch government. As can be expected, these uncertainties were more important to RCC employees than a process re-

16. Formally, RCC was not independent of course, but being the largest firm within the   Roccade holding, its position was fairly autonomous.

design effort in sales and marketing. The reorganization plans created uncertainties for the CBM team too: at the end of the project we did not know whether the members of the board of directors to whom we were presenting the recommendations were also going to be the decision-makers in the new business units. The reorganization plans also led to the appointment of a transformation manager. It was unclear to what extent this temporary, though influential, decision-maker would be important for the success of the CBM project.

The limited buy-in by the organization has three dimensions: low commitment from the team members except for the marketing manager and the assignment manager, limited success in communicating with the rest of the organization, and low visibility at the board level. To start with the latter: there was one member of the board of directors on the team, but he was rarely present at the team meetings. When the outcomes of the project were presented to the board most board members were unprepared for the recommendations.

The commitment from the team members beyond the marketing manager, the assignment manager and myself was dwindling as the project evolved. This can be seen in the attendance of the team meetings (see figure 5.3). The project leader, i.e., the marketing manager, was highly committed but he was apparently not in a position to enforce the team charter on all team members. The fact that the director in the team missed a couple of meetings at the start of the project damaged the commitment of other team members. A factor that may have reinforced this low level of commitment to the process redesign effort was an observed difficulty for most members to visualize sales and marketing activities as processes. One member openly admitted he had difficulties with that. As there was no existing process for sales and relationship management, each account manager, business manager, or assignment manager was probably working his or her own process. A central effort to chart these processes might have even been viewed as a threat to independence. Combine this lack of interest in process charting with an external expert who appears to be knowing what he is doing and you have all the ingredients for what has been called the 'gallery effect': one or a few team members do all the work while the other team members look on from the gallery. The result was that at the end I was probably too much in an executing role[17]. I felt afterwards that I took too much initiative, leaving team members with a not-invented-here syndrome. Next time I should be in a more facilitative role, more of an observer/helper/researcher, and less of an actor/doctor/consultant.

Apart from weaknesses within the team, we also had limited success in communicating with the rest of the RCC organization. All team members were asked to discuss the CBM project with their immediate peers, but this did not happen. Furthermore, the intention was to do the process walkthrough interviews in duo's, but it turned out to be too difficult to plan these interviews this way. The interviews and the two questionnaires contributed to the information exchange between the CBM team and the rest of the organization, but further communication was not established. In a next case study something of a project communication plan needs to be set up.

Finally, the formulation of customer value statements did not have the result I expected it to have in the change process. In the CBM project we ran into three problems: the procedure for formulating such statements appeared to be very democratic, but relied ultimately on arbitrary choices made by the team; four value statements were chosen instead of one single statement; and the customer values that were chosen were not adopted by the transformation manager, who used a different set of values in his internal communications. The discussions within the team as well as the results of our second questionnaire showed that there can be some convergence on what value statements would be distinctive, or what value statements would fit the specific strengths of the organization, but it proved to be impossible to formulate one statement for the whole organization that is distinctive, fits the strengths of the organization, as well as fit the target customers. Apparently, after the relevant information is gathered, one person has to stand up and make the decision. The fact that we did come to a selection of four customer value statements, but that none of these was eventually adopted by the transformation manager also shows that it is not the project team that should make that decision, but someone at the top. Therefore, customer value statements that stick are not formulated by a project team but should be formulated by the strategist, or by the dominant coalition at the strategic level.

From a change perspective, the pilot case study was moderately successful: although the redesign exercise did change the attitude of the team members towards the sales and relationship management process,

17. Harrison (1995) calls this the dilemma of facilitating versus participating. Harrison argues that too much participation creates client dependency. While I would not want to imply that RCC became dependent upon me, the progress of the project did depend too much on my efforts and that of two other team members. Harrison does not conclude that participation creates harmful dependency per se; a healthy degree of participation as outsider creates 'realistic dependency' that is temporary.

no major changes were achieved in the marketing processes of RCC. This was partly due to developments beyond our scope of influence, and partly due to weaknesses in the team and shortcomings in my role as a change agent.

Implications for the design of market oriented organizations

The whole approach for improving the degree of market orientation of an organization was built on the assumption that the redesign of business processes, with the help of IT as an enabler, would lead organization members towards more market intelligence gathering, storage, and dissemination, and use of this intelligence in targeting, planning, and relationship management. The pilot case study however showed disappointing results in process changes. In order to understand this outcome, a distinction has to be made between formal processes and actual processes[18].

Formal processes are the processes (activities or groups of activities) as they are put on paper, and represent processes as they ought to proceed[19]. Actual processes are the processes as they actually proceed in real-life. The preliminary frameworks were based on an approach of redesigning actual processes. An actual process can be congruent with the documented formal process, it can be different from the formal process, or no formal version of the actual process may exist. Furthermore, while there will be only one version of each formal process in an organization, there may exist many different actual versions of a process. The RCC case study showed that the redesign of actual processes can be problematic, particularly when such a process has never been documented before, and many different actual versions exist. Within the area of marketing, sales, and service (MSS), many processes are generally undocumented. Many of these processes are undocumented because they cannot be formalized and translated into a procedure. MSS processes are characterized by many customer interactions which generally require customized (sequences of) activities. The quality of the output of such non-standard processes is to a varying degree determined by the behavior of individual employees.

MSS management would want to make sure that these non-standard MSS processes are executed in a market oriented way, i.e., that the individuals that execute the processes behave in a market oriented way. MSS processes

18. In Dutch: *formele processen versus feitelijke processen*.
19. More precisely, processes as the decision-makers who put it on paper thought it ought to proceed at the time when the process was documented.

can be formalized on paper to some level of abstraction. The (re)design of the formal process is only part of the solution to improved market oriented behavior. In order to close the gap between the ideal process and actual behavior, new tools (not only IT-based tools) might be needed to do the job, new skills need to be developed, and new definitions of roles, relationships, and responsibilities may be necessary. New networks for communication and coordination may need to be established, leadership style may need to be adapted to the new behaviors, and new systems for performance measurement and reward might be necessary to reinforce the desired behaviors. The evidence for this assessment comes from the outcomes of the first questionnaire and the interviews. Information technology, heralded as the one enabler that will change the workplace (Davenport 1993; Hammer and Champy 1994), is but one enabler for a behavior change in sales and marketing processes. The market orientation literature does hint at some more of such enablers (e.g., Biemans 1995), but it would be helpful to conduct a more systematic exploration of enablers for market oriented behavior. It is reasonable to suspect that RCC is not unique in this respect.

The episode on formulating a customer value statement raises the question whether a customer value statement is needed in order to stimulate market oriented behavior. The answer seems to be affirmative. One needs some directive in order to choose amongst the immense variety of alternative behavior patterns. Should one optimize the sales and marketing processes for speed, for service level, or for low cost? A clearly formulated customer value statement can help to define the improvement areas that should receive the highest priority. Some companies might have to formulate a customer value statement for the very first time. Other companies already have a very clear value position, while for a third group of companies all that is needed is to have the tacit customer value statement articulated.

From the literature we inferred three processes in sales & marketing that were associated with the market oriented organization: market intelligence generation, storage, and dissemination (e.g., Narver and Slater 1990), targeting and planning of activities (e.g., Kohli and Jaworski 1990), and relationship management (e.g., Day 1994). In our preliminary framework, these processes were depicted in a sequential order as if market intelligence was input only to strategic marketing and not to operational marketing. The RCC case has shown us that the operational marketing processes have a considerable need for market intelligence, not only via the strategic marketing plan. At the same time, the operational

processes are an important source of market intelligence. A linear sequential relationship between the three processes does not appear to do justice to reality.

Furthermore, the responses to the first questionnaire suggest that the labels of the two latter processes as suggested in the literature represent an overly restrictive set of market oriented activities. In order to improve the market orientation of an organization, the market intelligence should be used in the whole range of activities in value conception (deciding about what value proposition to go after) and value generation (making sure that value proposition is recognized by the target customers). 'Targeting and planning of activities' (Kohli and Jaworski 1990) and 'relationship management' (Day 1994) represent only subsets of value conception and value generation.

The sheer amount and variety of suggested areas for improving the sales and relationship management process shows that practitioners can indeed be confronted with questions of where in the organization to start and how to prioritize areas for improvement. It also shows that a process-based approach is not the only, nor necessarily the best option for improving the degree of market orientation of an organization. But the choice for a process-based approach is a valid choice, and making such a conscious choice makes the task of improving market orientation more manageable.

A final lesson that is taken home from this pilot case study is that the 'collaborative design' implementation approach was not very effective in two respects. First, I did not succeed in realizing the 'collaborative' part of the approach. The marketing manager and the assignment manager were the only two team members who actively participated in the designing process. And second, we did come up with a nice grand design of eleven ideal processes, but we did not think about the implementation of those designs until they were finished and perfected. This is a typical character-istic of the design school in strategic management, for which it has been severely criticized (Mintzberg 1990). When managing organizational change it is often more effective to create commitment via a more parti-cipative and incremental change approach, in which design and imple-mentation are parallel processes (e.g., De Leeuw 1994). Instead of an im-plementation approach of 'collaborative design' it would be better to strive for an approach of 'collaborative incrementalism'. These new insights will be used as input for the redesign of the frameworks in chapter 6.

§ 5.6 *Conclusions*

As a conclusion of this pilot case study I shortly evaluate the overall change process at RCC, the degree of access to people, information, and events, and the overall success of the case study in light of its objectives.

With respect to the success of the change process I have already noted that the pilot case study was moderately successful: although the redesign exercise did change the attitude of the team members towards the sales and relationship management process, no major changes were achieved in the marketing processes of RCC.

With respect to access I would say in retrospect, that access was too much limited to the marketing manager as my key informant, and, second, the project team. Outside the project team and the marketing department my access was predominantly limited to formal appointments. One factor that contributed to this limited access was the physical layout of the office building and the location of the marketing department. This department was located on a different floor than those of the account managers and business managers, and the layout of the offices was such that you would not easily walk into someone's office for an informal chat. A study into the business culture of RCC confirms that particularly the commercial organization and the staff departments (those who are housed in the Zoetermeer office) are characterized by a closed culture (Notermans 1998)[20]. My physical location in the company did not sufficiently allow me to observe organizational processes apart from the CBM project. Furthermore, membership remained fairly peripheral, that of a temporary outsider. My visitor's badge and the absence of a desk, LAN account or any other company resource all contributed to this position of peripheral membership. Remaining largely unknown to other people within RCC there were no occasions of employees other than CBM team members trying to access me. My own limited visibility within the organization resulted in a limited view of organizational processes other than those I was directly involved in.

In concordance with the expert role and the design approach in implementation I expected to be able to do quasi-experimental interventions in the organization. By this I mean that I expected to be able to test the frameworks by 'enforcing' the organization to follow the suggested approach for process redesign. Not only did this prove to be very difficult, for as far as I succeeded in my expert role it adversely contributed to the limited participation and commitment of other team members. If I really

20. This cultural study was executed in 1993, but the results were not published until 1998.

– The emphasis should not be on process redesign per se, but on a behavior change, enabled by changes in formal process, tools, skills, responsibilities, and more.
– The implementation approach should not be a 'collaborative design' approach, but a 'collaborative incrementalism' approach.

Table 5.6: Key learning points of the RCC *case study*

want to see to what extent the frameworks have value for practitioners other than myself I need to bring myself in a more facilitative role, in which the frameworks are used to inspire others, but do not carry out all the work myself. The consequence is that I have to leave the ambition of quasi-experimental interventions and become more of an ethnographic observer.

From the perspective of theory development the RCC case study was highly successful: the pilot case study contributed to a better understanding of the design problem, it provided support for the process-based approach with the inclusion of some adjustments, and the experience at RCC led to some valuable refinements in the research strategy. The key learning points with respect to the implementation of a market orientation are summarized in table 5.6.

III SECOND DESIGN CYCLE

Chapters 6 and 7 present the second design cycle of this study. The pilot case study has shown that the process-based approach to market orientation is promising, but that the preliminary frameworks need adjustments. These adjustments are on the one hand based on the key learning points from the pilot case study and on the other hand on an updated and extended review of relevant literatures. The resultant intermediate frameworks are assessed through a longitudinal case study with a duration of three years. Chapter 6 reports on the redesign of the three conceptual frameworks. The longitudinal case study is presented in chapter 7. The key learning points from this case study are the input for the final design in part IV. The intermediate designs were made in 1997, and the longitudinal case study was executed between August 1997 and September 2000.

The RCC case study has shown that the process-based approach to implementing a market orientation may be a valuable approach, provided that some adaptations are made to the frameworks. This chapter reports on that framework refinement process. While the pilot case study is one source for refinements of the frameworks, new contributions to the literature are another. In my role as designer I combine these two sources with my own advanced understanding of the topic. The new design ideas that result from this process of well-informed creativity are incorporated in the frameworks. I start this chapter in section 6.1 with a summary of the key lessons from the pilot case study. In section 6.2 the 1996 and 1997 additions to the marketing literature are reviewed, specifically on market orientation. Then, in sections 6.3 and 6.4, I discuss the two most important changes in the frameworks: the introduction of enablers for market oriented behavior, and the 'collaborative incrementalism' approach to implementation. Section 6.5 presents the refined frameworks, called intermediate frameworks. These frameworks are the input for the main case study; a real-life change process that will undoubtedly result in further refinements of the frameworks.

§ 6.1   *A summary of lessons from the RCC case study*
The impact of the pilot case study on my thinking about the implementation of a market orientation can be summarized as an enrichment of a process redesign approach into a behavior enabling approach. The outcome of marketing, sales, and service (MSS) processes is to a considerable extent dependent upon the behavior of individuals in supplier-customer interactions. MSS processes can often be documented on a high level of abstraction. A (high-level) redesign of MSS processes does not necessarily affect the behavior of employees in those processes, and therefore the actual degree of market orientation of the organization will not necessarily improve as a result of a process redesign effort. This has led to the introduction of organizational enablers for market oriented behavior. Formal process is but one of such enablers.

The pilot case study also showed the need for a better balance between planned and emergent improvements, so as to better use the energy that is present in grass-roots initiatives, and to increase the involvement of employees outside of the change team. These two key lessons from the case study are discussed in separate sections that follow the general literature review. Other lessons that were presented in the case analysis

(section 5.5) that require less fundamental changes in the designs are dealt with in section 6.5.

§ 6.2 *The relevant marketing literature of 1996-1997*

The preliminary frameworks for implementing a market orientation were developed in 1995, and were thus based on what was published in the market orientation literature up to that year. The intermediate frameworks are designed in 1997, so I will discuss here all noteworthy additions to the literature of 1996 and 1997. These discussions will successively cover the development of the market orientation literature, customer value as a new source for competitive advantage, and market orientation as an organizational capability.

The market orientation literature

The year 1996 witnessed the birth of a scientific journal specifically devoted to 'market-focused management'[1]. In the first volume of this journal, two of the thought leaders in market orientation look back at the genesis of the market orientation concept and discuss a roadmap for further research (Jaworski and Kohli 1996). In this paper, the authors reiterate an important point that has also been raised in their seminal article on market orientation (Kohli and Jaworski 1990): that of quality versus extent of market oriented behaviors. Current conceptualizations of market orientation focus on the extent to which firms engage in market oriented behaviors. Jaworski and Kohli (1996) argue that it would be useful to complement this perspective with that of the quality of the processes (e.g., the speed of intelligence dissemination). Slightly different but related to this idea, I would suggest that it would also be useful to consider the relevance of the information being acquired and disseminated. Jaworski and Kohli merely raise this issue and do not provide solutions. A short section on implementing a market orientation is also included in the article. The authors briefly discuss top-down versus bottom-up approaches for implementation and conclude that "a judicious blend of top-down and bottom-up initiatives is key to enhancing market orientation" (p. 131). Concrete suggestions for tackling the implementation issue are not proposed.

1. According to the description of the journal's aims and position, market-focused management is defined as the realization of financial goals through organization-wide commitment to satisfying customers.

Market orientation and the marketing concept had already caught the attention of marketing researchers in the UK since their 'rediscovery' in the late eighties, early nineties (e.g., Hooley et al. 1990; Diamantopoulos and Hart 1993; Wong and Saunders 1993; Greenley 1995a; 1995b). Three other early European studies into the market orientation concept are Dreher (1994), Biemans (1995), and Gounaris and Avlonitis (1995). The growing interest in the market orientation concept in Europe led to an increase in the number of publications in 1996 and 1997 in The Netherlands (e.g., Alsem et al. 1996; Langerak et al. 1996a; Langerak et al. 1996b; Biemans et al. 1997; Langerak 1997), Scandinavia (e.g., Bisp et al. 1996; Selnes et al. 1996; Tuominen and Möller 1996; Tuominen et al. 1997), and other European countries (e.g., Fritz 1996; Pitt et al. 1996; Avlonitis and Gounaris 1997; Balabanis et al. 1997). In these European studies, suggestions for implementing a market orientation were scarce, with a notable exception of Biemans' work in market oriented product development (Biemans 1995; Biemans and Harmsen 1995), which has been discussed in chapters 2 and 4.

In these same years the implementation issue of market orientation is picked up in the UK by Lloyd Harris. In a practitioner-oriented outlet the practical value of Kohli and Jaworski's framework of market orientation is assessed (Harris 1996). Harris expresses great faith in the K&J model, expecting it to become 'the standard accepted model' of market orientation theory. In a subsequent publication with Nigel Piercy (Harris and Piercy 1997) the authors posit that, in the eyes of the practitioner, one of the major obstacles to implementing a market orientation is that it is 'too expensive'. Harris and Piercy argue to the contrary: that implementing a market orientation means working smarter, not harder, and that thus, a market orientation does not imply spending more resources; it means spending resources in a different way. The authors identify seven activities and resources on which spending can be changed such that the degree of market orientation improves (see table 6.1).

What I take away from this selection of new additions to the market orientation literature is that the concept is gaining ground on the continent, while it was already established as an important research topic in the Anglo-American literature. The main emphasis of these studies is on measuring the relationship between market orientation and performance, using the existing MARKOR and MKTOR scales or adaptations of these scales. Fortunately, at the periphery of this main thrust in scholarly market orientation research, a new impetus to the implementation issue is given by Lloyd Harris with two publications that attempt to bridge the theoretical

ACTIVITIES AND RESOURCES	NON-MARKET ORIENTED	MARKET ORIENTED
– Training and development	– Train in procedure etiquette	– Training in customer service
– Information systems	– Disseminating data on costs and revenues	– Disseminating information about customers and markets
– Formal planning	– Planning around products	– Planning around customers
– Reward systems	– Rewards linked to sales	– Rewards linked to customer satisfaction
– Communication systems	– Data on new procedures	– Communication of customer needs
– Recruitment and induction	– Select solely on formal qualifications	– Select on customer service capabilities
– Management time	– Geared towards sales	– Geared towards customers

Table 6.1: Activities and resources associated with a market orientation (source: Harris and Piercy 1997)

works of Kohli and Jaworski and Narver and Slater with practical concerns of managers. These publications include a number of helpful suggestions for processes and process enablers that can be thought of with respect to the implementation of a market orientation. I will get back to these suggestions in section 6.3.

Other relevant contributions to the marketing literature
Apart from the contributions to the core of the market orientation literature, there have been noteworthy developments in two related areas: (1) competing on customer value delivery in relation to market orientation; and (2) the resource-based view in relation to market orientation.

Narver and Slater have always defined a market orientation in terms of its positive effect on the creation of superior customer value (Narver and Slater 1990; Slater and Narver 1994a; 1994b). In chapter 4, customer value was defined as the trade-off between what the customer receives and what the customer has to give up (as perceived by the customer) in order to acquire and use a product or service (cf. Zeithaml 1988; Anderson et al. 1993). Organizational activities and behaviors, particularly those in sales and marketing processes, are linked to customer value creation in two ways: the activities and behaviors influence the formation of expected value in the mind of the customer before the purchase decision, and they influence the formation of perceived value during or after use of the product or service[2]. An organization has opportunities for creating additional value through increasing customer benefits and/or decreasing the customer's total acquisition and use costs (Narver and Slater 1990).

Woodruff (1997) provides a rich description of value creation in the market oriented firm by tying market intelligence processes into customer value conception and customer value generation processes. In order to be able to develop a customer value delivery strategy, organizations need to develop processes for learning about customer value. This customer value learning focuses on five questions: (1) what do target customers value?; (2) which value dimensions are most important?; (3) how well are we doing in delivering value?; (4) why are we doing poorly on important value dimensions?; and (5) what are target customers likely to value in the future? (Woodruff 1997, p. 144)[3]. In order to find answers to the above questions so that a value delivery strategy can be developed, organizations need market intelligence processes that collect, disseminate and store data from a variety of sources, such as customer complaints, market research data, salesperson reports, et cetera. Based on the value delivery strategy the organization needs to translate this strategy into internal processes for value generation. Finally, in a new round of market intelligence activity, the organization needs to track its performance of value delivery in order to continuously learn about expected and perceived customer value.

Woodruff (1997) shows how the concept of competing on the basis of distinctive customer value helps to define the nature of the activities of the market oriented organization. The market oriented organization can be characterized as having three sets of core processes: market intelligence processes, value conception processes, and value generation processes.

The second noteworthy development in the marketing literature is the linkage forged by Hunt and Morgan (1995; 1996; 1997) between the resource-based view in the strategy literature and the market orientation concept. The resource-based view of the firm explains competitive advantage in terms of the unique and costly-to-copy resources owned

2. The customer's evaluation of perceptions versus expectations determines the customer's satisfaction with the exchange (Kemperman et al. 1997; Stoelhorst 1997). Usually, this 'exchange' is meant to be a purchase of a product or service (e.g., Anderson et al. 1993; Woodruff 1997). While this is the most obvious example of an exchange, the same logic of expectations, perceptions, and satisfaction applies to other exchanges like e.g., information exchange during the search phase. There is no transaction or purchase; expectations preceding the information exchange and perceptions of the exchange afterwards will nevertheless

determine the satisfaction with the exchange, which can have a significant impact on the formation of expectations with respect to the product or service the customer is inquiring about.

3. Woodruff stresses that too often companies define value on the attribute-level only (e.g., product features), while customers define value also on the levels of use consequences and goal attainment. This interesting view of customer value on three levels of abstraction builds on the ideas of laddering theory (cf. Reynolds and Gutman 1988; Grunert and Grunert 1995).

by firms (Barney 1991; Peteraf 1993). The resource-based view has been popularized in a number of articles and books on core competencies (Prahalad and Hamel 1990; Hamel and Prahalad 1994) and organizational capabilities (Leonard-Barton 1992; Stalk et al. 1992). These works emphasize the intangible, knowledge-related dimensions of organization as the main source of competitive advantage. In the words of Hunt and Morgan competition is "the disequilibrating, ongoing process that consists of the constant struggle among firms for a comparative advantage in resources that will yield a market place position of competitive advantage and, thereby, superior financial performance" (Hunt and Morgan 1996, p. 108). This conceptualization is consistent with Day and Wensley's (1988) conceptual framework to account for performance differentials. What these conceptualizations miss however, is an account of how a comparative advantage is translated into a competitive advantage. Day's more recent work adds 'activities' as an intermediary construct:

> "Every business acquires many *capabilities* that enable it to carry out the activities necessary to move its products or services through the value chain. Some [activities] will be done adequately, others poorly, but a few must be superior if the business is to outperform the competition. These are the distinctive capabilities that support a market position that is difficult to match." (Day 1994a, p. 38, italics added)

The causal logic to explain performance differentials that presents itself is one in which an organization acquires certain unique resources that allow it to perform key activities better than competitors. Outperforming competitors in these key organizational processes may lead to positional advantages in the market, which in turn contribute to (financial) performance differentials (see figure 6.1).

In keeping with the reasoning of the resource-based view (cf. Barney 1986), Hunt and Morgan (1995) argue that a market orientation is a resource, because it "could potentially enable a firm to produce a market offering for some market segments more efficiently or effectively than one's competitors" (p.11), because it "is a resource that is rare among competitors" (p.11), and because it "is intangible, cannot be purchased in the marketplace, is socially complex in its structure, has components that are highly interconnected, has mass efficiencies, and is probably increasingly effective the longer it has been in place." (p.13).

Within the resource framework of Stoelhorst (1997), a market orientation would fall under the category of organizational capabilities. As

Day and Wensley (1988):
Sources of advantage $\longrightarrow$ Positional advantages $\rightarrow$ Performance Outcomes

Hunt and Morgan (1995):
Resources (comparative advantage) $\longrightarrow$ Position (competitive advantage) $\rightarrow$ Superior performance

After Day (1994):
Capabilities $\rightarrow$ Activities $\rightarrow$ Market position

Unique resources $\rightarrow$ **Process efficiencies** $\rightarrow$ **Positional advantages** $\rightarrow$ **Performance differentials**
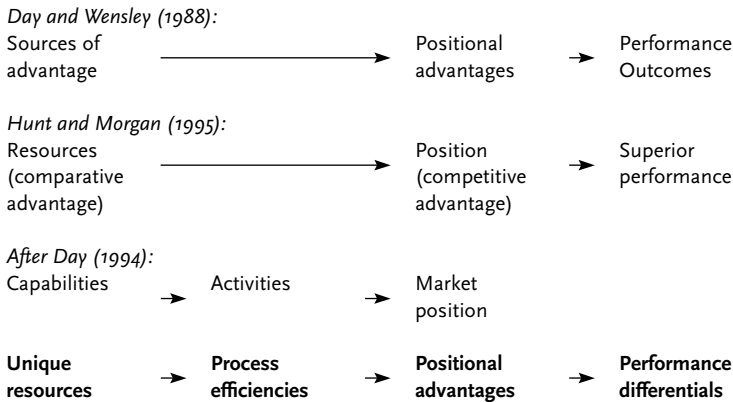
Figure 6.1: Resources, processes, positions, and performance

a contribution to the development of a vocabulary, Stoelhorst distinguishes four resource categories: purpose, competencies, capabilities, and assets (1997, p. 99). Assets refer to resources that are underwritten by property right or contract, such as financial resources, production facilities, patents, brand names, contractual relationships, and databases. Purpose refers to the values and beliefs of an organization; a resource category that is often neglected, but that can also be regarded a potential source for competitive advantage (cf. Barney 1986; Bartlett and Ghoshal 1994). Competencies and capabilities are resources that are underpinned by knowledge. The terms 'competencies' and 'capabilities' are sometimes used interchange-ably in the literature. Stoelhorst proposes a clear distinction between the two terms; a careful reading of Prahalad and Hamel's (1990) *Core Competence of the Corporation and Stalk*, Evans, and Schulman's (1992) *Competing on Capabilities* reveals that competencies are understood to be resources that build on specialist knowledge (e.g., technology), while capabilities are resources that build on the ability to coordinate and manage processes (Stoelhorst 1997, pp. 101-102). A market orientation would have to be understood as an organizational capability, as it refers to the ability to manage processes of intelligence generation, dissemination, and use in the creation of distinctive customer value.

Viewing market orientation as an organizational capability in terms of the resource-based view of the firm has a number of consequences for the frameworks for implementing a market orientation. From the start, I have looked at market orientation from a process-based perspective. The pre-

liminary causal framework that resulted from this perspective showed a box labeled 'market oriented processes' as the source of superior business performance. The resource-based view delves deeper into the essence of the organization and poses the question what capabilities underlie such market oriented processes. The question that needs to be answered is 'what organizational characteristics enable managers to coordinate these market oriented processes in such a way that the organization can generate distinctive customer value?'. This is a rather theoretical reason for searching organizational enablers for market oriented behavior. In the next section I discuss the search for such enablers, adding a second reason for this search based on the pilot case study.

§ 6.3   *Stimulating desired behaviors via organizational enablers*

The preliminary frameworks for implementing a market orientation were based on the idea that improvements in the creation of distinctive customer value could be realized via the redesign of marketing, sales, and service processes. The process redesign method underlying the preliminary frameworks focused on the redesign of activities in the business process, their interrelationships, and their sequence. The pilot case study showed that this redesign of activities can indeed be one change lever for increased market orientation, but that a wider set of enablers has to be redesigned in order to stimulate more market oriented behavior. This has led me to consider a model of market oriented behavior, enabled by a set of organizational factors, like skills, structure, et cetera. This section will be used to explain what I mean by organizational enablers for market oriented behavior, and on what grounds a selection of candidate enablers was made.

The rationale behind enablers for market orientation

In 1995, when a process-based approach to implementing a market orientation was chosen, I had already favored a focus on organizational activities over a focus on organizational culture. In their 1996 publication, Jaworski and Kohli discuss the similarities and the differences between the various conceptualizations of the market orientation construct. With respect to the differences between a cultural perspective and a behavioral/activities/process perspective they argue that:

> "[...] it is not enough to simply *believe* customers are important: rather the organization must *act* to provide value to customers. [...] an organization may believe something is important, but fail to act on its beliefs

for a variety of reasons [...]. Thus, from a manager's perspective, it may be more important to focus on what an organization actually does than what it feels is important. The choice between focusing on values/beliefs or activities/behaviors is an important one, with direct implications for research design (conceptualization/measurement) as well as implementing organizational change interventions."
(Jaworski and Kohli 1996, p. 121, italics added)

This quote, and the surrounding text, contain a number of interesting thoughts. The first is that Jaworski and Kohli recognize that it is through its activities that the organization creates and delivers value, not through its belief system. Jaworski and Kohli do acknowledge that values and beliefs are among the more important influences on organizational behaviors. So without denying the importance of culture as an influence on behavior, I agree with Jaworski and Kohli that it is more important to focus on what a company actually does than what it feels is important. And what the organization members actually do can have a substantial overlap with what is laid down in the organization's formal processes, but formal processes can also be a mere reflection of what the company believes is important, while, using the words of Jaworski and Kohli, the company fails to act on these beliefs. In the latter situation there is a gap between the formal processes and the actual behaviors.

When we would know that an organization believes it is important to generate, disseminate, and use market intelligence, but it fails to act on these beliefs, then it would be most helpful to focus our intervention strategy on the reasons behind this gap between formal processes and actual behavior. Bisp, Harmsen, and Grunert (1996) have followed this line of thinking and developed a measurement instrument that measures both attitudes and behaviors in order to determine "the likelihood of being able to change behavior" (p. 79). Their approach measures the gap between attitudes and behaviors, but does not assess the reasons behind these gaps. Their empirical results indeed show that the attitudes towards market orientated behaviors receive a higher score than the self-reported behaviors, but the size of the gaps between attitude and behavior vary over the categories of behavior (generation, dissemination, and use of market intelligence)[4]. Unfortunately, the approach pioneered by Bisp et al. was not developed any further. Though we do not have any additional empirical

4. A problem in measuring values, attitudes, and beliefs however is that these measurements may be prone to social desirability biases (Jaworski and Kohli 1996)

evidence that attitudes towards market oriented behavior tend to be favorable, but actual behavior is somehow obstructed, I assume that employees in sales and marketing processes are generally aware of the importance of a market orientation, and have the desire to behave in a market oriented way. The problem is expected to lie in translating attitude into action, or, formal process into actual behavior.

The identification of organizational enablers for market oriented behavior
This brings me to the second interesting part of the citation: what could be these reasons for which the company fails to act on its beliefs? Jaworski and Kohli (1996) identify 'resource constraints' rather casually as one such reasons (p. 121). A variety of other organizational factors has been suggested in the literature, such as top management behavior (Jaworski and Kohli 1993), interdepartmental relations (Jaworski and Kohli 1993), formal structure (Schlesinger and Heskett 1991; Jaworski and Kohli 1993), reward systems (Ruekert 1992; Jaworski and Kohli 1993), training (Ruekert 1992), and support systems (Schlesinger and Heskett 1991; Day 1994a). These heterogeneous group of factors have emerged from interviews with managers (Jaworski and Kohli 1993), an analysis of successful service firms (Schlesinger and Heskett 1991), an analysis of the TQM implementation approach (Day 1994a), and a specific interest in HRM processes (Ruekert 1992). The factors identified in these ways appear to lack an underlying framework that would make a listing of organizational enablers more convincing.

In order to build a list of enablers for market oriented behavior I use the Motivation, Opportunity, and Ability (MOA) framework that has been used often within the area of consumer behavior (e.g., Batra and Ray 1986; MacInnis et al. 1991). The MOA framework holds that in order for behavior to occur, the actor needs to be *motivated* to display that behavior, the actor needs to have the *opportunity* to display that behavior, and the actor needs to be *able* to display that behavior[5]. Motivation is the driving force of behavior, while opportunity is related to situational restrictions to behavior, and ability is related to the personal restrictions to behavior (Van Raaij and Stroeker 1997). This simple framework suggests that the failure of a firm, or more specifically, of its employees to act on their beliefs can be attributed to a lack of motivation, opportunity, and/or ability. For an organ-

5. Poiesz (1999), who calls this the 'Triad model', provides a rich description of this model and a wide range of applications of the model in goal-directed behavior modification. The origins of the model however remain unclear.

	ENABLER	MANAGEMENT ACTION
Motivation	Feedback	Evaluate and reward collection, dissemination, and use of market intelligence, and provide employees with information about their market performance.
	Management behavior	Display exemplary behavior and consistently engage in providing feedback.
Opportunity	Information exchange networks	Implement networking activities and arrange the physical location of people such that internal and external networks can develop.
	Roles & responsibilities	Incorporate market oriented activities in job design.
	Tools	Invest in tools (e.g., ICT) to support market oriented behaviors.
	Processes & procedures	Develop and communicate desired processes and procedures.
Ability	Skills	Develop appropriate skills base via recruitment, selection, and training.

Table 6.2: Enablers for market oriented behavior based on the MOA framework

ization to be market oriented, behaviors of market intelligence collection, market intelligence dissemination, and behaviors of customer value generation need to be stimulated. The MOA framework could help identify how managers can enable market oriented behaviors through increasing the motivation, opportunity, and ability of employees. The results of this *gedankenexperiment* are presented in table 6.2.

Motivation is defined as the desire or want that energizes and directs goal-oriented behavior. Different theories of motivation propose different primary factors for motivation. The theory of operant learning states that the primary factor in motivation is consequences: reinforcers are incentives to increase behavior and punishers are disincentives that result in a decrease in behavior. Social learning theory suggests that modeling (imitating others) and vicarious learning (watching others have consequences applied to their behavior) are important motivators of behavior (Pinder 1984).

The provision of feedback is one of the most potent and most common elements of organizational behavior modification (Pinder 1984, p. 214). Feedback has two different, though related, dimensions: rewards and information. Rewards relate to the consequences of behavior for the actor. In an organizational setting rewards can be negative or positive, monetary or non-monetary, formalized or not formalized, public or private. The formalized, monetary, positive rewards, a financial bonus for instance, are

usually thought of first when discussing feedback within an organization. This type of rewards is the one that is often discussed in the market orientation literature (e.g., Jaworski and Kohli 1993; Harris and Piercy 1997). In order to stimulate market oriented behaviors, managers can also think of non-monetary, positive feedback mechanisms, such as an award program (formalized and public), or a 'pat on the back' (informal, private or public). Punishments are less often discussed, perhaps because people find it difficult to provide negative feedback. The second dimension of feedback relates to the information people receive about the consequences of their behavior. A lot of organizations still lack accurate and timely systems that feed back customer satisfaction, loyalty, and profitability consequences of organizational behavior. This second dimension of feedback is underexposed in the market orientation literature (the Harris and Piercy 1997 publication is a notable exception).

The suggestion that managers who want to stimulate market oriented behaviors should display exemplary behaviors is based on the social learning theory of motivation (Pinder 1984). New behaviors that are displayed by organization members that are high in prestige or expertise can prompt other members to imitate this behavior either because they want to be associated with these role models or because they perceive the behavior of the role model to lead to favorable consequences. For managers this means that they must be seen engaging in market intelligence generation, dissemination, and use (cf. Harris and Piercy 1997), and they must consistently engage in providing appropriate feedback to others.

The second element of the MOA framework is opportunity. Opportunity refers to the fact that in order for a behavior to occur, the employee needs to be provided with a context in which the conditions for that behavior are fulfilled. One comment that is often heard is that it is impossible to adequately share market information with people you have never met. It is equally difficult to collect market intelligence if you are not connected to the appropriate external sources. The first enabler in the opportunity category is concerned with these network issues. Dissemination of market intelligence within the organization is easier to accomplish in an organization with dense internal networks (Ballantyne 1997). Numerous ideas exist for stimulating the buildup of such internal networks: periodic meetings of employees from different departments, interdepartmental lunches, sports leagues with mixed-department teams, exchange of employees across departments, cross-department training programs, senior department managers spending time with executives in other departments (Kohli and Jaworski 1990), physical proximity of depart-

ments, ICT connections (Jaworski and Kohli 1993), and working in multi-functional teams (Day 1994b). Opportunities for market intelligence generation are increased through diverse, but strong external network ties. Ties with customers, consultants, researchers, and competitors enable the timely collection of relevant market information (Sinkula 1994). The diversity of these ties is important, as the organization should not only learn about its current customers and current competitors, but also about potential customers, potential competitors, and general market developments. The strength of the ties in terms of the trust between the actors is important as this market information is highly valuable and the risk of information distortion needs to be minimized. External ties can be established via trade show visits, visiting customer sites, inviting customers over to meet back office personnel, social events with customers, visiting seminars and courses, et cetera.

The second enabler in the opportunity category is called 'roles & responsibilities'. If new behaviors are expected and desired of organization members, the opportunity for expressing these behaviors should be created in their job design. When employees are expected to do extra tasks they should also receive the room for these new tasks in their job description. New roles and responsibilities can be created altogether in order to facilitate the collection, dissemination, and use of market intelligence. A new role for the stimulation of intelligence dissemination could be the liaison officer who mediates between departments or between line and staff units (Galbraith 1973; Mintzberg 1979).

Just as new behaviors may need new roles, there may also be a need for specific tools to do the new jobs. For intelligence generation these may be tools for environmental scanning, while communication tools (such as electronic mail, Lotus Notes, intranet) may be crucial for creating opportunities for intelligence dissemination. The opportunities created by ICT developments are for instance recognized in the market orientation literature by Day (1994a) and Biemans (1995). But the tools for enabling market oriented behavior are not restricted to ICT alone. A structured method for marketing planning for instance, can be a very effective tool to enable the systematic use of market intelligence.

The final enabler that is related to opportunity, is called 'processes & procedures'. The opportunity to behave in a market oriented way is also enabled via a description of what behavior is expected. These expectations can be laid down in process descriptions, procedures and working instructions. In the pilot case study this was my only change lever, now this is one out of seven enablers for market oriented behavior.

The third element of the MOA framework is ability. Regardless of how motivated someone is and how many opportunities there are for displaying a desired behavior, without the ability to perform that behavior the job cannot be done adequately (Pinder 1984). The enabler that comes to mind when thinking of ability is 'skills'. New, market oriented, behaviors may call for skills that were not needed in the old situation, like for instance interviewing skills or interpersonal skills (Mohr-Jackson 1991). In Zell's (1997) description of Hewlett Packard's change towards a more customer focused organization engineers at HP were expected to do customer visits. The majority of engineers turned out to lack the interpersonal skills to be able to perform these new behaviors. Special sessions for skills training were organized in order to cover this skill deficiency. Apart from adapting the skills of current employees to the new desired behaviors through training and education, processes of recruitment and selection can also contribute to a new mix of skills in the organization (Ruekert 1992; Harris and Piercy 1997).

In order to increase the managerial relevance of the enablers I focused on those factors of organization that are controllable by (senior) managers (cf. Kohli and Jaworski 1990; Mohr-Jackson 1991). That is why less controllable, individual-level determinants of behavior like individual traits, personality, interests, and emotional state are not included (cf. Schuring 1997, p. 82). Neither did I list culture as an enabler for market oriented behavior. Organizational culture (as the system of values and beliefs) has been forwarded by a number of scholars as an important antecedent of market oriented behavior (e.g., Lichtenthal and Wilson 1992; Deshpandé et al. 1993; Slater and Narver 1994a), but I do not include values, beliefs, attitudes, or culture in my list of enablers as these factors cannot be 'designed into the organization' by management.

Because the effect of culture on behavior is significant it should not be discarded altogether, just because it cannot be designed. Management can influence attitudes, beliefs, and culture, albeit in an indirect way. Various authors have argued that, over time, new behaviors can shape new attitudes, beliefs, and ultimately, organizational culture. Feedback, both positive and negative, plays a crucial role in this process. The employee's evaluation of the consequences of its behavior can lead to a change in attitudes via a process of *internalization*, while a change in beliefs can result from a process of *learning*. New behaviors can also 'stick' due to a process of *habit formation*, in case of which no changes in attitudes or beliefs occur (Verhallen and Van Raaij 1986, p. 21). Through a long-term process of consistently reinforcing desired behaviors, and building an

organization that supports and enables the new behaviors, a change in organizational culture can be achieved (cf. Beer et al. 1990). Zell (1997) describes how two of Hewlett Packard's divisions started with defining new behaviors and changing the organization in order to enable these new behaviors. Through consistent reinforcement of the desired behaviors the culture underwent a slow but discernible shift.

The enablers for market oriented behavior in table 6.2 focus solely on those factors that can be mandated by management. However, a concerted and consistent use of these enablers can lead to changes in less manageable aspects like attitudes, beliefs, and ultimately culture, the latter being perhaps the most powerful enabler for market oriented behavior in the long run.

§ 6.4   *Implementation as 'collaborative incrementalism'*
One other lesson learned in the pilot case study was that the 'collaborative design' approach did not turn out to be an effective implementation strategy. The dichotomy between design and implementation, a typical trait of the design school in strategic management (Mintzberg 1990), left the CBM team with a detailed design but without the commitment for implementation. Furthermore, the intended collaboration was not realized as I assumed too much of an executing role within the team. In the previous chapter an approach of 'collaborative incrementalism' was proposed. In this section I will explain what is meant by this term.

Incrementalism
Throughout this thesis I talk about 'implementation' as the management of change towards a more market oriented organization, encompassing both the planning and the realization of that change. Often however, a distinction is made between the *planning* of change, resulting in a design of the desired situation, and the *implementation* of change, as the realization of that design. The implementation literature in marketing and strategy, generally supports this meaning of 'implementation' as a separate stage, following the 'planning' or 'design' stage (Ansoff 1965; Learned et al. 1965; Nutt 1983; Bonoma 1984; Drazin and Howard 1984). The distinction between planning and implementation as two separate phases has been questioned since the 1980s, specifically in the area of strategy formation (Quinn 1980; Mintzberg and Waters 1985; Mintzberg 1994). The 'traditional' model of planned change is juxtaposed with models of incremental change and emergent change.

Marketing and strategy scholars agree that implementation is a considerable problem in practice but that it is largely neglected in the literature (Walker and Ruekert 1987; Bonoma and Crittenden 1988; Mintzberg 1994). Strategy implementation encompasses three steps: (1) Translating the strategic vision into result areas and action plans; (2) allocating resources and responsibilities for change; and (3) monitoring the degree to which the intended results are met. I call these three steps 'translation', 'activation/change', and 'control' (Van Raaij 1994). In the traditional design model or planning model (Mintzberg 1994), these are three steps in a sequential process, and implementation can start only after the strategy formulation phase has ended. Alternative models of strategy formation – incremental/interaction and emergent models – do not question translation, activation/change, and control as three steps in strategy formation per se, but they question the sequential order of these steps.

The three perspectives can be described as follows:
  1. The design perspective: Strategies are the outcome of a controlled, conscious process of strategy formulation, and only after they are fully formulated can they be implemented through detailed attention to objectives, budgets, programs, structural adjustments, control systems, and operating plans of various kinds.
  2. The incremental/interaction perspective: Strategies are the outcomes of interaction processes. Prescriptions for implementation center around coalition-building, leadership styles, communication, and the careful removal and/or construction of barriers to desired and undesired autonomous strategic behaviors. The process is iterative and semi-planned: Designs are made in stages, becoming more detailed as implementation progresses. Earlier designs may even be adjusted when suggested by insights from implementation.
  3. The emergent perspective: Strategies are emergent in nature. Formulation and implementation become indistinguishable. No separate prescriptions for implementation can be formulated. Description and apprehension after the strategy has been carried out are the highest attainable forms of knowledge.

The ideal-type emergent perspective rejects the idea of deliberate strategies and is therefore not a suitable perspective for developing an implementation approach for deliberately making organizations more market oriented. The emergent perspective should not be ignored though, as a deliberate change strategy can make effective use of change initiatives that

MODEL	THE CEO'S STRATEGIC QUESTION	CEO'S ROLE	TYPICAL PRESCRIPTIONS FOR IMPLEMENTATION
Commander	How do I formulate the optimum strategy?	Rational actor	– Once a strategy is chosen based on rational economic analyses, implementation is achieved via directives of top management with a great deal of centralized power and the spending of necessary resources (time and money).
Change	I have a strategy in mind; now how do I implement it?	Architect	– Implementation is achieved via: (1) changes in structure and staffing; (2) the alteration of systems for planning, performance measurement, and incentive compensation; and (3) the se of cultural adaptation techniques.
Collaborative	How do I involve top management to get commitment to strategies from the start?	Coordinator	– The CEO employs group dynamics and brainstorming techniques to get top management to provide input to the strategic process. All top managers share in the implementation effort.
Cultural	How do I involve the whole organization in implementation?	Coach	The CEO guides his organization by communicating and instilling his vision of the overarching mission for the firm, and then allowing each individual to participate in designing his or her work procedures in concert with that mission.
Crescive	How do I encourage managers to come forward as champions of sound strategies?	Premise-setter and judge	– Strategy comes bottom-up, rather than top-down. The CEO defines organization purposes broadly enough to encourage innovation, and selects judiciously from those projects or strategy alternatives that reach his attention.

Table 6.3: Five approaches to strategic implementation
(source: Bourgeois and Brodwin 1984)

emerge outside of the strategic decision-making unit. Emergent change initiatives are signals of commitment to change that do not have to be energized by the strategic unit and can thus be highly effective and efficient parts of a change program. Instead of using ideal-types, Bourgeois and Brodwin (1984) present a framework of implementation approaches that builds on combinations of design, incremental/interaction, and emergent perspectives (see table 6.3).

Collaborative incrementalism represents a combination of the three ideal types. It is first of all an incremental approach as the market oriented organization is built with step-by-step improvements in business processes and organizational enablers. The market oriented organization

cannot be designed on the drawing board; cognitive limits (March and Simon 1958) as well as process limits – the timing and sequencing imperatives needed to create awareness, develop consensus and commitment, etc. – prevent the development of such a total design (Quinn 1992). To cope with these limits managers are advised to proceed flexibly and experimentally from broad concepts to specific commitments, adapting the change program to what is learned from earlier steps in the process.

The many change initiatives on which this step-by-step approach is built can be changes initiated by the change team as parts of a larger scheme, but they can also be initiatives that emerge from within the organization, in relation to which the change team functions as a coach and/or judge as in Bourgeois and Brodwin's (1984) cultural and crescive models. In order to make sure that all initiatives do lead up to a more market oriented organization it is important that the change team works with a larger scheme for the organizational change, i.e., a strategic vision[6] of the market oriented organization. The creation, and continuous adaptation, of such a larger scheme shares some of the premises of the design perspective. Inspired by Mintzberg's well-known visualization of the strategy process (e.g., Mintzberg 1994, p. 24), the interplay between the overall vision, the incremental changes, based upon planned and emergent initiatives, and the realized process of change is depicted in figure 6.2.

This figure seems to suggest that this process is a finite change process that stops when the change towards a market oriented organization is attained. As the reader might recall from the literature review, market orientation is a relative measure, which means that organizations are not either market oriented or not; organizations are market oriented to a certain degree. The change process towards a higher degree of market orientation can stop of course when management decides that a sufficient level of market oriented behavior is realized, but it is more plausible that organizations will continuously work on organizational changes to improve the degree of market orientation. For some periods these changes towards more market orientation may be formalized by means of a project, like the CBM project in the pilot case study. In these instances, figure 6.2 provides an explanation of the way in which the project vision, planned initiatives and emergent initiatives together account for the changes that are realized during the project.

6. I must admit I am a little hesitant to use the word 'vision', as 'visioning' has appeared in many management handbooks as a panacea for problems in strategy formation and implementation. In my view, developing a vision of the desired end state is a crucial step in strategy formation and implementation, but definitely not a cure-all.
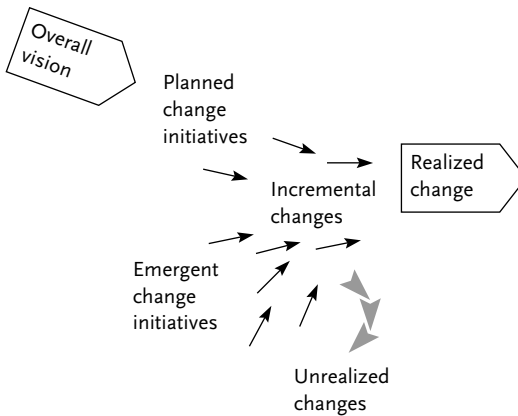
*Figure 6.2: From overall vision to realized changes
(adapted from: Mintzberg 1994)*

The improvisational aspect of collaborative incrementalism

Logical incrementalism was introduced by James Brian Quinn as a description of strategy formation that was argued to be more accurate than the 'traditional' models of strategy formation as a planned process (Quinn 1980; see also Johnson 1988). Because of the increased effectiveness in implementation that is associated with an incremental/interaction approach, this approach is taken beyond description and is also used as a basis for prescriptions for effective implementation. One of the attractive features of incrementalism is the adaptability of the implementation process. When using iterative steps of design and implementation, later designs and implementations can benefit from what has been learned in earlier steps. In this way it is also possible to keep multiple options open and benefit from the best available information.

This adaptability of the change process is captured in Weick's (1993) conceptualization of organizational redesign as improvisation. Weick contrasts organizational redesign as architecture with organizational redesign as improvisational theater. Organizational design modeled along the lines of architectural design is viewed as a bounded activity that occurs at a fixed point in time. Organizational design as improvisation builds on the assumption that redesign is a continuous activity, that the initiation of redesign has widely varied origins, and that interpretation is the essence of design (Weick 1993, p. 347). Weick's metaphor of the architect draws heavily on the idea of planned change, while the metaphor of a group of

improvisational artists builds on the perspective of emergent change. As said before, my approach of 'collaborative incrementalism' fits none of these two extreme positions; yet, as it holds a position in the middle, some lessons can be learned from Weick's improvisation metaphor.

Weick argues that processes of organizational redesign need to be adaptable as "design is a process of sense-making that makes do with whatever materials are at hand" (Weick 1993, p. 351). As such, the process of redesigning organizations is synonymous with *bricolage*, and the designer acts like a *bricoleur*. The defining characteristic of a bricoleur is that such a person solves problems with whatever tools and materials are at hand. An engineer, by contrast, would define what tools and materials would be needed, based on an analysis of the problem. The manager that wants to change a real-life organization – think of our hypothetical manager Alan Smithee who wants to make his organization more market oriented – needs to work like a bricoleur. The resources he has to work with – for instance the employees with their current skills, interests, and beliefs, the organizational systems, formal and informal structure – are to a large extent historically determined. To some degree new resources can be acquired, like a new information system to facilitate a new organizational design, but overall, designers need to work with the organizational material that is available. Designs of ideal situations – e.g., a design of the ideal market oriented organization – can be useful for building the overall vision, but the real improvements need to be made with what is available now. The success of the designer as bricoleur depends for the larger part on the ability to combine old resources in new ways, and only marginally on the ability to design in new resources. This process of bricolage calls for improvisational skills of managers, and collaborative incrementalism as an approach for implementing change accounts for such improvisation.

My role in collaborative incrementalism

My role as a change agent/interventionist in the next case study needs to be different from the role I intended to perform in the pilot case study as well as from the role I actually played. In the pilot case study I intended to use an approach called 'collaborative design', while ending up with an approach that could be called 'elitist design'. In the pilot case study I was one of the prominent sources of change initiatives, and also one of the more prominent executors in the design process. In the main case study I need to extend my roles as discussant and observer, at the expense of my roles as initiator and executor. While I need to make sure that I am part of the decision-making unit in order to be able to observe the process first-

hand, I also need to take care not to become dominant in decision-making and/or execution. Furthermore, while the responsibility for formulating the overall vision lies with the change team, the organization at large needs to be stimulated to participate in the formulation of change initiatives for improved market orientation.

§ 6.5   *Intermediate frameworks*
Consistent with the structure I have used in chapter 4, the refined implementation approach is structured around three frameworks: the activity framework, the causal framework, and the implementation framework.

The activity framework

The role of the activity framework is to specify the organizational activities that are associated with a market oriented organization. My preliminary activity framework was based on the activities mentioned in the academic definitions of market orientation, specifically those of Kohli and Jaworski (1990), Narver and Slater (1990), Ruekert (1992), and Day (1994a). Through the pilot case study and discussions with other practitioners the practitioner viewpoint can be added to this literature-based framework. Moreover, the new contributions to the literature as discussed earlier in this chapter provide further understanding to market oriented activities. As a result of these complementary perspectives three changes are made to the activity framework.

The first change concerns the labeling of the activity categories. Woodruff (1997), in his treatment of customer value as a source for competitive advantage, addresses the organizational activities that are needed to compete on distinctive customer value. As the generation of distinctive customer value is the purpose of implementing a market orientation I propose that the activity categories in the activity framework reflect that purpose. The categories 'selecting target markets and planning of activities' and 'managing relationships with customers' are changed into 'customer value conception' and 'customer value generation'. The first encompasses the activities that are performed for segmenting the market, selecting target customer groups, and positioning the offer via a customer value statement. The second category encompasses all activities to fulfill the value promise.

The second change in the activity framework concerns the role of the market intelligence activities. In the preliminary framework these activities were presented as if they provide input to targeting and planning
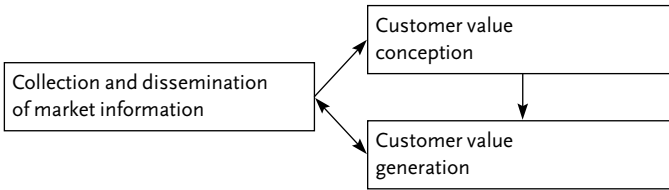
Figure 6.3: The intermediate activity framework

only. The practitioner perspective shows that this market intelligence is just as important in the daily operations of customer value generation. Sales and service personnel use knowledge of customers and competitors in order to serve the customer better and generate distinctive value.

Third, the value generation activities – these are predominantly activities in the primary processes of the firm – serve as an important source of market intelligence, and are, as such, input to the collection, sharing, and storage of market information. Where the market intelligence activities are primarily described in the literature as market research activities, and thus as a process of its own, the empirical study shows that the primary processes (sales and service) generate a significant part of the knowledge on customers and competitors.

The intermediate activity framework is shown in figure 6.3.

The causal framework

In the preliminary causal framework the starting point of the chain of effects were the market oriented activities. The idea behind it was that the generation of distinctive value and its hypothesized positive effects on business performance could be achieved by designing in more of the activities as specified in the preliminary activity framework. The pilot case study taught us that new activities and new processes need organizational enablers that help establish the motivation, opportunities, and abilities for the market oriented behaviors we want to develop. Information technology and formal processes and procedures are only two of such enablers.

The intermediate causal framework as depicted in figure 6.4 brings us one step further back into the origins of positional advantages and performance differentials by opening up the black box of the firm.
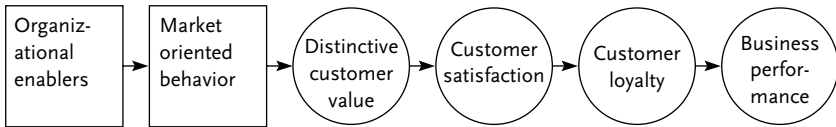
Figure 6.4: The intermediate causal framework

The organizational enablers for market oriented behavior that were identified in section 6.3 are:

1. Feedback
2. Management behavior
3. Information exchange networks
4. Roles & responsibilities
5. Tools
6. Skills
7. Processes & procedures

The implementation framework

The implementation framework needs to be adapted on two accounts: the 'collaborative incrementalism' approach needs to be represented in the framework, and the redesign of enablers needs to be included as an extra step in implementation.

Collaborative incrementalism as an implementation approach implies, first, that both planned and emergent change initiatives are accounted for in the change process, and second, that a portfolio of improvement projects needs to be managed, with different projects in various stages of completion being implemented in parallel. In the ideal situation, the change team has a vision of the desired future state of the organization, and defines, based on that decision, what improvements are needed in the organization. In this way a portfolio of improvement projects is created and continuously updated. This portfolio is a combination of projects identified but not started, projects initiated and managed by the change team, and projects initiated outside of the team that are 'discovered' by the team and added to the portfolio. The start and the progression of improvement projects is determined by the opportunities created by people and by events.
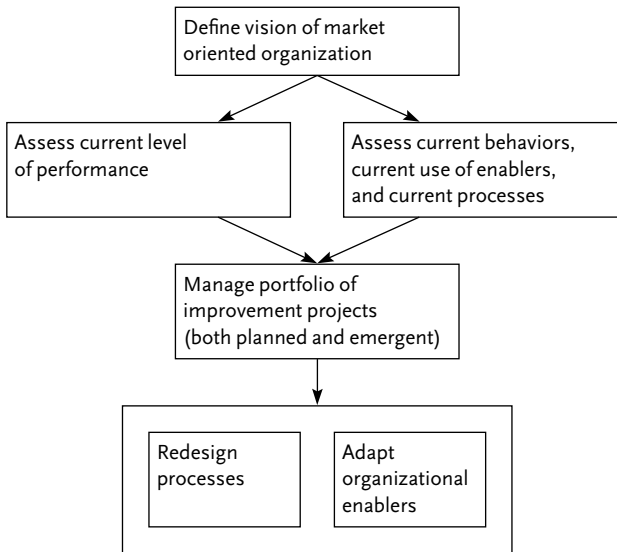
Figure 6.5: The intermediate implementation framework

The organizational enablers for stimulating market oriented behaviors necessitate an addition to the implementation framework too. Next to the implementation of the new marketing processes management needs to adapt the organizational enablers to the new processes. For some enablers, e.g., the reward system, the redesign of the enabler can be many times as time-consuming as the redesign of the process. The redesign of organizational enablers thus needs to be acknowledged as an implementation phase in its own right, with appropriate resources dedicated to this step.

The intermediate implementation framework is shown in figure 6.5. The emergent and improvisational aspects of this approach are difficult to capture in a process chart. I have tried to visualize these aspects through the parallel representation of process redesign and the adaptation of enablers.

The next chapter presents the longitudinal case study that was used to identify further areas for improvement of the frameworks.

In this chapter I present the Novum Nederland case study[1, 2]. Novum Nederland b.v.[3] is the Dutch marketing subsidiary of Novum Corporation, a transnational organization well-known for its capacity to innovate. The intermediate frameworks as presented in chapter 6 are the input for this case study. Based on observations and interventions at Novum NL a last round of refinements will be carried through, leading to final frameworks for the implementation of a market orientation. The Novum NL case study stretched out from April 1997 to September 2000, though the first contact with Novum NL is actually from August 1996. Analogous to the presentation of the first case study I have cut the narrative up into episodes; in this case a prologue, ten episodes, and an epilogue. In order to structure the narrative further I have subdivided the narrative into three phases. The first phase covers the prologue and episodes one to four, and runs up to April 3, 1998. In this first phase I worked on a baseline assessment of Novum NL's degree of market orientation. Phase II covers episodes five, six, and seven, and runs up to October 4, 1999. During this phase my focus was on Novum NL's customer information collection, dissemination, and usage practices. The third phase covers episodes eight to ten, and the epilogue [4]. In this third phase I primarily worked on the implementation of new market intelligence generation practices. Each of the three phases of the narrative is followed by an analysis of the change process. Sections 7.1 and 7.2 are used to introduce the company and on one of Novum's worldwide growth strategies, 'Managing for Customer Loyalty' (MCL). This growth strategy was the driver behind the efforts of Novum Nederland to become more market oriented. Section 7.3 describes my role within Novum NL and 7.4 presents the case design. The three phases of the narrative are presented in sections 7.5, 7.7, and 7.9. The three analyses are found in sections 7.6, 7.8, and 7.10. An overall conclusion of this case study is presented in section 7.11.

1. The company in this case study requested to remain anonymous; as a result, a small number of facts and events had to be deleted from the original narrative and analyses.
2. The narrative and the analyses contain the researcher's interpretation of events; while the narrative has been checked for factual errors by informed representatives of the organization, the articulated views are those of the researcher, and do not necessarily comply with the views of the organization and its members.
3. b.v. stands for *Besloten Vennootschap,* a legal status for private companies that is comparable to 'Inc.' (US) or 'Ltd.' (UK). Shares are not tradable at the stock exchange.
4. For a quick overview of the phases and episodes the reader is referred to figure 7.6 on page 220-221.

§ 7.1   *Introduction to Novum NL*

Novum Corporation is a global company with marketing subsidiaries in 60 countries; its products are being sold in more than 200 countries worldwide. Novum's main markets are in health care, professional business, and industry at large. Novum Nederland B.V. (hereafter Novum NL) is one of Novum's local marketing subsidiaries. Novum NL is responsible for marketing, sales, and services of Novum's products in The Netherlands. Product development and manufacturing are the responsibility of product divisions. In Europe, Novum created European Management Units (EMUs), European product divisions that are responsible for research, development, manufacturing, marketing and distribution of a specific category of products. Within a subsidiary like Novum NL, the EMUs are represented by sales groups that sell the products of the EMU to local customers. Novum NL consists of some thirty sales groups, supported by staff groups like human resource management, finance, and IT. In this section I describe the Novum system, Novum NL's environment, processes, structure, culture, and Novum NL's health.

The Novum system

Novum NL can be described as a system that takes in pre-specified products from the EMU and information about the local Dutch environment, adds tailored services and information to these products, and delivers these product/service packages to the Dutch customer. One important type of value-adding service is training, for both Novum NL's distributors and for end users. In reality, products do not physically flow in and out of the Novum NL system. Real inputs are specifications of products only, and outputs are delivery orders sent to the appropriate European Distribution Center (hereafter EDC). The EDC delivers the product to the customer. For the Dutch customer this ought to be a transparent process, where the customer places an order at Novum NL and receives the product as if it comes from Novum NL. The Novum NL system and its main constituencies in the order and delivery supra-system are depicted in figure 7.1.

Novum NL's environment

All thirty-five or so sales groups that are active on the Dutch market have their specific distributors, end users, and competitors. Approximately eighty percent of the products sold in The Netherlands are sold via distributors. Some sales groups face a very simple task environment with a limited number of direct customers and a limited number of competitors. Others face a very complex task environment with many user groups,
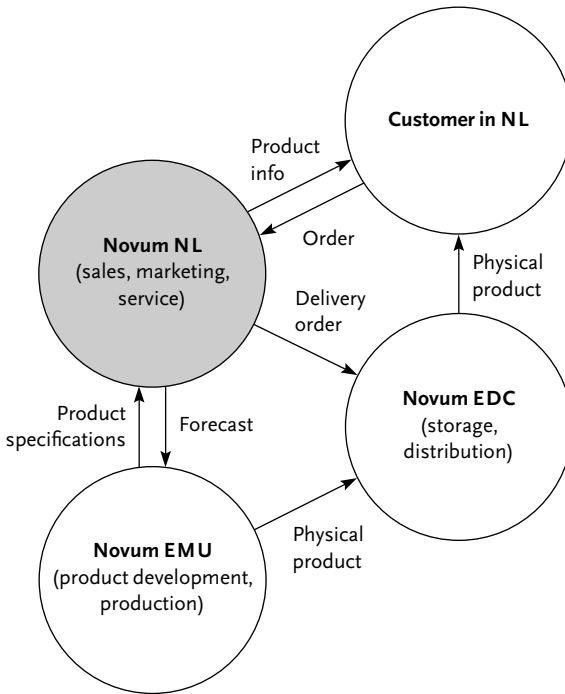
Figure 7.1: The Novum NL system and its main constituencies

a variety of distribution channels, institutions that influence buyers'
decisions, and a complex set of competitors that may include Novum
subsidiaries in other European countries or private labels manufactured
by Novum. Some sales groups are market leader while others only serve
small niches in their markets. There is no one competitor that operates on
the diversity of markets where Novum is active. Historically, Novum NL
has focused on the distributor, relying largely on these parties to bring the
products to market. A balanced focus on both distributor and end user is
now starting to get implemented.

A specific player in the task environment of each sales group is the
source-of-supply (SoS). Often this is a manufacturing facility within
Europe, though 20% of the products sold in Europe is manufactured
elsewhere. The performance of the Novum NL system is highly dependent
upon these sources-of-supply. The production schedule of the SoS is based
on the forecasts of all the regional subs it supplies to. Unforeseen
increases in sales, not seldom induced by 'unplanned' promotions of one

sub deplete the stocks and leave other subs with backorders. A small sub, as Novum NL is, easily falls prey to these dynamics.

Novum NL's processes

In 1997 a course of action was started to describe the main business processes of Novum NL in preparation of becoming ISO 9002 certified. In discussions with the Board five process categories were defined: the customer satisfaction process, the employee satisfaction process, the shareholder satisfaction process, the community satisfaction process, and the management process. In further discussions these process categories were subdivided into more detailed business processes. Not all the processes identified in this manner were included for certification. In the end 37 processes were documented in Novum NL's quality documentation system. These processes were audited in 1999, and Novum NL was awarded an ISO 9002 certificate. The ISO certificate forces Novum NL to match its 'patterns of behavior' to these 37 processes as described in the quality system. For those processes that are not certified, the formal process on paper and the actual process can be two different things.

A distinction is often made between primary processes, maintenance processes, and management processes (e.g., Boer and Krabbendam 1993). Of the aforementioned thirty-seven processes documented in the quality system the primary processes of Novum NL are: (1) promotion process, (2) quotation process, (3) selling process, (4) order management process, (5) non-stock process, (6) complaint handling process, (7) product recall process. Its maintenance processes are: (1) human resources process, (2) IT process, (3) procurement process, (4) market research process, (5) budgeting process, (6) internal communications process, (7) documentation process. Novum NL's management processes are: (1) business planning process, (2) marketing planning process, (3) management review process, (4) budget control process, (5) measurement, analysis, and improvement process.

Novum NL's structure

Probably the biggest challenge for Novum Corporation (and thus also for Novum NL) is creating a structure to make the match between product-related technologies and markets. The thirty or so technology platforms are to be matched with the needs and wants of 'almost every imaginable market' all over the world. In fact, a three-dimensional structure would be needed to match technology, customer need, and geographical region. These three lines of authority are visible in Novum NL's organization chart;

we find (1) managers with technology/product specific responsibilities, (2) managers with market/customer specific responsibilities, and (3) managers with regional/district specific responsibilities.

Within Novum NL, three examples would be:

ad (1) the sales & marketing manager of an Industrial products sales group, responsible for the sales of one set of industrial products, in two regions (Belgium and The Netherlands) for multiple customer groups (furniture industry, glass industry, metal industry, et cetera).

ad (2) the sales & marketing manager of another group, responsible for the sales to one set of related customers, with multiple sets of products (all Novum products that can be used in this industry), in two countries (Belgium and The Netherlands).

ad (3) the managing director of Novum NL, responsible for the sales in one region (The Netherlands), for all products sold to all customer groups in this country.

This three-dimensional matrix structure has turned Novum Corporation into a very complex organization and it is the cause of at least three recurring puzzles for Novum. The first puzzle has to do with market coverage and the customer interface. With a mix of product-based sales groups and market-based sales groups, Novum NL has laid a patchwork quilt over the Dutch market. If we take the Industrial markets, some industries are served by 'their own' market-based sales groups. But other industries are served by a number of product-based sales groups. Thus, some customers have a single contact at Novum NL while others deal with multiple sales reps in parallel.

The second puzzle has to do with evaluating the performance of sales groups. The current performance evaluation and reward schemes for sales and marketing personnel are directly related to sales volume and sales growth. This means that regional managers fight to keep sales volume in their region, market-based sales group managers fight to expand their customer base (e.g. by adding ship builders to the marine trade market), while product-based sales group managers fight to keep their customer base and expand the use of their specific product.

The third puzzle is the puzzle of fragmented loyalty. Every sales & marketing manager within Novum NL has two superiors; the Dutch managing director and the EMU director. In the first years following the establishment of the EMUs the European manager was the most powerful director. The pendulum of power is swinging back however, and the

regional manager has gained more control. But still, sales & marketing managers continually have to perform a balancing act between the interests of the regional manager and the interests of the European business manager.

A simplified organization chart is provided in figure 7.2. Each dark gray box is represented in the Board. The sales groups and the four Board representatives from the business side are not only directed by the managing director of Novum NL but also by the EMUS. Furthermore, the support staff departments have coordinating bodies within Novum Europe, e.g. Corporate Marketing Novum Europe.

Novum NL has not attempted to draw more detailed organization charts than the ones depicted here. The various departments within Novum NL are recognized by the following names: the sales groups, customer service, finance, human resources, corporate marketing, quality, facilities department (a.o. fleet, mailroom, telephone switchboard, restaurant, procurement), and IT. Note that all customer service representatives are grouped into one department separate from the sales groups.

Novum NL's culture

Culture can be defined as the common understanding of the members of the organization with respect to how things are done in the organization. In other words, these are the written and unwritten rules that regulate the social interactions between members, as well as between members and outside parties (Sanders and Neuijen 1987, p. 14). Organizational culture and its manifestations are often portrayed as a multi-layered phenomenon. The core consists of values and norms. Working from the inside layer outwards, these values and norms manifest itself via rituals, (stories about) heroes, and symbols (including language). The most prominent symbols of Novum NL are in the Novum jargon. Novum NL is laden with (three-letter) acronyms [5]. Already blessed with a complex structure and a highly diversified product portfolio, the jargon completes the Novum fortress, impenetrable for outsiders and newcomers for at least the first three months of their stay [6].

One, typically non-Dutch, ritual at Novum is the quarterly allocation of excellence awards. In total, Novum has twenty or so different awards to reward excellent performance. These can be awarded for excellent

5. Within Novum, these three-letter acronyms are often referred to as TIAs.
6. For your convenience, a list of abbreviations, both for Novum TIAs and 'common' management jargon, is included towards the end of this thesis.
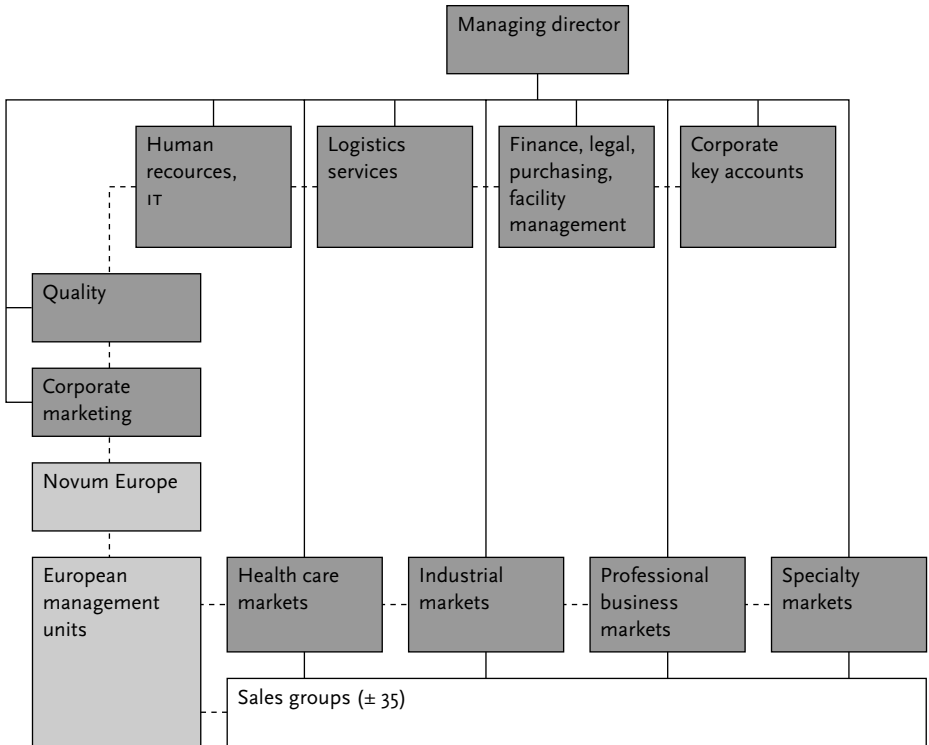
Figure 7.2: Simplified organization chart of Novum NL

performance in sales, marketing, manufacturing, innovation, logistics, environmental leadership, and community contributions. Excellence awards can be presented to individuals or to teams. Other rituals include the yearly Kick Off meeting and the quarterly employee meetings. Plans for the year to come are laid out in the Kick Off meeting, and for this occasion international executives come over to present the (Western) European perspective. Growth objectives are usually stressed during this meeting and Novum NL's expected contribution to the performance of Novum Europe is presented. The quarterly meetings usually focus on the performance to date, an exemplary business case, updates on strategies and tactics, and the excellence award ceremony.

At the core of organizational culture are the shared norms and values. The support of employee initiatives, one of the founder's basic rules of management, is easily recognized at Novum NL. While this stimulates

an innovative culture it also leads to situations where multiple initiatives within the same area can be supported in the company, and only when both are well under way, top management may realize that they are investing in the same concept twice. And, oral support is easily given, but financial support is sometimes difficult to get. Another implicit value of Novum seems to be independence, an important value for an innovative company. The downside is that individuals and groups often work 'in splendid isolation' from each other. Everyone has his/her own market to fight for, and ideas that work in one sales group probably will not work in another because 'this market is totally different'. This independence, and the accompanying isolation, is sustained by the matrix structure, which provides the space, and the incentives, for the local sales group to optimize activities for their own market. Some sales & marketing managers candidly withdraw themselves from Novum NL's shared responsibilities and concentrate exclusively on EMU directives. Moreover, poor performance is often without serious consequences. This, in combination with the aforementioned independence, stimulates a non-committal attitude that is encountered now and then. A management style of laissez-faire is perhaps practiced too often, providing room for what someone at Novum NL has called 'the emergence of dictatorships'.

Novum NL's health
All of Novum's performance targets are put in terms of sales growth, pricing, profit margin, and costs. The Novum mission statement also emphasizes growth. Novum NL does not provide annual reports of its own, so financial figures cannot be given here. Sales growth and profitability figures indicate that Novum NL is financially healthy, though the Dutch subsidiary did not meet its growth targets for 1997. Profitability has never been a problem. 1997 and 1998 were difficult years for Novum Corporation when it missed earnings estimates two years in a row, resulting in some bad press in 1999. Novum NL was impacted by these developments with quite rigorous cost control measures in January 1998.

§ 7.2   *The worldwide 'Managing for Customer Loyalty' growth strategy*
In 1995, Managing for Customer Loyalty (MCL) has been designated one of three corporate growth initiatives. It was defined as follows: 'Managing for Customer Loyalty is the process of aligning every function to deliver the promises of our brands – to create, reinforce, and grow brand-loyal customers – for sustainable, profitable growth'. The MCL growth initiative was communicated to all Novum subsidiaries via brochures, presentations

by International and European managers, European Managing for Customer Loyalty training days, and via the company newsletter.

The Managing Director of Novum NL started developing plans for the implementation of MCL at Novum NL in 1996. A team of five Board members was formed to make Novum NL 'a more customer centered organization'. A first meeting was held in January 1997 in which a process for the implementation of MCL was proposed. It is interesting to see that the process as proposed in this meeting differs from the MCL process as defined in the general brochure. The 'official' MCL process as defined in the brochure is described as:

1. Market segmentation – identifying customer segments: who they are; why they buy; and how, when, and where they use our products
2. Brand promise – clearly defining and understanding the brand promise we are making to the end-user customer
3. Implementation – optimizing our resources and aligning our operations to deliver the promise
4. Measurement – measuring our customer relationships and refining our actions.

The Managing for Customer Loyalty presentation of January 8, 1997 shows the following MCL process for Novum NL:

1. Select customers
2. Understand those customers
3. Develop strategies, structure and processes that will maintain or develop our preferred supplier position
4. Implement

What is important here is that the Board at Novum NL did not take the Novum company brochure as their point of departure. In the next chapters that describe the case narrative it will become clear that this has led to some confusion and delay in shaping the MCL initiative. Although the definition of MCL, and more importantly, the interpretation of what actions were needed to implement MCL, were somewhat ambiguous, it was clear that this growth initiative was going to be pursued by Novum Corporation for a number of years. The Board of Novum NL was determined to put MCL into practice. Double digit growth in sales turnover needed to be achieved and the customer centered organization was seen as the prerequisite for attaining that goal.

My role and position within Novum Nederland

In this section I describe my role and position within Novum NL and the case design. It is well-known within the area of ethnography that establishing rapport with the members within the field setting and gaining access is a time-consuming process (e.g., Morse 1994). For this particular case study almost a full year elapsed between the first contact and the first day of membership, i.e., the first day behind my desk at the office. The time it took me from initial contact to membership was in sharp contrast to the speed with which I was accepted in the formal and social structure, once I was a member. Company badge, desk, computer, LAN account, e-mail address, et cetera, were arranged within a week. Officially I fell within the category of temporary employees. Since Novum NL works with quite some 'temps' this is not an extraordinary status within the setting. A non-disclosure agreement was drawn up as a formalization of my relationship with Novum NL. In this agreement the need to publish about the research was put on paper, as well as issues of confidentiality. Arrangements were also made for a financial compensation for my contribution to the process of becoming more market oriented, i.e., implementing MCL.

I was enlisted as a part-time member of the Quality department of Novum NL, and this remained so for the total period of the case study, in spite of the many changes the Quality department went through. There were no arrangements for fixed days of the week I was expected to be present. My involvement was made dependent upon the extent to which the quality department or the MCL team on the one hand, and my research on the other, could benefit from me being part of the processes at Novum NL. My presence averaged at a little over one day a week for a period of three years; during intensive periods I was at Novum NL three days a week for a number of consecutive weeks, and at other times I could skip a whole week because there were no significant developments.

The nature of the reciprocity relationship with members was not a uniform one. First of all, not everyone was aware that I was doing research on 'implementing a market orientation'. Everyone could have known this because my role as a researcher/consultant and my research topic were introduced in the company newsletter, but I did not repeatedly inform people about my research. I presented myself either as MCL consultant or as member of the Quality department. This means that for some there was not so much an exchange between researcher and subject, but more of an exchange between consultant and client, or between staff assistant and line manager. For my sponsor and key informant, the Quality manager, the exchange relationship was mostly structured around informal and ad hoc

meetings to discuss the progress of the MCL initiative. I was asked to give my opinion about meetings, events, decisions, and people, and to co-develop ideas and plans. In return I was involved in the whole decision-making process and I was informed about all the relevant developments. For the MCL team I prepared the meetings and the meeting minutes in return for my participation in those meetings. For managers, marketers and others within Novum NL I offered my advice and my opinions in return for information about their departments or for their opinion about the MCL initiative.

An important shift in my role and position within Novum NL occurred when the first Managing Director was replaced and the Quality & Customer Satisfaction manager, my initial sponsor, retired. These changes took place per April 1, and October 1, 1999, respectively. The new Quality manager became my new boss, sponsor, and key informant; my direct link to the Board became an indirect link since the new Quality manager was not a member of the Board; I was no longer a member of the MCL steering committee; I had no direct contact with the Managing Director anymore via the MCL meetings; the Quality secretary, who was my office-mate and also a key informant, moved to another department; and I moved to another wing with two new office-mates. Both the social structure through which I gained access to data, as well as my formal role in the organization changed.

§ 7.4   *Case design*

Like in the pilot case study, the objective of the Novum case study is to assess the value of the frameworks, in this case the intermediate frameworks. But, where I tried to convince the change team in the pilot case study to follow the approach as laid down in the frameworks, I adopted a more observational and facilitative role at Novum NL. This I did to avoid the 'gallery effect' that occurred in the pilot case study because there I acted too much in an expert role. The change process had to be carried by the members of the organization, and I would only participate in the decision-making process when asked for. My role as facilitator of the MCL team enabled me to collect first-hand observational data of the change process. Apart from observations I used interviews, document analysis, ad hoc discussions, and group discussions, just as I did in the pilot case study. These data were gathered from the first-hand as much as possible, but within the restrictions of a part-time involvement, limited access to certain meetings, and incomplete knowledge of all places and times where this topic was discussed, I also had to rely on informants for second-hand data.

As an active member of the MCL team I also proactively initiated discussions, suggested changes, and participated in decision-making, as I did also in the pilot case study.

§ 7.5   *Phase 1: baseline measurement of Novum NL's degree of market orientation*
During the first two phases of the case study I was the secretary of the MCL project team at Novum NL, working closely with the Manager Quality and Customer Satisfaction (hereafter referred to as the QCS director[7]. The first phase of this case study covers the prologue, and episodes one to four. During this first phase I primarily worked on the execution of a baseline measurement of Novum NL's degree of market orientation.

Prologue

The prologue covers the first nine months, from my initial contact with the QCS director in August 1996 to the first day at Novum in April the next year. My first meeting with Novum NL's QCS director is coincidental. I am asked to join the meeting he is having with the managing director of the business school on August 20, 1996, because there appears to be a link between my research and the issues he is facing within Novum NL. In the meeting I present the Q-S-P model as we use it in our research at the University of Twente (published in e.g., Stoelhorst 1997, see also chapter 6 of this thesis).

In November, December 1996, and January 1997 I have three additional meetings with the QCS director. In these meetings we discuss the possibilities for the development of a measurement system for the degree of market orientation, the level of employee satisfaction, quality, customer satisfaction, customer loyalty, customer profitability, and business performance. The QCS director shows me the Novum NL business objectives for 1997, on which sales growth is the main business objective. There is also an interesting 'global growth initiative' listed as a strategy to achieve the objectives: Managing for Customer Loyalty (MCL). One of the elements of this MCL growth initiative is 'building a customer focused organization'. I also talk with Novum's business process manager who tells me that Novum NL is currently working on switching from a functional organization to a more process-based organization. Novum's vision is to be the most innovative company and the preferred supplier. These initiatives, the business objectives, and the vision all interface nicely with a process-based approach for improving market orientation. I am asked to share my ideas

7. I will use the term 'director' for those senior managers that are a member of the Board.

on 'increasing Novum NL's position as preferred supplier' with the MCL
project team that will be meeting on April 29[8].

> *Episode 1: establishing access as an active member*
> *(April 29, 1997 – August 4, 1997)*

The MCL project team meeting of April 29 marks my first 'official' act at
Novum NL. This meeting is attended by the managing director (MD), three
group sales & marketing managers (GS&MM s), responsible for health care
markets, industrial markets, and specialty markets, and the QCS director.
The GS&MM office markets is also part of the team but is absent at this
meeting. A second absent team member is the director of customer service
(CS). The MD chairs this board-level project team. The agenda shows
discussions on a variety of topics: creating a shortlist of critical quality
dimensions, customer loyalty measurement, key account management,
and miscellaneous items of which some are, in my view, unrelated to
'earning customer loyalty'.

After this first meeting I work out a proposal for a baseline measure-
ment of Novum NL's degree of market orientation. This proposal is well
received by the QCS director and the MD, and it will be discussed in the next
MCL meeting, scheduled for August 1. On the agenda for that meeting are:
the connection between MCL and the switch to a more process-based or-
ganization, measuring customer loyalty, and building a customer focused
organization. In his introduction the MD recaptures the four topics within
MCL that were also mentioned amongst Novum NL's business objectives:
building a customer focused organization, customer measurement, key
account management, and electronic commerce. The BPM manager, who
facilitates this meeting, stresses the importance of having measurable
objectives for the MCL project. We agree to work with two objectives: a 15%
yearly increase of top-box scores[9] for the 20% largest customers, and a
15% yearly decrease of customer defection for all (wanted) customers[10].

8. This will be the second time this team
meets; there was a first meeting without me
in January 1997.
9. At that time, Novum NL had just started to
use a new method for measuring customer
loyalty. Via interviews, large accounts were
asked to evaluate Novum's product and
service quality as well as answer the three
loyalty questions: (1) What is your overall
satisfaction with Novum?, (2) Would you
recommend Novum?, (3) Would you buy

again from Novum next year? Highest
scores on all three questions is called a 'top-
box score', and only top-box scores indicate
true customer loyalty. The three loyalty
questions are also referred to as the 'top-box
questions'.
10. At the same time Novum was trying to
reduce the number of small orders by refer-
ring small customers to Novum's dealers.
The 'loss' of these 'unwanted' small cus-
tomers should not be counted as customer
defection.

In this same meeting I present my intermediate frameworks, i.e., the philosophy of market focused processes and behavior, enablers for market focused behavior, the generation of distinctive customer value, and an approach for managing the change process towards a higher level of market orientation via process redesign. The MCL project team agrees that I can start with a baseline measurement of Novum's processes, behaviors, and enablers.

In the afternoon I start making the necessary arrangements for my part-time membership of Novum NL: I apply for an employee's badge and an e-mail account, and I introduce myself to the secretary of the QCS director, with whom I will share a cubicle in the 'executive wing', next to the office of the QCS director. I am located close to my key informants and close to four members of the MCL team. The MCL initiative is only recently adopted by the Board, so I am involved in the change process right from the start. Although the MCL team prefers to use the phrase 'building a customer focused organization' rather than 'implementing a market orientation', they embrace the process-based implementation approach as laid down in the intermediate frameworks. My only concern is that the agendas of the two MCL meetings do not show a clear underlying approach to the change program.

Episode 2: preparing for a baseline measurement of market orientation (August 4, 1997 – November 12, 1997)

Four threads of events run through this second episode. Presenting all events in a chronological order would make the reading of this episode unnecessarily complicated. I have therefore chosen to present these four threads in separate sub-sections. The first thread of events deals with the discussions I had with various people and presents more background information on Novum NL. The second thread concerns the MCL team and the progress made with respect to defining the charter of the project team. The third thread covers the 'customer measurement' project, which is one of the projects within the MCL portfolio, and the fourth thread relates to my assignment: the baseline measurement of Novum NL's degree of market orientation.

Thread 1: Additional background information on Novum NL
On August 4 I have a short meeting with the human resource adminis-trator. She provides me with a list of departments within Novum NL including the names of all employees. Due to Novum's complex structure

they have decided not to make an organization chart for Novum NL. The most important organizational units are the thirty or so sales groups (of which about fifteen are large enough to be viewed as an organizational unit of their own), the support groups (of which finance, IT, corporate marketing & public affairs, and human resources are the largest), and the customer service (CS) group. The CS group is a hybrid department. It is a support function on its own but the customer service reps (CSR s) are each assigned to one or a few specific sales groups. The department of quality, customer satisfaction, safety, health and environment where I am part of is one of the smaller support groups. Secretarial support for the sales groups is generally clustered per market group: health care markets, industrial markets, professional business markets, and specialty markets. Everyone has two hierarchical lines of responsibility: one leading up to the country manager (the MD) and one leading up to either a European EMU manager for the sales groups, or a European functional manager for the support groups (see also figure 7.2).

The QCS director tells me that a few years ago, when the European Management Units (EMU s) were formed, these product-centered EMU s became the dominant lines of authority, reducing the authority of the national sales & marketing organizations. In terms of figure 7.2 this means that the dotted lines became more influential in the management and control of the Dutch sales groups than the solid lines. Now the pendulum is swinging back to more authority for the national Board in managing the local sales groups. This makes it easier to adapt marketing programs to Dutch market conditions. More local authority makes it also easier to implement processes that align sales groups to characteristics of the local market.

The CFM project manager informs me about two initiatives that were started in order to permeate the walls between the sales groups so as to become more customer focused. CFM stands for Customer Focused Marketing, a project aimed at marketing Novum's product portfolio to customers as if Novum is one large company. The biggest obstacle to realizing these objectives of related selling is Novum's system for measuring and rewarding sales performance. All sales reps and marketers are appointed within a sales group. This means that their salaries are paid by a (product-oriented) EMU manager and that their bonuses and appraisals are primarily determined by the sales volume of their own products ('commodities' in Novum terminology). Since their bosses' bonuses are also primarily determined in this way, the system stimulates sales group myopia and inhibits related selling. Sales reps are therefore represen-

tatives of a set of commodities, rather than representatives of a set of customers and their needs. This illustrates the importance of systems for performance appraisal and rewards as an enabler for market oriented behavior. Within Novum NL these systems clearly function as a 'disabler' for coordinated actions towards the customer.

Two more obstacles to related selling are not knowing the other sales reps and not knowing the other Novum products. Regular get-togethers of sales reps that operate in the same sales territory, but for different sales groups, are supposed to eliminate these obstacles, but some sales & marketing managers discourage their sales reps to attend these meetings as 'our products and our customers are so different from the rest that related selling is of no use to us'. Some of the potential negative consequences of this sales group myopia are: (1) customers who receive several Novum sales reps, each offering different pricing conditions, distributing the products in different shipments, and using different channels for their commodities; (2) Novum sales reps that compete amongst each other for orders; (3) Novum sales reps that compete with Novum dealers; and (4) Novum sales reps that do not take orders for Novum products other than their own commodities[11]. These are typical problems for large diversified companies. Horizontal linkages between sales groups are to a large degree absent as an enabler for interfunctional coordination.

A Belgian CFM project manager tells me that there is quite some disagreement within Novum about whether a customer focus should mean a focus on dealers, converters[12] and/or end users. In some markets Novum has focused too much on dealers in the past, losing touch with the end user, and thereby becoming increasingly dependent upon the dealer. By focusing more on the end user in these markets Novum hopes to gain more power in the channel. In other markets Novum realizes that it can only adequately serve the end user by building partnerships with its dealers. And then there is also Novum's drive to increase its sales in consumer markets. A customer focus within Novum should not be a choice for either dealers, converters, end users, or consumers, but a careful balance of orientations that differs per sales group. The problems with implementing CFM become clear as I talk to a sales & marketing manager[13]

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11. This is not to say that these are common practices for Novum sales reps, but the current structure and the bonus systems do imply these risks.
12. Converters are a type of value-adding resellers.

13. The sales & marketing manager is the head of a sales group. A typical sales group has one or more marketers, a technical specialist, and a number of sales reps, sales supervisors, and/or account managers.

1. Marketing planning	– s&mm, emus. Resources are strictly controlled by emus.
2. Product management	– Corporate with input from emus.
3. Customer service	– Customer logistic services, and/or technical service rep within sales group.
4. Pricing	– emu determines bandwidth; s&mm determines prices and discounts.
5. Channel management	– s&mm.
6. Logistics	– Regional manager Customer Logistic Services.
7. Promotion / advertising	– Mostly emu, sometimes regional marketer. Support available from Corporate Marketing.
8. Public Relations	– Mostly Corporate Marketing, sometimes regional marketer.
9. Selling	– Sales reps, managed by s&mm, employed by emu.
10. Relationship/Account management	– Sales reps, account managers not widely used within Novum.
11. Market research	– emus, Corporate Marketing.

Table 7.1: Marketing responsibilities within Novum

(s&mm) who is a confirmed opponent of cfm. He speaks of other sales groups trying to invade his territory, trying to steal away 'his' dealers, and cannibalizing 'his' sales. This s&mm is known to exaggerate but there obviously is some underlying hostility towards attempts to break down the walls of the product silos.

The Corporate Marketing director provides me with an extensive overview of the way marketing responsibilities are divided between corporate marketing, the marketers within the sales groups, and the marketers within the emus and Novum corporation (see table 7.1). Of the various marketing-related performance indicators, Novum scores high on image, quality, and brand awareness, while service, logistics, and complaint handling can be improved.

The cs director explains to me why the customer service representatives (csrs) are not part of the sales group they work for. First of all, having them together as one department they can function as each other's backup. Secondly, when the csrs would be dispersed over the sales groups it would be difficult to organize continuous professional development of the csrs. Third, some sales groups are too small to justify a full-time csr. The downside of the split between sales and marketing and customer service is that

14. This list of generic marketing responsibilities is based on Kotler (1997).

communication between the two functions is not optimal. Furthermore, there appears to be an attitude within Novum that customer service is inferior to sales and marketing. The customer would surely benefit from a closer link and better communications between s&m and cs. Again, improvements in horizontal linkages, in this case between sales and service, could enable coordinated action towards customers.

When I have a discussion with the Finance director on October 10 I find out that for some time already he and the md are working on a project to rationalize Novum's customer base. There are quite some small customers who cost more to service than that they generate sales. Without alienating these small customers, Novum nl would like to move these direct customers to Novum's dealer network. This initiative fits perfectly in the mcl philosophy, but it appears to be coincidental that I hear about its existence. This is an example of concurrent initiatives within Novum that are quite similar to each other but somehow can thrive for a long time without someone making the connection. Within Corporate Marketing another initiative is taken up that fits mcl: building up a customer data-base for the whole of Novum nl. These examples illustrate that there are various grass-root initiatives within Novum nl. Somehow Novum nl misses the capability to coordinate these initiatives into one strong change program. In order to implement a market orientation it will be important to stimulate grass-root initiatives without too much interference from the mcl team, but at the same time the mcl team should show enough leadership in coordination and follow-up of initiatives.

A few days later I experience why delivering added value to the setting is so important for good access: the cs director invites me to participate in a discussion on the possibility of relocating csrs so that they are closer to the sales groups. If I would have been a peripheral member, I probably would not have heard of this meeting at all. At that meeting, the cs director achieves to have us all think actively on the subject and propose alternative solutions. Unfortunately, there is no follow-up to this initiative. A number of incidents in the following days and discussions with Novum employees confirm my initial ideas that Novum is weak in coordinating initiatives and often fails to follow-up on good initiatives.

On October 30 I am formally introduced to Novum's middle manage-ment in the quarterly management communications meeting (mcm). The mcm is used to inform middle management of all kinds of developments within Novum nl. The md uses 'my' mcl model – an adaptation of the intermediate causal framework – to explain what mcl is about. The second half of the afternoon is spent on the employee meeting that customarily

succeeds the MCM. Topics for this meeting are the quarterly financial results, the excellence club awards for exceptional achievements of employees, the warehouse consolidation project, the Y2K preparations, and the presentation of a new Novum product. The day ends with drinks and a lottery. Today is one of these rare days that I have the feeling that Novum NL really is one company, i.e., more than a loose collection of mini-companies.

Thread 2: The MCL project as a whole

In the MCL meeting of August 1, four topics are identified as sub-projects within MCL: building a customer focused organization, customer measurement, key account management, and electronic commerce. In my discussion with the MD we decide that within the MCL initiative I will be the project leader for the topic 'building a customer focused organization'. The QCS director is the project leader for 'customer measurement' and I expect to be heavily involved in that topic too. 'Key account management' and 'electronic commerce' are not provided with a project leader yet[15]. The fourth MCL meeting is on August 18, for which I (help) prepare presentations on 'customer measurement' and 'building a customer focused organization'.

In this MCL meeting I present my list of enablers for market oriented behavior as I have defined them at that stage: leadership, networks, skills, tools, structure, reward systems, and process design[16]. One of the GS&MM s suggests that, based on experience, resources (time, money, and manpower) are an important enabler for market oriented behavior too (or rather, a lack of resources is a disabler of market oriented behavior)[17]. I have cast these enablers and the Q-S-P relationship in a framework that is from then on referred to as 'the MCL model' (see figure 7.3).

One of the team members has asked around and found out that the term MCL does not mean much to the employees of Novum NL. In some discussions that I have had, I discovered that for quite some people 'earning customer loyalty' is equated with the measurement of satisfaction and loyalty (implying that customer loyalty can be earned by measuring it). This makes us realize that we urgently need to initiate internal communications about the MCL initiative.

15. Key account management never begot a project leader within the MCL team. Electronic commerce was provided with a dedicated project leader in the MCL team in January 1998 (episode 4).
16. Note that I have used simpler labels for the enablers than those used in chapter 6.
17. The enabler 'resources' fits perfectly in the Opportunity category of the Motivation-Opportunity-Ability framework I used to identify enablers (see chapter 6).
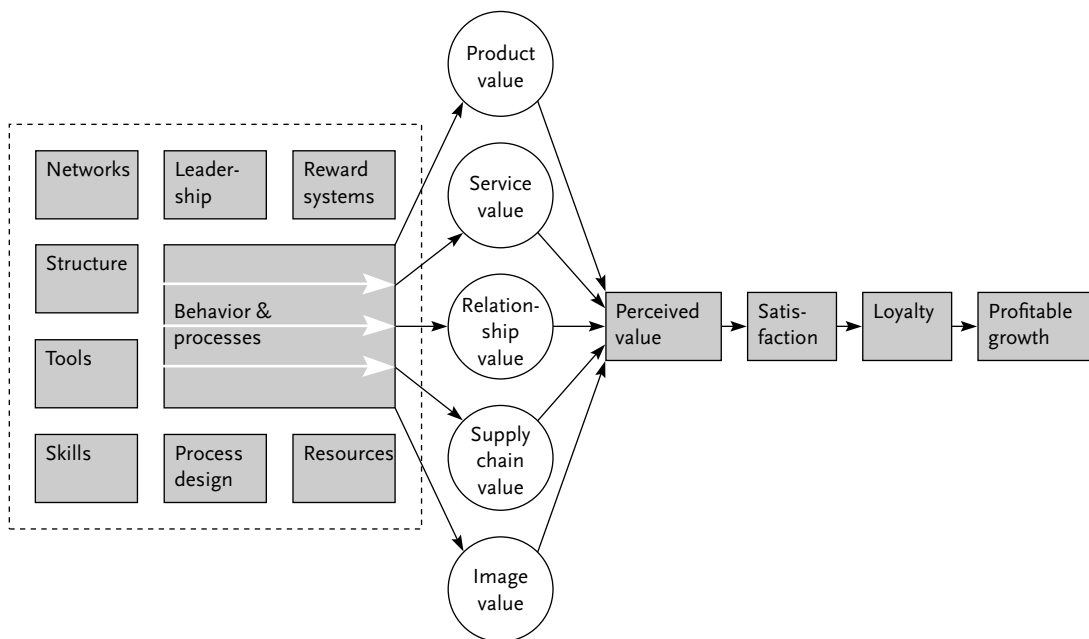
Figure 7.3: The MCL *model*

On the 29th of September we have our fifth MCL meeting. This is the first time we also have a specific look at the way MCL was originally presented by Novum's CEO. In this 1996 presentation MCL is presented as a three step process: (1) strategic positioning (choose customers and position); (2) operational implementation (prepare and deliver to the customer); and (3) strategic and operational assessment (measure and improve). In later presentations and booklets MCL is pictured as a four-step process:

1. Market segmentation – identifying customer segments: who they are; why they buy; and how, when, and where they use our products.
2. Brand promise – clearly defining and understanding the brand promise we are making to the end-user customer.
3. Implementation – optimizing our resources and aligning our operations to deliver the promise.
4. Measurement – measuring our customer relationships and refining our actions.

It is only in episode 7 that the MCL team takes a serious interest in this 'official' approach to the implementation of MCL. In line with the culturally ingrained values of independence and respect for the individual initiative, the MCL team proceeds along the trajectory that is determined by the Dutch MCL team.

On the 30th of October our sixth MCL meeting is held. Two days prior to this meeting, Novum's CEO has visited Novum NL, together with two international executives. The MCL model (figure 7.3) was very well received by these executives as a pragmatic approach to MCL. The discussions with these corporate executives have led the MD to make a distinction between three types of improvements: (1) project-based short term improvements; (2) behavior oriented improvements; and (3) process-based improvements. In this same meeting the MD stresses again that we need to increase our visibility in the organization with concrete improvement projects that can start tomorrow. Furthermore, the team emphasizes again that we need to think about a communication strategy for MCL.

Thread 3: Customer measurement

In the third MCL meeting – of August 1 – we set two objectives for MCL: increase loyalty top-box scores by 15% p.a. and decrease customer defection by 15% p.a. In a discussion with my sponsor we focus on how to measure customer defection and customer loyalty, so as to measure progress on our these two company-wide objectives. I will discuss customer defection with someone from corporate marketing who knows a lot about Novum's sales information systems. With respect to measuring customer loyalty an interview method is used by some EMUs for their large accounts. This interviewing method is supported by a UK-based consulting firm called P-E, therefore this method is commonly referred to as the P-E method. Via multiple interviews per account, the service quality of Novum is measured as well as the customer's response to the three top-box questions. As we consider using this method to interview Novum NL's twenty-five largest accounts on a yearly basis we decide to collect all available information from sales groups who have recently used this method.

At the end of September, we collected all P-E measurements that have been carried out for sales groups of Novum NL over the past years. Although the overall method is standardized, the questions differ by sales group. As a result, most of the outcomes in terms of areas for improve-ment are sales group specific, and the quantitative data cannot be added up in order to get an aggregate score for Novum NL as a whole. This makes us wonder whether it will be at all useful to attempt to obtain an aggregate

measure of customer loyalty through a measurement of the top-25 customers of Novum NL. If the answers are highly sales group specific, it will be very difficult to deduce company-wide improvement projects from such a measurement. On the one hand we would like to have one standardized method for measuring customer loyalty, on the other hand the method needs to fit the particular context of each sales group.

In the fifth MCL meeting the idea of measuring customer loyalty for our top-25 customers only is dropped and we decide to stimulate all sales groups to execute loyalty measurements in their markets. In this way we can identify quality improvements on company level, on sales group level, and even on account level. Measuring customer defection appears to be much more difficult than we thought beforehand. Dissatisfaction with Novum rarely leads to total defection. Rather, customers start taking up a second source of supply (eighty percent of Novum's customers are dealers), or defect partially by abandoning one or more product lines. These forms of defection are very difficult to detect in the sales data. Basically, only the sales rep can identify these types of customer defection.

Thread 4: Baseline measurement
My plans for a baseline measurement of enablers, attitudes, behaviors, and market performance are becoming more concrete by the end of September. I want to use a self-administered questionnaire for all employees in sales, marketing, customer service, and top management. This questionnaire will focus on attitudes, self-reported behaviors, and the status of enablers. Furthermore, I want to use interviews to gain a better insight in enablers and market performance. Based on internal data I select sales groups that have at least five employees in sales and marketing in The Netherlands, and that have a yearly turnover of at least Dfl. 5 mln. I end up with a set of sixteen sales groups, six from Industrial markets, three from Specialty markets, three from Professional Business markets, and four from Health Care markets. For each sales group I select a S&MM, marketer or sales supervisor for my interviews.

In the first week of November, the questionnaire in full lay-out is sent out to the MCL team for review and comments, and I plan the interviews with the S&MMs of the largest sales groups. The questionnaire is pre-tested by four employees from the target group.

Reflection
The discussions I had with various people during this episode taught me that there are some barriers to market oriented behavior that are inherent

to Novum's structure and systems, like e.g., the performance measurement and reward system of Novum. I will get back to these inherent barriers in the analysis of phase I. Over the first two episodes I participated in five MCL meetings. My intermediate causal framework was accepted as a useful starting point for building a customer focused Novum NL. It was repeatedly used by the MD as Novum NL's 'MCL model'. I participated in two sub-projects within MCL: measurement of customer satisfaction and loyalty, for which we discussed a number of approaches, and a baseline measurement of Novum NL's degree of market orientation, for which I developed a questionnaire and an interview protocol.

During this episode I discovered that it pays off to fulfill a value-adding role within the organization under study, as this enables access to a wider range of organizational processes. My close relationship to my sponsor in the Board, the QCS director, enabled me to stay informed of activities that took place beyond my field of vision, while my close relationship to the QCS secretary and the inclusion in her social network aided me in my understanding of both the formal and the informal structure of Novum NL.

Episode 3: the interviews with sales & marketing managers
(November 17, 1997 – December 12, 1997)

Between the 17th of November and the 12th of December I interviewed representatives of fifteen[18] of the largest sales groups within Novum NL. These interviews lasted between one-and-a-half and three hours. All interviews were recorded on audio-tape. Although it could be insightful to present all interviews in the narrative of this episode, so that the diversity of Novum's markets, channels, and products would be richly illustrated, this would also make this episode very lengthy and tiresome to read. I have therefore chosen to present the outcomes of the interviews in a table through which the diversity of Novum NL's markets can be shown. In table 7.2, the following data is displayed for each sales group: the main customer groups at the end user level, the marketing channels that are used, Novum's position in the market, and sales group specific suggestions for improving market orientation.

The markets served by these fifteen sales groups cover almost all industries in the country. Table 7.2 shows stark differences between groups. The differences in target markets, channels, and positions are associated with differences in availability, complexity, and content of the market informa-

18. I had selected sixteen groups, but one manager denied an interview.

MAIN MARKETS (END USER LEVEL)		CHANNELS (PRODUCT FLOW)
Indu1 [19]	Specialized industrial maintenance	Via wholesalers, general and specialist distributors
Indu2	General industry	Via general and specialist distributors
Indu3	General industry	Via general and specialist distributors
Indu4	Power utility companies Electrical installers	Direct channel Via general and specialist distributors
Indu5	General industry	Via general and specialist distributors
Indu6	Specialized industrial users	Direct channel
Spec1	Firms in general	Via converters and distributors
Spec2	(Semi-)governmental institutions Firms in general	Via converters Via converters
Spec3	Specialized industry (Semi-)governmental institutions (Semi-)governmental institutions	Via distributors Direct channel Direct channel
Prof1	White-collar professionals Facility managers	Via specialist distributors and retail Via distributors
Prof2	Office managers Consumers	Via distributors Via retail
Prof3	Auxiliary service firms	Via distributors
Health1	Medical specialists Universities	Via specialist distributors Direct channel
Health2	Consumers Medical specialists	Via wholesale, distributors, and pharmacies Via specialist distributors
Health3	Professional health care organizations Consumers	Via specialist distributors Via wholesale, distributors, pharmacies, and retail

Table 7.2: Market characteristics of the fifteen sales groups

tion that needs to be collected, disseminated, and used, in order to operate in a market oriented way. Out of the fifteen groups mentioned in the table, three groups serve the consumer market; for these groups, all Dutch citizens, between certain ages, make up a market of several million potential customers. The Dutch power utility market, by contrast, consists of less than ninety potential customers. For some markets all potential customers can be identified using the registration data of Chambers of Commerce. But for others an exhaustive list of potential customers can never be made.

19. Indu = Industrial markets sales group; Spec = Specialty markets sales group; Prof = Professional Business markets sales group; Health = Health Care markets sales group.

MARKET APPROACH	NOVUM'S POSITION
Push and pull	Dominant share, defender
Push and pull	Innovator, specialist
Push and pull	Market leader, innovator
	Defender
Push and pull	Defender
Push and pull	Innovator, full range player
	Niche player
Push, via advertising agencies, and pull	High end
Push, via regulatory bodies, and pull	High end
Mainly pull	High end
Mainly pull	Niche specialist
	Niche specialist
	Novice
Push and pull	High end, defender
Push and pull	High end, defender
Push and pull	Wide range, dominant share
Push and pull	High end player
Push and pull	Small niche player
Mainly pull	High end player
	High end player
Push, via medical specialists	Niche specialist
Mainly pull	Niche specialist
Push and pull	Niche player
Push, via medical specialists, and pull	Niche player

The availability of market information is not only hampered for some groups because potential customers cannot be identified, but also because distributors and other intermediaries obstruct the information flow.

Markets also differ in complexity. Some markets are relatively easy to describe, consisting of customers and competitors only. Other markets are much more complex: apart from customers and competitors, important market actors are distributors, regulatory bodies that set standards for products, the government that develops laws that might impact the use of certain products, and OEMs that use Novum's products in their production process.

The position of the sales group in the market impacts the content of the market information that is needed in order to be successful. In a position where market share is under pressure (perhaps because Novum holds a dominant share, or because product differentiation is low), information about customer satisfaction and sources of customer defection needs to be timely and comprehensive. In a market where Novum is the innovator and/or a niche specialist, information about product usage and new product applications should receive more emphasis. And in markets where Novum is new and/or small, new business opportunities need to be identified early. The interviews show that Novum NL needs an implementation approach for market orientation that does justice to the diversity among sales groups.

In parallel to the interviews with sales & marketing managers the MCL team meets twice. The two MCL meetings revolve around the construction of the Novum year plan 1998. On December 9 the QCS secretary and I complete the mail fulfillment for the market orientation questionnaire that will be sent to the home addresses of the respondents.

Reflection

This episode was dominated by three processes: the interviews with the representatives of the fifteen largest sales groups within Novum NL, the completion of the questionnaire, and the preparation of the MCL year plan for 1998. The interviews showed the huge diversity of markets that Novum is operating in. But despite the many differences between the sales groups, some observations were stable across sales groups, e.g., the perceived lack of resources in the area of marketing, the perceived lack of flexibility and agility of 'the Novum NL organization', and the perceived underperformance in the supply chain from Novum sources-of-supply to the Dutch customer. I also noted a stark difference in entrepreneurial drive between managers. The room for individual initiative that Novum provides was maximally used by some, while others seemed to have resorted to a game of wait-and-see.

The questionnaire was based on my experiences in the pilot case study, the published and tested scales of Kohli and Jaworski (1990) and Narver and Slater (1990), and the notion of measuring both market oriented attitudes and behaviors, as pioneered by Bisp et al. (1996). The final questionnaire consisted of 43 statements about market oriented attitudes (four statements each for market information collection, dissemination, and use), market oriented behaviors (five each for collection, dissemination, and use), and organizational enablers (two for each enabler), as well

as three questions on overall degree of market orientation, one on customer value statements, and four questions on further participation and respondent information. The questions of the questionnaire and their translations can be found in table 7.3. The questionnaire was accompanied by a cover letter and an instruction. All responses before January 1, 1998, would participate in a sweepstake for cinema vouchers.

The preparation of the MCL year plan for 1998 showed two things. First, that the MCL initiative rested largely on the efforts of the MD, the QCS director, one Group S&MM, and me. Second, it proved to be very hard for the team to decide upon a limited set of MCL priorities for 1998. We lacked a clear picture of where we were heading, and plans and priorities were constantly changing, although progress was made in a number of areas, e.g., customer measurement and complaint handling.

Episode 4: the questionnaire and the report
(December 12, 1997 – April 3, 1998)

In the narrative of this episode I first discuss the outcomes of the questionnaire. Important events in the progress of the MCL project are presented thereafter.

Thread 1: The questionnaire

On the 12th of December the first fourteen responses to my questionnaire arrive. Ten days later, 85 questionnaires out of a total of 218 have been returned. That day I send out a reminder via e-mail. I stop the intake of questionnaires on January 23, with a result of 126 usable questionnaires, i.e., a response rate of 58%. One director responds to the reminder with a personal note. He states that he will not return the questionnaire because in his perception Novum NL executes studies, and discusses problems, but fails to be responsive and to take corrective action.

Reliability analyses were performed on the statements of the questionnaire, and cluster analyses were executed in order to see whether specific parts of the company are more market oriented than others. Surprisingly, no clusters of similar responses could be found that could be explained by function, sales group, hierarchical level or other descriptors. Within sales group differences were just as large as differences among the whole sample. This observation strengthened my belief that self-administered questionnaires measure a subjective perceived level of market orientation and that it is suspect to measure the degree of market orientation of a whole organization using single or dual respondent methods.

– Ik vind dat Novum iedere grote klant tenminste éénmaal per jaar zou moeten bezoeken om uit te zoeken welke producten en diensten deze klant in de toekomst nodig zou kunnen hebben.

– Novum should visit each large customer at least once a year in order to find out what products and services this customer might need in the future.

– Binnen Novum is de uitwisseling van markt-informatie tussen verkoopgroepen onderling minimaal.

– Within Novum the exchange of market intelligence among sales groups is minimal.

– Voor elke belangrijke klant van Novum waar ik mee te maken heb bestaat er een duidelijke verdeling van verantwoordelijkheden en bevoegdheden voor het bedienen van deze klant.

– For each customer of Novum that I deal with, there is a clear distribution of responsibility and authority for servicing this client.

– De beste marketing- en verkoopplannen worden volgens mij in teamverband (marketing, sales, customer service, finance) geschreven.

– I think that the best marketing and sales plans are written by a cross-functional team (marketing, sales, customer service, finance).

– Collega's van verschillende afdelingen (marketing, sales, customer service) komen regelmatig bijeen om gezamenlijk antwoorden te vinden op veranderingen in de markt.

– Colleagues from various departments (marketing, sales, customer service) come together on a regular basis to jointly formulate responses to changes in the market.

– Binnen ons team geven accountplannen richting aan onze acties naar klanten toe.

– Within our team, account plans direct our activities towards customers.

– Binnen Novum worden er voldoende middelen beschikbaar gesteld voor verbetering van onze klantgerichtheid.

– Within Novum, enough resources are made available for improvement of our degree of customer focus.

– Ik vind dat de tijd die besteed wordt aan overleg en afstemming tussen afdelingen en verkoopgroepen beter besteed kan worden aan team-building binnen onze groep.

– I think that the time that is spent on communication and coordination between departments and sales groups is spent better on team building within our group.

– De informatiesystemen die mij ter beschikking staan geven mij voldoende informatie over klanten en concurrenten.

– The information systems that I have available provide me with sufficient information on customers and competitors.

– Er is een goede uitwisseling van marktinformatie tussen onze groep en andere groepen/ afdelingen.

– There is a good exchange of market intelligence between our group and other groups/departments.

– Ik denk dat het voor onze klanten gemakkelijk is om ons in het geval van vragen of klachten te bereiken.

– As far as I can see it is easy for our customers to reach us in case of questions or complaints.

– Het is voor mij duidelijk hoe mijn taken passen binnen het grotere geheel van Novum's bedrijfs-processen.

– For me it is clear how my responsibilities fit within the larger whole of Novum's business processes.

Ik heb voldoende hulpmiddelen om mijn werk professioneel en klantgericht uit te voeren.

– I have enough tools at my disposal in order to execute my job in a professional and customer focused way.

– Het is belangrijker om aandacht te besteden aan verkopen en verkoopondersteuning dan aan het verzamelen van informatie over klanten en concurrenten.

– I think it is more important to spend time on sales and sales support than on the collection of information about customers and competitors.

– Ik heb het idee dat ik binnen mijn afdeling of verkoopgroep te geïsoleerd sta van de andere afdelingen en verkoopgroepen binnen Novum.

– I feel that within my group I am isolated from the other departments and sales groups of Novum.

– Ik heb een duidelijk beeld wie mijn interne leveranciers en interne klanten binnen Novum zijn en hoe wij samen in een groter proces waarde genereren voor de externe klant.

– Wanneer wij een klacht van een klant ontvangen doen wij er alles aan om uit te zoeken hoe die klacht in de toekomst kan worden voorkomen.

– Ik vind het belangrijk dat via de hiërarchische lijnen uitgebreide richtlijnen en voorschriften voor de invulling van mijn taak worden gegeven.

– Ik hecht veel waarde aan het uitwisselen van marktinformatie via netwerken van interne en externe contacten.

– Er zijn voldoende mensen binnen onze groep om de klant goed van dienst te zijn.

– Al die aandacht die wordt besteed aan klant-tevredenheidsenquêtes, concurrentanalyses, marktonderzoek en dergelijke is zonde van de tijd.

– Wanneer er iets belangrijks gebeurt met een grote klant of concurrent zijn alle betrokkenen binnen de kortste keren op de hoogte.

– Ik vind het belangrijk dat informatie over klanten en concurrenten wordt vastgelegd zodat we gezamenlijk een gegevensbank van klanten en concurrenten opbouwen.

– Klanttevredenheid speelt volgens mij een te kleine rol in het systeem van beoordeling en beloning binnen Novum.

– Ik vind het van groot belang dat informatie over klanten en concurrenten wordt uitgewisseld tussen afdelingen en verkoopgroepen.

– Ik vind dat ik over voldoende vaardigheden beschik om mijn dienstverlening naar de klant toe een goede invulling te geven.

– Wanneer een klant voor Novum verloren dreigt te gaan is het belangrijk dat we ons met meerdere verkoopgroepen beraden op mogelijke kwaliteitsverbeteringen.

– Ik vind dat we in dit bedrijf achterlopen wat betreft trainingen om klantgericht te kunnen werken.

– Ik vind dat mijn bijdrage in klanttevredenheid te weinig tot uiting komt in de algehele waardering van mijn functioneren.

– Informatie over onze concurrenten wordt door onze groep structureel verzameld.

– Novum is traag in het signaleren van veranderende klantwensen.

– Ik vind dat het overleg tussen verkoopgroepen over elkaars klanten moet worden geminimaliseerd.

– I have a clear picture of who my internal suppliers and internal customers within Novum are and how we jointly, in a larger process, generate value for our external customer.

– Whenever we receive a customer complaint we do everything to find out how that complaint can be prevented from arising in the future.

– I think it is important that through the hierarchy extensive rules and directives are provided for the fulfillment of my job.

– I highly value the exchange of market intelligence through networks of internal and external ties.

– We have enough people in our group to service the customer adequately.

– All those efforts devoted to customer satisfaction surveys, competitor analyses, market research et cetera is a waste of time.

– When something important happens to a large customer or competitor all people involved know within a short while.

– I think it is important that information about customers and competitors is recorded so that we jointly build a database about customers and competitors.

– I think that the role of customer satisfaction within the system of appraisals and rewards is too small.

– I find it very important that information about customers and competitors is disseminated between departments and sales groups.

– I feel that I have sufficient skills in order to adequately fulfill my provision of services towards the customer.

– Whenever there is a threat that we might lose a customer it is important that multiple sales groups come together to discuss possibilities for quality improvements.

– I think this company is lagging behind in training with regard to customer focused behavior.

– I feel that my contribution to customer satisfaction is undervalued in the total appraisal of my job performance.

– Information about competitors is collected in a structured way within our group.

– Novum is slow in detecting changing customer needs.

– I think that discussions among sales groups about each other's customers should be minimized.

– Ik kom in een gesprek met een klant nooit voor verrassingen te staan die door een betere interne communicatie vermeden hadden kunnen worden.
– Het management van Novum geeft net zoveel om klanten als om financiële resultaten.
– Informatie over klanttevredenheid wordt binnen Novum over alle hiërarchische niveaus verspreid.
– Voordat ik contact opneem met een klant raadpleeg ik altijd de laatste informatie over deze klant.
– Ik krijg van mijn baas de ruimte om datgene te doen wat volgens mij het beste is voor de klant.
– Telkens wanneer ik op een beurs of in een gesprek informatie te horen krijg over klanten en/of concurrenten leg ik dat vast in een verslag.
– Ik mis de bevoegdheden om in mijn functie daadwerkelijk aan klanttevredenheid bij te dragen.
– Ik vind het belangrijk om veel informatie over klanten en concurrenten uit te wisselen met collega's zodat we het functioneren van Novum voortdurend kunnen verbeteren.
– Novum schiet duidelijk te kort in het aanpassen van haar producten en diensten aan specifieke wensen van klanten.
– Ik zou mijn werk beter kunnen doen wanneer ik meer directe contacten zou hebben met klanten en andere externe partijen.
– In onze groep wordt regelmatig klantinformatie verzameld om de kwaliteit van ons product/-diensten-pakket te evalueren.

– In a meeting with a customer I am never confronted with surprises that could have been prevented by better internal communications.
– Novum's management is equally concerned about customers as it is about financial results.
– Information about customer satisfaction is disseminated over all hierarchical levels.
– Before I contact a customer I always consult the latest information about this customer.

– My superior gives me the room needed to do what I think is best for the customer.
– Every time a visit to a fair or a discussion leads to new information about customers and/or competitors, I put this down in a report.
– In this job, I lack the authority to seriously contribute to customer satisfaction.
– I think it is important to exchange a lot of information about customers and competitors with colleagues so that we can continuously improve Novum's performance.
– Novum clearly fails to adapt her products and services to specific wishes of customers.

– I would be able to perform better if I would have more direct ties with customers and other external parties.
– Within our group customer information is regularly collected in order to evaluate the quality of our product/service package.

Table 7.3: The 43 statements of the market orientation questionnaire for Novum NL

As expected, the respondents' attitude towards market orientation scored higher on all dimensions than the respondents' self-reported behavior (see figure 7.4). Dissemination behavior received a particularly low score[20].

In terms of enablers for market oriented behavior, respondents reported a lack of customer satisfaction measures in performance evaluation, and a lack of balance in management's attention to customers and financial results. Respondents were particularly positive about the leeway they receive from their superior to behave in a customer focused way, the skills and the authority they have to behave in a customer focused

20. Van Bruggen and Smidts (1995) also found that information dissemination was consistently perceived as the worst performed activity in the organization they diagnosed.

way, and they experienced little task ambiguity. Overall, the respondents graded Novum NL with a 6.4 on a ten-point scale for its degree of market orientation. Respondents were also asked to indicate what they think the customers' most important reasons are for doing business with Novum. The answers are provided in table 7.4.

One of the open questions was: 'The first thing that has to be tackled within Novum NL in order to improve the degree of market orientation is: ...'. The answers to this question were highly diverse. All answers were coded and categorized. Twenty-two categories were identified. These categories and the amount of answers in each category are provided in table 7.5.

Thread 2: MCL progress

The Kick-off session with all Novum employees on January 15 focuses on an evaluation of the 1997 results and on the business plan for 1998. Sales growth, the most important corporate objective for Novum, was not on target for Novum NL in 1997. Nevertheless, an even higher target is set for 1998. After introductions by the International Executive West Europe Region and the Managing Director the eight strategies for 1998 are presented and the audience can react using handheld voting boxes. Before the MCL plans for 1998 are presented the audience is asked what enabler they think has the biggest potential for earning customer loyalty. As can be seen in table 7.6, more resources for serving the customer was considered to be the most important enabler.

One of the GS&MM s in the team then presents the MCL plans for 1998, focusing on 'building a customer focused organization', 'customer measurement', 'electronic commerce', and two improvement projects: complaint reduction, and co-location of customer service and sales & marketing. He promises a 'fresh, new, and improved approach to MCL' for 1998. That promise urges the QCS director and me to make a plan for visible and effective MCL activities. Our initial plans are to organize a series of workshops for marketers and managers focusing on a number of themes, like for instance, customer satisfaction measurement, internal customer focus, and the use of a more balanced scorecard for tracking market performance.

One of our observations at the end of 1997 was that we paid hardly any attention to electronic commerce in our MCL meetings. Electronic com-merce was identified as one of the four key areas within MCL. Having observed that an initiative works best with a specialist on the team we ask
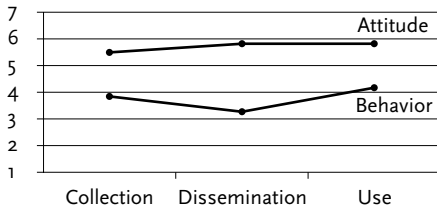
Figure 7.4: Attitudes versus self-reported behaviors

the E-commerce manager to join the MCL team. He is responsible for the effective introduction of new media (e.g., the internet) within Novum subs in Europe and the Middle East. At the time, electronic commerce is still in an embryonic stage within Novum NL. Those sales groups that use the internet use it primarily for pre-sales communication, the other stages of the buying process are processed via the traditional media. One sales group has advanced plans, in which customers should be able to order via the web, though products will continue to be distributed through the existing channels. The first MCL meeting with the E-commerce manager will be on February 26, where he will present status and plans of electronic commerce at Novum NL.

Over the past year we have not proceeded much in the measurement of customer defection. Therefore, the QCS director and I have a discussion with the an information specialist from corporate marketing, but she shows us how difficult it is to interpret the sales data without an explanation from the responsible sales & marketing manager. Simply subtracting last year's business from this year's business with a customer is too simple an approach. And it is impossible to check every suspected instance of customer defection for thirty or so sales groups selling thousands of different products to over two thousand customers. The objective of decreasing customer defection with 15% p.a. appears to be an unmeasurable objective.

At the MCL meeting of February 26 two new members are welcomed. The E-commerce manager has been added to the team in order to stimulate our thinking about electronic commerce, and the GS&MM for specialty markets has left Novum and is now replaced by the S&MM of one of the Specialty markets sales groups. In this meeting I present the first results of the baseline measurement. In this presentation the focus is on the outcomes of the questionnaire; in the next meeting I will present the out-

GENERIC CUSTOMER VALUE	TIMES MENTIONED [21]
Product quality	50
Personal relationship	33
Always the latest	27
Broad assortment of products	8
Excellent service	8
Innovativeness	6
Ease	3
Exclusiveness	2
Speed	1
Other (e.g., image, reliability, price/quality ratio)	17

Table 7.4: The most important reasons customers do business with Novum NL

comes of the interviews and present the final conclusions and recommendations.

This next MCL meeting is on March 31. The Communications Specialist is added as a ninth member to the MCL team in order to improve our internal communications. In the meantime I have been working on the interviews and the final report of the baseline measurement. In this MCL meeting, the tenth already, I present the results of the interviews and the overall conclusions, recommendations, and action plan. During our discussions the importance of good customer databases is mentioned, which leads to the ad hoc action to invite the manager Business Planning and the Sales & Marketing Information Specialist to the meeting to tell us more about current initiatives in database management. They are working on a project called OCAD (one common address database). The idea of the OCAD project is to integrate all the databases of various formats that are scattered around over the sales groups of Novum NL. The project is on hold however, because Y2K and the introduction of the Euro are top priority projects for IT at the moment. We all agree that we need to improve our database management practices within Novum as customer information is one of the most valuable assets for a sales & marketing organization. On the 3rd of April I finalize my report 'Building a customer focused organization'. This marks the end of my initial research assignment at Novum NL: a baseline measurement of the organization's degree of market orientation. It is not the end of my involvement in Novum NL; the MD asks

21. Respondents could provide more than one answer.

CATEGORIES	TIMES MENTIONED
More integral cooperation towards the customer / the market	24
Listen better to customers	14
Better internal communication	14
Better information systems	13
More market research	12
Better leadership	9
Invest in people and resources	7
Improve logistics	6
Change performance evaluation and reward system	5
Reduce bureaucracy	5
Account planning and account management	5
Information exchange between Novum and EMUS	4
Improve products and services	4
More marketing (communications)	4
More customer contacts	3
Improve customer service	3
More training	3
EMU specific improvements	3
Improve accessibility	2
Other	22

Table 7.5: Suggestions for improvements

me to continue my job as facilitator of the MCL meetings, and the QCS director asks for my help in developing further improvement initiatives.

Reflection

In this episode the focus was on processing the questionnaire and finalizing the report. The questionnaire did not perform as well as I had hoped for. I expected at least to find that the degree of market orientation would differ by department/sales group, by function, and/or by hierarchical level. Instead, market orientation appeared to be an evaluation subject to the idiosyncratic perceptions of the individual. The final report is received with interest by the MCL team, but the QCS director appears to be the only one who wants to spend efforts to implement the recommendations of the report. The MCL team still has not developed a clear vision of what a customer focused Novum would be and what we need to do in order to get there. Communication with the rest of the Novum NL organization is still minimal and unstructured.

ENABLER	IMPORTANCE
More resources for serving the customer	30%
Stimulating interdepartmental communication	18%
More customer focused leadership	17%
Better definitions of formal processes and procedures for customer focused behavior	14%
Availability of electronic systems	8%
More training in customer focused behavior	7%
More attention for customer focus in job reviews	6%

Table 7.6: The importance of the enablers according to Novum employees

§ 7.6   *Analysis of phase I*

In this analysis of phase I of the Novum NL case I reinterpret the case narrative from two different perspectives. The first analysis is from the perspective of the change agent. In this analysis I am guided by the question what change processes took place in the case organization, and to what extent these changes were successful. The second analysis is from the perspective of the designer/theory developer. In the second analysis I am guided by the question what market orientation is, and how it can be implemented in organizations in general.

Analysis of the change process

This first phase of the Novum NL case study covers the baseline assessment of Novum NL's degree of market orientation, and the generation of ideas about what to improve in order to accomplish a better alignment of the organization with its markets. First of all, I myself had to use this time to get acquainted with the organization and its intricacies. As a member of the MCL team I gathered data via interviews, observations, and a survey in order to diagnose Novum NL's current degree of market orientation, and to identify the most important obstacles to operating as a market oriented organization. At the same time, the MD and other MCL team members used a variety of channels to communicate to the organization at large that Novum NL's sales performance was below target, and that the Managing for Customer Loyalty growth initiative needed to be implemented in order to improve sales performance. Finally, the MCL team members tried to get a grasp of what it meant to 'implement MCL' and to 'build a customer focused organization'.

Diagnosing the current situation

The diagnosis of the current situation at Novum NL was mostly my job. The MCL team welcomed an outsider's analysis of Novum NL's people, practices, systems, and structure. For this diagnosis I used three instruments: (1) a series of interviews with sales & marketing managers; (2) a questionnaire sent to all employees in sales, marketing, customer service, and top management; and (3) observations and spontaneous discussions. Such a diagnosis serves two purposes: (1) a 'valuation' of Novum NL's current degree of market orientation; and (2) to identify areas for improvement.

One of the questions in the questionnaire asked for the respondent to 'grade' Novum NL's degree of market orientation. The average grade was a 6.4 on a ten-point scale. The unweighted average of all the reliable items that asked about current behaviors associated with a market orientation scored 3.8 on a seven-point Likert-type scale. Both these scores indicate that the respondents feel that Novum NL's degree of market orientation is just little above the medium score. The sheer number of suggested improvements (163 suggestions for 126 respondents; all but eleven provided at least one suggestion) is another indication that the respondents agree that there is room for improvement.

The diagnosis uncovered a large and diverse set of areas for improvement. Not all of these areas for improvement can be linked to market orientation as defined in the marketing literature. In this study the focus is on processes like market intelligence generation, market intelligence dissemination, and organizationwide responsiveness to market intelligence, and the presence or absence of enablers for market oriented behavior. An area for improvement like 'reduction of errors in Novum NL's correspondence', as suggested by one of the respondents, is in itself a valid suggestion, but will not be counted as an area of improvement for market orientation. The areas for improvement as suggested in the responses to the questionnaire are listed and counted in table 7.5. Although the interviews did not raise new issues up and above those listed in table 7.5, they did provide more background information on some of the areas for improvement. One area for improvement, for example, is 'invest in people and resources'. One of the interviewees explained that with the formation of EMUs many of the good marketers left Novum NL for a European job in the EMU. Now that Novum NL is regaining responsibility for local marketing there is a lack of qualified marketers. The informal discussions with people and observations during meetings provided additional understanding. All in all, in terms of efficiency and effectiveness of the various

instruments for diagnosis, the interviews and the spontaneous observations and discussions provided the most valuable understanding of areas for improvement for Novum NL.

There are areas for improvement in all three categories of market oriented behavior: market intelligence generation, dissemination, and coordinated response. In my final report to the MCL team I highlighted five main areas for improvement:

1. Market research;
2. Communication and information exchange between sales groups and departments;
3. Cooperation between sales groups in serving the customer;
4. The system of performance evaluation and rewards;
5. The quality and availability of information systems.

Communicating the need to improve

In this first phase of the change process it is very important that managers communicate the need to change and improve to the organization at large. In short, management has to communicate that organizational performance is unsatisfactory, that things need to be improved, and present a route to improved performance. In the case of Novum NL the MD and other top managers repeatedly stressed that Novum NL was underperforming with respect to sales growth. Employees are frequently told that Novum NL needs to become more customer focused. And as one of the three global growth initiatives, Managing for Customer Loyalty is also repeatedly brought to the fore as one of the routes improved performance. Even so, the MCL team recognized that communication about the MCL initiative was insufficient and ill-structured. The message that sales growth was below target had lost its power to instill the need for change in the heads of the employees.

Defining the change program

The third task of the MCL team was to define the change program and choose the areas for improvement to work on. At the end of this first phase, there is not much of a structured approach to implementing a market orientation. I see a number of explanations for this apparent lack of structure. First of all, there is no shared vision of what a customer focused Novum NL should look like. Secondly, each member of the team has his own pet subject and his own implicit definitions of market orientation and customer focus. Thirdly, the organization stimulates and protects grass-root initiatives – a characteristic innovative companies are admired for –

which means that various improvement projects are simply started regardless of a bigger plan, within or outside of the MCL team's range of vision. Finally, suggestions for an organizationwide approach to building a customer focused Novum NL are often warded off with the reply that 'what might work in your market, doesn't work in mine'.

As a result, a portfolio of improvement projects grows without a clear vision to guide this evolution. Apart from the baseline measurement I executed, this portfolio consists of 'customer measurement' – the development of methods for measuring customer loyalty and customer defection – and a number of process improvement projects (e.g., complaint handling, telephone accessibility). Any project suggested by a team member and resourced with manpower can be added to the portfolio, if the team agrees. The progress of projects is reported in MCL team meetings if the project leaders wish to do so, but the MCL team does not enforce this on project leaders. There were some attempts to balance the MCL portfolio by looking at short-term versus long-term projects and at process changes, behavior changes, and projects, but these attempts were only moderately successful.

The diversity of Novum renders it impossible to develop one-size-fits-all solutions for market oriented processes. Take for example the P-E method for measuring customer satisfaction and loyalty. As this method is based on multiple interviews per account, each interview lasting for about two hours, one would only use such a method for large accounts. The method thus can work for sales groups that serve a limited number of large customers (e.g., large dealers), but it cannot be applied by a sales group that serves a market with a large number of small customers (e.g., end users). The various sales groups do not only differ in terms of their markets and their products, they also differ in their current degree of customer knowledge and usage of market information in their value creation processes. This is another reason why one-size-fits-all solutions for improving market orientation are not desired. On the other hand, some projects can be implemented organization wide. One example is the telephone accessibility project. The whole company works with the same telephone infrastructure, and a lack of discipline in answering the phone quickly and correctly is not sales group specific. Care has to be taken in finding a mix between company-wide improvement programs and sales group specific improvements. Within sales groups their might even be the need for improvement projects per market segment.

From a change perspective, this first phase was moderately successful. Although the MCL team clearly had difficulties defining the scope of MCL

implementation, the commitment of the MD, the QCS director, and some other team members was high, and a number of improvement projects were under way.

Implications for the design of market oriented organizations

The accomplishments within Novum NL and the reasons for success and failure are interesting in itself as an example of a process of organizational change, but the goal of the case study is to refine the frameworks for the implementation of a market orientation. This means that lessons for the design of market oriented organization in general need to be extracted from the case narrative. In line with the rationale behind the three frameworks, these lessons pertain to *what* to change (cf. the processes and enablers specified in the intermediate activity and causal frameworks) and *how* to change (cf. the steps in the intermediate implementation framework).

Lessons about what to change

The first phase of the Novum NL case study provided support for some elements in the intermediate activity and causal frameworks, and it provided additional insights for the question of 'what' to change in order to make an organization more market oriented. Discussions with various managers uncovered that a coordinated response to customers' needs was hindered by a lack of horizontal linkages between sales groups and departments, providing support for the importance of 'information exchange networks' as an enabler for market oriented behavior. Furthermore, interfunctional coordination between sales groups was hindered by the scorecards that stimulate a sales group silo approach to the market. This provides support for 'feedback' as an important enabler for market oriented behavior. Already in the first presentation to the MCL team, 'resources' was added to the set of enablers for market oriented behavior. The importance of 'resources' as an enabler was substantiated in the interviews with sales group representatives as well as by the employee's vote during the Kick-off session in 1998.

Novum NL viewed customer measurement as a crucial process for the market oriented organization. Customer measurement was defined as an assessment of customer satisfaction and customer repurchase intentions, on the basis of which improvements in Novum NL's product and service offering can be identified. Customer satisfaction measurement is seen as a specific form of market intelligence generation in the market orientation

literature (cf. Narver and Slater 1990; Jaworski and Kohli 1993). But the case narrative illustrates a more comprehensive assessment of market performance, in which customer satisfaction measurement is complemented with internal sales data, in order to calculate for instance customer defection. Such a comprehensive performance assessment of the value creation process is a valuable addition to the activity framework.

Lessons about how to change

Four issues are particularly interesting for 'how'-question of the implementation process: developing a vision, methods for diagnosing the organization, communication, and portfolio management. Early in the process of improving market orientation those who lead the change should spend time to develop a vision of the desired end state, i.e., a picture of the organization in its market oriented state. Two things should be accomplished through the development of a vision: the vision should specify what is meant by 'market orientation' or 'customer focus', and the vision should guide the selection of improvement projects for the portfolio.

In the Novum NL case I used a questionnaire and a set of interviews as formal methods to assess Novum NL's current degree of market orientation and to identify areas for improvement. I complemented these with informal discussions and observations. For future projects I would use this combination of methods again. For the purpose of 'grading' the degree of market orientation, a questionnaire is probably the only possible method. Moreover, such a questionnaire is a good means to identify areas for improvement, to generate awareness for the change process, and to measure interest in the topic. Based on the experiences with Novum NL and RCC I think a short questionnaire that concentrates on current behaviors in market intelligence generation, dissemination, and use suffices. For the purpose of identifying the current status of enablers, current marketing processes, and for more detailed information about behaviors and areas for improvement, interviews and observations are invaluable. As insiders are often blind to the weak spots of their own organization, I think an outsider should execute the diagnosis.

Communication with the organization at large is important throughout the change process, but in both case studies we did not manage to use internal communications as an effective tool to create awareness, interest, and action. In the early phases of the change process internal communications serve two purposes: to communicate the need for improvement by making people 'feel the pain', and to communicate the route to improvement. A clear vision statement will already expose the overall route to

improvement. In order to communicate the need for improvement it is important to show 'proof' of current underperformance. Performance indicators in sales growth, customer defection, customer satisfaction, and complaints may all serve to 'prove' underperformance. In the case of Novum NL, figures on customer defection, customer satisfaction, and complaints were not available, and the singular use of unsatisfactory sales growth was not effective.

As a final lesson, at the beginning of the change process, the change team should start with building a portfolio of improvement projects. This portfolio can be a mix of planned and emergent projects. But care should be taken, and the presence of a clear vision will be a good help, that the portfolio is managed in such a way that it matches the route to improvement that was chosen. In the Novum NL case there was no clear vision, and this led to a constantly changing and unfocused portfolio of projects.

§ 7.7 *Phase II: practices of customer information collection, dissemination, and use*
My initial assignment at Novum was to do a baseline measurement of the degree of market orientation of Novum NL and propose recommendations for improvements. Based on the interviews and the questionnaire I delivered a report with such concrete recommendations. For a while it was not clear whether I would do more than just facilitate the upcoming MCL meetings, but after some months of uncertainty about whether to stay involved with Novum NL the QCS director requested my assistance in implementing a number of improvement projects. By the time this second phase ends (episode 8), both the QCS director and the MD have left Novum NL, but the MCL initiative is continued with new champions.

> *Episode 5: should I stay or should I go now?*
> *(April 3, 1998 – September 14, 1998)*

The QCS director and I will take the lead in an attempt to implement a few of the recommendations of my MCL report. In the time period preceding the eleventh MCL meeting, we work on an MCL action plan for 1998, including a communications plan. The first version of this plan included three proposals. The first is to include a so-called customer loyalty review in the annual business reviews of the sales groups. In such a customer loyalty review, the sales group will be asked to review its past performance and present its plans for increasing top-box scores and decreasing customer defection. As yet, the yearly business reviews focus only on plans with respect to the sales group's contributions to profitable growth. The

second proposal in the plan is to publish a series of articles in the company newsletter in order to excite interest in MCL. Topics that were identified were: what is customer focused behavior, the enablers for customer focused behavior, internal and external customer focus, process analysis to improve customer focused behavior, and customer measurement. The third proposal is to encourage managers to discuss MCL in their department meetings. We want to accomplish this by having each article in the company newsletter accompanied with extra information for managers so that the topic in the company newsletter can be discussed in each department or sales group.

In the MCL meeting of May 14, the team reviews its portfolio of improvement projects and discusses our MCL action plan. Improvement projects for telephone accessibility and dealer management are added to the portfolio. The CS director presents a number of supply chain management projects: small order reduction, reducing errors in order taking, order consolidation, and customer profitability reporting. Our action plan is well received and the suggestion is added to organize an MCL event for the end of the year. The plan is also presented to the Board on June 8. I shortly present the outcomes of the baseline measurement and the QCS director presents our plans. There are remarkable few comments and I leave the meeting with the feeling that nobody objects to our plans, but at the same time nobody is committed to them either.

June 29 marks our twelfth MCL meeting. Again we review our portfolio of projects and try to bring structure in this list and prioritize these projects. The MCL team has grown quite large with the recent additions, so the MD proposes to bring it back to seven steering team members, and bring in project champions when needed. This means that all but one GS&MM leaves the core steering team; all other team members are from support functions (CS, Corporate Marketing, and QCS). In the afternoon, the QCS director, the communications specialist, and I sit together to brainstorm about MCL communications and the MCL event. More of these sessions follow in July and August but we do not come to a concrete plan for using the company newsletter, nor for a company-wide MCL event. The largest problem is that, according to the communications specialist, the MCL team has no clear message to communicate, the meaning of MCL is too vague, and there are no results to present. Our proposals for the first of a series of articles in the company newsletter are considered 'too academic'. In our next MCL meeting on August 26, our proposal for the customer loyalty reviews is presented in a slightly changed format. The QCS director and I will plan interviews with the S&M managers of the larger sales groups

and ask these managers to explain what they do in terms of customer base management (managing the customer pyramid, reduction of customer defection), and what they do in terms of customer measurement (satisfaction and loyalty measurements). What we learn in these reviews can be used in the official business reviews in 1999. In the MCL meeting, the progress of the projects in our MCL portfolio is reviewed as well as the complaint reduction project and a BPM project[22] on complaint handling. The plans for MCL communications and the MCL event are also discussed and accepted in the meeting, but in a private meeting between the MD and the QCS director some days later, they decide that these actions will be put on hold until all managers within Novum NL have gone through an MCL manager's workshop.

Reflection

My involvement with Novum NL during this episode has been limited to the facilitation of MCL meetings and the development of plans for a company-wide MCL rollout. Over the five months of this episode various plans have been have been developed and reviewed by the MCL team, but so far no decisions about company-wide MCL events have been made. Nevertheless, these discussions about the rollout of MCL (event, workshops, and articles in the company newsletter) show that Novum NL is seriously considering a company-wide implementation of MCL. In July, the QCS director has shown me a booklet that he has received from a consultant, specialized in building customer focused organizations. The ideas are inspiring and might help us formulate a more concrete implementation plan. The QCS manager and I come to the conclusion that it will probably pay off both for Novum NL and for me if I would prolong my involvement with Novum NL.

Episode 6: MCL reviews
(September 14, 1998 – March 1, 1999)

The QCS director has asked me to assist him in the execution of three initiatives:
(1) stimulating and facilitating customer measurement in the sales groups;
(2) MCL reviews (customer measurement and customer base management

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22. BPM stands for Business Process Management. The BPM methodology can be used to improve existing processes through business process redesign or to set up new projects like the Y2K project and the preparation for the introduction of the Euro. Novum NL employs a dedicated BPM manager, who is a member of the Quality department.

reviews) of the sixteen largest sales groups; and (3) organizing a company-wide rollout of MCL in 1999. The first initiative did not start until episode 7. The MCL reviews, the progress with respect to the MCL rollout, and the progress of MCL in general are discussed as separate threads in this episode.

Thread 1: the MCL reviews

For the MCL reviews, we have sent out a list of questions to representatives of the sales groups so that they can prepare for these interviews. With respect to the customer loyalty review, respondents are asked for an overview of customer measurements (perceived quality, satisfaction, and loyalty) of the past year and plans for the future as well as improvement plans based on customer measurements. With respect to the customer base management review, respondents are asked for an overview of their current customer base (both end users and intermediaries), in terms of numbers of customers, turnover, and profitability, and plans for the future for retention, acquisition, and prevention of customer defection.

The first of these MCL reviews takes place on October 16. This interview is indicative of most of the other MCL reviews: the sales group engages in little or no systematic measurement of customer satisfaction and loyalty; there is little or no insight in the current customer base; and the manager has poor knowledge of customer defection data. Apart from the total sales figure for the sales group there appears to be limited knowledge of facts upon which a customer strategy can be based. Experience and intuition appear to outweigh facts in decision-making about how to grow the customer base. This finding is not surprising given the fact that marketing resources were shifted to the EMUs in the early nineties and that business reviews mainly focus on sales figures, not on the amount of customer knowledge. This is in stark contrast to the picture that the Quality manager of Rank Xerox paints us during our visit to this company. Rank Xerox employs a portfolio of customer measurements, measuring perceived quality, satisfaction, and loyalty in different phases of the customer life cycle (see e.g., Thomassen 1998, pp. 155-161). Customer satisfaction as well as quality improvements are tied to bonus plans, and a team of quality facilitators watches over the employment of these quality improvement tools.

Some respondents acknowledge that they know too little about customer satisfaction and are very enthusiastic about starting customer measurement within their sales group. Most of the respondents have not heard of the P-E method but the majority would like to learn more about it.

We are surprised to find that in some cases the s&m manager does not know of satisfaction research that has been carried out by their account managers or by their emu. One sales group is notably advanced in customer base management. It has defined five categories for classifying both current and potential customers: suspects, prospects, customers, clients, and advocates. This classification is not only based on turnover and product usage, but also on the customer's attitude towards Novum, measured by the three top-box questions. Even though the overall outcomes of the mcl reviews are quite disappointing in the sense that little is done in these areas, it does help make the qcs department and the mcl initiatives more visible in the organization. The results of the mcl reviews are presented in the sixteenth mcl meeting on Feb 12. On the 26th of February I finalize the report on the mcl reviews and send it to Board members, mcl members, and interviewees.

There is little unison in the customer measurement instruments being employed, making it impossible to aggregate satisfaction and loyalty scores to the level of Novum nl as a whole. This diversity of instruments results from a lack of coordination at the Board level as well as from differences in market characteristics (number of customers, size of customers, type of marketing channels), and different objectives leading to different instruments being used. The sales groups could be assisted with a menu of different measurement instruments for different occasions, and more active support in customer measurement from the qcs department. Another outcome was a recommendation to include customer measurement and customer base management reviews in the formal business reviews that are held every year. Finally, more and more sales groups were observed to focus increasingly on end users. Knowledge of end user database management needs to become available to these groups.

Thread 2: the mcl rollout
The mcl team is still struggling to make a workable plan for an organizationwide mcl rollout. In the fourteenth mcl meeting the qcs director presents a revised approach in which all Novum employees will be trained in mcl, not just middle management as in the previous plan. The cs director proposes to move faster and appoint an 'mcl task force' that will assist a limited number of pilot departments with an implementation of customer focused behaviors (customer selection, positioning, process improvement, customer base management, customer measurement). No decisions are taken.

On the sixth of November we have a meeting with the outside consult-

ant whose work has inspired us in our MCL rollout plans. He supports the idea of MCL implementation in pilot groups and adds some interesting ideas to our plans. He also reflects on our findings with respect to customer satisfaction measurement in the sales groups. His experience corroborates our idea that the between sales group heterogeneity in customer size and market structure necessitates the use of a variety of customer measurement tools. So far we have been focusing on one standardized tool for customer measurement: the P-E method.

In the fifteenth MCL meeting the MCL team has decided not to organize workshops for all Novum employees but to include MCL in existing management development programs (which means that the MCL training will be for managers only). A few days later the Board rejects this plan and asks the MCL team to develop a new plan. The planning for a company-wide MCL rollout is becoming a never-ending story of plans, debates, revised plans, decisions, and withdrawals of decisions. The QCS director and I do not know what the exact reasons are behind these hesitations to commit to a company-wide implementation.

Thread 3: MCL progress
In the fourteenth MCL meeting on October 26, the MD announces that the Board has decided against a co-location of customer service and sales & marketing personnel, which means that customer service will remain to be one department, separate from the sales groups. The MD stresses further that we need to create a vision for a customer focused Novum NL: 'We are on a journey towards a customer focused Novum, the most innovative and preferred supplier, and we need to provide our employees with a picture of our destination'. We are all encouraged to suggest elements of such a vision but we do not manage to create such a picture of our destination. The importance of a vision is recognized by the MD, but creating a vision turns out to be more difficult than it appears.
The fifteenth MCL meeting has been held in November in my absence. I am filled in afterwards by the QCS director. A proposal is discussed to include customer focused behavior in the performance appraisal of employees. Furthermore, the MD has revived the business planning process and has asked the QCS director to develop a Quality year plan as well as assist in the development of an MCL year plan for 1999.

In January the QCS director tells me that chances are big that the MD will leave Novum NL for a new assignment sometime this year. An MD usually stays for about three to five years, and this MD has been with Novum NL for four-and-a-half years, so it is no surprise that he will take up a new assign-

ment soon. Such a change of MD does bring some specific dynamics, I am told: as the end of his[23] term draws near, the parting MD needs to build a showcase of his achievements. And as soon as it is decided what his new assignment will be he starts to withdraw in order to prepare for the new job. A new MD generally uses his first six months to establish his position with new initiatives and new directions. That will be the moment for ambitious managers to sell their initiatives to the new MD. The survival of the MCL initiative will depend upon the way it is 'marketed' by the old MD and by the other MCL team members.

On February 16 the MD announces per e-mail to all Novum NL employees that he will leave Novum NL per April 1, 1999. His upcoming job change notwithstanding, the MD is enthusiastically working on the MCL year plan for 1999. This year plan is discussed in the MCL meeting of February 12. I present the results of the MCL reviews. The E-commerce manager has decided to focus his efforts on customer relationship marketing (CRM) and he presents his tentative plans. The HRD manager presents the management development plans for 1999 and offers to include a half day training on MCL in each management development session as part of the organizationwide MCL rollout.

On the 1st of March the QCS director informs me that he will also be leaving Novum NL. His departure is planned for the 1st of October. So now the MCL initiative is about to lose two important sponsors. In spite of his leave, the QCS director does not give up on the MCL project, and we start discussing a new approach for a company-wide rollout. Before he leaves he intends to have MCL established as a company-wide initiative. I will have to start building up a new network within the organization, not only in terms of finding a new sponsor for the MCL project and my research, but I will also have to find inroads into the sales groups, so that MCL really is implemented on that level.

Reflection

At the start of this episode we had defined three initiatives to work on: (1) stimulating and facilitating customer measurement in the sales groups; (2) MCL reviews of the sixteen largest sales groups; and (3) organizing a company-wide rollout of MCL in 1999. The MCL reviews were executed, and a report for the Board was completed. The other two initiatives we had defined for ourselves received less attention. Plans for a company-wide MCL rollout were discussed and revised often but not a lot of progress was

23. So far, all managing directors in The Netherlands have been men.

made, apart from a proposal from an outside consultant and the intention to use the management development training program as a communications tool. The facilitation of customer measurement was not actively pursued during this episode.

Episode 7: endings, transitions, and new beginnings
(March 3, 1999 – October 4, 1999)

In the previous episode I have learned that the MD as well as the QCS director, two important proponents of the MCL initiative, are leaving Novum NL soon. During the present episode I will have to make sure that the MCL initiative is 'adopted' by new sponsors and that I obtain a new position within the organizational structure. In these months I worked actively on stimulating sales groups to engage in customer measurement; this I will discuss as a first thread in this episode. I have included 'CRM vs. MCL' as a second thread in this episode. I treat this separately because these two initiatives seemed to poach on each other's territory, at least in the eyes of the respective project champions. Progress with respect to the MCL rollout is presented in the third thread. The general MCL progress is presented in thread 4.

Thread 1: Stimulating customer measurement
As a result of our MCL reviews, the QCS director and I stop 'pushing' the P-E method as a standardized method for measuring customer loyalty, and we start developing a menu of customer measurement instruments. We come to a set of six instruments for six different occasions: a Key Account Review for large customers – this instrument is based on the P-E method – ; a Customer Satisfaction Review for small customers; a Project Performance Review for evaluating projects; a Change Impact Review for measuring service quality differences due to changes in our system (e.g., the consolidation of warehouses); a New Customer Review to track the satisfaction of a new customer; and a Lost Customer Review. These six generic instruments can serve as the basis for customized, sales group specific instruments.

We have identified ten sales groups that have shown interest in customer measurement during the MCL reviews. The QCS director and I will each approach five of these groups and start a discussion on objectives for customer measurement, potential target groups, methods, and instruments. In five cases the interviews with sales & marketing managers led to follow-up presentations and discussions. Eventually, I worked on two

concrete customer satisfaction measurement projects: one on end user level for Indu2, and one for Indu3 on dealer level[24].

For Indu2 we come to a measurement approach where we use telephone interviews to assess the satisfaction of 40 end users that are all served by the same dealer. Based on the results Indu2 can improve the relationship with the dealer and the dealer can improve its service towards the end users. For the Indu3 group we have chosen for interviews with fifteen specialized dealers. These interviews were conducted by the sales & marketing manager and the marketer of the sales group; not by the sales reps. The Indu2 project was a moderate success; it was more of a learning exercise for the sales manager to see what the benefits of an end user survey could be. The Indu3 interviews did not only yield interesting areas for improvement, it also strengthened the relationship between specialized dealers and sales group management.

Thread 2: MCL *versus* CRM

In the 17th MCL meeting the CRM team presents their plans. The CRM process they have developed builds on more efficient customer data management on the one hand and more effective customer interface management on the other. At first the focus of CRM will be on cleansing, integration, and maintenance of customer databases, as well as on managing effective direct marketing campaigns. But the long term ambitions of CRM are to implement a 'customer centric organization'. This implies that the long term ambitions of CRM are largely overlapping the MCL ambitions. At first I am surprised that the CRM plans, that have been discussed in the Board also, have been allowed to develop into a program that 'competes' with the MCL initiative.

The MCL meeting that was planned for April 27 is cancelled and instead the QCS director and I have two discussions with the CRM team. The objective is to align MCL and CRM, such that the sales groups hear consistent messages, and that they are not overburdened. In the first meeting the CRM manager[25] and I come to a clash, as we both feel that we want to do the same thing, and as such are on each others turf. The 'official' MCL process, as it is published on the Novum intranet and in the MCL brochures was a moot point in the discussions. The MCL process defines the activities that are associated with a customer focused organization (see figure 7.5). In some of the versions of this MCL process the box now labeled 'customer

24. Indu2 and Indu3 correspond to the pseudonyms in table 7.2
25. From this point forward the E-commerce manager, who initiated the CRM project, will be referred to as the CRM manager.

focused behavior' is labeled 'customer relationship management'. In a discussion with the QCS director and the new CRM manager the latter concludes that he should be responsible for the implementation of that box. But it is my opinion that this box should include more than what is commonly known as CRM.

It takes a while before I realize that I may be getting a bit over-involved with Novum and the MCL initiative, considering that I, as a participant observer, am fighting with an organizational member over the 'ownership' of one of the MCL processes. This incident not only makes me think about my role within Novum NL, it also raises thoughts about the roles of a Quality department versus a Marketing department in building a customer focused organization. In a lot of countries the MCL initiative is taken up by the Corporate Marketing department, so Novum NL is an exception with the QCS director as the MCL coordinator. So far, this has worked fine, but the overlapping interests and competencies of the two departments are heading towards a competition for management attention and resources. In an ideal situation quality and corporate marketing should team up instead, and build the customer focused organization in unison.

Thread 3: MCL *rollout*
The MCL rollout proceeds only slightly during this episode. In the previous episode, the Board had rejected the plan of MCL training via management development workshops combined with an implementation of the MCL process in four pilot groups (three sales group and a support group). In a new meeting with the TQM consultant[26] we improve the plan for the MCL workshops and the MCL pilots. The management development workshops are postponed until after the summer of 1999. One new idea is to develop an 'MCL standard': a set of criteria that can be used to 'audit' sales groups for their current degree of customer focus and to subsequently define sales group specific projects for improving the degree of customer focus. This MCL standard is essentially a list of activities a sales group should be engaged in in order to be called customer focused, and it is based upon the MCL process (figure 7.5). The new MCL implementation plan is accepted by the Board in September.

26. In concordance with the practice of not attaching names to the persons in the narrative, the external consultant that we have approached for the MCL workshops and the MCL rollout (see episode 6) will be referred to as the TQM consultant. I chose this title as this consultant propagates a TQM approach to building a customer focused organization.
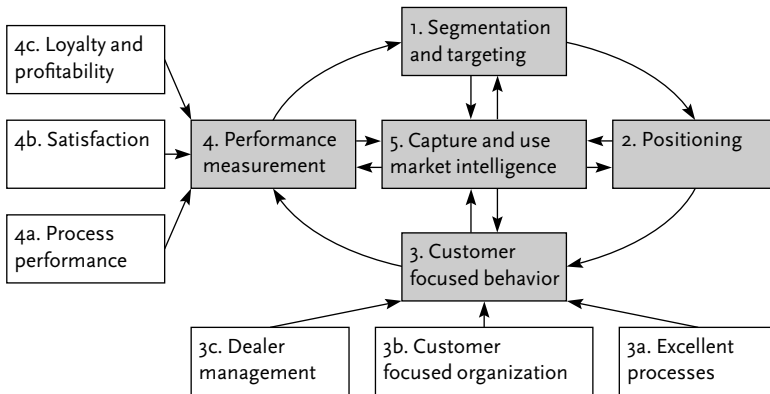
Figure 7.5: The MCL process as used by Novum NL

Thread 4: MCL progress

On the third of March 1999 the name of the new MD is announced. While
the parting MD had a history in research and development, the new MD has
a background in sales and marketing. People say he is a real salesman and
he is expected to quickly implement a sales orientation at Novum NL. On
March 26 we have the last MCL meeting with the old MD. This meeting is
used to review the status of CRM and of the MCL rollout. As the new MD will
start full-time at Novum NL only after the summer the QCS director will act
as the MCL chairman for the time being. I see the new MD for the first time
at the farewell of the parting MD. He appears to be more extravert than the
parting MD. As usual in any presentation to the employees, the perform-
ance of Novum NL is discussed and everyone is urged to intensify his/her
contribution to Novum NL's sales growth.

On May 6 I join a marketing planning session for the Professional
Business sales groups. This year Novum NL will revive the marketing
planning process. When the EMU s were formed in 1995, marketing
planning became a responsibility for the EMU s. The subs were only
responsible for adapting the European plan to the local market and for
its implementation. Now that the subs regain marketing responsibilities,
marketing planning skills need to be reestablished. In the introduction
to the seminar that is taught by an outside consultant, the HR/IT director
shares some facts about the current state of marketing at Novum NL.
Before the formation of the EMU s, Novum NL had one marketer for every
sales group. The marketing resources were almost halved as a result of the

shift of resources to the EMUs. Due to this lack of marketing resources, many sales groups do not engage in marketing planning anymore. The Board has realized that it is time to re-establish a professional marketing practice at Novum NL.

The eighteenth MCL meeting is the first one that can be held in Dutch since the new MD is not full-time at Novum NL yet. We discuss the 'existential' question whether the MCL team should continue to exist, what the team charter should be, and who should be on the team. After some brainstorming we come to five functions of the MCL team:

1. To provide direction to the development of Novum NL towards a customer focused organization.
2. To define what MCL is, such that its added value is clear, and commitment and resources are secured.
3. To coordinate, prioritize, and review the progress of MCL initiatives and advise the teams realizing these initiatives.
4. To evaluate and report results of MCL initiatives to the Board and to the organization at large.
5. To identify and bundle expertise for defining, initiating, and securing MCL initiatives.

The question is whether we need a separate MCL team to provide these functions or whether we should have MCL working groups that report directly to the Board. In a follow-up meeting we discuss the future of the MCL team. Two members want to leave the team, but the overall vote is to continue with a central MCL team that reports to the Board. We propose to have a small MCL team with the project leaders of the MCL initiatives, chaired by the QCS director. The HR/IT director will join the MCL team as the sponsor for the management development training sessions. Furthermore, he joins the team as a sponsor for the intended changes in the performance appraisals of Novum NL employees to include more MCL related measures in the appraisals.

On August 19 we have the twentieth MCL meeting; the first MCL meeting with the new MD. The QCS director shortly presents the MCL model, the reasons behind MCL, the mission of the MCL team and the current MCL initiatives. Next, all current projects are shortly reviewed by the team members. I present the new customer measurement instruments and the sales group specific approach to stimulate and facilitate customer measurement. The new MD states that we should communicate more within the company about the MCL approach. He also stresses the

importance of building a customer-focused organization and shows his support for the MCL initiative.

By September the new structure of my working relationships within Novum NL has become clear. The current BPM manager will become the new Quality manager, but he will not be a member of the Board. He will also be my new manager within Novum. Our joint Board representative will be the HR/IT director. The QCS secretary will become the secretary of the Finance director. The Corporate Marketing director will also retire from Novum NL and his replacement will neither have a chair in the Board. The Board will thus be reduced from ten to eight directors, plus the MD. I am not as close to the Board and the MD as I was previously, since I do not work closely with an Board member anymore. The new MD has not been working at Novum NL full-time as yet, so I did not have the opportunity to establish rapport with him.

Reflection

In this episode, the idea of having one standard method for measuring customer satisfaction and customer loyalty was abandoned, and replaced by a 'menu' of six measurement instruments. Customer measurement was actively promoted in the company, and measurement projects were executed at the sales group level. These projects were valuable learning experiences, both for the quality department and for the sales groups. The partial overlap between the MCL project and the CRM project created competitive tensions between me and the CRM manager. This was a warning for me that I had to watch out not to 'go native' in the setting. The MCL initiative has survived the change of MD, moreover, the new MD is a strong supporter of improving the external orientation of Novum NL. In sharp contrast to earlier hesitations regarding the plans for an MCL rollout, the Board accepts the revised plan with MCL workshops and MCL pilots in one of the first meetings under the new MD.

§ 7.8   *Analysis of phase II*

Analogous to the analysis of the first phase, I divide this analysis in two parts: an analysis of the change process and an identification of more general implications for the design of market oriented organizations.

Analysis of the change process

In contrast to the pilot case study, the change process at Novum NL is coordinated through a high level steering team. The execution of the

changes is in the hands of project leaders, of which some are part of the MCL team and some are not. The fact that the MCL team is more of a steering team than an implementation team can be recognized in the many discussions and the relatively little action. The effectiveness of the steering team is hindered by two factors: (1) lack of decisiveness, and (2) lack of a clear vision.

The apparent lack of decisiveness is illustrated by, among other things, the repeated debates over the company-wide MCL rollout. The first plans for the company-wide rollout stem from May 1998 (episode 5) and revised versions of that plan were still debated at the end of episode 7. In fact, as will be clear from the narrative of phase III, a company-wide MCL event was never organized, although in 2000 a start was made with the implementation of MCL in most of the sales groups. The lack of decisiveness at Novum NL has been attributed by some to the Dutch consensus culture[27], while it can also be attributed to a lack of local leadership and coordination. There are symptoms that suggest that Novum NL is more of a collection of loosely coordinated mini-companies than one well-coordinated organization. The Board should be the body where all the sales groups and departments are tied together, but this body does not manage to achieve the required level of synchronization, nor does the MCL team in the area of building a customer focused organization.

In the analysis of the first phase I have already identified the lack of a clear vision as a hindrance to the effectiveness of the MCL team. By this lack of a clear vision I mean a lack of a picture of the envisioned market oriented Novum NL organization, and of a portfolio of improvement projects that needs to be completed in order to get to that envisioned end state. The question of what has to do with managing for customer loyalty, and what does not, was a question that was hard to answer for the MCL team. As an illustration of this difficulty, the evolution of the MCL project portfolio is shown in table 7.7.

Only a few projects are under constant consideration by the MCL team, for instance customer measurement. Other projects come and go. Key account management is intuitively strongly related to managing for customer loyalty, but it did not survive the continuous struggle for attention by the team members. The constant adding of new projects and forgetting of old ones illustrates the lack of a clear vision of what makes a market oriented organization, or in Novum's words, an organization that manages

27. The reference to a research report had to be removed in order to safeguard the anonymity of Novum NL.

for customer loyalty. And without such a vision it is too easy to jump from one idea to the other, especially in a company where the individual initiative is cherished and protected.

Like in the pilot case study, the project team encountered difficulties in finding ways to communicate with the rest of the organization. Concerns about internal communication were already raised in episode 2. The inclusion of the company specialist on internal communications in the MCL team did not solve this problem. One of the reasons that makes it difficult to formulate an unambiguous message about MCL is of course that the MCL team itself does not have a clear vision of what a market oriented Novum NL would look like. Second, as different sales groups need different specific solutions, it is difficult to compose one standard message about MCL for all Novum NL employees.

For a long time the MCL team thought in terms of one-size-fits-all solutions for all sales groups. One of the examples is the assumption that the P-E method for customer measurement would be a useful instrument for all sales groups. The MCL reviews made us realize that the differences in markets are so large between sales groups that more specific instruments for customer measurement are needed, dependent upon customer size, type of marketing channels used, et cetera. The MCL reviews itself did not lead to improvements in Novum NL's degree of market orientation; they were in fact an extension of the diagnostic phase, specifically to assess the collection, dissemination, and use of customer information. The MCL reviews did help increase the awareness of the MCL initiative within the sales groups.

Quite some improvement projects that made a contribution to building a market oriented Novum NL were not initiated by the MCL team. Examples of such projects that were initiated during this second phase of the case study were the CRM project, which contributed primarily to market intelligence storage and usage, and the revival of marketing planning, which contributed to market intelligence usage. Such grass-roots initiatives that start outside of the MCL project cannot be molded to make a perfect fit with the overall MCL change program, but these initiatives are led by highly committed project leaders, which makes these projects more likely to achieve success.

The minor collision I had with the CRM manager is noteworthy. It showed me first of all that I was becoming over-involved with the MCL project and that I had difficulties distancing myself from the setting I was studying. At the same time I was very surprised to see that the organization allowed two initiatives (MCL and CRM) to evolve in such a way that they

APRIL 1997	AUGUST 1997	DECEMBER 1997	MAY 1998
– Customer Information Center			
– *Customer measurement*	– *Customer measurement*	– *Customer measurement*	– *Customer measurement*
– *Co-location of CS and S&M*	– *Internal office layout*		
	– Employee alignment with board		
	– Customer focused event		– MCL event
	– Logistics excellence		– Improve order entry/ order fulfillment
	– Key account program	– Key account management	
		– *Building a customer focused organization*	– *Customer focused organization*
		– *Electronic commerce*	– *Increase usage of CRM tools*
		– MCL communication	– Communication
			– Improve selling and marketing skills
			– *Improve telephone accessibility*
			– Management development
			– Changes in performance reward systems
			– *Dealer management*
			– *Logistics scorecard*
			– *Complaint reduction and complaint handling*

Table 7.7: The evolution of the MCL project portfolio
(Projects that received serious attention of the team are in italic)

– *Customer measurement*   – *Customer measurement*

– Improve order entry/
order fulfillment

                                                          – Key customer project
                                                          orientation

– *Implement customer
focused behavior changes*

– *Increase usage of* CRM   – *Increase usage of* CRM   – *Development and use
tools*   tools*   of databases*

– Communication
– Improve selling and   – Improve selling and
marketing skills   marketing skills

– *Improve telephone   – *Improve telephone
accessibility*   accessibility*

– Management   – *Management   – *Management
development   development*   development*

– Changes in performance   – Integration of MCL
reward systems   in HR and HRD

                                   – *Dealer management*   – *Distribution channel
                                                                        performance*

                                   – *Logistics scorecard*

                                   – *Complaint reduction*

– Improve product
introductions

– Establish relationships
between board and top-25
customers

– *Small order reduction*

                                                          – *Research for market/customer knowledge*

                                                          – *Marketing balanced scorecard*

                                                          – *From commodity to market*

                                                          – *Sales and marketing organization*

started to become overlapping. I was also surprised to find that within the MCL team (the CRM manager was also part of the MCL team) the views on the content of MCL could differ so much between two members.

The MCL reviews had shown that with respect to a specific type of customer intelligence – customer satisfaction and loyalty information – the collection, dissemination, and use of such intelligence was under-developed and unsystematic in most sales groups. A set of customer measurement instruments was developed in episode 7, and two customer measurement projects were implemented.

The group of players that was actually leading the changes in the organization was substantially different at the end of phase II than that at the end of phase I. The most active players during the first phase were the old MD, the QCS director, and the CS director. Now, the change process was driven by the Quality manager, the CRM manager, the marketing planning project leader, and the external TQM consultant. All of the former players were members of the Board, while of the latter group none are. This reflects the shift in the MCL initiative from thinking at the Board level to acting at the sales group level.

Implications for the design of market oriented organizations

Again, as in the analysis of the first phase of the narrative, I make a distinction between lessons about *what* to change, and lessons about *how* to change.

Lessons about what to change

In this phase the attention was on four processes: customer measurement, customer base management, marketing planning, and CRM. All four processes are relevant for implementing a market orientation. Both customer measurement and customer base management are analysis and improvement processes. They help to assess the outcomes of value generation processes so that these processes can be improved. These processes are essential in a market oriented organization that wants to 'continuously create superior customer value' (cf. Slater and Narver 1995). Marketing planning is not in any way reserved for market oriented organizations, but conscious efforts in marketing planning, including segmentation, targeting, and positioning, provide a structure for market analysis, customer selection, value conception, and the creation of value generation strategies (cf. Slater and Narver 1996). Customer relationship management, defined within Novum NL as the integration and mainten-

ance of customer databases as a basis for a well-coordinated customer interface[28], makes a perfect fit with the market orientation concept. Not all of these processes are sufficiently captured in the intermediate activity framework. I will include these lessons in the refinement of the frameworks.

Three enablers were prominent in this phase: feedback, tools, and skills. In the previous phase the enabler 'feedback' was illustrated through Novum NL's idea to include more MCL related performance measures in the employee appraisals. In this second phase we have also discussed the idea of extending the yearly reviews of sales groups by adding performance measures like customer satisfaction, customer loyalty, customer retention, and customer development to the existing review of sales volume and profitability. In order to increase opportunities for customer measurement we worked on the enabler 'tools' through the development of a menu of instruments for customer satisfaction measurement. New tools were also introduced for marketing planning and CRM. Marketing planning was supported further through skills training in marketing planning. This second phase did not lead to the identification of new enablers for market oriented behavior.

Lessons about how to change

The Novum NL case showed our initial mistake to think in terms of one-size-fits-all solutions for tools, processes, and other enablers to stimulate market oriented behavior. But, differences in market structure, market complexity, marketing channels, customer needs, customer size, size of customer base, competitive structure all lead to different intelligence needs and different customer value functions. And thus, differences in product-markets imply differences in market orientation practices. This applies also to other organizations that serve multiple product-markets. In the Novum NL case the MCL project at one moment started to 'compete' with the CRM project. Such competition should be avoided. First of all, the change process towards improved market orientation should not be seen as a project. The change process builds on a portfolio of carefully selected projects. The projects in the portfolio should be aligned and integrated in order to work towards realization of the vision. The distinction between the overall change process and the individual projects that contribute to the

28. Note that there is no common understanding of the term CRM. Within business periodicals CRM is usually associated with the creation and leveraging of customer database. Within the scholarly literature CRM is often used as the creation and leveraging of relationships with marketplace entities (e.g., Srivastava et al. 1999).

change process should be made clear.

Finally, the Novum NL case illustrates a management level – implementation paradox. On the one hand, it is important for implementation success that the change process is initiated by top management, and that top management is involved in the definition of the change process. In the RCC case we worked one level below top management, and that resulted in limited buy-in from the board of directors. At the same time, top managers do not do the actual implementation. Some of the Board members within Novum NL were actively involved, but the implementation builds on the efforts of middle managers. The most effective, most visible, and most far-reaching projects – CRM, marketing planning, and, in later episodes, MCL project A – were all managed by middle managers. A dual strategy is needed: initiation of the change process and portfolio management by top management, combined with project leadership at the level of middle management.

§ 7.9   *Phase III: implementation of new market intelligence generation practices*
The QCS director retired per October 1, 1999, which more or less coincided with the first full weeks at the office of the new managing director. My role at Novum NL changed significantly with the retirement of the QCS director. From that moment on, the MCL team ceased to exist and I started working for the new Quality manager. The most important development of this phase is the implementation of an organizationwide market research project.

> *Episode 8: new plans for action*
> *(October 4, 1999 – January 21, 2000)*

A few days before his retirement the QCS director hands the documentation of the MCL project over to me and the Quality manager. The MCL rollout with workshops and pilots was accepted by the Board, so the contacts with the TQM consultant need to be intensified to make it all happen. The QCS director urged me to take responsibility for the progress of MCL, because the Quality manager will be busy with the upcoming ISO certification and other quality related initiatives like BPM (his previous job). But, as this episode will show, the Quality manager enthusiastically takes ownership of MCL, and incorporates it as one of the new quality department's key strategies. As there is enough work to be done in the area of customer measurement as well as the company-wide rollout the Quality manager welcomes my assistance in his new job. Per November 1st, a Quality

assistant is added to the quality department. I have discerned two threads in this episode: the first thread covers the MCL rollout and the second covers other interesting developments related to MCL.

Thread 1: MCL rollout

On the fourth of October I would have had MCL meeting 21, but it is canceled due to insufficient availability of team members. Four days later I have my first 'official' meeting with the Quality manager, my new sponsor within Novum NL. Our first challenge is the MCL rollout. After having discussed the status of the rollout shortly, we meet with the TQM consultant. We come to a set of agreements on how to develop the MCL standard based on the MCL process (figure 7.5), how to organize the workshops and the pilot implementations, and we define further steps for the year 2000. In our latest plan all managers will have to participate in a training session on MCL, all sales groups will have to implement a certain part of the MCL standard, while four pilot groups are assisted in implementing the whole standard.

This year's exercise in marketing planning has shown that a lot of sales groups lack factual information about their markets and their customers. It is therefore that we decide to have all sales groups focus on elements 1, 2, and 4b of the MCL process (see figure 7.5). These elements of the MCL standard correspond to market research for segmentation, targeting, and positioning, and customer satisfaction research. Based on these types of research the sales groups should be able to clearly differentiate and position their market offering in their next marketing plan.

I notice that the Quality manager is making a lot of decisions about MCL without my involvement. This is of course very positive as it shows his commitment to the project, but at the same time I experience that my role is becoming more limited than it was when working with the QCS director. This becomes even more clear when he tells me that the MCL team will change in composition and will not include me and the CRM manager anymore. It will now be an MCL steering group with the MD, the HR/IT director, the four GS&MMs, the Quality manager, and the TQM consultant as facilitator. This implies that August 19, 1999, was my last MCL meeting. One of the first decisions of the new MCL team is that the idea of the four pilots is abandoned, which means that there will only be a series of MCL workshops for all managers, and an implementation of elements 1, 2, and 4b of the MCL process in all sales groups.

Our next challenge is to synchronize the MCL project with the CRM project. Both initiatives will place a burden on the sales groups: the MCL

project will ask them to do market research, while the CRM project will focus on the harmonization and integration of customer databases for which the help of the sales groups is also needed. We sit together with the CRM manager, the TQM consultant, the Quality manager, the new Quality assistant, and myself. Each of the four market centers gets one of us as an in-company advisor. The Quality manager takes Health Care, the CRM manager Specialty markets, the Quality assistant Professional Business, and I take Industrial markets.

The MCL steering group has decided to label the implementation of elements 1, 2 and 4b: 'MCL project A, research for market/customer knowledge'. All initiatives that have something to do with building a more customer focused Novum NL are brought together under the MCL umbrella. Other MCL projects are for instance database integration, analysis and improvement of distribution channel performance, development of a marketing balanced scorecard, and an integration of MCL in HR & HRD policies. We are back at a situation where the MCL team, now called MCL steering group, is a board-level team that manages a portfolio of projects, although the projects are totally different from those we had in 1998 and 1999. Another big difference with one year ago is that all projects but one are facilitated by outside consultants.

The objective of MCL project A is to stimulate the generation of market intelligence. Three market research agencies are invited for an introductory presentation because we foresee that quite some research projects will have to be carried out by a professional agency. We will also help sales groups find students to execute research projects and some research questions might be solved through desk research by the marketers themselves.

Over all, the sales groups are positive about MCL project A. Most of the marketers and managers agree that Novum NL has to catch up with factual information about its markets and its customers. Some complain nevertheless that this new initiative has not been budgeted for in the marketing plans of the sales groups so they are short on time, money and manpower. The first kick-off session (for all sales groups in the Specialty markets) is planned for January 21.

Thread 2: Other interesting developments
Apart from my involvement in MCL project A, I join the Quality manager in the development of his first Quality year plan. We are assisted by the ISO project manager, and the new Quality assistant joins in per November. She and the Quality manager officially form the Quality department, but the

ISO project manager and I regularly act as an extra support. For quite some time I am uncertain about the Quality manager's plans for my involvement with Novum NL. Although I feel that I have a valuable contribution to the MCL project and the development of the Quality year plan he has not provided me with a long-term perspective within the new department. Early December he informs me that the new MD has agreed with the Quality manager's proposal to hire me as a support for the Quality department for the whole of next year.

The yearly kick-off meeting in January is again supported with presentations by two international executives. Both executives praise Novum NL for its profitability but warn also that sales growth is still behind target. It is interesting to see the 'hockey stick effect' (cf. Day 1986) illustrated in the presentations of these executives and of the MD. The past three years show a downward slope in a number of charts, but all charts show an upward twist for next year. The new MD has introduced a number of new slogans for Novum NL: Novum NL has to become a 'knowledge based organization', with 'the capability to grow 8% a year', for this we all have to become 'Novum stakeholders who are proud to attain their targets' and who therefore 'walk with a bounce in their step'. These new slogans come accompanied by a strong sales oriented attitude and a practice of thanking the organization for every month and every quarter that is above or near forecast. It is hard to say that this is the merit of the new MD, but the results of the second half of 1999 are much better than the year before.

Reflection

In this episode new directions, new plans, and new energy have been put into the MCL initiative. The new MD acts as an active sponsor, the new Quality manager gets to the groundwork for the projects, and the outside consultants take care of a constant pressure to keep things moving within Novum NL. The MCL process turns out to be an effective tool for defining the processes of a customer focused organization. Although I had some doubts in the beginning of this episode whether I would have a role in the new constellation it turned out that I was very welcome in the newly established Quality department. The Quality year plan places MCL at the heart of the Quality department for the year 2000. MCL project A, research for market/customer knowledge, is the focus of my job at Novum NL, both as researcher as well as facilitator. It will remain my focus for the next episode, with a spotlight on the Industrial markets for which I am the in-company advisor.

Episode 9: collecting market information
(January 21, 2000 – June 28, 2000)

During this episode MCL project A is implemented in twenty sales groups. I will concentrate on the market research projects in the Industrial market center, and where needed I will support the students that are hired to execute some of the studies. Within the Industrial market center I am particularly involved in the research projects of Indu2 and Indu4.

Thread 1: MCL *project* A

January 21 brings the first kick-off session of MCL project A. This kick-off session is for Specialty markets, the group for which the CRM manager is the in-company advisor. I cannot stay for the whole session but I hear later that the GS&MM for Specialty markets is positive about this kick-off session. All the sales groups are asked to identify what knowledge about markets, customers, and value drivers they have and what knowledge they lack. Where there are white spots in their market/customer knowledge they can formulate research plans in order to cover these white spots. Depending on the type of research and the budgets available, these research plans can be executed, either via a professional research agency, via students, or via desk research. In order to help the sales groups formulate a research plan we have developed a standard form that can be used to identify areas for market research.

The MCL kick-off session for the Industrial markets ('my' market center) on January 31 is the last of four. The MD is here to give a short introduction, and the Quality manager presents the foundations of MCL. Quickly the problem surfaces that almost all sales groups have overlapping customer bases. It would not be very efficient if each sales group would do its own market research. So, the four most important markets that are served by a majority of sales groups are selected and sales groups team up to define research projects for these markets. The day does not close with clearly defined research plans but a lot of thinking has been done and it appears that most sales groups have the appetite to execute market research.

Indu4 is the first sales group to take concrete steps in the area of research. The S&MM has contracted a student to study the developments in the market of power utility companies. I have offered all sales groups that will use students for their market research my assistance in supervising those student projects. This manager is the first to call upon my

offer. He has asked the student to develop a number of scenarios for the deregulation of the Dutch power utility market and the impact on Novum NL's market position.

A second sales group that actively involves me in the definition of their research plan(s) is Indu2. This group has a new s&MM and a relatively new marketer so the market of Indu2 is analyzed with fresh eyes. One of the observations of the s&MM is that Indu2 does not have a market of its own; its products are used in a wide variety of markets. Consequently, they have to spread their attention over a diversity of market niches. Second, when a sales group cannot claim a specific market it is also not able to claim a specific set of distributors, which gives the sales group a weak position vis-à-vis other sales groups. The first research plan is for a student to research the possibilities of claiming paper manufacturing, paper processing, printing, and related industries as a market for Indu2. Then, there are some specific niches where specialty products are used, like the specialized furniture manufacturers (a market where ASD has an important stake), and the technical service departments in larger firms (a market where Electrical has an important stake). We combine the latter two market niches into one plan for a quantitative study, to be outsourced to a professional market research agency.

The first MCL project A review session for the Industrial markets is on March 9. In the week before I receive a number of research plans, and I receive the other research plans at the start of the session. Although the discussions do uncover some of the competitive tensions that exist between sales groups that serve overlapping markets, we end the day with a promising set of studies. It is a nice mix of studies to be executed by agencies, studies to be executed by students, and desk research to be done by sales groups themselves.

The plan was to use the second review session of June 8 to review the results of the various studies. The problem is however that we do not have that many results yet. One of the groups has combined the MCL and the CRM initiatives through a study aimed at database cleansing. One study that still has to start is a market attractiveness study for a selection of market segments that might be attractive to the majority of Industrial groups. This is a nice example of a market research study that is used to forge stronger bonds between the various sales groups instead of fortifying the walls around the sales groups. Most research projects are still running when we have the final review session for the Industrial group on June 28. The GS&MM proposes to organize a day in September to review the final outcomes.

Thread 2: Other interesting developments

On the 6th of April we are visited by an MBA student, who would like to do a study on knowledge management within Novum NL. We are quite interested because after all the new MD is stressing that Novum NL should become a knowledge based organization. The MD has also launched the idea to unite all MCL, CRM, and marketing planning initiatives under the term ICK: Improving Capabilities and Knowledge. The student will start at the end of June with a study to assess knowledge management practices within Novum NL. He will be supervised by the Quality manager and me and he will focus on the HR and HRD departments.

On the first of May we have a department meeting for which we have invited the former ISO project manager as a facilitator. One of the issues is the fact that the new ISO norm obliges us to document a continuous improvement process based on customer satisfaction research. So far, we have decided to leave customer satisfaction research up to each individual sales group, with our offer to support this process. The question now becomes whether we should also have a measurement and improvement process at the firm level, and if yes, how should we organize that in a firm as diversified as Novum NL?

Reflection

The most important process in this episode was MCL project A, research for market/customer knowledge. Despite the repeated complaints that there was no manpower to execute extra market research, most sales groups have used this opportunity to collect information on (parts of) their markets. In my view, these sessions have also brought the Industrial sales groups closer together as there were frequent discussions about each other's markets and customers. During this episode I have also been involved in the day-to-day challenges of the Quality department, though this has been diminishing towards the end of the episode. As I have discussed with the Quality manager I will stay involved in MCL project A, but after that I will gradually reduce my involvement with Novum NL. It is clear that the distance between me and the organization is also growing, which makes the process of disengagement from the setting easier.

Episode 10: Tying up loose ends
(June 28, 2000 – September 11, 2000)

July 13 and 14 we spend working on the Quality year plan 2001. In the past year the main activities of the Quality department have been BPM process

improvement projects, ISO maintenance and improvement, and the MCL projects. With his personal endorsement of ICK the MD has been a big support for the MCL initiative. MCL project A needs to be followed up next year with continued investments in market research since only a fraction of the white spots in customer and market knowledge could be resolved with this year's research. In contrast to this year the sales groups will have to reserve resources for market research in 2001, but a central budget is probably still needed in 2001 to stimulate the continued collection of market intelligence. It is the Quality manager's opinion that the Quality department should reduce its operational role in coordinating market research activities of the sales groups. This role was needed in order to initiate MCL project A, but staff involvement should gradually diminish, as market research becomes one of the standard processes of sales groups.

A week later we sit with the MBA student to discuss the progress of his knowledge management study. Based on interviews with key personnel in HR, HRD, as well as IT, Quality, and members of the Board, he has assessed current knowledge management practices in HR and HRD, current tools for knowledge management, and Novum NL's culture as a factor in knowledge management. Contrasting Novum NL's current situation with an ideal situation based on the knowledge management literature he intends to arrive at a set of recommendations, specifically for HR and HRD, as well as for Novum NL in general. His analysis also includes topics like information sharing and information storage. Although his focus is not on market information and market knowledge, his analysis is valuable also in light of implementing a market orientation. His analysis reveals for instance that knowledge is seldom shared between organizational units, that knowledge repositories are fragmented and not easily accessible, and that Novum NL employees focus more on action than on action learning[29].

The next meetings at Novum NL are all linked to my activities as company coach of the MBA student, since I do not have any other tasks at Novum NL anymore. On July 31 the Quality manager has a surprise: the MD has accepted a new assignment as General Manager of one of the corporate market divisions. He has been MD of Novum NL for little more than one year. The succession dance can start all over again, although I will not witness this one from nearby.

All interviewees and all Board members are invited to the MBA student's knowledge management presentation on August 17. The majority of those

29. No reference to the research report can be given in order to safeguard the anonymity of Novum NL.

present recognizes Novum NL in the critical assessment of its current culture and practices, although one Board member thinks we should think more positively about ourselves. The discussion that follows the presentation is interesting: although most Board members acknowledge the importance of knowledge management, nobody wants to take responsibility for making a start with it. Finally it is decided that the Quality manager will discuss with the HR/IT director in what way and by whom a discussion will be initiated on whether it might be valuable to start a pilot on knowledge management.

September 11 is a day of evaluations. First, we discuss the final version of the Quality year plan 2001. We evaluate the knowledge management project and conclude that we should continue with a pilot. The TQM consultant the Quality manager have made an evaluation of MCL project A[30]. Overall, the project was a success: the level of participation was high and the responses from the GS&MM s were very positive. The objective was for each sales group to find out what their markets and who their customers are, which segments are most valuable, what target groups should be approached, and what the value drivers of customers are. Most sales groups only managed to get answers to the first two questions (markets/customers and segments). The timelines of the research projects were not met for most groups. The project needs a continuation next year. The least successful aspect of the project was the use of students as researchers. Improvements need to be made in selection of students and supervision of students by Novum NL.

Reflection

With the completion of the Quality year plan, the evaluation of MCL project A, and the end of my role as coach for the knowledge management project my last duties for the Quality department of Novum NL are fulfilled. I will stay in contact with the Quality manager in order to see whether and how MCL will be continued in the near future, but I will not take up new responsibilities in its continuation. One of my students at the University has taken up an assignment to assess and improve the degree of market orientation for a new sales group within the Industrial markets group. This will help me stay in contact with Novum NL for the coming six

30. One of the observations in the assessment of Novum NL's knowledge management practices was that projects are rarely evaluated, thereby missing an opportunity to learn from failures and successes.

months. The epilogue of this narrative will report on these more infrequent encounters with Novum NL.

Epilogue

Between September 2000 and March 2001 I have visited Novum NL a number of times to see how Novum NL continues to work on a more customer focused organization. Knowledge management is to be continued with a pilot project on employee development, which means that a knowledge map, and presumably an intranet site, will be built, such that knowledge on this topic can be collected, stored, and shared. Various sales groups have indicated that they want to execute follow-up market studies in order to further improve their knowledge about customers and markets.

The TQM consultant is still involved with Novum NL, although his focus is not so much on MCL, but on the implementation of total quality management in the organization. A company-wide customer satisfaction measurement system was implemented in March 2001. In conclusion of the case narrative I can report that 'hockey stick' forecasts can come true: after a few years of disappointing sales growth Novum NL has performed above forecast over 2000, and continues to be a successful subsidiary in 2001. The whole case narrative is summarized as a visual map in figure 7.6.

§ 7.10   *Analysis of phase III*
As in the previous two analyses I first present an analysis of the change process, followed by a discussion of more general implications for the design of market oriented organizations.

Analysis of the change program

In this third phase of the Novum NL case study we finally managed to implement a company-wide MCL improvement program: 'MCL project A, research for market/customer knowledge'. In the first two phases of the case study the QCS director had made a number of attempts to implement a company-wide MCL rollout. Despite the many presentations in the MCL team and the Board such a rollout was never implemented. My analysis is that the QCS director used an implementation strategy that is often advocated in the textbooks: he aimed for top management (i.e., commitment of the whole Board) before starting a company-wide implementation. The strategy of the Quality manager was slightly different: he secured the

1997	29/4	4/8	12/11	12/12	1998

Prologue	Episode 1: Establishing access as an active member	Episode 2: Preparing for the baseline measurement	Episode 3: The interviews	Episode 4: The questionnaire and the report

My first
MCL meeting

My first full
day at Novum

First interview

Questionnaire
sent out

Intake of question-
naires stopped

5   6   7 7   6   6   5 3   7

Seven members   + 1 member
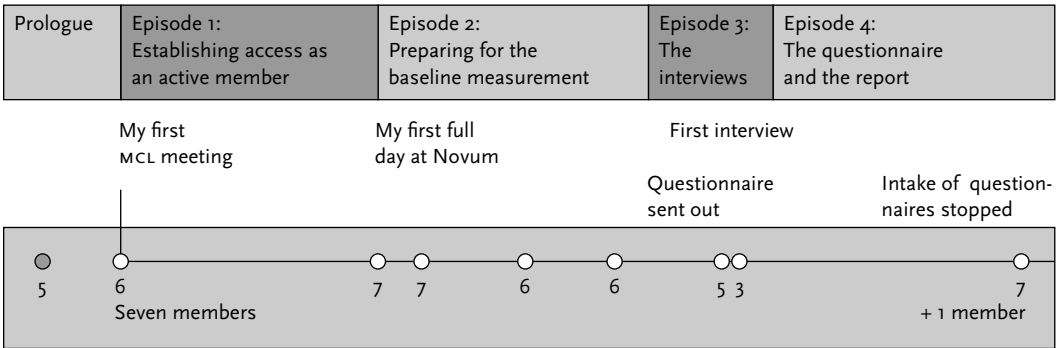
CEO Novum Corp.
visits Novum NL

Worldwide cost
cutting measures
announced

1/3	4/10	2000

Episode 7: Endings, transitions, and new beginnings	Episode 8: New plans for action

Six instruments for
customer measurement
developed

MCL rollout
plan accepted

MCL project A
is born

Clash with
CRM manager

My last
MCL meeting

6   6   4   7

MD leaves the team   new MD joins the team   Old MCL team disbanded;
MCL steering group formed
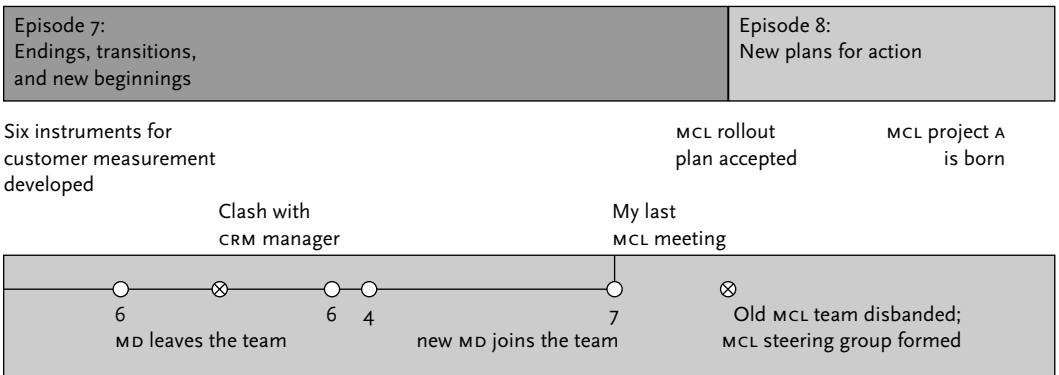
Marketing
planning sessions

Novum receives
ISO 9002 certificate

QCS director announces leave MD replaced	Bad press for Novum Corp.	QCS director leaves	Quality manager, quality assistent, and I make up new quality department

| 3/4 | 14/9 | 1999 |

Episode 5: Should I stay or should I go now?	Episode 6: ECL reviews

Baseline measurement report published

First plans for MCL rollout development

QCS director asks me to stay at Novum NL for further support

First review

First meeting with TQM consultant

MCL review report published

○ 7 + 1 member
○ 9
○ 7
○ 6 two members leave the team voluntarily
○ 6
● 4
○ 5

Business planning revived

CRM plan presented

MD announces his leave

| 21/1 | 28/6 | 30/9 | 2001 |

Episode 9: Collecting market information	Episode 10: Tying up loose ends	Epilogue

MCL project A kick-off session

MCL project A review session

MCL project A review session

MCL project A final session

MD launches ICK initiative

Knowledge management project started

Knowledge management project completed

MD announces his leave
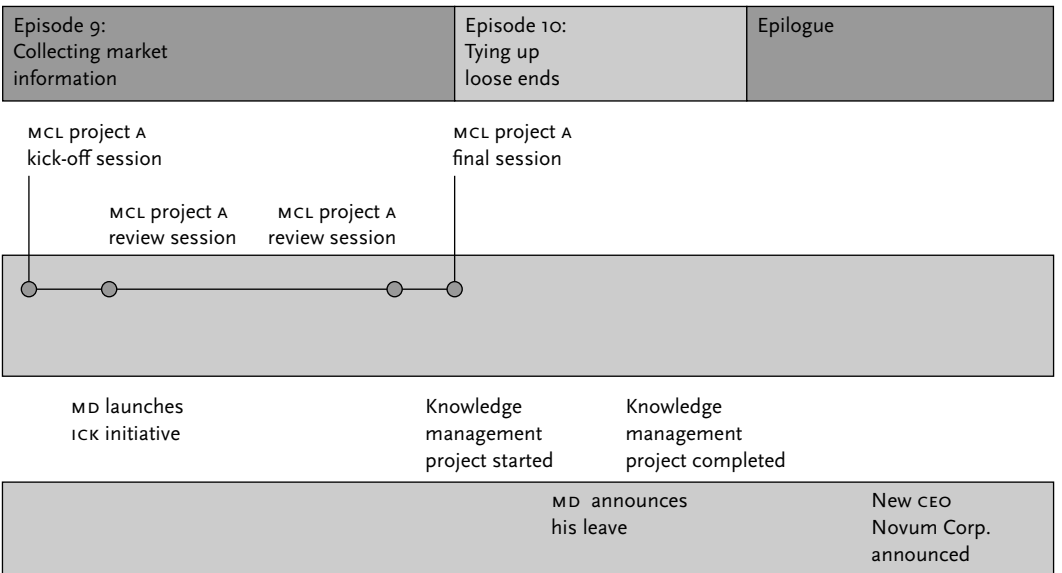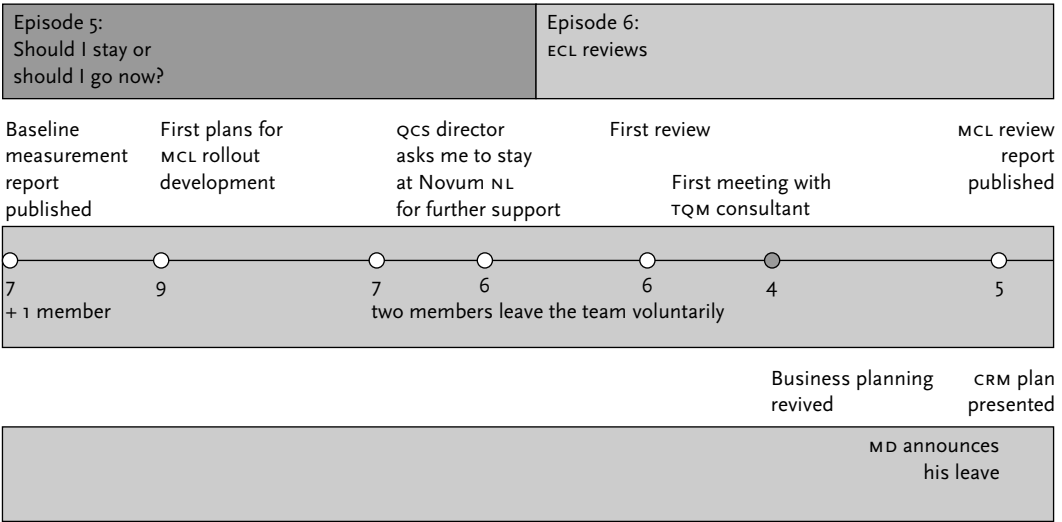
New CEO Novum Corp. announced

Figure 7.6: The visual map for the Novum NL case study

enthusiasm of one champion in the top, in this case the MD, and then drove the rollout (i.e., MCL project A) through the organization by means of his own personal dedication and persistence.

The vigor of the new MD is another possible explanation for the success of MCL project A. Not only did he allocate the necessary budgets to allow for the research projects, he also dedicated his own time and efforts to MCL. A new portfolio of MCL projects was established by the new MCL steering group, and the Quality manager was particularly active in managing that portfolio. A striking difference with the first 18 months of my involvement with Novum NL was the sudden increase in the number of external consultants helping with the change process. When I first came to Novum NL, I noticed that the company used very little external resources. During the second 18 months a consultant was hired to revive marketing planning, the TQM consultant was hired to help establish a company-wide MCL implementation, still other consultants supported supply chain management issues, and external agencies were used extensively for doing market research. Novum NL is clearly building more extensive external network ties.

In terms of the MCL process (figure 7.5), project A is only the start of the implementation of market oriented activities. The future will have to show whether and how the implementation of MCL continues. One of the questions is who is going to be the driving force behind the implementation. The new MD's position towards MCL is not clear and the Quality manager is not sure what the role of the Quality department should be in this change process, vis-à-vis the Corporate Marketing department and the sales groups. For historical reasons the Quality department was perceived by many to be the driving force behind MCL. Especially in the start-up of MCL the QCS director and myself – both representatives of the Quality department – did a lot of practical work in customer measurement and building a customer focused organization. Gradually the Corporate Marketing department became involved with two of its members on the team. In other subsidiaries in Europe the MCL initiative was driven by the Marketing director. Both Quality and Corporate Marketing could be plausible 'home departments' for MCL. Quality contributes expertise in continuous improvement, process management, and is interested in the usage of customer satisfaction data for improving business operations. Corporate Marketing contributes expertise in managing customer relationships, market research, and is interested in improving the company's market position.

The change process towards a more market oriented Novum NL is by no means completed with the end of my involvement with Novum NL. The MCL process (figure 7.5) shows in which areas Novum NL should invest in order to continually improve its market intelligence, customer value conception, and customer value generation practices. In a sense, the MCL process serves as a vision of a market oriented Novum NL. An enduring demand for market intelligence is secured through the marketing planning cycle, and the ISO quality management certificate forces the organization to design and implement business processes that generate customer value. Slowly, but noticeably, Novum NL is learning how to collect, store, share, and use market information for the creation of distinctive customer value.

Implications for the design of market oriented organizations

Implications for the design of market oriented organizations in general are again split up into lessons about what to change and lessons about how to change.

Lessons about what to change
In the discussions about what to change in order to make an organization more market oriented, the focus has been on the generation, dissemination, and use of market intelligence, but the *storage* of market intelligence has been largely neglected. Two strings of events in the third phase of the narrative bring this omission to the fore. First, the CRM project made clear that collective memory on customers was dispersed over many databases and these data were therefore difficult to access and share. Second, the analysis of Novum NL's knowledge management practices showed that knowledge is not systematically stored and organized by the use of for instance knowledge repositories, knowledge maps, and knowledge managers. While the original papers on market orientation also focused on market intelligence generation, dissemination, and use only (cf. Kohli and Jaworski 1990; Narver and Slater 1990), intelligence storage and organizational memory have been introduced in later years by the market learning perspective in market orientation (e.g., Day 1994b; Sinkula 1994; Slater and Narver 1995; Sinkula et al. 1997). Within in the discussion of what to change in order to become more market oriented this means that the organization needs to build and maintain an accessible organizational memory.

Lessons about how to change

The successful implementations of marketing planning, CRM, and MCL project A are in sharp contrast to the lengthy process of developing a plan for an organizationwide MCL rollout. The personal dedication and the appropriate allocation of budgets have made it possible that the first large MCL projects were implemented. In future cases it will be important to ensure that top management commitment is followed by appropriate resource allocations. But with hindsight, I also see another explanation. The early proposals for the MCL rollout perhaps did not convince the Board because they predominantly relied on a priori learning of new behaviors and not on experiential learning (cf. Narver et al. 1998). The early proposals emphasized training and workshops, while later proposals were more of the hands-on implement and learn type.

Within Novum NL, the quality department had a considerable role in the change process towards improved market orientation. But a quality department is not more appropriate than a marketing department for 'hosting' the initiative to build a market oriented organization. Both quality management and marketing have their own distinct areas of interest and expertise, but they share a common interest in building an externally focused, responsive, and well coordinated organization (cf. Menon et al. 1997). Quality of products and services can be a basis for competitive advantage, in fact, it is the driver of our Q-S-P relationship (Stoelhorst 1997; see also Rust et al. 1995). Quality management and marketing have largely developed independently from each other however (Korapleski et al. 1993; Morgan and Piercy 1996), while the implementation issue of market orientation could learn from successful change programs in total quality management (Day 1994a).

The improvements that are established through the portfolio of improvement projects should somehow be consolidated. A one year improvement in market intelligence generation through market research is nice, but it could for instance be consolidated through a marketing planning process that includes a review of market intelligence practices. Procedures and quality norms could also be used to establish 'standard' market oriented practices in the organization. The enablers for market oriented behavior as defined in chapter 6 do not only fulfill a role in stimulating market oriented behaviors, but also in consolidating them.

§ 7.11　　*Overall analysis and conclusions*

In this concluding section I first evaluate my role and position within Novum NL in light of the access I had to information, people, and events

that were relevant for the change process towards a more market oriented organization. Then, I discuss what we - the change team - have achieved in terms of improvements in market intelligence generation, dissemination, and use, and in terms of the organizational enablers we worked with in order to stimulate market oriented behavior. Next, I re-evaluate the intermediate frameworks and the changes I had made to the preliminary frameworks as a result of the pilot case study. One part of the value of the Novum case study is in further refinements of the frameworks, yet another significant part of its value is related to implementation in general. These lessons related to implementation are discussed in a fourth sub-section. An overview of key lessons from the Novum NL case study is presented at the end of the chapter.

An evaluation of my role and position within Novum NL

At the end of the RCC case I evaluated whether I had sufficient access to sources of information (people, documents, events) in order to study the change process and assess the value of the frameworks. My conclusion was that my physical position in the company did not sufficiently allow me to observe organizational processes other than the people, documents, and events that were directly related to the CBM project. Furthermore, my membership of RCC remained fairly peripheral, that of a temporary outsider.

The situation at Novum NL was very different. With my employee badge, LAN account, and my own desk, I had the same status as any other (temporary) employee at Novum NL[31]. My key informants involved me not only in processes related to the MCL initiative, but also in more general change processes and meetings. The examples of reciprocal access that I have provided in the narrative indicate that my membership was such that others also invited me to events they thought were interesting with regard to the implementation of a market orientation. I ascribe this high degree of access to the fact that I was an active participant in the process, instead of a mere observer. Where I could have improved is in achieving access at more levels within the organization. Within Novum NL I was primarily involved in processes at the level of the Board, particularly in the first two phases of the case study (episodes 1 to 7). I participated in a few processes

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31. One of my key informants confirmed after the conclusion of the case study that he has always considered me to be a 'normal' member of the Quality department of Novum NL.

at the sales group level in the first two phases, but I was quite heavily involved in the market research projects of sales groups during the third phase of the case study.

I also contributed to the day-to-day activities of the department with seemingly little direct value for the research. The extent to which these kind of activities contribute to gaining acceptance, and therefore access to the organization and its members should not be underestimated. I believe the nature of the research exchange is crucial for gaining access to people and information. Because my knowledge and opinions on the particular subject as well as my 'extra pair of hands' in the department were valued, I was able to become involved in a lot of discussions and I received a lot of information on which I was invited to comment. In this way a lot of data finds its way to the researcher, as opposed to a situation in which the researcher has to hunt down the data. However, it should not be taken for granted that all data passes by the researcher/consultant's desk in this exchange relationship, so a combination of methods of access needs to be employed.

Gummesson (1991) argues that in qualitative research the personality of the researcher is a key research instrument. Comprehensive access to strategic and organizational processes depends heavily on the personal relationship of the researcher with gatekeepers and informants within the organization. Important gatekeepers were the senior secretaries who guarded the calendars of the Board members. Being the office-mate of one of the senior secretaries I was introduced to a social structure that included other senior secretaries, which was certainly helpful in gaining access to processes and people. Apart from the members of the quality department as my key informants, other informants were the first managing director and his secretary, a number of sales & marketing managers, contacts within the corporate marketing department and several other employees in various positions within Novum NL. These connections were based on good personal relationships more than on reciprocity. Based on my researcher/in-house consultant/member role I felt I had good access to people and information, either through direct involvement in the process, or via my network of informants throughout the company. It happened only once that a manager was inaccessible for an interview due to a lack of interest in the subject. With the exception of a few instances I could be present at all meetings where I thought I should listen or participate. And in those instances where I was told it was better not to sit in, I was filled in afterwards by one of my key informants.

Achievements in implementation

I use this section to discuss Novum NL's main achievements with respect to the implementation of a market orientation. To structure this discussion I use two taxonomies: the three dimensions of market orientation (market intelligence generation, dissemination, and use), and the eight organizational enablers for stimulating market oriented behavior (feedback, management behavior, information exchange networks, roles & responsibilities, tools, resources, processes & procedures, and skills).

Market intelligence generation, dissemination, and use
The largest and most visible achievement of the implementation process was undoubtedly MCL project A 'research for market/customer knowledge' (episode 9). More than twenty of Novum NL's sales groups were involved in almost forty market research projects. This project was coordinated through the Quality department, with active support of the GS&MM s of the four market clusters, four facilitators from Quality and Corporate Marketing, and an external consultant. Furthermore, a central budget was made available by the MD, and market research agencies as well as students were used to execute the majority of projects. A large amount of resources were pulled together to get this project off the ground. The project made sales groups aware of their gaps in market knowledge. The project was highly successful in stimulating the collection of market intelligence[32] in 2000, but it is not clear if and how this project will be followed up in the next years.

While the aforementioned project clearly had the largest contribution to intelligence collection, the customer measurement project (episodes 1 to 7) also aimed to stimulate intelligence generation. The customer measurement project focused entirely on the collection of customer satisfaction and loyalty data. This project's biggest pay-off was the improved insight in the variety of methods for customer measurement and the facilitation of a number of sales group specific measurements. Although one of the conclusions of the customer measurement project was that it is impossible to develop one standard satisfaction measurement method for the whole of Novum NL, the desire for one aggregate measure of customer satisfaction resurfaced as a result of the new ISO quality management norms. Such a

32. Most of these research projects focused on current and potential customers only, while true market intelligence would also include intelligence of current and potential competitors, and general market developments.

company-wide customer measurement system was implemented in March 2001.

The CRM project (episodes 6 to 10) that unfolded parallel to the MCL initiative also contributed to increased customer intelligence generation. But its main contribution was not so much in the generation, but in the storage of customer intelligence. One of the project's aims was to minimize the number of stand-alone databases, and work towards an integration of Novum NL's customer databases. While the storage of market intelligence goes unmentioned in most definitions of the market oriented organization, accessible repositories of market data are prerequisites for effective collection, dissemination, and use.

Less is achieved with regard to market intelligence dissemination. The CRM project should result in improved data availability through integrated databases. But effective dissemination should also include more active sharing of market information. The interviews with sales & marketing managers (episode 3), the questionnaire (episode 4), and many observations throughout the narrative show that a lot of sales groups and departments operate in 'splendid isolation' even when their markets overlap. An analysis of Novum NL's knowledge management practices confirms these observations[33]. Information dissemination within Novum NL is hindered because information exchange networks are largely unconnected from each other. Some ideas to interconnect these exchange networks are for instance the introduction of information brokers, people who collect information from disparate networks and make it available through media like intranet, or the creation of platforms/communities, real or virtual meeting places for people with similar interests. None of these ideas have been implemented yet. On the other hand I did observe that the MCL review sessions provided an ad hoc platform for sharing the results that came out of the various market research projects.

With respect to market intelligence use – or responsiveness, as Kohli and Jaworski (1990) call it – a number of improvements have been implemented. The most important one is the revival of the marketing planning cycle (episode 6). The responsibility for marketing planning had moved to the newly formed EMUS in the early nineties, and was only recently brought back to the local subs. According to Board members the quality of the first marketing plans was unsatisfactory, which was partly due tot a lack of market and customer knowledge. This of course reinforced the need for the MCL-project 'research for market/customer know-

33. No reference to this report can be given in order to safeguard the anonymity of Novum NL.

ledge'. Marketing planning was revived in 1999, and it was institutionalized through a yearly marketing planning cycle connected to the forecasting and budgeting process.

Within a good marketing plan, all elements of the MCL process (figure 7.5) should be covered. The marketing plan should discuss what the target segments are, how Novum wants to position itself in those segments, what needs to be done in order to accomplish the desired position, how and when market performance will be assessed, and how and when market intelligence will be gathered, shared, and stored. The first four elements together comprise the whole spectrum of market intelligence use. It is difficult to say whether market intelligence use was stimulated in all sales groups. In one sales group the market research led to a complete revision of the process of going to market, based on the improved insights of end user needs and wants.

Two other initiatives that aimed at stimulating market intelligence use failed. One of the recommendations that followed from the MCL reviews the QCS director and I conducted in episode 6, was to include reviews of customer satisfaction, customer loyalty, and customer development in the yearly sales group performance reviews. These performance reviews have a predominant focus on financial data and we suggested to add customer satisfaction and customer defection data to those reviews. This recommendation was not implemented. Another suggestion that has been discussed often but was never implemented concerns the inclusion of market-based performance data, such as satisfaction of internal and/or external customers, in the employee appraisal system. When implemented, such a performance evaluation system would also stimulate the use of market intelligence in day-to-day decision-making.

Enablers for market oriented behavior
The organizational enablers for market oriented behavior (table 6.2) were added to the frameworks as an outcome of the pilot case study. These enablers can be used by managers in order to minimize the gap between desired behaviors and actual behaviors. The enablers are deployed to increase employee's motivation for market oriented behavior, and to remove personal and situational restrictions to market oriented behavior (Poiesz 1999; see also Harris 1998a; Bisp 1999). At the same time, the enablers serve to 'anchor' new behaviors in organizational systems, structures, and (formal) processes. In this section I review the use of enablers by Novum NL.

Various plans were made to use the enabler *feedback*. But, as I discussed above already, the official feedback systems for individual employees or sales groups were never adjusted for market oriented behavior. The enabler *management behavior* was discussed in one of the first MCL meetings. All MCL team members agreed that they could play an important role in providing the right example in market oriented behavior and in giving feedback to others. An attempt was made to adopt as a standard that all members of the Board would spend two days a week with customers, but this was never made official policy.

The Board acknowledged that the physical location of people is an important aspect of building effective *information exchange networks* needed to enable information dissemination. For the sake of improved communication, the idea was launched to co-locate the customer service representatives (CSRs) with the sales & marketing employees of the sales groups the CSRs worked for. The reasons for and against this co-location have been discussed in the narrative (episode 2), and the outcome of the discussions was that one central customer service department continued to exist (episode 6). At least as important as effective information exchange between customer service and sales & marketing *within* one sales group is the exchange of market intelligence *between* sales groups, especially between those that operate on overlapping markets. Novum NL could work more consciously on interdepartmental information exchange by creating more exchange platforms, both real and virtual. These platforms could be created around customer groups, but also around more general themes, like how to measure customer satisfaction, how to implement market-based reward systems, and the like.

Novum NL has been experimenting with the enabler *roles & responsibilities* in various ways. One obvious way has been the creation of market-centered business units, like some of the Industrial sales groups that focus on one specific industry. In these business units responsibilities are linked to markets instead of products. Novum NL's continuous efforts to implement key account management at the corporate level is another example of using roles & responsibilities as an enabler for market oriented behavior. Further use of this enabler could be made by introducing the role of knowledge brokers, employees who are responsible for the collection, dissemination, and maintenance of knowledge related to specific markets or themes[34].

34. No reference to this report can be given in order to safeguard the anonymity of Novum NL.

The collection, storage, dissemination, and usage of market intelligence has been enabled through the implementation of new *tools.* First of all, tools for customer satisfaction measurement were developed by the Quality department. Six different types of questionnaires were made available, accompanied by instructions for their application. Corporate Marketing, in cooperation with an external consultant, developed tools for marketing planning. Furthermore, a new database tool was acquired to replace the many stand-alone customer databases. Tools for process redesign (the BPM methodology) and process management (the QDS system) were introduced to support market oriented processes. Intranet was identified as a potent tool for knowledge management. *Resources* was added as an eighth enabler for market oriented behavior. The MCL project 'research for market/customer knowledge' showed how extra money and manpower can help to get new behaviors implemented. Despite Harris and Piercy's (1997) claims that market oriented operations should not require additional resources, it was often heard within Novum NL that resources were not sufficient to systematically collect, disseminate, and use market intelligence.

The use of the enabler *processes & procedures* was boosted by the switch to a more process-based organization (episode 1) and the preparation for the ISO 9002 quality management certificate (episode 6 and onwards). These were Novum NL's first organizationwide efforts to document current and desired business processes. The publication of Novum NL's processes and procedures in the Quality Documentation System that is available to all employees, increases each employee's understanding of desired processes and behaviors. Marketing planning was formalized as a yearly process and it was linked to the yearly business reviews for the sales groups.

Skills as an enabler for market oriented behavior is closely related to the enabler tools. As new tools are implemented new skills need to be developed to use the new tools. The introduction of the new marketing planning tools was accompanied by a skills training in marketing planning. Other market orientation related skills development initiatives were skills training sessions in market research, management development sessions related to MCL, and training sessions dedicated to the appropriate use of Novum NL's quality management system. Plans for organizationwide skills development sessions related to MCL were discussed in a number of MCL meetings, but were not implemented. An overview of the use of enablers is presented in table 7.8.

Feedback	– Adaptations of employee appraisals and sales group reviews were discussed and accepted as good ideas, but were not implemented.
Management behavior	– An increase of Board members' time spent with customers was discussed and accepted as a good idea, but was not implemented.
Information exchange networks	– A co-location of sales & marketing and customer service was considered and rejected.
Roles & responsibilities	– New market-centered sales groups were created. New impulses for account management were implemented.
Tools	– New customer satisfaction measurement instruments were developed. New marketing planning tools were implemented. New crm tools were implemented.
Resources	– Additional resources for market research were allocated for the first year of mcl project a.
Processes & procedures	– All Novum nl's business processes were documented so that formal processes are described and available to everyone. Marketing planning process implemented as a new process.
Skills	– Marketing planning skills training was implemented. Managing for customer loyalty was implemented in management development. Market research skills training was implemented.

Table 7.8: The use of enablers for market oriented behavior at Novum nl

Concluding remarks

During the three years I was a part-time member of Novum nl the organization has worked hard to improve its practices of market intelligence collection, dissemination, and use. The most visible achievements relevant to the implementation of a market orientation have been the revival of marketing planning, the organizationwide market research project, and the implementation of crm, and, to a lesser extent, the obtainment of the iso quality certificate. A promising project for the future is the improvement of Novum nl's knowledge management practices. Neither the integration of market-based measures in the performance evaluation of individuals, sales groups, and departments, nor the organizationwide measurement of customer satisfaction, loyalty, and defection, are implemented yet.

I am concerned about the continued utilization of these new practices within Novum nl. Marketing planning is embedded in a yearly planning cycle, but the market research project was backed up by a once-only central

budget and the active support of an MD who is no longer with Novum NL. More than once did respondents note that Novum NL is not very strong in the follow-up of initiatives. Novum NL did not make full use of the organizational enablers in order to anchor new processes and behaviors. Improvements in knowledge management and the development of organizational memory could help speed up the dissemination of (market) knowledge, it can help preserve what was learned in the past, and it can accelerate Novum NL's process of market learning. I will elaborate on this issue of learning in the remainder of this chapter.

The Novum NL case and the frameworks

In the overall research strategy, the Novum NL case study serves to assess the value of the intermediate frameworks for implementing a market orientation. These intermediate frameworks were revisions of the preliminary frameworks, as the RCC case study showed that adjustments to those preliminary frameworks were needed. Two questions need to be treated here: (1) Did the intermediate frameworks perform better than the preliminary frameworks?, and (2) Are further changes in the frameworks needed?

The basic idea behind the preliminary as well as the intermediate frameworks is that the degree of market orientation of an organization is determined by the processes of market information collection, dissemination, and use, i.e., the extent to which organization members actually engage in collection, dissemination, and usage behaviors. The preliminary frameworks were built on the assumption that a redesign of actual processes would directly influence the behavior of organization members. An expert role was assigned to the change agent[35], and this person would improve market oriented practices through process redesign, in collaboration with the employees involved. As a result of the RCC case study, this change approach was refined in two major ways. Seven factors – of which formal process design was one – were acknowledged as organizational enablers for market oriented behavior, and a more incrementalist change strategy with a participative role for the change agent was suggested.

The Novum NL case study illustrates how these refinements hold up in practice. Just like at RCC, Novum NL did not have formal process

35. In both case studies this was not a single change agent, but a change team (the CBM team in the RCC case study, and the MCL team in the Novum NL case study).

descriptions according to which the marketing processes are carried out. A direct link between formal process and actual behavior – the assumption the preliminary framework was based upon – could not have worked here either. The eight organizational enablers for market oriented behavior ('resources' was added to the seven enablers identified in chapter 6) were accepted by the change agents as a useful set of 'change levers' for improving the degree of market orientation of an organization. Not all of them were put to use however. It is also clear from the Novum NL case study that the change agent (the MCL team) used an incrementalist strategy and took a participative role. However, the team lacked a long-term vision, as suggested by the intermediary implementation framework, and the incrementalist change strategy therefore lacked clear guidance.

The Novum NL case study offers additional insights for further refinements of the frameworks. A more specific activity framework could offer more guidance in creating a vision of the market oriented organization. The next generation of frameworks should be more precise in defining what processes are associated with a market orientation. The Novum NL case study has also brought to light that collecting, disseminating, and using market intelligence are activities people have to learn and discover. Not only does *being* market oriented mean that an organization engages in 'continuous learning about markets' (Day 1994b), *becoming* market oriented means that an organization needs to engage in experiential learning in order to become skilled at continuously learning about markets. The first marketing planning cycle showed that the sales groups needed to learn how to use market information to write good marketing plans. By doing so, they learned that they lacked good market information as a basis for their plans. In the organizationwide market research project they learned how to prepare, execute, and/or supervise market research projects. Continuous learning about markets can be incorporated in both the activity framework and the causal framework as a cycle of continuous improvement of the value creation process[36]. Experiential learning as a strategy for becoming skilled at new behaviors can be incorporated in the implementation framework with a learning loop in the implementation of new processes and enablers.

Additional lessons of the Novum case are related to the *application* of the frameworks in a real-life organization. These lessons do not translate into refinements of one or more frameworks. One thing that makes Novum NL such an interesting case is the diversity of sales groups within one multi-

36. Cf. Woodruff's (1997) customer value learning loop.

product, multi-market organization. On the one hand, each market requires customized improvements for market orientation, yet, at the same time, the Board does not want thirty-five separate change programs. This tension between the call for a general company-wide approach and the need for sales group specific improvements, is comparable to the tension that exists between general frameworks for the implementation of a market orientation, and specific characteristics of organizations that want to use those frameworks. Because of the general nature of the frameworks they cannot be used as 'recipes' for improved market orientation. For the application of the frameworks this means that each organization that wants to use such frameworks should first customize the general frameworks so that they apply to the particular situation in which they will be used. The Novum NL case has shown that the frameworks can be used in a range of sales groups that vary in the size of their customers, the complexity of the market, the channels that are being used, and more. Furthermore, the Novum NL case has shown how some elements of the change program can be common for all sales groups (e.g., the marketing planning process), while other elements are sales group specific (e.g., customer measurement).

The Novum NL case and the implementation of change

Other lessons from the Novum NL case study relate to the implementation of organizational change in general. It is clear from the case narrative that the Board-level MCL team at Novum NL had difficulties implementing changes in the organization. Intentions to change something could be debated for months, decisions to change something could be left hanging in the air without follow-up, initiatives were sometimes poorly co-ordinated, and changes that were implemented were seldom reviewed. At the same time, changes did get implemented in the organization, mostly as a result of 'autonomous behavior' of individual managers. The slogan of one such manager was 'just do it, and ask for permission later'. Good use of grass-roots initiatives solves half of Novum NL's implementation problems, but a guiding vision, a coordination of initiatives and progress monitoring are still needed at the top of the organization. Novum NL was not strong in these three areas. Organizations might want to assess and improve their implementation skills before they start a change program to implement a market orientation. The frameworks do not tell how to become better implementers.

– 'Resources' needs to be added as an eighth enabler for market oriented behavior.
– The storage of market intelligence in organizational memory needs to be added as an element of continuous learning about markets.
– New processes and enablers can be effectively implemented through a strategy of experiential learning.
– Collaborative incrementalism demands a clear vision to guide the selection of initiatives for the project portfolio.
– Collaborative incrementalism demands a powerful change team that coordinates initiatives and monitors their progress.

Table 7.9: Key learning points of the Novum case study

Novum NL not only learned new behaviors for market learning (e.g., market research, database management), but it also engaged in learning how to implement change. This is yet another type of learning. As the narrative proceeded Novum NL became more and more effective in using a strategy of 'collaborative incrementalism'. At first, the MCL team was looking for one-size-fits-all solutions that make up a master plan for implementing a market orientation, with company-wide events and participation of the total organization. While most of the approaches in the literature for the implementation of a market orientation also emphasize total reorientations and cultural transformations, one may question the necessity and the feasibility of such total company transformation approaches. At least in the Novum NL case step-by-step incremental implementation proved to be more feasible than implementation via an organizationwide program. In the last episodes of the narrative grass-roots initiatives from middle managers were used as the backbone of the change program, stimulated through resource allocations by the MCL steering team.

I wonder however to what extent this learning how to implement change is a conscious process at Novum NL. According to some informants change projects are seldom evaluated. Without such evaluations knowledge about which implementation strategies work well and which do not remains tacit, and is stored only in the memories of those involved in the project. Novum NL can improve in implementing change via a more active engagement of top management in progress monitoring of change projects. In addition, Novum NL can improve its learning how to implement change via more active engagement of top management in collecting implementation knowledge through reviews and evaluations of successful and unsuccessful change projects, as well as dissemination of this knowledge to middle managers and storage of this knowledge in methods and routines.

From the perspective of theory development the Novum case study was highly successful: the longitudinal case study contributed to a better understanding of implementation problems, and it provided further support for the process-based approach with the inclusion of some adjustments. The key learning points with respect to the implementation of a market orientation are summarized in table 7.9.

In the subsequent chapter I design this study's final frameworks. In these final frameworks I will provide a more complete picture of the processes associated with a market orientation, and I will incorporate the ideas of organizational learning as discussed above. The end of the Novum NL case study concludes the empirical part of this study.

IV   WRAPPING UP THE STUDY

The fourth and last part of the thesis covers chapters 8 and 9. The final design of the conceptual frameworks incorporate the key learning points from the longitudinal case study and additional ideas that emanate from a final review of the literature. The final frameworks describe how managers can develop and maintain a capability to learn about markets, customers, and value. These final frameworks are presented in chapter 8. Chapter 9 presents the conclusions, provides a discussion of this study's findings in light of the market orientation literature, and reflects upon designing-in-action as a research strategy. This thesis is completed with recommendations for further research and practical suggestions for managers.

In this chapter the findings from the longitudinal case study and relevant insights from the most recent literature are incorporated into the frameworks developed earlier in chapter 6. Because this is the last design cycle in this study, the resulting designs will be the final frameworks of this project. The qualification 'final' does not mean that I think these frameworks will be the final answer to the implementation issue in market orientation. I hope that these frameworks will inspire further research on this topic which will lead to even better insights for practitioners and marketing scholars.

This chapter opens in section 8.1 with a summary of lessons from the longitudinal case study. These lessons form the basis for the refined designs together with new inputs from the market orientation literature. The last review of the literature in this thesis was performed in chapter 6, which stretched up to and including 1997, the year the longitudinal case study started. A review of the relevant marketing literature of 1998 to the present time is provided in section 8.2. As a result of my findings in the Novum NL case study I will specifically explore the literature that examines market orientation as a market learning capability, as well as the literature on organizational learning in general. The first company-wide market orientation initiative at Novum NL, MCL project A, can be seen as a first step towards building such a market learning capability. The implications of treating the implementation of a market orientation as the development of a market learning capability is discussed in section 8.3. Section 8.4 serves as an introduction to the final frameworks; the key elements of the implementation approach will be laid out in this section. The final frameworks are presented in sections 8.5 to 8.7. I conclude this chapter with a short evaluation of the frameworks in section 8.8.

§ 8.1   *A summary of lessons from the Novum NL case study*
First of all, the Novum NL case study led to the recognition of 'resources' as an eighth enabler for market oriented behavior. This is a straightforward addition to the enablers in the causal framework.

Furthermore, the Novum NL case study brought 'learning' to the fore in three different ways. First, there is *learning about markets, customers, and value* as a way to define market orientation. The outcome of this type of learning is improved market knowledge. A focus on market orientation as learning instead of as market information processing introduces market intelligence storage and organizational memory as new factors in the

frameworks. Market orientation as continuous learning about markets, customers, and value is discussed in section 8.3. Second, the Novum NL case illustrated *experiential learning* as a way to implement new market oriented behaviors. The outcome of this second type of learning is improved processes and behaviors. Experiential learning can be understood as rapid prototyping of new behaviors: a priori learning is quickly followed by the implementation of new processes and behaviors[1], and based on what was learned in the first implementation, these processes and behaviors are improved. New processes and behaviors are 'stored' via the organizational enablers. The idea of rapid prototyping is incorporated in the implementation framework. Third, Novum NL engaged in a process of *learning how to implement changes* in the organization. The outcome of this type of learning is improved ways of managing change. Such a dynamic capability to change is 'stored' in tacit problem-solving routines, and in explicit tools for change management (such as Novum NL's BPM methodology). For this third type of learning to occur the organization needs to actively evaluate and review change initiatives, something that was rarely done within Novum NL. This third kind of learning does not relate to any framework in particular.

A third set of lessons from the Novum NL case study relates to 'collaborative incrementalism'. Collaborative incrementalism was introduced in chapter 6 as a more realistic and effective alternative to a planned implementation approach. Collaborative incrementalism merges a step-by-step implementation of changes (i.e., incrementalism) with a combined use of both planned initiatives and grass-roots initiatives of individual managers (i.e., collaborative). Collaborative incrementalism acknowledges that external conditions, internal politics, and 'accidents' preclude a straight journey from intended strategy to realized strategy (cf. Pennings 1997). Through a train of planned and emergent initiatives the change team travels towards the realization of the vision in a stepwise manner, which leaves room for continual adjustment of the course. Collaborative incrementalism also acknowledges that emergent initiatives, if used well, represent additional momentum for the change program. The Novum NL case study uncovered two important prerequisites for the effective use of collaborative incrementalism: (1) it requires a change team that has the skills, the authority, and the recognition so that it can function as a premise-setter and judge (cf. Bourgeois and Brodwin 1984), and it demands a clear vision that can steer the process of variation, selection,

1. I.e., actual processes, not formal processes.

and retention of initiatives (cf. Lovas and Ghoshal 2000). These lessons do not relate to any particular framework. Section 9.5 will deal with these more general lessons, while the other insights are incorporated in the frameworks in sections 8.5 to 8.7.

§ 8.2   *The relevant marketing literature of 1998-present*
While the main case study of this research project unfolded over the years 1998 to 2000, a number of influential new ideas was added to the body of knowledge in the area of market orientation as well as in related areas, such as organizational learning, strategic management, and organization theory. Within the area of market orientation there has been a continual burgeoning of publications testing the link between market orientation and performance[2], but the increase in publications on the implementation issue in these years is particularly remarkable. Since this is the focus of my study, I discuss only the new contributions to the implementation issue.

As if the time is now right to discuss the implementation issue, two publications of thought leaders in market orientation research present ideas on how to implement a market orientation in an organization. Narver and Slater discuss two approaches to the implementation of a market oriented culture: the 'programmatic' approach, and the 'market-back' approach, and conclude that a combination of the two approaches is needed to create a market orientation (Narver et al. 1998). Day defines the market driven organization as one that has superior skills in understanding, attracting, and keeping valuable customers, and he proposes a change initiative that aligns culture, capabilities, and configuration with the creation of superior customer value (Day 1999a; 1999b). Both change strategies acknowledge the importance of a market oriented culture, and, at the same time, both strategies emphasize behavior modification as a crucial step in making the change.

The argument of Narver, Slater, and Tietje (1998) can be summarized as follows: creating a market orientation is about organization members' learning how to continuously create superior customer value. This learning can be achieved in two ways: (1) via 'a priori education', which the authors call the programmatic approach, and (2) via experiential learning, called the 'market-back' approach. The authors claim that most businesses

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2. I will not discuss these publications here. The main contributions of these works are in revised scales, new empirical domains, and more intricate relationships between market orientation and performance (cf. Appiah-Adu 1998; Appiah-Adu and Singh 1998; Caruana et al. 1998; Chan Hung Ngai and Ellis 1998; Dawes 1998; Gray et al. 1998; Han et al. 1998; Van Egeren and O'Connor 1998; Verhees 1998; Song and Parry 1999; Akimova 2000; Dawes 2000; Hooley et al. 2000; Wood et al. 2000).

fail to create a market orientation because they favor the more popular a priori learning over experiential learning, while, according to the authors, experiential learning is required to realize a culture change, and the role of a priori education is only that of *preparing* for hands-on problem-solving and experimentation in a results-driven continuous improvement process.

Day (1999a) also stresses the importance of learning new behaviors. This learning should focus on the skills to understand, attract, and keep valuable customers. The role of top management is emphasized as the initiator and driver of the change program. Day makes two points that are specifically worth mentioning: (1) management should focus on the conditions that enable employees to produce good results, and (2) change happens by altering behavior patterns, while eventually these changes in behavior will be absorbed into the underlying norms, beliefs, and mind-sets. This line of reasoning is wholly consistent with the implementation approach outlined in chapter 6 that was built on behavior modification via enablers and on the idea that behavior changes will on the long run result in cultural change.

Still other approaches for implementing a market orientation have been proposed in the literature in these years. A web of publications on developing a market oriented culture is woven by Harris (e.g., Harris 1998a; 1998b; 2000; Harris and Ogbonna 1999; 2000; 2001). His work builds on a small number of in-depth case studies of market oriented changes in UK retail organizations. Particularly interesting in this work is the data on responses of front-line employees to management's attempts to create a more market oriented culture. Responses range from comprehensive repudiation to unreserved adoption (Harris and Ogbonna 2000). The age of the employee and length of service appear to be negatively correlated to acceptance of such a change initiative. An earlier study had uncovered seven individual-level barriers to market oriented behaviors: apathy, low level of perceived instrumentality of new behaviors, lack of perceived power, short-termism on behalf of the front-line employee, low connected-ness, ignorance, and weak management support (Harris 1998a). These studies show that developing a market oriented culture is a process that can meet considerable resistance at the shopfloor level if not managed well. Harris points out in addition that the current understanding of organizational culture in the marketing literature is generally narrow, naïve and simplistic (Harris 1998b; Harris and Ogbonna 1999). Finally, by adding quantitative data of retail organizations to the case studies, Harris has been able to identify eight organizational barriers to developing a market orientation (Harris 2000). These barriers are related to structure

(connectedness, centralization, and formalization), strategy (service-differentiation and cost focus strategy), and systems (communication systems, integration devices, and marketing controlled co-ordination systems). While Harris calls these factors 'barriers', six of them (centralization and formalization excepted) are in fact 'enablers' of market oriented behavior.

The same preference for the term barriers instead of enablers is found in Bisp (1999). In contrast to Harris, Bisp focuses on the implementation of market oriented activity, not culture. Bisp identifies six barriers to increasing market oriented activity: management personality, beliefs of employees, organizational structure, human resource management, competence/skills, and psychological climate. These barriers appear not to have been selected on the basis of management's ability to intervene, in contrast to the enablers I have listed in chapter 6. Nevertheless, a subset of Bisp's barriers – organizational structure, human resource management, and competence/skills – is similar to the enablers for market oriented behavior of chapter 6.

Becker and Homburg (1999) do share this thesis' interest in management issues related to the development of a market orientation. The authors introduce a 'systems-based perspective of market orientation' and they discuss the concept of 'market-oriented management'. Market-oriented management is conceptualized in terms of the degree to which "management systems are designed in such a way as to promote a business organization's orientation towards its customers and competitors" (Becker and Homburg 1999, p. 18). The authors' systems-based perspective is positioned as a third perspective alongside the cultural perspective (e.g., Narver et al. 1998; Harris and Ogbonna 1999) and the behavioral perspective (e.g., Jaworski and Kohli 1996; Bisp 1999). Becker and Homburg identify five subsystems of the managerial system that are relevant to building a market oriented organization: the organization system, the information system, the planning system, the controlling system, and the human resource management (HRM) system. The authors then describe in what way structures, processes, information processing, ICT tools, plans, targets, performance measurements, and employee development can contribute to the degree of market orientation of an organization. The authors also report on the development and testing of scales to measure the degree to which market-oriented management is in place in an organization[3]. In an application of this scale the authors find

3. A considerable portion of the items in this systems-based scale refers to behaviors.

support for an interesting hypothesis: that market oriented management has a positive effect on financial performance (return on sales), *through* the mediating construct of market performance (customer satisfaction and customer loyalty). The addition of a direct effect from market oriented management to financial performance did not improve the model's fit to the data. This finding supports our causal framework in which market oriented processes and behaviors are related to performance through customer satisfaction and customer loyalty (the Q-S-P relationship).

Two new publications in these years focus the attention in market orientation research on the level of the individual (Allen et al. 1998; Celuch et al. 2000). Allen et al. argue that the implementation of the marketing concept can be fruitfully studied by looking at the beliefs of individual employees and managers. The beliefs of individuals are measured through a new construct, customer focus, which is defined as: "an individual's beliefs about the value of direct customer contact for achieving desired performance outcomes in his or her own job" (Allen et al. 1998, p. 157). They hypothesize that customer focus (beliefs) stimulates customer contact (action) which in turns stimulates responsiveness (the third dimension of Kohli and Jaworski's definition of market orientation). Responsiveness often leads to rewards which reinforce customer focus. Customer focus and customer contact can be aided through training that focuses on beliefs and actions. Celuch et al. (2000) argue that an employee's perception of the degree of market intelligence generation and dissemination of the organization positively influences the individual's confidence in his own ability to obtain and communicate information. This employee's perception of self-efficacy positively influences perceptions related to intangible and tangible benefits of using the information. This research suggests that an individual's confidence and participation in market oriented behaviors can be stimulated through appropriate reward systems and exemplary behavior of senior employees.

4. The use of the term 'learning orientation' in the same sentence as 'market orientation' is confusing. When an organization is market oriented it is meant that this organization actively engages in a dialogue with its target market(s), collecting information about its market(s) and translating that information into products and services with distinctive value (Slater and Narver 1995). But what does it mean when an organization is called 'learning oriented'? I propose not to introduce a new term 'learning orientation', but stick to the accepted terms 'learning capacity' (the trait; cf. Dodgson 1993), 'the learning organization' (the model; cf. Slater and Narver 1995), and 'organizational learning' (the process; cf. Fiol and Lyles 1985), just as we have used 'market orientation' (the trait; cf. Jaworski and Kohli 1996), 'the market oriented organization' (the model; cf. Day 1999a), and 'market information processing' (the process; cf. Sinkula 1994).

The last contribution to the implementation issue of market orientation to be discussed here is Farrell's (2000) study on the development of market oriented learning organizations. Several authors have argued that a market oriented organization is essentially a learning organization (Day 1994a; 1994b; Sinkula 1994; Slater and Narver 1995; Sinkula et al. 1997; Baker and Sinkula 1999). Farrell separates market orientation from learning orientation4 and, among other things, studies the relationship between market orientation, learning orientation, and business performance. His findings suggest that market orientation and learning orientation are highly correlated and both have a positive impact on business performance. Farrell has also studied the effect of two different approaches to change management (planned and emergent) on a market orientation. The data suggest that it does not matter which approach to change is used in an organization. While many other papers have discussed the link between market orientation to organizational learning in a conceptual way, this is one of the few empirical studies into this linkage.

§ 8.3   *Market orientation as a capability to learn about markets, customers, and value*

Since the first allusions to the link between market orientation and organizational learning – Day's (1994b) *Continuous Learning About Markets* being the first to make this link explicit – the idea of viewing market orientation as a learning capability has established itself in the market orientation literature (e.g., Slater and Narver 1995; Sinkula et al. 1997; Slater 1997; Hurley and Hult 1998; Morgan et al. 1998; Baker and Sinkula 1999; Farrell 2000). Intuitively, market orientation and organizational learning go hand-in-hand: as employees engage in activities to generate, disseminate, and use market intelligence, they are expected to learn about their markets and their customers, enabling them to create distinctive value for their customers. So what is new about incorporating learning in the discussion on market orientation?

So far, market orientation has been treated as a fairly static concept. Organizations are market oriented to a certain degree; the degree of market orientation can be assessed by looking at the extent to which the organization generates, disseminates, and uses market intelligence. Higher degrees of market orientation are associated with higher performance because more knowledge of markets and customers enables the organization to create output with higher value. Most of the empirical studies rely on a cross-sectional (i.e., static) comparison of magnitudes of market orientation and performance. When learning is incorporated into

the equation the argument becomes more dynamic: higher degrees of market learning contribute to a higher speed of knowledge creation about markets, customers, and value. Higher speeds of knowledge creation contribute to shorter cycles of improvements in value creation for customers, which is associated with higher performance over time (cf. Van Rijswijk and Van Raaij 1999). When Hunt and Morgan (1995; 1996) refer to market orientation as an organizational resource they also refer to such a dynamic market learning capability. In this section I discuss the role of market orientation in organizational learning. This discussion is structured around three questions: (1) what is organizational learning?; (2) what is a market learning capability?; and (3) what does it take to develop a market learning capability?

What is organizational learning?
Learning has been a topic in the theory of the firm since Cyert and March's *Behavioral Theory of the Firm* (Cyert and March 1963). Organizational learning gained momentum in organization and management studies when Peters and Waterman (1982) and Senge (1990) associated organizational learning with superior business performance. Organizational learning builds on individual learning of organization members, but is more than the sum of all individual learning (Fiol and Lyles 1985). Organization members share information, creating organizational memory in the form of shared beliefs, assumptions, and norms (Argyris and Schön 1978; Sinkula 1994). Individuals come and go, but organizational memory preserves knowledge such that individuals other than its progenitor can use it (Fiol and Lyles 1985; Sinkula 1994).

No commonly accepted definition of organizational learning exists (Garvin 1993). Three different perspectives can be identified (Fiol and Lyles 1985; Dodgson 1993; Gherardi 1997). The first perspective defines organizational learning by its *outcomes*, as improvements in activities over time. Organizational learning reveals itself through decreasing costs per unit produced, which can be visualized in the 'learning curve'. The second perspective defines organizational learning by its manifestations, as *transformations* of a system. Organizational learning is recognized in the continuous adaptation of the organizational system to its environment. Three types of learning have been identified in the literature: (1) adaptive, or single-loop learning; (2) generative, or double-loop learning; and (3) deutero-learning (Argyris and Schön 1978; Wijnhoven 1995). Adaptive learning refers to learning within the current organization's assumptions about its environment and itself. Adaptive learning leads to improvements

within the current organizing framework. Generative learning occurs when the organization is willing to question assumptions about mission, markets, customer, capabilities, or strategy. Generative learning is frame-breaking and is associated with revolutionary changes in the organization[5]. Deutero learning refers to the process of 'learning to learn'.

The third perspective on organizational learning defines it by its *process*. Organizational learning is recognized in the processes of knowledge generation, storage, and interpretation. The process perspective defines organizational learning as the development of new knowledge or insights that increase the *potential* to improve organizational processes and behaviors of individuals (cf. Huber 1991; Menon and Varadarajan 1992; Sinkula 1994; Slater and Narver 1995). Organizational learning processes can be characterized by four elements: information acquisition, information distribution, information interpretation, and organizational memory (Sinkula 1994; Slater and Narver 1995). Although Day agrees with this set of four characteristics in the text of his paper, he adds information utilization and evaluation of outcomes as two extra elements of learning. These extra elements appear to be very important in the context of learning as the usage and the reflection upon the outcomes can lead to an augmentation of organizational memory (Day 1994b, p. 11). Firms that purposefully construct structures and strategies so as to enhance and maximize organizational learning have been designated 'learning organizations' (Dodgson 1993, p. 377).

What is a market learning capability?
In this thesis I am particularly interested in learning about markets. This means that the information that is to be acquired is about customers (both intermediaries and end users, current and potential), competitors (both current and potential), and about general market developments. This information generally comes from outside sources, like customers, consultants, market research agencies, et cetera. Sinkula (1994) identified a number of typical characteristics of market learning when compared to other types of organizational learning (e.g., learning in manufacturing processes). First, market learning pertains to external foci and is less visible for organization members. Second, market learning results in the

5. Organizations are generally urged to stimulate generative learning such that they can 'leapfrog the competition', 'create their own futures', 'change the bases of competition', etc. (cf. Hamel and Prahalad 1994). Sustained generative learning is an elusive goal however (Slater and Narver 1995), and incidental successes through frame-breaking changes need to be complemented with adaptive learning such that the initial competitive advantage does not erode quickly.

fundamental bases of competitive advantage. Third, in market learning external parties may be the only source for the learning process, with whom the organization may chose to build a learning relationship (cf. Pine et al. 1995). Fourth, the market information that resides in organizational memory is typically more difficult to access. Managers often have difficulties to retrieve, interpret, and, above all, accept outcomes of market research like customer loyalty, satisfaction, and general market data, while productivity data and financial data are more often easier to retrieve and less equivocal to managers.

Market learning can be defined both from the *process* perspective on organizational learning, and the *transformative* perspective on organizational learning. From a process perspective, market learning would be defined in terms of the processes of information acquisition, information distribution, information interpretation, information utilization, evaluation of outcomes and augmentation of organizational memory (cf. Day 1994b; Slater and Narver 1995). From a transformative perspective, market learning would be defined in terms of adaptations to the organizational system leading to improvements in distinctive customer value of products and services (cf. Dickson 1996). The first perspective views market learning as an ability to manage a set of organizational processes, the second as an ability to adapt and improve.

When adhering to the first perspective, an organization can be said to have a market learning capability when it masters the processes of market information acquisition, distribution, interpretation, storage, use, and augmentation of memory (Day 1994b). Or, using one of the rare definitions of organizational capabilities, when it masters "the socially complex routines that determine the efficiency with which firms physically transform inputs into outputs" (Collis 1994, p. 145). Within Collis' definitions of organizational capabilities this would stand for a static market learning capability.

When adhering to the transformative perspective, a market learning capability is a source for competitive advantage when it allows an organization to improve faster and/or with larger increments than its competitors. Within Collis' taxonomy of organizational capabilities, this would be a dynamic market learning capability (Collis 1994). It has been suggested that the ability to learn faster than your competitors may be the only source for sustainable competitive advantage (De Geus 1988; Stata 1989). This can be explained with the use of figure 8.1. Only organizations that find themselves in cells 1, 2 and 4 can expect superior performance in the long run (Draaijer 1993; Van Rijswijk and Van Raaij 1999).

	+	o	−
+	1. Increasing advantage	4. Consolidated advantage	7. Losing the advantage
o	2. Building a lead	5. Parity	8. Losing ground
−	3. Catching up	6. Staying behind	9. Never to catch up

Performance vis-à-vis competitors (vertical axis)

Learning speed vis-à-vis competitors (horizontal axis: +, o, −)

Figure 8.1: Performance and learning speed (adapted from: Draaijer 1993)

A static market orientation capability allows the organization to be more efficient in translating market intelligence into high value offerings. A dynamic market learning capability allows the organization to continuously improve its offerings through incremental improvements (adaptive learning) and revolutionary improvements (generative learning). A dynamic market learning capability thus builds on a static market orientation capability. In chapter 6 I have introduced an approach for building a market orientation capability through process redesign and the use of organizational enablers for market oriented behavior. The next question is how to develop a market learning capability.

Developing a dynamic market learning capability
A market oriented organization masters the processes of market intelligence generation, dissemination, and use. For an organization to have a market learning capability it should also master processes of reflection upon use, intelligence storage and retrieval, augmentation of memory, and processes of incremental and revolutionary improvement. Figure 8.2 shows the extra processes that need to be mastered up and above a market orientation capability (the gray boxes represent a market orientation capability; the white boxes and the arrows the extra processes associated with a market learning capability).
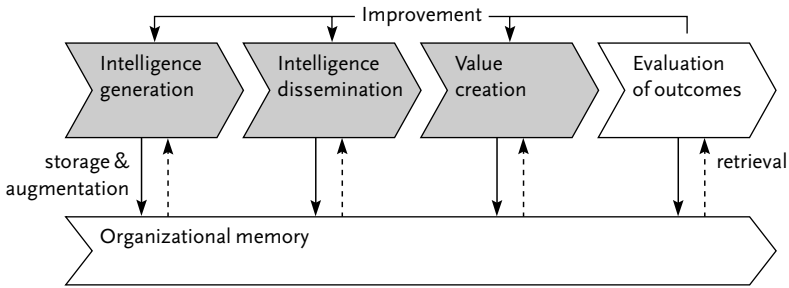
Figure 8.2: Market orientation and market learning capabilities (based on: Day 1994b, p. 11)

As figure 8.2 shows, a market learning capability requires an accessible organizational memory. Organizations abound with knowledge, but when this knowledge is only retained in the heads of people knowledge is lost every time someone leaves the organization, and the knowledge is not accessible to the organization at large. Information systems and other technical systems are but one type of knowledge repository; organizational knowledge is also stored in policies, procedures, and rules, mission statements, organizational stories, and routines (Day 1994b; Leonard-Barton 1995; Slater and Narver 1995; Moorman and Miner 1997; Olivera 2000). While these knowledge repositories are a crucial part of the successful learning organization, they carry the risk of building 'core rigidities' within the organization (Leonard-Barton 1995). New procedures and routines may be more effective than old ones, but the organization may not be willing or able to 'unlearn' what it has built up in organizational memory (Slater and Narver 1995).

Apart from organizational memory, a second process ability is needed in order to move from a market orientation capability to a market learning capability: the ability to evaluate the outcomes of the value creation process. In his description of implementing customer learning in an organization Hennestad (1999) shows how important performance evaluation systems are in building a learning organization. In his case organization four different evaluation systems were implemented: a yearly customer satisfaction measurement; a satisfaction measurement after each customer visit; analysis of customer complaints and subsequent dissemination of the outcomes; and measurements of business process performance. Apart from these performance evaluation systems, organizations can also measure the financial outcomes of the value creation

process, either on an aggregate level (return on sales) or on an individual level (customer profitability).

The third ability that needs to be developed is the ability to improve. An ability to improve presupposes an ability to see beyond 'the way things are done around here', and an ability to implement changes in processes, structures, systems, et cetera. Diverse external network ties enable an organization to look outside the firm for new practices. New combinations of existing knowledge that is stored in memory can also lead to ideas about improved practices. The implementation of new practices necessitates a low level of structural inertia in the organization, and knowledge of effective and less effective implementation strategies in a variety of situational contexts.

Developing and maintaining a market learning capability thus boils down to the design and enabling of environmental scanning for best practices, the design and enabling of an effective business process improvement process, the design and enabling of a performance evaluation process, and the creation of an accessible organizational memory (cf. figure 8.2). In the subsequent four sections of this chapter the key elements of the implementation approach and the three final frameworks will be presented.

§ 8.4   *The key elements of the implementation approach*
In this section the key assumptions that underlie the implementation approach will be summarized. This summary describes the foundations on which the frameworks rest. The organization is viewed as a collection of processes that transforms inputs it acquires from its environment into outputs, i.e., an open systems view of organizations (Daft 1992). This open system is dependent upon its environment for its resources (Pfeffer and Salancik 1978), of which one is financial resources that come from exchanges with customers. For an exchange to take place in a competitive situation the perceived value of the seller's offering in relation to the assortment of the buyer has to exceed the perceived value of the competitive offerings for which awareness and availability have been established (Stoelhorst 1997). Competition among sellers is the unending process of trying to attract and retain customers by establishing a differential or positional advantage over competitors through the creation of distinctive customer value (Alderson 1957; Woodruff 1997). Such positional advantages of distinctive customer value are believed to be based upon a comparative advantage in firm resources and are expected to lead to superior organizational performance (Day and Wensley 1988; Hunt and

Morgan 1996). This distinctive customer value is created in the transformational and transactional processes of the organization (Kemperman and Van Engelen 1999), and these organizational processes are crucial in translating a comparative advantage into a positional advantage (Stoelhorst and Van Raaij 1999).

In its quest for positional advantages the organization needs to develop knowledge about the three entities of the value triangle: company, customers, and competitors (Ohmae 1982). The organization needs to find out what *customers* value, what the *company* can profitably produce, and what value *competitors* are offering to prospective customers. In order to create distinctive customer value the organization needs to collect this market information, disseminate this information within the organization to the appropriate decision-makers, and respond to this information through the conception and generation of distinctive customer value. These are the behavioral traits of the market oriented organization (Kohli and Jaworski 1990). The organization that is more efficient in these processes of intelligence generation, dissemination, and value creation, enjoys superior business performance (Narver and Slater 1990). In order to build a market orientation capability, i.e., the ability to manage the aforementioned business processes (cf. Stalk et al. 1992; Collis 1994), managers need to stimulate market oriented behaviors, through the design of market oriented processes and the use of other organizational enablers for market oriented behavior (Van Raaij et al. 1998). In a dynamic environment organizations need not only master processes of market intelligence generation, dissemination, and use, but they should also master processes of evaluation and continuous improvement, and they should build an organizational memory for market intelligence, such that market learning occurs and a market learning capability is developed (cf. Day 1994a; 1994b).

While in this short theoretical exposé organizations are said to compete, generate value, and learn, the burden of making this happen lies on the shoulders of individual managers and employees. Organizational processes can be designed on paper, describing what activities *should* be done and in what way, but the employees in the process determine via their behavior what actually is done in these processes. Distinctive customer value is created through their actual behaviors, not through formal processes. Managers are charged with the responsibility to create an organization that provides employees with the motivation, opportunity, and ability (cf. Poiesz 1999) to perform activities that contribute to the creation of distinctive customer value. Senior management fulfills an important

role in the development of market orientation and market learning, because some of the organizational enablers for market oriented behavior require changes in organization-wide systems, such as reward systems. Furthermore, organizing for market learning requires efforts to develop an organization-wide memory for market intelligence.

The three frameworks build on these foundational assumptions with respect to competition, organizations, processes, and the role of management. The intended users of the frameworks are (senior) managers and other professionals that want to improve market orientation and market learning capabilities. The three frameworks aim at answering the three questions such professionals will face:

1. In what parts of the organization should the professional look for areas for improvement?

2. On what grounds should the professional make a prioritization in a list of improvement areas?

3. How should the professional go about making changes such that improvement in the degree of market learning can be expected to ensue?

The three frameworks each help to answer one of these questions. The activity framework defines the organizational processes that contribute to value creation and market learning. It shows where the professional should look for areas for improvement. The causal framework shows the relationship between these processes and its antecedents and consequences. Using the causal framework, the professional can prioritize improvement projects, based on each project's expected impact on distinctive value, customer satisfaction, and ultimately, business performance. The implementation framework provides a phasemodel for actually making the changes in order to develop a market learning capability.

§ 8.5   *The final activity framework*
The activity framework shows which processes and activities in the organization are associated with the market oriented learning organization. These organizations: (1) collect, disseminate, and store market intelligence; (2) consciously select target markets based on an estimation of whether customer needs can be profitably matched to organizational competencies and capabilities; (3) develop value propositions for target markets that build on the organization's distinctive capabilities and that appeal to the selected target markets; (4) manage and coordinate business

processes in such a way that they generate expectations and perceptions of distinctive value (in the case of a sales organization these business processes would be marketing, sales, logistics, and service processes)[6]; and (5) evaluate whether the business processes have generated distinctive value, customer satisfaction, customer loyalty, and financial returns, such that a continuous improvement cycle is created.

Based on this overview of processes associated with a market orientation, an assessment can be made of the current degree of market orientation of the organization. The established market orientation scales cannot be used for such an assessment in a single firm. These scales are too general in their wording, and they do not cover the whole spectrum of market oriented behaviors. Using the activity framework as a starting point, the change team can list relevant processes and construct an instrument for diagnosis that is based on this list of processes and that uses the specific language of the organization[7]. The activity framework functions as a guide in finding out what activities are currently undertaken in the organization, and it can also be used as a starting point for building a vision of the desired state of the market oriented organization.

The final activity framework (figure 8.3) is significantly different from the intermediate activity framework. Two additions to the framework were made, but what is more important is that as a result of these additions a new continuous improvement logic has appeared in the thinking about a market oriented processes[8]. The two additions are a box labeled 'market selection' and a box labeled 'value assessment'. 'Market selection' refers to decision-making processes at a strategic level, in which management decides in which markets to compete and what customers to serve as target customers (cf. Webster 1994). How can one be market oriented if one has not decided what markets to orient oneself towards? This activity category is a rebirth of the 'selecting target markets' activity that was featured in the preliminary activity framework and that was suggested by Jaworski and Kohli (1993). In the intermediate framework this category was incorporated into the 'customer value conception' category. The main case study showed however that a conscious decision-making process that focuses on

6. A valuable starting point for the identification of processes that generate customer value is the macrolevel taxonomy provided by Srivastava, Shervani, and Fahey (1999): product development management process, supply chain management process, and customer relationship management process.
7. This approach was used in a separate and smaller market orientation study in two of Novum NL's Industrial sales groups (no reference to this research can be made in order to safeguard Novum NL's anonymity).
8. This continuous improvement logic is a.o. inspired on Novum's MCL process and Woodruff's (1997) customer value learning cycle.
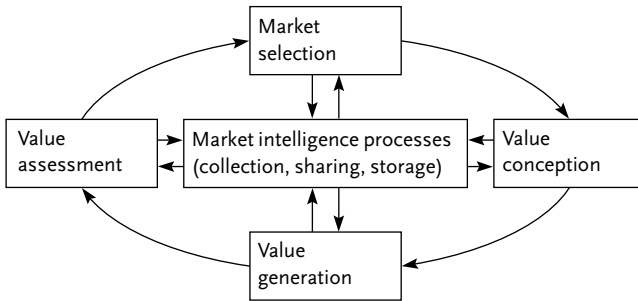
Figure 8.3: The final activity framework

the question 'what markets to compete in?' is often neglected, so it is brought to the fore again in this final framework.

The second addition is a category labeled 'value assessment'. *Thinking* it is doing the right things in the right way is not enough for the market oriented organization, it should *measure* whether its actions lead to improved process performance, improved customer loyalty, and improved growth and profitability. The significance of this addition lies in the fact that this performance measurement activity enables the firm to learn and improve (cf. figure 8.2). In the activity framework this can be recognized by the fact that this performance measurement box closes the learning loop (cf. Kolb 1984). With a good performance measurement and continuous improvement system in place an organization can stay abreast of competition in the long run (Woodruff 1997; Van Rijswijk and Van Raaij 1999). In this way the organization is not building a static market orientation capability, but a dynamic capability of market learning (Collis 1994, p. 145).

The market intelligence activities are shown at the heart of the learning cycle[9]. Market information can be collected as a separate activity (in-house or outsourced market research) and subsequently shared, stored in memory, and used in the other four processes, but market information can also be the product of these four processes (e.g., sales people in the value generation processes who gather information about customers and competitors, or customer satisfaction data gathered as an element of performance measurement). The box at the heart of the framework symbolizes organizational memory, a prerequisite for organizational learning (Day 1994a; Day 1994b).

9. A box like this was remarkably absent in Novum's MCL process.

A market orientation is more than a customer orientation in that it includes an orientation on other external stakeholders such as competitors (Narver and Slater 1990; Day and Nedungadi 1994; Armstrong and Collopy 1996). One might conceive this activity framework as showing an exclusive focus on customers at the expense of a focus on competitors. This is not the intended message. First of all, the central box reads 'market intelligence', not 'customer intelligence'. This is done with a purpose since all boxes around it rely not only on knowledge of current and prospective customers, but also on competitors and general market developments. The competitor is specifically important in the customer value conception box. Since the objective is to find a distinctive, valued, and profitable position in the mind of the customer, one should have a clear understanding of the value positions that are occupied by competitors. And for a value position to be distinctive, not only now, but also in the future, one should know the current capabilities of competitors, as well as their anticipated capabilities.

A problem in assessing the extent to which an organization engages in market oriented activities is to assess how current activities compare to some standard of desired activities[10]. Take for instance the value assessment process. This process serves to provide feedback about the value creation process of the organization. Three areas of performance measurement can be identified: process performance measurement, customer measurement, and market performance measurement. The extent to which an organization practices customer measurement (e.g., customer satisfaction measurement) can be assessed on at least three dimensions: the frequency of customer measurements, the quality of customer measurements, and the completeness of customer measurements.

§ 8.6   *The final causal framework*
The causal framework (figure 8.4) shows how actual market oriented processes and behaviors are linked to antecedents and consequences. The antecedents explain how market oriented processes and behaviors can be stimulated and improved, while the consequences explain how they can result in higher rates of return on investment. One primary function of the causal framework, also supported by the evidence of the Novum NL case, is a communication function. With the casual framework in hand management can explain why the organization engages in a change process towards a higher degree of market orientation. The activity framework helps to show which organizational processes will be evaluated and, when

10. In the Novum NL case we developed an MCL standard, but we never used it.
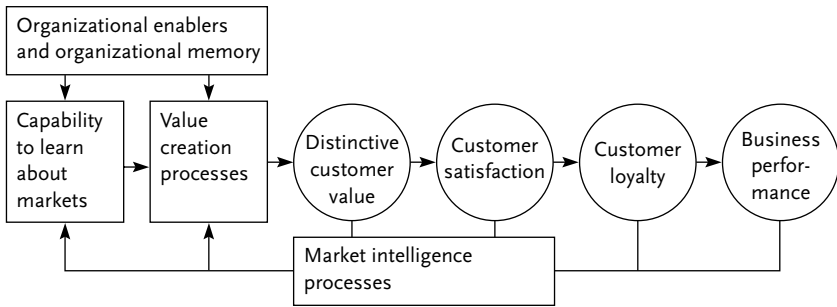
Figure 8.4: The final causal framework

needed, improved. The causal framework complements the activity framework as a tool for diagnosing the current state of the organization. The causal framework suggests that an analysis of business performance, customer loyalty, customer satisfaction, and value perceptions and expectations can help to show the need for improving the processes of the activity framework. Furthermore, the causal framework points to the importance of organizational enablers and organizational memory as antecedents for market learning and market oriented behavior.

Seven organizational enablers for market oriented behavior were identified in chapter 6. The Novum NL case study led to the inclusion of 'resources' as an eighth enabler. The complete list of enablers is presented in table 8.1.

Another important function of this framework is to help in prioritizing areas for improvement. An assessment of the current situation, with the use of both the activity and the causal framework as a guidance, will probably result in a long list of prospective improvement projects. But, as resources for carrying out these improvements are limited, the projects need to be prioritized and a choice has to be made amongst these candidate improvement projects. Based on the causal framework, the improvement projects can be prioritized on the basis of their expected impact on value, satisfaction, loyalty, and performance, and on their importance as an antecedent for market oriented behavior (improvements in enablers and organizational memory). The causal framework thus provides the language and the arguments for choosing among candidate improvement projects.

	ENABLER	MANAGEMENT ACTION
Motivation	Feedback	Evaluate and reward collection, dissemination, and use of market intelligence, and provide employees with information about their market performance.
	Management behavior	Display exemplary behavior and consistently engage in providing feedback.
Opportunity	Information exchange networks	Implement networking activities and arrange the physical location of people such that internal and external networks can develop.
	Roles & responsibilities	Incorporate market oriented activities in job design.
	Tools	Invest in tools (e.g., ICT) to support market oriented behaviors.
	Resources	Make available the necessary budgets, manpower, and time to fulfill the desired responsibilities.
	Processes & procedures	Develop and communicate desired processes and procedures.
Ability	Skills	Develop appropriate skills base via recruitment, selection, and training.

Table 8.1: Eight organizational enablers for market oriented behavior

The element of organizational learning is now incorporated in the final causal framework. Superior marketing processes can provide an organization with positional advantages for as long as the competition employs less efficient processes and the environment does not change too much. For the long run it is important that the organization builds a dynamic market learning capability, one that enables an organization to adapt, change, and renew over time (Collis 1994). Such a capability provides an organization with the means for adapting the marketing processes of the activity framework to changes in the environment, like changes in customer demands, the emergence of new markets and channels, or competitive moves.

§ 8.7   *The final implementation framework*

The implementation framework (figure 8.5) is developed to guide the actual change process. The change process starts with developing a vision of the market oriented organization. The causal framework and the activity framework help to define what the market oriented organization should accomplish and what its activities should be. The vision delineates on an abstract level what the value proposition of the organization should be (Day 1999a). Top management should be involved in this step as the vision describes the overall strategic direction; it is the objective function in strategy development (Lovas and Ghoshal 2000)[11]. In an empirical
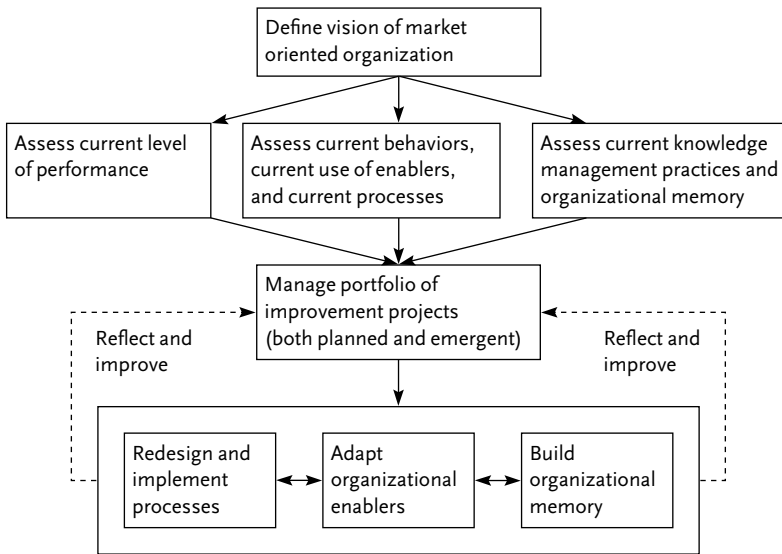
Figure 8.5: The final implementation framework

study on factors that affect implementation success, Noble and Mokwa (1999) found that a strategy's fit with the overall vision is one of the most important factors to account for middle managers' commitment to the strategy. Most vision statements are quite abstract in the sense that they describe a desired state in general terms. When management knows very well what the desired state should be, it can also start by describing this ideal state in detail.

The second step is an assessment of the current situation. An assessment of current performance – using the performance indicators mentioned in the causal framework – helps management build a case for the need to improve. Performance data need to be 'alarming' to some degree in order for organization members to see the need to 'unfreeze' and to change (cf. Kotter 1995; Day 1999a). Unsatisfactory performance should then be linked to the change program to show that the proposed changes are important in improving performance. 'Importance' was also one of the three significant factors for establishing strategy commitment at the middle-management level in Noble and Mokwa's (1999) empirical

11. The MCL team at Novum NL lacked such a guiding vision, and the problems associated with a lack of a clear vision are described extensively in chapter 7.

study. Performance data that are more direct outcomes of the current degree of market orientation, i.e., data on (dis)satisfaction and value perceptions, build a stronger case for improving market orientation than data on business performance in general (e.g., ROI, market share, sales growth)[12].

In order to find reasons for unsatisfactory performance, an assessment of current behaviors, processes, and organizational enablers needs to be conducted. Internal data like employee dissatisfaction data and process performance data can be used to complement customer data for identifying deficient processes. But care has to be taken here that internal matters do not outweigh external considerations[13]. Areas for improvement with customer impact should always receive higher priority. Employees, particularly in sales and marketing, often think they know what customers value most and what causes their (dis)satisfaction. Research shows that these internal perceptions are not always reliable (Deshpandé et al. 1993; Sharma and Lambert 1994; Steinman et al. 2000). Data on value and (dis)satisfaction, be they internal or external, will primarily relate to the value generation processes of the activity framework. Customers will generally not comment on or complain about the other four process categories nor the organizational enablers. But the sources of their (dis)satisfaction may well lie in these other processes. It is therefore important to use the activity framework as a reference for generating areas for improvement. Customer value and (dis)satisfaction data will also help identify the main (clusters of) business processes in the value generation category that are particularly relevant for the organization under study[14].

Next, current knowledge management practices need to be assessed. In this case we are interested in organizational memory dedicated to market knowledge, i.e., knowledge about customers, competitors, and market

12. In the Novum case, data on sales growth (a performance measure at the end of the causal chain) were readily available and often used to argue for 'building a more customer focused organization' for Novum NL as a whole. Data on value perceptions and customer satisfaction could have been more convincing, but there was no way to obtain aggregate data for these performance measures. On a sales group level strong cases for improvements can be built with value and (dis)satisfaction data at hand.
13. In the RCC case, a vast majority of areas for improvement as suggested in the employee survey concerned internal matters, e.g., internal communications. As decision-makers often recognize these internal problems they may be inclined to work on these problems first.
14. In the Novum case for instance, telephone accessibility was identified as a specific process within the value generation process category that needed to be improved. Other organizations that use the activity framework to assess the current processes will identify other business processes that are particularly relevant in their situation.

developments. The most obvious knowledge repositories are databases and archives, but knowledge is also stored in people, procedures, routines, strategies, and stories (Leonard-Barton 1995; Moorman and Miner 1997). The accessibility of that market knowledge is a crucial quality aspect of organizational memory (Day 1994a; 1994b). An assessment of knowledge management practices should therefore evaluate what knowledge is available, where it is stored, and whether it is accessible to the relevant decision-makers.

The previous three steps serve to identify areas for improvement in order to increase the degree of market orientation of the organization. Improvement areas may relate to business processes that need to be redesigned, to organizational enablers that need to be adapted in order to stimulate market oriented behaviors, and to the creation of an accessible organizational memory for market intelligence. These areas for improvement need to be translated into improvement projects. Whereas the development of a strategic vision is a task for top management (Lovas and Ghoshal 2000), and the identification of areas for improvement is a task for a research team, the translation into improvement projects is preferably not limited to the efforts of a project team. Organizational buy-in is an important factor for implementation success – in fact, it was the most important factor in Noble and Mokwa's (1999) empirical study – and this buy-in can be encouraged by soliciting input from those who will have to implement the strategies.

Having identified areas for improvement, prioritized on the basis of data on value perceptions, customer (dis)satisfaction, customer loyalty, and business performance, a steering team is charged with managing a portfolio of improvement projects. This portfolio is a mix of planned improvement projects and emergent improvement projects. Planned projects are improvement projects designed by the steering team; emergent projects are improvement projects that result from autonomous behavior of organization members[15]. The strength of planned projects is the fact that these projects can be designed to have an optimal fit with the strategic vision; the strength of emergent projects is that a motivated project champion is already present. The steering team thus is both architect/designer and premise setter/judge (cf. Bourgeois and Brodwin

15. The Novum case clearly shows the power of emergent projects in the change towards a more market oriented organization. The CRM project was not designed or planned by the MCL steering team, but with the committed drive of the project champion it became one of the more visible projects in the MCL portfolio.

1984). The steering team will need to continuously reassess whether the portfolio represents a suitable mix of process, enabler, and knowledge management projects, and whether the portfolio is destined to fix the main causes underlying customer dissatisfaction and customer defection. The implementation of improvements may point to new suggested areas for improvement that can be added to the portfolio.

To sum up the above, two additions have been made to the implementation framework in order to accommodate for market learning. In the assessment of the current situation an assessment of current knowledge management practices is added, and for what concerns the change phase, a step called 'build organizational memory' has been added parallel to the implementation of improved marketing processes and the adaptation of organizational enablers for market oriented behavior. Moreover, a feedback loop is added to account for the possibility that the initial diagnosis is complemented with new areas for improvement as the implementation proceeds.

§ 8.8   *Evaluative remarks*

The implementation approach that is proposed in this chapter fills a gap in the market orientation literature. The implementation issue is still the one of four issues in market orientation research that is most void of conceptual and empirical contributions. The implementation approach presented in this chapter shows what business processes are associated with market learning, how organizational enablers for market oriented behavior drive value creation and organizational performance, and how professionals can improve the degree of market orientation of organizations and develop a market learning capability.

The implementation approach – frameworks plus manual – should help practitioners improve the degree of market orientation and market learning in organizations. This implies that the approach should first of all be a useful approach. Two aspects of *usefulness* are that the approach is understandable for the intended users and that the approach fits the problem of the intended user (De Leeuw 1993). With a basic knowledge of the market orientation literature and other literatures that have been reviewed in this thesis, the implementation approach should be understandable. With respect to fitness for use I evaluate this implementation approach in two ways. In chapter 2 I reviewed existent implementation approaches via an assessment of each approach's suggestions for diagnosis, intervention, and evaluation (cf. Argyris 1970; Van Eijnatten 1990). A corresponding assessment for this study's implementation

DIAGNOSIS	INTERVENTION	EVALUATION
– Assess current level of performance using a wide range of financial and non-financial performance measures – Assess current behaviors, current use of enablers, and current processes – Assess current knowledge management practices	– Improve market intelligence processes, market selection processes, value conception processes, value generation processes, and value assessment processes – Adapt organizational enablers to support desired behaviors – Build organizational memory	– Assess new processes using process performance measures – Assess outcome performance using financial and non-financial, firm-level and customer-level measures of performance – Assess learning rates

Table 8.2: Suggestions for diagnosis, intervention, and evaluation.

approach is found in table 8.2. Diagnosis of the current situation with the aim to identify areas for improvement is done through an assessment of current performance, current (actual) processes, behaviors, and enablers, and current knowledge management practices. Interventions for improvement fall in three categories: improvement of processes, improvement of enablers, and improvement of organizational memory. An evaluation of the interventions can be performed via a repeated assessment of processes, performance, and via an assessment of learning rates (cf. Stata 1989).

In chapter 4 I identified three questions this implementation approach should help answer:

1. In what parts of the organization should the professional look for areas for improvement?

2. On what grounds should the professional make a prioritization in a list of improvement areas?

3. How should the professional go about making changes such that improvement in the degree of market orientation can be expected to ensue?

The final implementation approach as outlined in this chapter provides answers to all three questions. Areas for improvement should be sought in processes, activities, and behaviors, in organizational enablers, and in organizational memory. Areas for improvement should be prioritized on the basis of their contribution to the creation of distinctive customer value. And a strategy of collaborative incrementalism should be used for the implementation of changes. Section 9.5 presents additional practical suggestions for the application of the approach.

The implementation approach presented in this chapter has been firmly built on established theories about market orientation, organizational learning, and organization theory. The more a new theory draws upon other established theories, the more 'strength' the new theory displays (Zaltman et al. 1982). Strength contributes to the *credibility* of a theory.

The *generality* of the implementation approach refers to the extent to which the approach is applicable in other organizations, in other times, and by other people. Generality is important in this study because it is the aim to offer other practitioners suggestions on how to proceed in an attempt to improve the degree of market orientation in an organization. The approach scores high on generality if it can be used to guide the improvement of market orientation in all types of organizations; large and small, profit and non-profit, in new and in mature markets, in Western economies and in developing countries. For the sake of generality the frameworks are built up out of elements that apply to a wide range of organizations. All for-profit organizations have markets and customers, all have (potential) competitors, all firms need to think about market selection, value conception, value generation, and value assessment, et cetera. But, this high level of generality comes at a price of lower accuracy; not accuracy in the sense of correctness, but of exactness. The frameworks describe the activities, the 'causal' relationships, and the implementation process with little detail. This means that users of these frameworks will have to translate the frameworks to their own idiosyncratic organization, context, and language.

Organizations that serve very complex markets – hospitals, for instance, with patients as users and insurers as payers for its services, as well as strong regulatory forces – will have to make multiple analyses, assessing intelligence generation, dissemination, and use for all stakeholder groups, as well as each group's value perceptions, satisfaction, and loyalty scores. Small organizations will probably make use of smaller improvement teams, with the director-owner as a single-person 'steering team', and less extensive solutions for building organizational memory. And even not-for-profit organizations can use these frameworks to align themselves better to their constituencies, although they might prefer to talk about value creation for stakeholders instead of value creation for customers. The fact that the frameworks are general enough to be applicable across the diversity of Novum NL's sales groups, yet at the same time specific enough to guide diagnosis and intervention in individual sales groups, bolsters the confidence in the generality of the frameworks.

The implementation approach, finally, scores high on *novelty*. Novelty

refers to the extent to which theory increases knowledge by deriving new propositions, connects previously unconnected items, and/or suggests new directions for research (Zaltman et al. 1982). The implementation approach is above all novel because it is one of the few implementation theories for market orientation. Novel elements in the implementation approach are the four process categories of market intelligence use: market selection, value conception, value generation, and value assessment. This provides more substance to the term 'market intelligence use' or Kohli and Jaworski's (1990) 'responsiveness'. Other novel elements are the organizational enablers for market oriented behavior. With their origin in the motivation, opportunity, ability (MOA) framework (Poiesz 1999) this is the first theoretically grounded set of enablers. The implementation approach is the first to make a clear distinction between market orientation and market learning, with the aim to prevent a confusion of terms. The implementation framework is one of the few step-by-step approaches for the implementation of a market learning capability.

This concludes the description and evaluation of the final frameworks. Section 9.5, the closing section of this thesis, provides a practitioner's guide to the application of the frameworks. The next chapter starts with a reflection on the design objective and the design criteria that were formulated at the outset of the design process.

Three literature reviews, two case studies, and three design efforts have resulted in the final designs that were presented in the previous chapter. This chapter brings this study's hermeneutic spiral to a conclusion. In section 9.1 I review the design objective that was formulated in chapter 3 before I summarize the conclusions of this study. In section 9.2 I critically review the present status of the market orientation literature, I discuss my contributions to the field, and I express my views on the future of market orientation research. Section 9.3 is used to reflect upon designing-in-action as a research strategy. Section 9.4 presents suggestions for further research and practical recommendations for managers are summarized in section 9.5.

§ 9.1   *Conclusions*

The outcome of this research project is a set of three frameworks that specify guidelines for the implementation of a market orientation. The frameworks come accompanied by a text that explains how to use the frameworks. The intended users of this design are professionals (managers, consultants, researchers) who want to improve the degree of market orientation of an organization. When I started this project in 1995, the notion that market oriented organizations enjoyed higher rates of return had taken root in the marketing literature. There were multiple definitions of the market orientation concept however, and there was little guidance on how organizations could be made more market oriented. In order to address the problem of what exactly constitutes a market orientation and how it could be implemented, I formulated the objective of this study in chapter 3 of this thesis as:

> *To develop an implementation approach that professionals can use to*
> *improve the degree of market orientation of an organization.*

This objective is a design objective, and I formulated five criteria that the implementation approach should meet:

1. The approach should have an improvement perspective.
2. The approach needs to have a managerial orientation.
3. The approach needs to be applicable in a single organizational setting.
4. The approach should be applicable in a population of organizational settings wider than those studied in this research.
5. The approach should build a bridge between theory and practice of market orientation.

The first criterion demands that the implementation approach help the user to diagnose the current organization and to formulate, choose, and implement improvements. The implementation approach specifies how to measure current performance, and where in the organization to look for possible improvements. Furthermore, it specifies how to manage the change process, and via which performance measures progress should be measured. The second criterion demands that the approach be aimed at a managerial audience. The approach meets that criterion by its focus on enablers for market oriented behavior that can be influenced by managers. The approach defines the role of managers in the change process. With respect to the third criterion, the approach is applicable in a single organizational setting because it does not rely on cross-sectional comparisons between organizations. Instead, the emphasis is on an in-depth analysis of the focal organization. Fourth, the generality of the approach is such that organizations of varying sizes and types can relate to the approach, as long as the organization has markets to serve, competitors it has to differentiate itself from, processes that create customer value, and employees who want to collaborate with management in the improvement effort. Finally, the approach has built a bridge between the theoretical understanding of a market orientation and the practical questions of how to improve organizational performance.

The implementation approach consists of three frameworks and the companion text that explains how to use the frameworks for the implementation of a market orientation. These frameworks have evolved from a process redesign approach to a behavior enabling approach to a learning approach. Each (re)design of the frameworks builds on real-life experiences and on theoretical insights (see figure 9.1).

The preliminary design builds on the experience of others who have used a customer value-based business process redesign approach, as well as on my own reading of the market orientation literature and the BPR literature. The resulting design is a process redesign approach that focuses on the redesign of actual – not formal – processes in order to stimulate the collection, dissemination, and use of market intelligence. This approach is used in a pilot case study, which shows that in marketing, sales, and service processes, such a process redesign approach is not sufficient for changing behavior of individuals. This has led to the introduction of organizational enablers for market oriented behavior.

Guided by the case study findings, an updated and extended review of the literature on market orientation and behavior management is executed. The second design is a behavior enabling approach. By using the

enablers for market oriented behavior in combination with the redesign of actual processes, value creation in the MSS processes of organizations can be improved in order to create positional advantages in the market. A longitudinal case study is used to assess the merits of these frameworks. The longitudinal case study shows that in order to realize the improvements in value creation, learning has to occur on three levels: organization members in MSS processes need to engage in customer value learning – i.e., gain knowledge of what target customers value and how to create that value – organization members need to engage in experiential learning with respect to market oriented behaviors – i.e., becoming skilled at collecting, disseminating, and using market intelligence – and they need to learn how to implement change – i.e., to develop an understanding of which implementation strategies work and which do not.

These findings guide another updated and extended review of the literatures on market orientation and organizational learning. A third and final design cycle is started, resulting in a learning approach for implementing a market orientation. Each new implementation approach subsumes the previous approach. Each new version represents a deepened understanding of the implementation issue of market orientation. And with each refined version the frameworks evolve towards a more equal balance between rational design and experiential learning. Later designs do not render earlier designs worthless. The process redesign approach (the preliminary frameworks) could work well for organizational units with clearly defined processes in an environment with stable customer preferences. The behavior enabling approach (the intermediate frameworks) compensates for less clearly defined processes, but still requires a relatively stable environment. Organizational units with ambiguous processes and a dynamic environment will have to resort to the learning approach (the final frameworks).

Inherent in the designs are answers to the two questions I have raised in the introduction to this thesis: *what exactly constitutes a market orientation and how can managers make their organizations more market oriented?*

What exactly constitutes a market orientation?
In this thesis my main concern has been to describe market orientation in such a way that it is most meaningful to managers and other professionals who want to make organizations more market oriented. I have defined market orientation in terms of business processes, because the management of processes is central to the task of managers (Stoelhorst 1997). These business processes need to be designed and managed in such a way
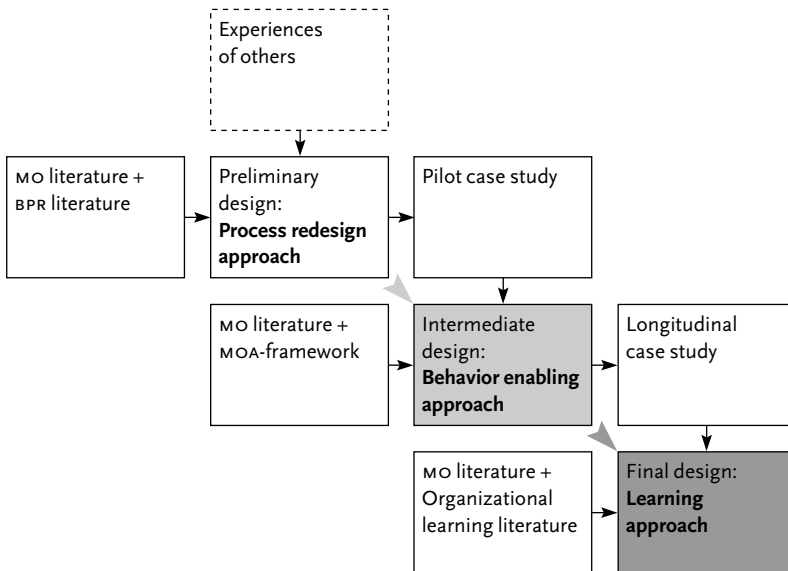
Figure 9.1: Evolution of the designs

that distinctive customer value is created for target customers. Because customer demands and competitive offerings constantly change, it is not sufficient to design processes for distinctive customer value once, but the organization needs to develop a market learning capability that enables it to continuously adapt business processes to changes in the environment. This thesis thus proposes a dual answer to the question what exactly constitutes a market orientation: A market orientation constitutes a *process management capability* for the five core processes of the market oriented organization (market intelligence generation, market selection, value conception, value generation, and value assessment; see figure 8.3), combined with a *market learning capability* that enables the firm to adapt its processes to changing conditions.

How can managers make their organizations more market oriented?
Any answer to the question how managers can make their organizations more market oriented should specify two things: (1) the locus of change, in other words, *what* should be changed, e.g., beliefs, behaviors, systems; and (2) the strategy for change, in other words, *how* it should be changed, e.g., whether to employ top-down and/or bottom-up strategies (Cozijnsen and Vrakking 1995). In this thesis I have proposed fairly concrete answers to

the question how managers can make their organizations more market oriented. With respect to the locus of change I have argued that processes and behaviors determine whether distinctive customer value is created. The *actual* process and the *actual* behavior of employees should be such that target customers perceive the organization as one that creates distinctive customer value. In order to change these actual processes and behaviors managers can use the organizational enablers as change levers.

The strategy for change is detailed in the implementation framework. Professionals who want to improve the degree of market orientation of an organization are advised to use a strategy of 'collaborative incrementalism'. After having defined a vision of what the market oriented organization should look like, the change team develops and manages a portfolio of both planned and emergent improvement projects. For more elaborate recommendations for practitioners, the reader is also referred to section 9.5. Compared to the approaches that are available in the literature this study's approach is unique in its specific advice on what to change and how to change.

§ 9.2   *Quo vadis, market orientation?*

Over the past six years I have witnessed the development of market orientation theory. This accounts for half of the period of renewed interest in market orientation if we take the Marketing Science Institute conference 'Organizing to become market-driven' (cf. Swartz 1990) as the rebirth of market orientation[1]. By 1995, the idea that market oriented companies enjoyed higher rates of return was commonly accepted in the marketing literature. At the same time many questions remained unanswered. First, there was no common definition of market orientation and there was no common understanding of the differences between being market oriented, market-driven, or customer focused (Jaworski and Kohli 1996). Second, there was no agreed upon procedure for measuring market orientation: two scales for measuring the degree of market orientation of an organization – MKTOR (Narver and Slater 1990) and MARKOR (Kohli et al. 1993) – stood out, but the validity of these scales was questioned (e.g., Gabel 1995), and new scales continued to be developed (e.g., Deng and Dart 1994; Deshpandé and Farley 1996). Third, though market orientation was assumed to be related to superior performance not all empirical studies confirmed this hypothesis (see e.g., Tuominen and Möller 1996 for an overview). Fourth, how to develop a market orientation in an organization

1. The two seminal articles on market orientation, Kohli and Jaworski (1990) and Narver and Slater (1990), stemmed from this MSI conference.

was not at all clear; although a number of approaches were published in the literature (e.g., Payne 1988; Lichtenthal and Wilson 1992; Day 1994), these were conceptual papers with no empirical research to support the suggested approaches.

The progression of the market orientation literature since 1995 has been discussed in chapters 6 and 8. Whilst I do not intend to repeat those discussions here, I will shortly summarize the progress that has been made in the literature with respect to the four issues in market orientation research: the definition issue; the measurement issue; the model issue; and the implementation issue. This is followed by an outlook of the field of market orientation. This section concludes with suggestions for future research.

The definition issue

At present, there is still no shared understanding of what exactly constitutes a market orientation. Although marketing scholars who write about market orientation appear to have a common understanding of the concept, its central ideas are often misunderstood by those who are outsiders to the discussion. These misunderstandings lead to unjust criticisms as well as unjustified usage of the term.

Attacks on the normative implications of the market orientation concept are often based on misinterpretations of the term. One of the recurring problems appears to be that 'being market oriented' is equated with 'being led by the demands of current customers'. When 'market oriented' is equated with 'customer led', it is rather easy to attack the market orientation concept on the grounds that it leads to short term, reactive management behavior, that it stifles innovation, and that it represents a sure road to bankruptcy (see e.g., Christensen and Bower 1996). Slater and Narver (1998; 1999) explain that a market orientation is concerned with understanding both expressed and latent customer needs. Day (1999b) identifies and refutes three misconceptions about market orientation: that an organization cannot lead and follow customers at the same time; that an organization cannot stay close to both current and potential customers; and that technology push cannot be balanced with a market pull. Jaworski, Kohli, and Sahay (2000) explain that a market oriented organization can be a market-driven organization or a market driving organization. Many years of repeated explanations of what market orientation is and what it is not (e.g., Houston 1986; Shapiro 1988; Narver and Slater 1990; Sharp 1991; Day 1994; Jaworski and Kohli 1996) have apparently failed to communi-

cate a relatively simple message: market oriented organizations are organizations that are well-informed about the market and that have the ability to use that information advantage to create superior customer value. There is nothing in this message that suggests that organizations should follow customers and not lead them, that they should focus on current customers and not listen to potential customers, nor that they should ignore technology push in favor of market pull.

In addition to unjust criticism based on misinterpretations, the term 'market orientation' is easily used without reference to, or awareness of, the market orientation literature. Practitioners often use the term to mean anything that ranges from behaving in a customer friendly manner to organizing business teams around market segments. That practitioners use the term loosely is no problem in itself, but it does complicate the dialogue between academics and practitioners, especially when the parties are not aware of each other's definitions. It is more disturbing that academics also use the term market orientation without reference to the market orientation literature and decide for themselves what the concept means or handle the terminology in a casual way.

It does not help, of course, that there still is no one single definition of 'market orientation'. Kohli and Jaworski's definition – "market orientation is the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments, and organizationwide responsiveness to it" (Kohli and Jaworski 1990, p. 6) – and Narver and Slater's definition – "market orientation is the business culture that most effectively and efficiently creates superior value for customers" (Narver and Slater 1990, p. 20) – are still the most widely used definitions. But these definitions are not set in stone; both sets of authors have also published variations of these definitions. Consider for instance: market orientation is "the culture that (1) places the highest priority on the profitable creation and maintenance of superior customer value while considering the interests of other key stakeholders; and (2) provides norms for behavior regarding the organizational development of and responsiveness to market information" (Slater and Narver 1995, p. 67). And: market orientation "generally means learning about market developments, sharing this information with appropriate personnel, and adapting offerings to a changing market" (Jaworski et al. 2000, p. 45). Market orientation is a very important concept in the marketing literature as it is marketing's primary normative explanation of performance differentials between firms (Stoelhorst and Van Raaij 1999; 2001), yet, it is an elusive concept that appears to defy a precise definition.

The measurement issue

With respect to the measurement issue of market orientation, not much has changed over the past six years. MARKOR by Kohli et al. (1993) and MKTOR by Narver and Slater (1990) are still the most frequently used scales, either as they are, or as bases for adapted scales, in spite of the methodological critiques and the limited statistical validity of the scales (Gabel 1995; Farrell and Oczkowski 1997; Langerak 1997; Caruana 1999). The established methods have also been criticized for their reliance on single or dual respondents from within the focal organization (Wensley 1995; Bisp et al. 1996; Oczkowski and Farrell 1998). I have reviewed these critiques in chapter 2 of this thesis. There has been hardly any response from the originators of the two most widely used scales. Recently, Slater and Narver reported on a 'balanced replication' of their 1990 study: using two different respondents (within the focal firm) for the assessment of market orientation and performance, they avoid the common respondent bias, leading to results similar to their 1990 study (Slater and Narver 2000b). The vast majority of criticism remains unanswered, however, and the impact of other scholars' attempts to develop better measures of market orientation (e.g., Deng and Dart 1994; Deshpandé and Farley 1998; Gray et al. 1998; Matsuno et al. 2000) is, as yet, limited.

With regard to the implementation of a market orientation, the problem persists that these established scales are not very useful as a tool for managers to assess the degree of market orientation of their organization as a starting point for an improvement program (Van Bruggen and Smidts 1995). MARKOR and MKTOR are too general in their wording and they cover only a small part of total business operations. An approach for developing a customized assessment tool for market orientation has recently been used at Novum NL by another researcher[2]. This method takes the organization's business processes as its starting point and develops items about the collection, dissemination, and use of market information for each business process. In this way, scores of items are directly linked to processes, and thus to process improvement projects.

The model issue

These discussions focus on the relationship between market orientation and its outcomes and antecedents, as well as on factors that might

2 The reference to a research report had to be removed in order to safeguard the anonymity of Novum NL.

moderate these relationships. Of the three types of outcomes that have been associated with a market orientation – financial outcomes, customer outcomes, and employee outcomes (cf. figure 2.1) – the focus on financial outcomes still overshadows the others. An increased focus on the antecedents of a market orientation would help managers in their efforts to implement a market orientation. Recent research has focused on barriers to a market orientation (Harris 1998a; 2000; Bisp 1999), which is already a step towards more practitioner-oriented models of market orientation. New studies on relationships between human resource practices and a market orientation (Conduit and Mavondo 2001; Harris and Ogbonna 2001) also have valuable implications for practitioners. The biggest problem that remains, however, is that so many factors have been forwarded as antecedents that it becomes hard to develop an understanding of what the most important antecedents of a market orientation are.

So far, the dominant view is that the "linkage between a market orientation and performance appears to be robust across contexts" (Jaworski and Kohli 1993, p. 64). However, a recent study by Harris (2001) in the UK context suggests that an association between market orientation and performance exists only in contexts with medium to high competitor hostility and medium to low market turbulence (cf. Slater and Narver 1994a; Greenley 1995c). Although studies on the effects of environmental moderators are scarce, these results reinvigorate suggestions that in certain environmental conditions market orientation is not appropriate.

The implementation issue

During the last six years several thoughtful publications have addressed the question how managers can make their organizations more market oriented. In recent years, the implementation issue of market orientation has been enriched with both quantitative and qualitative empirical research. Several case studies have been published which describe change processes towards more market orientation. These qualitative empirical studies range from comparisons between overall change programs (Day 1999a), to rich descriptions of organizational reorientations (Ballantyne 1997; Hennestad 1999), and responses of individuals to cultural change programs (Harris and Ogbonna 2000). In a quantitative empirical study, Farrell (2000) hypothesized that an emergent approach to change management would be positively related to the degree of market orientation, while a planned approach would stimulate resistance to change and thus would be negatively related to the degree of market orientation. The data

showed however that both change strategies were positively related to market orientation, suggesting that a focus on change, of whatever nature, is conducive to the existence of a higher degree of market orientation.

These empirical studies provide no more than an initial understanding of the *what* and *how* of the change process. In recent publications the locus of change still ranges from organizational culture (Narver et al. 1998; Harris and Ogbonna 1999), to individuals' beliefs (Allen et al. 1998), management systems (Becker and Homburg 1999), organizational practices (Hennestad 1999), or a combination of the above (Day 1999a). With respect to strategies for change, Narver, Slater and Tietje (1998) have developed a set of research propositions around two change strategies – the programmatic approach and the market-back approach – but these propositions lack empirical testing.

An outlook of the field

Reviews of the four issues in market orientation depict a fragmented area of research within marketing. The thinking in the field has advanced over the past six years, most notably in the areas of customer value thinking in relation to market orientation (Woodruff 1997; Slater and Narver 2000a), the connection between market orientation and learning (Slater and Narver 1995; Sinkula et al. 1997; Baker and Sinkula 1999), and with regard to implementing a market orientation (Narver et al. 1998; Day 1999a; Harris 2000). And yet, perspectives on what a market orientation is, how it should be measured, and how it can be implemented are still diverse, and integration of perspectives appears to be a distant reality. Hunt & Lambe (2000) note that although numerous studies have confirmed a positive correlation between market orientation and performance, it "lacks an underlying theory that could provide an explanatory mechanism for the positive relationship between MO and business performance" (p. 28).

Recent work on managerial theories of the firm has addressed both the issue of integration and the issue of grounding market orientation in underlying theory (Stoelhorst and Van Raaij 2001). Drawing on explanations of performance differentials in organizational economics, strategic management, and marketing, the authors develop a framework to account for performance differentials between firms. The unifying framework suggests a variety of sources of performance differentials: positional advantages in product markets, differential efficiencies in business processes, unique or otherwise costly-to-copy resources, information
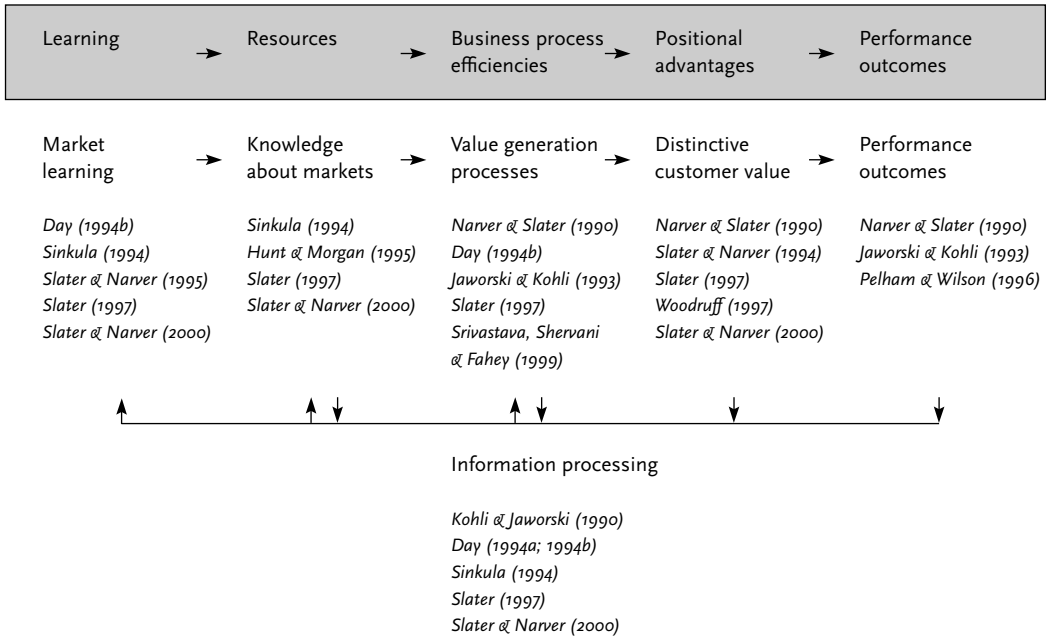
Learning →	Resources →	Business process efficiencies →	Positional advantages →	Performance outcomes

Market learning →	Knowledge about markets →	Value generation processes →	Distinctive customer value →	Performance outcomes
Day (1994b)	*Sinkula (1994)*	*Narver & Slater (1990)*	*Narver & Slater (1990)*	*Narver & Slater (1990)*
Sinkula (1994)	*Hunt & Morgan (1995)*	*Day (1994b)*	*Slater & Narver (1994)*	*Jaworski & Kohli (1993)*
Slater & Narver (1995)	*Slater (1997)*	*Jaworski & Kohli (1993)*	*Slater (1997)*	*Pelham & Wilson (1996)*
Slater (1997)	*Slater & Narver (2000)*	*Slater (1997)*	*Woodruff (1997)*	
Slater & Narver (2000)		*Srivastava, Shervani & Fahey (1999)*	*Slater & Narver (2000)*	

Information processing

Kohli & Jaworski (1990)
Day (1994a; 1994b)
Sinkula (1994)
Slater (1997)
Slater & Narver (2000)

*Figure 9.2: An integrative perspective on market orientation
(adapted from: Stoelhorst and Van Raaij 2001)*

processing capabilities, and a superior learning capability. All five of these sources of performance differentials have also been discussed in the market orientation literature. Figure 9.2 integrates these different perspectives and by doing so provides an explanatory mechanism for the positive relationship between market orientation and business performance; an explanatory mechanism that is grounded in economic theory.

If the market orientation literature is to provide normative implications for managers it will need to answer questions like (Stoelhorst and Van Raaij 2001):

– Which business processes lead to market knowledge, and how do these processes need to be designed and managed to do so?
– Which business processes translate market knowledge into distinctive customer value, and how do these processes need to be designed and managed to do so?
– Which business processes lead to market learning, and how do they need to be designed and managed to do so?
– Which market information is needed to manage these different business processes, and how should it be generated and processed?

While many firms, particularly industrial firms, can undoubtedly improve their performance through an increase in their external orientation (on customers, competitors, and the market in general), caution is called for that this is not taken too far. Positional advantages in terms of distinctive customer value are attained when the company ensures a better or stronger matching of corporate strengths to target customer needs than is provided by competitors (Ohmae 1989). This implies that the marketing strategist not only needs *knowledge about markets* but also sufficient *knowledge about the company itself*, about its own resources, strengths, and weaknesses (Sharp 1991). The external orientation always needs to be balanced with an adequate internal orientation (Lings 1999). These ideas are not new, to the contrary, the idea that the job of the marketer is to match customer needs with company capabilities is as old as marketing itself (cf. Kaldor 1971). But it seems as if this basic rule of marketing is forgotten, as the market orientation concept focuses exclusively on market information processing, market responsiveness, and market learning. Recent publications show that attention for internal strengths and innovative capabilities is increasing, thereby reinstating the balance between external and internal orientations (Slater and Narver 1998; 1999; Lings 1999; Jaworski et al. 2000; Kumar et al. 2000).

Figure 9.2 also suggests how the literature on market orientation could contribute to a managerial theory of the firm. There is a particular need to further develop our understanding of internal business processes as a source of competitive advantage. The market orientation literature can add an important element to positive theories of competitive advantage by more specifically addressing how business processes translate relative resource advantages into positional advantages in product markets. Note also that there is an interesting link between the Chicago perspective of costly information as a source of differential process efficiencies between firms (cf. Conner 1991), and the emphasis on processing market information in the market orientation literature. An appropriate angle for marketing scholars could therefore be to focus on the role of information in managing the firm's business processes. By developing an information-based view of the firm, the marketing discipline could contribute to discussions on theories of the firm. The contemporary market orientation literature, with its emphasis on the ability to act upon market intelligence, has the potential to develop such an information-based account of competitive advantage. Moreover, by unraveling the type of information to be processed and the nature of value generation processes, it could do so in a managerially meaningful way.

§ 9.3   *Designing-in-action, a fruitful knowledge production strategy?*
In this study a research strategy has been used called designing-in-action. This is a strategy for theory development in which the design of theoretical frameworks and empirical interventions in real-life systems alternate, in order to come to an implementation approach for market orientation that is both practically and theoretically grounded. I use this section to reflect upon designing-in-action as a research strategy.

The most common research strategy for empirical market orientation research is what Van Strien (1986) calls 'deductive-nomological research'. Deductive-nomological research produces 'variance theory' (Langley 1999); theory that is concerned with the relationships among dependent and independent variables. In the case of market orientation research, deductive-nomological research has contributed to a better understanding of antecedents and consequences of a market orientation. Designing-in-action leads to a complementary kind of knowledge. In terms of Roethlisberger's knowledge enterprise (Roethlisberger 1977; cf. figure 3.1), deductive-nomological research produces analytical knowledge, while designing-in-action produces clinical knowledge. Clinical knowledge bridges analytical knowledge and practical knowledge. Clinical knowledge in the area of management is general knowledge about organizational health and pathology that can be used for the diagnosis and treatment of specific cases (Kennedy 1979; Schein 1987). At the same time, while clinical knowledge is developed for the diagnosis and treatment of a class of problems, its value has to be proven in each subsequent specific case. While deductive-nomological research generates empirical laws, designing-in-action generates heuristics, modifiable guides to action, that are used by professionals to increase their theoretical sensitivity and ability to act (Gummesson 1991).

Designing-in-action is a research strategy that can be positioned in the overlap of design-oriented research and action research. Designing-in-action is situated in the participative corner of design-oriented research and in the theory development corner of action research. One could say that designing-in-action is situated at the 'soft' end of designing and at the 'hard' end of action research. Compared to many other design-oriented studies, designing-in-action is fairly 'ethnographic' in nature. It shares with all other design-oriented research the objective to develop improvement knowledge that is sufficiently general to solve a class of problems (cf. Van Aken 1994a). Like other design-oriented research it starts with a design objective and it uses problem-solving in specific cases as a means, not as an end. But designing-in-action differs from many other design-

oriented studies in its abstention from the researcher-as-expert role. The researcher participates in the setting as a member, not as an expert. The case studies are not used for testing the designs, but as inspiration for refinements in the designs.

Compared to many other action research projects, designing-in-action is fairly 'instrumental' in nature. It shares with all other action research the involvement with members of an organization over a matter which is of genuine concern to them (Eden and Huxham 1996). Like other action research it starts with the adage that 'if you want to understand how something works, try to change it', and the researcher himself, as an active participant in the setting, is the most important research instrument. But designing-in-action differs from many other action research studies in its abstention from viewing the case description as an end in itself. Designing-in-action uses participative case studies as a means to develop more than just local theory, it aims at the development of generalized substantive theory (Gummesson 1991).

Operating within this overlap of designing and action research may result in role stress on the part of the researcher. The appropriate picture is one of an engineer in social science. The engineering background pushes the researcher towards rational designs of how the change process should work, which is often at odds with the 'messy' reality of the actual change process in the social system that is being studied. Designing-in-action calls for flexibility, a tolerance for ambiguity, and the ability to move back and forth between the rational process of designing and the socio-political process of managing organizational change (cf. figure 3.4).

Another potential source of role stress emanates from the demands placed on the researcher due to his roles outside of the research setting. This is particularly relevant in the case of part-time membership roles. Gummesson (1991) touches upon this issue: " [...] the system of promotion in the academic world hardly encourages the combination of [academic researcher and company employee] roles" (p. 40). At times, academic conferences, Ph.D. seminars, teaching, and writing interfered with the role demands at the case site, and vice versa. When you participate in an ongoing real-life change process in an organization, there is no such thing as choosing a fixed day of the week for data collection. The researcher has to be prepared for this kind of 'dual life'.

Designing-in-action is a fruitful research strategy for the production of clinical knowledge. Designing-in-action leads to dual outcomes: conceptual frameworks for diagnosis and intervention, and descriptive cases,

pertaining to a specific class of problems. Both outcomes serve to enhance the repertoire of professionals who want to improve social systems (cf. Schön 1983; Visscher and Fisscher 1999). In those cases where the research objective is to develop managerially relevant normative frameworks, designing-in-action ensures that the problems that are of genuine concern to managers are addressed. With my presentation of designing-in-action I hope to have contributed to a more variegated repertoire of research methods in market orientation research. And with this more varied repertoire of methods I hope that I have also contributed to a wider set of issues that is addressed in the area of market orientation.

§ 9.4   *Suggestions for further research*
Enough questions for further research remain. Here, I focus on a few suggestions for further research that are especially relevant for the implementation of a market orientation. The frameworks in chapter 8 were presented as this study's final frameworks, but not as the final answer to the implementation issue. The application of these frameworks in other organizations will undoubtedly lead to further refinements, or perhaps to adapted frameworks that can be used in specific classes of organizations, like not-for-profit organizations. Instead of refining the *process*-based frameworks it would also be interesting to start with a *culture*-based perspective and develop frameworks for the implementation of a market oriented culture.

In this thesis I have described market orientation as a resource in terms of the resource-based view. In order for market orientation to be an 'advantage-generating resource' (Fahy and Smithee 1999) it needs to meet, among other conditions, the condition of rareness (Barney 1991). The question is whether market orientation meets this condition. Day (1999b, p. 5) suggests that in some industries a market orientation may be 'as natural as breathing' (Day uses a consumer firm as an example), while in other industries it is 'a sharp departure from their history and instincts' (Day's example here is an industrial firm). One empirical study that included both an industrial firm sample and a consumer firm sample (Avlonitis and Gounaris 1997) showed that in the industrial firm sample the correlation between the degree of market orientation and business performance was much stronger than in the consumer firm sample. It would be very interesting to study whether scarcity of a market orientation in an industry or sector influences the market orientation – performance relationship.

Three issues that have already been identified in the literature are still unresolved and are in dire need of further research. The first issue that has been identified before is the issue of 'decreasing marginal returns' of improvements in the degree of market orientation, and, related to that, the question whether performance is to be conceptualized as a monotonic increasing function of market orientation, or whether negative marginal returns exist (Narver and Slater 1990). Narver and Slater suggest that "the basic law of economics applies: for every business, at some point the incremental costs to increase its market orientation will exceed the incremental benefits" (p. 33). Steinman et al. (2000) add: "[T]here is an implicit acknowledgement that becoming market oriented involves real investment in a set of capital-intensive processes and activities. This raises the issue of how much market orientation is enough?" (p. 110). The problem is that in order to calculate an optimal level of market orientation, we would need to know the costs per increment in market orientation as well as the performance advantage per increment. Currently, there are no empirical studies that provide those insights[3]. The existence of negative marginal returns would mean that an increase in market orientation beyond a certain point would make performance outcomes decrease. The costs that offset the gains of better market intelligence can be either costs of improving the degree of market orientation (implementation costs) or costs associated with too much market intelligence, like information overload or what has been called 'paralysis through analysis'. The question of 'when' to invest in market orientation – and perhaps more informative when *not* to invest in more market orientation – has only been raised, but has not yet been answered.

The second issue is that of 'quality of market oriented behaviors' (Kohli and Jaworski 1990; Hart and Diamantopoulos 1993; Jaworski and Kohli 1996). Within the current conceptualizations of market orientation, the 'degree of market orientation' refers to the quantity of market oriented behaviors, and this quantity of behaviors is related to organizational performance. While the theory does not state that more generation, dissemination, and use of market intelligence has a positive effect on performance, the current scales do operate that way, and the 'empirical proof' is thus based on that logic. The theory suggests that we should try to conceptualize the quality of market oriented behaviors, and relate that quality to business performance. Such thinking would not only improve

3. Recent research suggests that the value of a market orientation varies with conditions of competitor hostility and market turbulence (Harris 2001).

measurement scales and models; it would also be of value to the implementation issue, defining more specifically in what direction market oriented behaviors should be improved.

The third issue is that of dynamic cycles of attention for market orientation in organizations. In this thesis I have discussed the importance of a continuing drive to improve market learning and customer value creation. In organizational reality however, various other ideas and concepts will fight for the attention of senior management. It is therefore likely that organizations will 'tune in' to market orientation in certain episodes, and 'drop out' of market orientation at other times. Such a dynamic conceptualization is provided by Pulendran et al. (1998). The authors distinguish between 'commitment to market orientation' (an attitudinal property) and 'market oriented behaviors' (a behavioral property). Changes in the magnitude of these properties imply four possible transitions: (1) *switching on* market orientation (cmo/mob > CMO/mob)4; (2) *tuning in* to market orientation (CMO/mob > CMO/MOB); (3) *switching off* market orientation (CMO/MOB > cmo/MOB); and (4) *dropping out* of market orientation (cmo/MOB > cmo/mob). Further conceptualizations of this type, complemented with longitudinal empirical research, would represent an interesting supplement to the approach for the implementation of a market orientation as forwarded in this thesis. Studies of this type could help identify factors that help improve the 'timing' of market orientation improvement projects in the dynamic evolution of organizations (see also Gauzente 2001).

§ 9.5   *A letter to Alan Smithee*
In the first chapter of this thesis I have introduced Alan Smithee, a marketing manager whose ambition was to make his organization more market oriented. Except for the feeling that it was important to become more market oriented, Alan had no clear understanding of what a market orientation is, nor how to proceed in order to implement such an orientation in his firm. Thinking about Alan and the questions he was facing, I decided to write him the following letter:

4. CMO stands for High Commitment to Market Orientation; cmo stands for low Commitment to Market Orientation; MOB for High degree of Market Oriented Behaviors; mob for low degree of Market Oriented Behaviors. cmo/mob > CMO/mob stands for a transition from low commitment combined with low degree of behavior to high commitment combined with high degree of behavior.

Knowsuch Corporation
Attn. A. Smithee
Marketing Director
SW1 3MO
London

Dear Alan:

For six years now, I have been working on your questions with respect to the implementation of a market orientation. In these six years I have met many managers who were facing questions very similar to yours. I have participated in change programs for improved market orientation in two companies, both about the same size in turnover as your company. In both organizations the focus was on the sales, marketing, and service processes of the organization, i.e., those processes where customer interactions are the core of the business process. In this letter I will share with you my key learning points with respect to the practical aspects of implementing a market orientation in an organization.

There were different reasons behind the two organizations' calls for improved market orientation: the first organization was recently privatized and needed to transform from a semi-public, state-owned organization to an independent profit-earning business. The second organization is a subsidiary of a large multinational whose sales growth figures were below target, one of its causes being a lack of market orientation, according to the board. In both organizations the need for improved market orientation was recognized at the board level. The support of senior management is crucial in a change process that affects large parts of the organization and multiple aspects of business. Senior management should therefore be represented in the team that initiates and guides the change effort. The total change program consists of four phases[1]. Let me first share my lessons learned with respect to the start-up phase of the change initiative.

Preparing for change
In the initial phase of a change process towards improved market orientation, three elements are of crucial importance[2]: (1) establishing a sense of urgency, (2) forming a powerful guiding coalition, and (3) creating

1. See figure 8.5 in this thesis.
2. Beer et al. (1990); Kotter (1995); Vandermerwe (1995).

a vision. My experiences in the two case studies amplify these points. In order for people to change their behavior they need to be driven out of their comfort zones. Both MD's in the Novum NL case study emphasized unsatisfactory sales growth figures in an attempt to establish such a sense of urgency. The effects were marginal, because this argument had lost its power over the years, and probably also because sales growth is such a generic performance measure that improvements in market orientation are not automatically associated with improved sales turnover. Performance measures that are more directly linked to market orientation are customer satisfaction and customer retention[3]. Alarming outcomes of satisfaction and retention studies should help establish an urgency rate that is high enough to catch people's attention.

Although programs of change usually start with just one or two people, the leadership coalition should grow over time in such a way that a powerful team of change agents is formed. Major change programs require the head of the organization to be part of the team, but it is not necessarily that all senior managers need to be part of the team, nor does team membership need to be limited to senior managers only. Representatives from key customers could be valuable members of the guiding coalition[4]. With hindsight, the composition of the guiding coalition was sub-optimal in both case studies. In the first case study, the implementation of the team's recommendations was thwarted because key decision-makers were not part of the coalition. In the second case study, too many of the board members were not actively involved in the first phases of the process. The creation of a project team might seem at odds with the idea that an organization should continuously strive to improve its degree of market orientation, while a project team is by definition a temporary arrangement. However, starting the change process by means of a project team has a number of advantages: the resources that are needed can be pulled together in a more explicit way because manpower and money are dedicated in the form of project team members and project budget. The creation of a special task force legitimizes the team members' time spent on meetings and research activities. And, the creation of a dedicated team communicates to the organization at large that the change towards a more customer focused organization is taken seriously by management.

One of the first tasks of the guiding coalition is to create a vision of the market oriented organization as the desired future state[5]. First and

3. Hennestad (1999); Webb et al. (2000).
4. Kotter (1995).
5. Beer et al. (1990).

foremost, such a vision statement defines what market orientation means in the eyes of the guiding coalition, in a way that is appealing and easy to communicate. Whence this emphasis on defining 'market orientation'? The terms 'market orientation' and 'market oriented organization' as they are often used in discussions among practitioners and in business periodicals, usually do not denote the same construct as 'market orientation' in the academic publications. Moreover, practitioners appear to have a preference for 'customer focus' and 'customer focused organization' when they talk about an organization with an external orientation. Within Novum NL the term 'market oriented' is associated with an organization structure in which marketing and sales is grouped together around markets instead of groupings around products. 'Building a market oriented organization' thus would be interpreted as 'reorganizing sales and marketing'. The usage of the term 'market oriented organization' as an organization that generates market intelligence, disseminates this intelligence internally, and uses this intelligence to create distinctive customer value[6] is very rare in practitioner circles. The practitioner who wants to implement a market orientation as it is defined in this thesis, should either spend significant efforts to explain what is meant by the term 'market orientation' or choose a terminology that fits the terminology-in-use in the organization. In order to stress the market intelligence part of market orientation, practitioners may wish to use both 'market intelligence' and 'customer focus' in order to describe that what is called market orientation in this thesis.

Apart from a clear definition of terms, I recommend that the vision includes statements on the distinctive value the organization wants to generate for its target customers as well as a description of desired future processes and behaviors that are needed to generate such value. The activity framework and the causal framework[7] can assist in the creation of such a vision statement. The vision statement guides the evolution of improvement projects[8]. It makes sure that the various projects for improved market orientation add up in a meaningful way. The Novum NL case study shows how the lack of a clear vision hindered the development of a coherent portfolio of improvement projects.

Assessment of the current situation
Within the frame of a process-based approach to market orientation, an assessment of the current situation should focus on current actual

6. Kohli and Jaworski (1990); Narver and Slater (1990).
7. Figures 8.3 and 8.4 in this thesis.
8. Lovas and Ghoshal (2000).

processes and behaviors. I stress the word 'actual' because actual processes may differ from formal processes. This analysis of actual processes and behaviors should be complemented with an analysis of the current state of enablers for market oriented behavior[9]. Two more objectives for the organizational diagnosis could be to obtain an overall 'valuation' of the current degree of market orientation, and to analyze in what areas improvements are most needed and/or feasible. In my case studies I have used questionnaires, interviews, and observations for assessing the current situation. My advice to practitioners is to abstain from the sole use of a questionnaire for assessing the current degree of market orientation. The scales that are published in the market orientation literature[10] were developed for cross-sectional research and are therefore not useful for a single organization assessment[11]. These questionnaires are very general in their wording and cover only a small part of the relevant activities, behaviors, and processes of an organization. A customized questionnaire can be used to obtain a quick scan of current processes and behaviors, and of the current state of enablers for market oriented behavior, to obtain an overall 'valuation' of market orientation, and to collect ideas for improvements. Such a questionnaire is but the start of the assessment. Interviews, observations, and analyses of secondary data help to uncover the real status of processes, behaviors, and enablers. External and internal performance data, such as customer satisfaction scores and data on customer complaints, customer retention and profitability, complement the assessment of processes and behaviors.

The causal framework[12] helps to direct the organizational diagnosis, as well as to organize the findings of the assessments. Ideally, the assessment covers all aspects of the causal framework. The activity framework[13] provides a more detailed overview of the market intelligence and value creation processes. In multi-product, multi-market firms like Novum NL care has to be taken that the right unit of analysis is chosen. Some organizational processes are the same for all business units (e.g., billing) while other processes differ per business unit (e.g., market research). It takes a thorough analysis to link together performance data, process analyses, and the assessments of enablers in such a way that it becomes clear in which processes, within which units, and with which enablers the most promising

9. See table 8.1 for an overview of such enablers.
10. MARKOR by Kohli et al. (1993) and MKTOR by Narver and Slater (1990).
11. Bisp et al. (1996); Van Bruggen and Smidts (1995).
12. See figure 8.4 in this thesis.
13. See figure 8.3 in this thesis.

improvements can be achieved. Typical high priority areas for improvements are:

– processes that have received a low score in the questionnaire;
– enablers that have received a low score in the questionnaire;
– value creation processes that cause low internal and external performance scores on selected dimensions of customer value;
– areas for improvement that have been mentioned most often by employees in the questionnaire and in interviews;
– areas for improvement that affect processes which are at the core of the vision.

The prioritized list of areas for improvement forms the basis for the change team's portfolio of improvement projects. The assessment of the current situation relies predominantly on self-assessments by managers and employees. Opinions of customers can be used to assess the quality of the value creation processes[14], but external informants may not be particularly knowledgeable about the internal processes of an organization[15]. In order to reduce the bias that is inherent to self-assessments the use of an external assessor might be considered, as was done in both case studies.

Disseminating the change initiative/learning new behaviors
Throughout the change process communication with the organization at large is of vital importance. The vision statement is one of the key messages that needs to be communicated to the organization at large. Many companies use far less than one percent of intracompany communication to support transformation efforts[16]. In more successful change efforts executives use all existing communication channels to broadcast the vision. In both case studies the executives themselves were dissatisfied about intracompany communication. The lesson learned is that there first needs to be a clear communicable vision, and subsequently all channels of communication need to be used; not just the internal newsletter, but also channels like training courses, management meetings, and above all, exemplary behavior.

In the RCC case study, the change team attempted to enact most of the changes by itself. In the Novum NL case study a 'collaborative incrementalism' approach was used which meant that the change process consisted of a portfolio of both emergent and planned improvement projects. In order to

14. Steinman et al. (2000).
15. Jaworski and Kohli (1996).
16. Kotter (1995).

incite others to participate in a meaningful way the vision should be clear and interesting, and grass-root initiatives should be stimulated. The Novum NL case study showed that as soon as middle management got involved real changes started to get implemented. In an organization that rewards initiative, like Novum, the problem is not so much in stimulating grass-roots initiatives, but more in managing and directing these initiatives towards realization of the vision.

New processes and behaviors can be taught to some extent via a 'programmatic' change approach that draws heavily on training and education. But this a priori knowledge is only the foundation for a more enduring type of learning new behaviors and processes: experiential learning[17]. Experiential learning starts with real business problems in an actual business context[18]. Managers and employees can be told on fore-hand what market orientation is and how it is related to the creation of distinctive customer value and (financial) performance, but they can only find out for themselves in what ways this distinctive value can be best created in a specific market. The same holds for market intelligence processes. Different methods for the collection of market information can be taught a priori, but the most effective method in a specific context is best learned through experience. The Novum NL case study shows how this strategy of experiential learning was used to implement marketing planning, customer relationship management, and market research practices.

Consolidation and reinforcement
In order to achieve a lasting improvement the new behaviors need to 'stick'. This means that the new behaviors need to be anchored in the organization. Adjustments in the enablers such that they fit the newly acquired behaviors serve that purpose. One very powerful way of anchoring new behaviors is through performance evaluation systems and other feedback systems. A change from performance evaluation on financial parameters to performance evaluation via a balanced scorecard[19] can help to institutionalize a change towards increased customer focus in the organization. Again, senior managers fulfill a crucial role. Every time they review the performance of individuals, teams, and business units, they should use a balanced set of performance dimensions that fits the long-term vision.

17. Narver et al. (1998).
18. Beer et al. (1990).
19. See e.g., Kaplan and Norton (1996).

STEP	USE OF FRAMEWORKS
1. Establish a sense of urgency using data on customer satisfaction, customer retention, or customer complaints.	– Use the causal framework to show how performance is related to market oriented behavior.
2. Form a powerful guiding coalition that includes, but is not limited to, senior managers.	– Use the implementation framework to discuss the overall approach.
3. Create a vision that clearly communicates the desired future state of the organization.	– Use the activity framework to develop the vision.
4. Assess current processes, performance, and practices.	– Use the activity framework to identify processes and practices. – Use the causal framework to organize the findings.
5. Identify and prioritize areas for improvement.	– Use the causal framework to discuss priorities.
6. Communicate through all channels of communication.	– Use all three frameworks to communicate the underlying philosophy.
7. Develop and manage a portfolio of improvement projects.	– Use the causal framework to check that all 'boxes' are represented in the portfolio.
8. Instill a continuous improvement drive.	– Use the causal framework to develop a balanced scorecard that includes internal and external performance measures.

Table 9.1: Eight steps to market orientation

Markets and competitors change, and the most effective processes for creating distinctive customer value of today will not be the same as those of tomorrow. The change team is not ready with its task when processes are aligned with the customer needs of today. A true market orientation is implemented when the organization has learned how to continuously collect new information about the market and how to translate this information into improvements in value creation processes[20]. The transformation to a market oriented organization may one day be declared accomplished, but a true market orientation implies that the process of

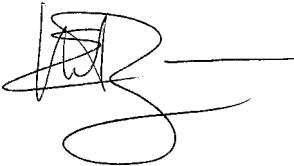20. See figure 8.4 in this thesis, as well as Woodruff (1997).

adapting to changes in the market will be never-ending. A step-by-step approach to the implementation of a market orientation is summarized in table 9.1.

Dear Alan, this concludes my practical advice for the implementation of a market orientation. In this letter I have answered the three questions you were confronted with six years ago:
1. In what parts of my organization should I look for areas for improvement?
2. On what grounds should I prioritize a list of improvement areas?
3. How should I go about making changes in the organization?

I recommend a further reading of the literature that is referred to in this chapter, as well as a reading of my two case studies in order to obtain a more comprehensive picture of the change process towards improved market orientation. Please do not hesitate to call me if you require further assistance.

Yours sincerely,

Erik M. van Raaij

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AMR	Active Membership Researcher	IT	Information Technology (a department within Novum NL)
BPM	Business Process Management (a methodology for process analysis and improvement used within Novum NL)	LAN	Local Area Network
		MARKOR	Kohli & Jaworski's market orientation scale
BPR	Business Process Reengineering (or Redesign)	MCL	Managing for Customer Loyalty (a Novum worldwide growth initiative)
CBM	Customer Base Marketing (the name of the improvement project at RCC)	MCM	Management Communications Meeting
CEO	Chief Executive Officer	MD	Managing Director
CFM	Customer Focused Marketing (an Novum initiative to stimulate related selling)	MKTOR	Narver & Slater's market orientation scale
		MO	Market Orientation
CRM	Customer Relationship Management	MOA	Motivation, Opportunity, Ability
CS	Customer Service (a department within Novum NL)	MSI	Marketing Science Institute
		MSS	Marketing, Sales, and Service
CSM	Customer Satisfaction Measurement	OCAD	One Common Address Database
CSR	Customer Service Representative	P-E	Performance-Evaluation (a UK consulting firm)
DO	Directie overleg (board meeting)	QCS	Quality & Customer Satisfaction (a department within Novum NL)
EDC	European Distribution Center	QDS	Quality Documentation System
EMU	European Management Unit	Q-S-P	Quality-Satisfaction-Performance
GS&MM	Group S&MM (manager of a market cluster within Novum NL)	R&D	Research and Development
HR	Human Resources (a department within Novum NL)	RCC	Rijks Computercentrum
		RO	Rijksoverheid (central government)
HRD	Human Resources Development (a department within Novum NL)	ROE	Return on Equity
		ROS	Return on Sales
ICK	Improving Capabilities and Knowledge (a Novum NL project)	RuG	Rijksuniversiteit Groningen
		S&M	Sales & Marketing
		S&MM	Sales & Marketing Manager
ICT	Information and Communications Technology	SBU	Strategic Business Unit
		TLA	Three-Letter Abbreviation
ISO 9002	A quality standard for organizations	TQM	Total Quality Management
		Y2K	Year 2000/the new millennium

Marktgerichte bedrijven presteren beter. Dit is niet alleen een veel-
gehoorde stelling in de praktijk van managers en consultants; gedurende
de afgelopen tien jaar is binnen de marketingwetenschap middels
empirisch onderzoek vastgesteld dat er in het algemeen een positieve
relatie bestaat tussen de mate van marktgerichtheid van een organisatie
en de prestaties van die organisatie (zie bijv. Jaworski en Kohli 1996). Als
een marktgerichte organisatie een beter presterende organisatie is, is een
logische vervolgvraag: hoe kan de mate van marktgerichtheid van een
organisatie worden verbeterd? Antwoorden op deze vraag zijn schaars
in de marketingliteratuur. Voor managers die het belang van markt-
gerichtheid onderkennen is deze 'hoe'-vraag cruciaal. Dit proefschrift
vertrekt vanuit de vragen waarmee een hypothetische manager, Alan
Smithee genaamd, worstelt nu hij de mate van marktgerichtheid van zijn
organisatie wil vergroten. De onderhavige studie komt tegemoet aan de
roep in de literatuur om meer inzicht in het implementatieproces van
marktgerichtheid en de ontwikkeling van meer praktijkrelevante kennis
op dit gebied.

In dit onderzoek is op basis van participatieve case studies een methode
voor de implementatie van marktgerichtheid ontworpen. Deze implemen-
tatiemethode vormt de PRAKTISCHE BIJDRAGE van het onderzoek. De
implementatiemethode bestaat uit een drietal raamwerken die richting
geven aan het handelen. In deze raamwerken staan analyse en herontwerp
van *bedrijfsprocessen* centraal. De raamwerken geven niet alleen antwoord
op de vraag *waar* de verbeteringen moeten worden gezocht, maar ook *hoe*
die verbeteringen kunnen worden ingevoerd. De belangrijkste METHODO-
LOGISCHE BIJDRAGE van dit onderzoek is gelegen in de ontwikkeling van
een onderzoeksstrategie op het snijvlak van ontwerpgericht onderzoek en
actieonderzoek: designing-in-action. Deze onderzoeksstrategie geeft de
onderzoeker een mate van toegang tot veranderingsprocessen in organi-
saties die met non-participatieve strategieën niet te realiseren is.

De belangrijkste THEORETISCHE BIJDRAGE van dit onderzoek is
gelegen in de inbedding van het begrip marktgerichtheid in proces-
theorieën van organisaties. Marktgerichtheid is in deze theorie geplaatst
als een stelsel van procesmatige vaardigheden[1] die in onderlinge samen-
hang verdedigbare concurrentievoordelen opleveren. Deze vaardigheden
zijn gelegen in de verzameling en verspreiding van marktinformatie, in

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1. 'Process capabilities' in de Engelstalige literatuur.

het leren over markten, en in het creëren van onderscheidende klant-waarde. Binnen de theorie over marktgerichtheid is de in dit proefschrift ontwikkelde methode bovendien de meest complete aanpak voor de *implementatie* van marktgerichtheid.

Een uitgebreid LITERATUURONDERZOEK aan het begin van het project liet zien dat in de wetenschappelijke literatuur op het gebied van markt-gerichtheid vier vraagstukken kunnen worden onderscheiden (Van Raaij et al. 1998):
> 1. Het definitievraagstuk. De kernvraag is: wat is 'marktgerichtheid'?
> 2. Het meetvraagstuk. De kernvraag is: hoe kun je de mate van marktgerichtheid van een organisatie meten?
> 3. Het modelvraagstuk. De kernvraag is: hoe hangt marktgerichtheid samen met bedrijfsprestatie, organisatiekenmerken en andere constructen zoals innovativiteit?
> 4. Het implementatievraagstuk. De kernvraag is: hoe kun je de marktgerichtheid van een organisatie vergroten?

Bij de start van dit onderzoek in 1995 was er voor geen van deze vier kernvragen een eensluidend antwoord en nu, zes jaar later, is de situatie slechts op enkele punten verbeterd. Zo zijn in de literatuur verschillende DEFINITIES in gebruik. De twee die het meest worden geciteerd zijn:
> – Marktgerichtheid is het organisatiebreed *genereren* van informatie over huidige en toekomstige klantbehoeften, het *verspreiden* van deze informatie over afdelingen en een organisatiebrede *respons* op die informatie (Kohli en Jaworski 1990);
> – Marktgerichtheid is de bedrijfscultuur die ervoor zorgt dat zo effectief en efficiënt mogelijk superieure waarde voor klanten wordt gecreëerd. Marktgerichtheid bestaat uit drie gedragscomponenten – klantgericht-heid, concurrentgerichtheid, en interfunctionele coördinatie – en twee beslissingscriteria – een focus op de lange termijn en winstgevendheid (Narver en Slater 1990).

Hoewel het niet direct zichtbaar is in de definitie van Narver en Slater leggen zij net als Kohli en Jaworski veel nadruk op het genereren en gebruiken van marktinformatie in hun verdere beschrijvingen van marktgerichte organisaties. Wat opvalt na gesprekken met managers, is dat waar theoretici al meer dan tien jaar marktgerichtheid definiëren in termen van marktinformatiestromen, managers – en anderen die de marketingliteratuur over marktgerichtheid niet uitgebreid hebben

bestudeerd – bij een 'marktgerichte organisatie' ofwel denken aan een organisatie die haar activiteiten rond klantengroepen in plaats van productgroepen heeft gestructureerd, ofwel aan een organisatie die na privatisering of verzelfstandiging marktconform moet gaan opereren[2]. In dit proefschrift ben ik vertrokken vanuit de theoretische definitie van marktgerichtheid: 'marktgerichte organisaties' zijn *organisaties die markt-informatie verzamelen, intern verspreiden en gebruiken zodanig dat zij op basis van die informatie onderscheidende waarde kunnen bieden aan hun klanten*[3].

De verscheidenheid aan definities van marktgerichtheid gaat gepaard met een verscheidenheid aan INSTRUMENTEN om de mate van markt-gerichtheid van een organisatie te meten. Er zijn twee meetschalen die het meest worden gebruikt in empirisch onderzoek naar de marktgerichtheid van organisaties: MARKOR, ontwikkeld door Kohli et al. (1993) en MKTOR, ontwikkeld door Narver en Slater (1990). MARKOR en MKTOR zijn multi-item vragenlijsten gebaseerd op het Likert-schaal principe, met respectie-velijk twintig en vijftien stellingen. Deze stellingen hebben voornamelijk betrekking op de mate waarin de organisatie bepaalde activiteiten (met betrekking tot marktinformatiestromen) uitvoert. Deze vragenlijsten worden bij één of meerdere topmanagers afgenomen om de mate van marktgerichtheid van een organisatie vast te stellen. Ondanks de hoge mate van acceptatie van deze schalen – gepubliceerd in twee van de meest vooraanstaande marketingtijdschriften – zijn er over de jaren veel kant-tekeningen bij deze schalen gezet. De belangrijkste kanttekeningen zijn dat betwijfeld wordt of topmanagers de marktgerichtheid van hun organi-satie accuraat kunnen inschatten, dat vraagtekens worden gezet bij een maat van marktgerichtheid als een gemiddelde over alle bedrijfsonder-delen, afdelingen en hiërarchische niveaus, en dat de uitkomst van een dergelijke meting (uitgedrukt in een getal) zeer beperkt bruikbaar is als basis voor het doorvoeren van verbeteringen (zie bijvoorbeeld Van Bruggen en Smidts 1995).

2. Veel van de vakpublicaties over markt-gerichtheid blijken te gaan over deze laatste twee 'intuïtieve' definities van marktgericht-heid.

3. Natuurlijk zijn er wel verbanden tussen deze 'theoretische' definitie van markt-gerichtheid en de eerder genoemde 'intuï-tieve' definities van marktgerichtheid. Wan-neer een (semi-)publieke instantie wordt verzelfstandigd en marktconform moet gaan werken wordt vaak het belang gezien om de verzameling, de verspreiding en het gebruik van marktinformatie te verbeteren (voor-beelden uit eigen ervaring zijn PTT Post, RCC en Cogas). En om ook sneller te kunnen reageren op signalen uit de markt wordt er dan vaak voor gekozen om de activiteiten te structureren rond klantengroepen/ markten in plaats van rond producten. Marktconfor-me operaties leiden tot aandacht voor markt-gerichtheid, hetgeen ertoe kan leiden dat een structuur rond marktclusters wordt ingevoerd.

Bovengenoemde meetschalen worden voornamelijk ingezet om de RELATIE TUSSEN MARKTGERICHTHEID EN SUCCES te meten. Deze metingen zijn voor verschillende soorten organisaties in vele verschillende landen verricht, en de algemene uitkomst is dat er een positief verband bestaat tussen de mate van marktgerichtheid en het succes van een organisatie. Succes wordt dan meestal gemeten met behulp van financiële parameters (winst, omzet, groei), waarbij de topmanager die de stellingen over marktgerichtheid beantwoordt ook wordt gevraagd om de mate van succes ten opzichte van concurrenten, verwachtingen of doelstellingen aan te geven; een subjectieve, relatieve succesmaat dus. Een paar studies hebben ook positieve verbanden gevonden tussen marktgerichtheid en klanttevredenheid, klantentrouw, en werknemerstevredenheid.

Onderzoek naar de IMPLEMENTATIE VAN MARKTGERICHTHEID is relatief schaars. Maar als zo veel studies uitwijzen dat marktgerichtheid bijdraagt aan ondernemingssucces is het interessant om te weten hoe managers de marktgerichtheid van hun organisatie kunnen verbeteren. Bij aanvang van deze studie in 1995 was er een klein aantal publicaties waarin suggesties voor de verbetering van marktgerichtheid worden gegeven, maar er was geen ondersteunend empirisch onderzoek. De variatie tussen de verbetersuggesties is groot: organisaties kunnen marktgerichter worden gemaakt door training, door de invoering van nieuwe gedragsnormen, door ingrepen in structuur, samenwerking en systemen, door ingrepen in personeelsbeleid, en/of door herontwerp van bedrijfsprocessen. Het uitgebreide literatuuronderzoek dat bij aanvang van deze studie is uitgevoerd maakte duidelijk dat de literatuur op het gebied van marktgerichtheid nog niet in staat was om een empirisch ondersteund antwoord te geven op de vraag hoe de mate van marktgerichtheid van een organisatie kan worden vergroot.

De HOOFDVRAAG in dit onderzoek is: *hoe kunnen managers hun organisaties meer marktgericht maken?* Om deze vraag empirisch te onderzoeken is de in de marketingliteratuur veelgebruikte methode van vragenlijstonderzoek minder geschikt omdat voor het opstellen van een goede vragenlijst al veel over de implementatie van marktgerichtheid bekend moet zijn. In deze studie is gekozen voor een combinatie van explorerende gevalstudies en theorieontwikkeling. Het beoogde resultaat van deze onderzoekstrategie was een set conceptuele raamwerken die professionals sturing kunnen geven bij het vergroten van de marktgerichtheid van een organisatie. Deze studie kan zodoende worden gekarakteriseerd als ontwerpgericht – de kennis die wordt ontwikkeld

is kennis voor het ontwerpen van marktgerichte organisaties. De ONTWERPDOELSTELLING luidt:

> *Het ontwikkelen van een implementatietheorie die door professionals kan worden gebruikt om de mate van marktgerichtheid van een organisatie te verbeteren.*

De conceptuele raamwerken worden, zoals gezegd, ontwikkeld om te worden gebruikt door professionals (managers, consultants, onderzoekers) die de marktgerichtheid van een organisatie willen vergroten. Om dergelijke raamwerken te ontwikkelen heb ik een ONDERZOEKSMETHODE gebruikt die ik 'designing-in-action' heb genoemd, hetgeen kan worden vertaald als 'ontwerpen vanuit actor perspectief'. Deze methode gaat uit van het principe dat de problematiek van het ontwerpen van marktgerichte organisaties pas voldoende begrepen kan worden wanneer de onderzoeker tijdelijk lid wordt van een organisatie waarin een veranderingsproces naar meer marktgerichtheid plaatsvindt. De onderzoeker is daarbij ook actief lid van de groep veranderingsagenten in de organisatie.

DESIGNING-IN-ACTION werkt als volgt: vóórdat de onderzoeker deelneemt aan een veranderingsproces in een organisatie ontwerpt hij[4] op basis van zijn voorkennis[5] en de literatuur een initiële versie van de raamwerken voor de vergroting van marktgerichtheid. Als lid van het veranderingsteam leert de onderzoeker uit de eerste hand waarom bepaalde interventies worden gepleegd, wat de resultaten van die interventies zijn, en hoe het veranderingsproces in het algemeen verloopt. Op basis van de reflectie op wat zich in het veranderingsproces heeft afgespeeld, kan de onderzoeker/ontwerper de raamwerken aanpassen. Deze aanpassingen zijn niet bedoeld om de raamwerken beter aan te laten sluiten bij de specifieke situatie van het proces dat is onderzocht (retrospectieve aanpassingen), maar om de raamwerken beter aan te laten sluiten bij het proces van verandering in toekomstige situaties (prospectieve aanpassingen).

De designing-in-action methode heeft een VIERTAL SPECIFIEKE KENMERKEN: Ten eerste is het een *interactieve* onderzoeksstrategie, waarbij de onderzoeker niet alleen onderdeel wordt van het te onderzoeken veranderingsproces, maar ook actief in de verandering participeert. Deze

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4. Overal waar ik in de tekst de mannelijke vorm gebruik om een algemeen persoon aan te duiden, kan evengoed de vrouwelijke equivalent ingevuld worden.

5. Dit is een vrije vertaling van Gummesson's 'preunderstanding' (Gummesson 1991).

focus op veranderingsprocessen, waarin tijd en volgorde van gebeurtenissen van belang zijn, en niet de correlaties tussen variabelen zoals in cross-sectioneel onderzoek, is een tweede kenmerk van designing-in-action. Omdat het zo'n intensieve onderzoeksstrategie is, beperkt de dataverzameling zich tot een gering aantal *gevalsstudies*. En ten vierde volgt het onderzoek een *cyclisch proces* van kennisontwikkeling waarbij cycli van ontwerp – interventie – reflectie elkaar opvolgen, totdat er een ontwerp voorligt waarmee een bevredigend antwoord op de onderzoeksvraag kan worden gegeven. In dit onderzoek presenteer ik drie ontwerpen met daartussenin twee case studies. Tussen het initiële ontwerp en het intermediaire ontwerp zit een korte pilot case studie van acht maanden, terwijl tussen het intermediaire ontwerp en het finale ontwerp een longitudinale case studie van iets meer dan drie jaar zit. In beide organisaties is een veranderingsproces naar meer marktgerichtheid bestudeerd.

Designing-in-action heeft specifieke VOOR- EN NADELEN. De belangrijkste kracht van deze vorm van onderzoek is dat de onderzoeker, door de rollen van onderzoeker en veranderingsagent te combineren, toegang heeft tot actuele veranderingsprocessen in organisaties. De betrokkenheid van de onderzoeker bij een proces dat organisatieleden écht bezighoudt, leidt tot een mate van inzicht dat met geen andere onderzoeksstrategie te bereiken is. Daar staat tegenover dat het een zeer tijdsintensieve strategie is, waarbij veel van de onderzoeker wordt gevergd. Van hem wordt verwacht dat hij zijn toebedeelde rol in het veranderingsproces vervult, ook wanneer dat niet direct wat oplevert voor het onderzoek. De belangen van de onderzoeker en van de organisatie lopen niet altijd parallel en de onderzoeker moet kunnen omgaan met de structurele tegenstrijdigheid tussen onderzoek en actie (Van der Zwaan 1995). De onderzoeker is voor zijn onderzoeksmateriaal sterk afhankelijk van de medewerking van het bedrijf. Het voortijdig wegvallen van die medewerking kan betekenen dat het onderzoek moet worden afgebroken voordat al het benodigde materiaal is verzameld. Designing-in-action is een strategie die gebruikt kan worden voor het ontwikkelen van praktijkgerichte, 'vroegtheoretische' raamwerken, in onderzoeksgebieden waar theorieontwikkeling nog beperkt is. Dergelijke raamwerken kunnen door professionals worden opgenomen in het repertoire waaruit zij putten bij het ontwerpen van marktgerichte organisaties (Schön 1983; Weick 1993).

De eerste stap in het onderzoeksproces is het maken van een initieel ontwerp van de raamwerken die professionals (managers, consultants, onderzoekers) kunnen helpen om organisaties marktgerichter te maken. Om deze ontwerptaak verder te specificeren is het nuttig om stil te staan

bij de vragen die een professional zal moeten beantwoorden voordat hij aan de slag kan om een organisatie marktgerichter te maken:

1. Waar in de organisatie moet de professional zoeken naar verbeteringen? Gaat het bij marktgerichtheid om veranderingen in structuur, in cultuur, of in processen?
2. Op welke gronden moet de professional prioriteiten stellen in de lijst van mogelijke verbeteringen?
3. Hoe moet de professional de gekozen verbeteringen invoeren in de organisatie?

Ik heb om verschillende redenen gekozen voor een PROCESBENADERING voor het vergroten van marktgerichtheid. Dit betekent dat ik voor verbetering van de marktgerichtheid primair kijk naar de bedrijfsprocessen en hoe die verbeterd kunnen worden. Ten eerste is de essentie van marktgerichtheid erin gelegen dat marktgerichte organisaties onderscheidende klantwaarde bieden, en die onderscheidende waarde wordt gegenereerd door de bedrijfsprocessen, niet of slechts indirect door de cultuur of de structuur van de organisatie. Ten tweede zijn managers primair bezig met het managen van bedrijfsprocessen en dient een praktijkgerichte theorie dus de focus op processen te hebben.

Op basis van de literatuur op het gebied van marktgerichtheid heb ik drie INITIËLE RAAMWERKEN ontwikkeld:

4. Een activiteiten raamwerk: hierin zijn de processen gespecificeerd die geassocieerd worden met de marktgerichte organisatie;
5. Een causaal raamwerk: hierin is de relatie gespecificeerd tussen marktgerichte processen en de consequenties daarvan in termen van klantwaarde en financiële prestaties;
6. Een implementatie raamwerk: hierin zijn de activiteiten gespecificeerd die nodig zijn om verbeteringen in de processen te implementeren.

Deze initiële methode voor de implementatie van marktgerichtheid had stevige wortels in de BPR literatuur en bestond in essentie uit het analyseren van de huidige procesgang, het formuleren van te realiseren klantwaarden en het herontwerpen van de procesgang in het licht van die klantwaarden. Deze initiële oplossing voor het ontwerpprobleem is gebruikt in een pilot case studie bij RCC Informatieservices B.V. (het voormalige Rijks Computercentrum, hierna RCC) om te zien of de keuze voor een procesbenadering een verstandige is geweest, en om op basis van feedback uit de praktijk verbeteringen in de ontwerpen aan te brengen.

In de PILOT CASE STUDIE bij RCC heb ik, als projectsecretaris in een team van acht personen, gewerkt aan een herontwerp van het verkoop en relatiemanagement proces. Allereerst hebben we het huidige proces in kaart gebracht op basis van gesprekken met teamleden. Middels interviews met andere medewerkers van RCC zijn knelpunten in het huidige proces geïnventariseerd. Met een vragenlijst aan medewerkers in marketing, accountmanagement en opdrachtmanagement zijn suggesties voor algemene verbeterpunten verzameld. Daarna zijn door het team klant-waarden geformuleerd en zijn verbetervoorstellen voor het proces uitge-werkt. Slechts enkele van die verbetervoorstellen zijn ook daadwerkelijk geïmplementeerd. Het project heeft een interessant ontwerp voor een verbeterd verkoop en relatiemanagement proces opgeleverd, maar het project heeft weinig impact gehad op de feitelijke procesgang binnen RCC.

De case studie leverde een aantal belangrijke LEERPUNTEN op. Achteraf gezien zijn er twee redenen voor deze tegenvallende implementatie te geven. Ten eerste werd, toen het project een paar maanden in gang was, een nieuwe reorganisatie aangekondigd. RCC zou worden opgesplitst in een aantal zelfstandige business units. Later werd ook duidelijk dat de Nederlandse overheid haar aandelen in RCC van de hand wilde doen, hetgeen leidde tot allerlei speculaties over een mogelijk vijandige over-name van de RCC-groep. De aandacht van directie en medewerkers voor deze ontwikkelingen was vanzelfsprekend veel groter dan voor het proces-herontwerptraject. De tweede reden voor de tegenvallende implementatie is gelegen in de lage betrokkenheid bij het project van medewerkers en directie, ook binnen het projectteam. Binnen het team was ik te veel in een uitvoerende rol, hetgeen bij de teamleden leidde tot het 'tribune-effect'. De individuele leden van de directie zijn te weinig bij de voortgang van het project betrokken. Bovendien was de communicatie met de rest van de organisatie onvoldoende. Naast deze leerpunten met betrekking tot het implementatieproces viel me op dat procesherontwerp alléén niet de gedragsverandering teweeg kan brengen die nodig is om een organisatie marktgerichter te maken. De respondenten binnen RCC gaven aan dat aanpassingen in systemen, samenwerkingsverbanden en vaardigheden van mensen onontbeerlijk zijn voor het vergroten van de marktgericht-heid. Met deze leerpunten op zak ben ik begonnen aan mijn tweede ontwerpcyclus.

De INTERMEDIAIRE RAAMWERKEN, gemaakt in 1997, kennen twee belangrijke wijzigingen ten opzichte van de initiële ontwerpen. De eerste wijziging betreft een verschuiving van een focus op procesontwerp naar een focus op het herontwerpen van 'enablers' voor gedrag. Het formele

proces is één van die enablers, maar naast formele processen zijn feed-
back, voorbeeldgedrag van managers, interne netwerken, rollen en verant-
woordelijkheden, hulpmiddelen en vaardigheden belangrijke enablers
voor marktgericht gedrag. Een implementatiemethode voor marktgericht-
heid moet dus aandacht schenken aan al deze enablers. De tweede wijzi-
ging betreft een verschuiving van een ontwerpbenadering voor organisa-
tieverandering naar een meer incrementele ontwikkelingsbenadering. In
deze benadering is ook ruimte voor emergente verbeterprojecten waardoor
meer betrokkenheid van organisatieleden kan worden gerealiseerd, met
een succesvollere implementatie van verbeteringen tot gevolg. Deze
verfijningen zijn doorgevoerd in de conceptuele raamwerken die tezamen
het intermediaire ontwerp vertegenwoordigen.

De intermediaire ontwerpen zijn gebruikt als vertrekpunt voor de
LONGITUDINALE CASE STUDIE bij Novum Nederland (hierna Novum NL).
Gedurende een periode van ruim drie jaar ben ik betrokken geweest bij het
zogenaamde Managing for Customer Loyalty (MCL) project. Allereerst heb
ik door middel van een serie interviews met de managers van de vijftien
grootste verkoopgroepen en een vragenlijst aan alle top managers en
medewerkers in marketing, verkoop en service, een diagnose gesteld van
de huidige praktijken op het gebied van het verzamelen, verspreiden en
gebruiken van marktinformatie. Ook heb ik vanaf het begin meegewerkt
aan verschillende projecten die door het MCL team in de project portfolio
waren opgenomen, waaronder het ontwikkelen van methoden om klant-
tevredenheid en klantentrouw te meten. De project portfolio bestond uit
projecten die door het team zijn geïnitieerd en emergente projecten die
elders zijn ontstaan en door het MCL team zijn 'geadopteerd'. De samen-
stelling van de project portfolio veranderde voortdurend door het ontbre-
ken van een visie op een marktgericht Novum NL in de toekomst. In het
MCL team, dat in het begin uit louter directieleden bestond, werd veel
gepraat over MCL en over marktgerichtheid, maar organisatiebrede veran-
deringen kwamen maar moeizaam tot stand. In 1999 veranderde dit, toen
marketing planning binnen Novum NL werd gerevitaliseerd en vervolgens
een organisatiebrede implementatie van CRM[6] plaatsvond. Beide initia-
tieven hadden een daadwerkelijke impact op het verzamelen, verspreiden
en gebruiken van marktinformatie. In 2000 is vervolgens een project
gestart waarbij alle verkoopgroepen gestimuleerd en ondersteund werden
in het uitvoeren van marktonderzoeken ten behoeve van hun marketing-
plannen. Karakteristiek aan deze projecten was dat ze alledrie door een

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6. Customer Relationship Management.

manager uit het middenkader werden gedreven. Alle drie projecten werkten ook vanuit het principe van 'experiential learning': nieuwe methoden van marketing planning, database beheer, en marktonderzoek werden geleerd door er actief mee aan de slag te gaan.

De eerste van de LEERPUNTEN uit de Novum NL case was, dat de implementatie van marktgerichtheid moet worden gezien als een veranderingsproces dat is opgebouwd uit een portfolio aan verbeterprojecten. Verbeterprojecten die zich onder meer richten op procesherontwerp en het herontwerp van enablers voor marktgericht gedrag. Om te voorkomen dat er een wildgroei ontstaat aan verbeterprojecten die niet optellen tot een samenhangend verbeterproces is een overkoepelende visie noodzakelijk. Een dergelijke visie was bij Novum NL niet geëxpliciteerd. De Novum NL case versterkte ook het inzicht dat een eenmalige verbetering in het verzamelen, verspreiden en gebruiken van marktinformatie weliswaar waardevol is, maar dat processen van kennisopslag en continue verbetering van marktkennis op de lange termijn minstens zo belangrijk zijn. De literatuur op het gebied van marktgerichtheid geeft, enkele uitzonderingen daargelaten (bijv. Day 1994b), te weinig aandacht aan deze processen van kennismanagement.

De leerpunten uit de Novum NL case zijn meegenomen in het ontwerp van de FINALE RAAMWERKEN. Omdat dit de eindproducten zijn beschrijf ik ze hier wat uitgebreider dan de eerdere ontwerpen. In het ACTIVITEITEN RAAMWERK worden de activiteiten die geassocieerd worden met een marktgerichte organisatie in onderlinge samenhang gepresenteerd (zie figuur S1). De vijf categorieën van processen vormen een cirkel. De cirkel brengt tot uitdrukking dat er een continue cyclus van heroverweging en verbetering moet plaatsvinden. In het hart van de cirkel staan processen van verzameling, verspreiding en opslag van marktinformatie. De kern van marktgerichtheid is altijd geweest dat marktgerichte organisaties goed zijn in het verzamelen, (intern) verspreiden en gebruiken van marktinformatie. Inzichten over kennismanagement en leren hebben hier het toegankelijk bewaren van marktinformatie en het interpreteren van marktinformatie aan toegevoegd. Kennis van klanten, concurrenten en algemene marktontwikkelingen vormt de basis voor de andere vier processen. Een marktgerichte organisatie maakt een selectie van klanten en markten op welke zij zich wil richten. Voor te onderscheiden segmenten

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7. Een generieke indeling van dergelijke bedrijfsprocessen is bijvoorbeeld de drieslag van Srivastava et al. (1999): product development management proces, supply chain management proces en customer relationship management proces.
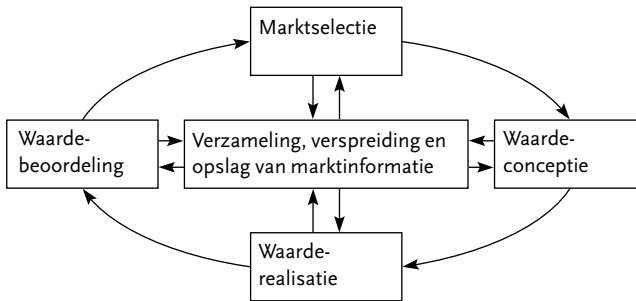
Figuur s1: Finaal activiteiten raamwerk

in die markten ontwikkelt zij een onderscheidende klantwaarde. Vervolgens ontwerpt en bestuurt de marktgerichte organisatie processen die de beoogde onderscheidende klantwaarde realiseren[7]. En ten slotte meet de marktgerichte organisatie in hoeverre zij de beoogde waarde ook daadwerkelijk realiseert. De vier processen in de cirkel gebruiken informatie over de markt, maar leveren ook nieuwe informatie op.
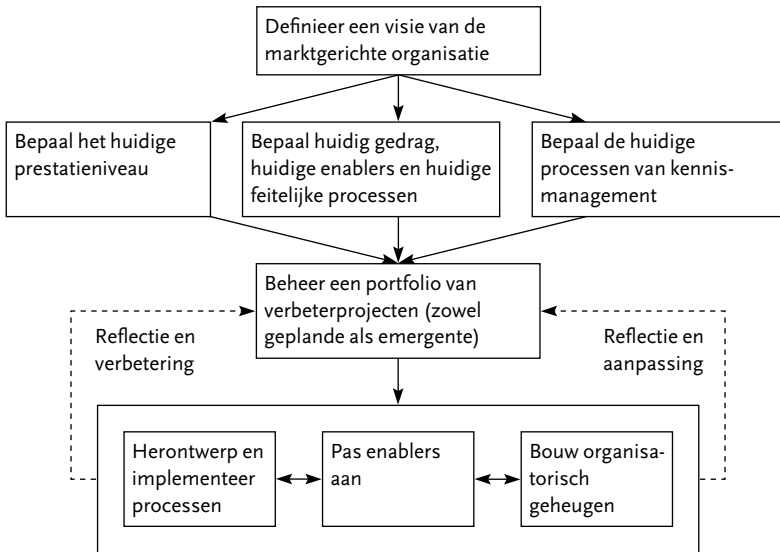
Het tweede raamwerk is het CAUSALE RAAMWERK, waarin de antecedenten en consequenties van marktgericht gedrag worden gespecificeerd (zie figuur s2). De rechterkant van het causale raamwerk laat de consequenties van marktgericht gedrag zien. De marktgerichte organisatie creëert verwachtingen bij klanten omtrent de onderscheidende waarde die het levert en maakt die verwachtingen ook waar. Klanttevredenheid ontstaan wanneer verwachtingen vooraf en percepties achteraf met elkaar overeenstemmen. Tevreden klanten zijn in het algemeen loyale klanten en een bestand met veel loyale klanten is een basis voor goede bedrijfsprestaties. De verwachtingen en percepties van klanten worden gecreëerd middels de processen van waardecreatie in de organisatie. Hoe beter de organisatie in staat is om te leren over haar huidige en potentiële markten, hoe beter zij in staat is om haar processen van waardecreatie zodanig aan te sturen dat onderscheidende klantwaarde wordt gerealiseerd. Om te kunnen leren over haar markten zijn goede processen voor verzameling, verspreiding, interpretatie en opslag van marktinformatie nodig. De capaciteit om te leren en de processen van waardecreatie worden ondersteund door het organisatiegeheugen en door de enablers voor marktgericht gedrag.
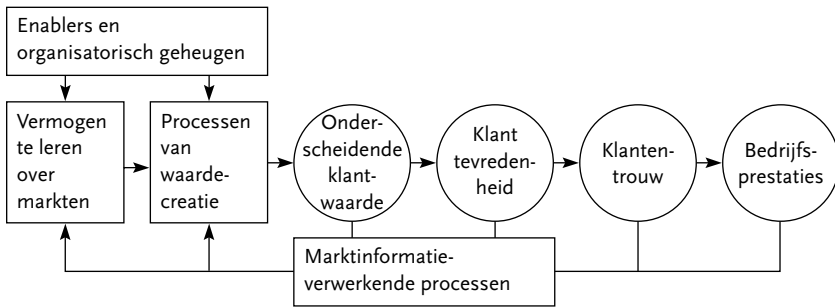
Figuur s2: Finaal causaal raamwerk

In het IMPLEMENTATIE RAAMWERK, het derde raamwerk, worden de activiteiten die nodig zijn om marktgerichtheid te implementeren in hun onderlinge samenhang uiteengezet (zie figuur s3). Het veranderingsproces start met het formuleren van een visie op de marktgerichte organisatie. In deze visie omschrijft de ondernemingsleiding wat zij onder marktgerichtheid verstaat en wat de kernelementen van een marktgerichte organisatie zijn. Deze stap wordt gevolgd door een diagnose van de organisatie waarin (1) de huidige prestaties van de onderneming worden doorgelicht (in termen van procesprestaties, klanttevredenheid, klantentrouw en financiële uitkomsten), (2) huidige *feitelijke* processen, gedrag en de stand van zaken met betrekking tot enablers worden doorgelicht en (3) huidige praktijken met betrekking tot kennismanagement in kaart worden gebracht. Op basis van de diagnose wordt een portfolio van verbeterprojecten ontwikkeld. Het veranderteam kan een deel van de projecten in de portfolio zelf initiëren, maar haar taak is ook om initiatieven in de organisatie te stimuleren en emergente verbeterprojecten te sturen naar de realisatie van de visie. Het veranderteam ziet erop toe dat er een portfolio ontstaat van projecten die zich richten op verbeteringen in (1) processen, (2) enablers en (3) organisatiegeheugen.

   De drie raamwerken tezamen vormen het eindontwerp van het onderzoek. De ontwerpdoelstelling luidde als volgt: het ontwikkelen van een implementatietheorie die door professionals kan worden gebruikt om de mate van marktgerichtheid van een organisatie te verbeteren. De raamwerken stellen deze professionals in staat om de relevante activiteiten die te maken hebben met marktgerichtheid te identificeren, om de enablers voor marktgericht gedrag in kaart te brengen, om de consequenties van marktgericht gedrag in te schatten, en om een plan van aanpak voor de

Definieer een visie van de marktgerichte organisatie

Bepaal het huidige prestatieniveau

Bepaal huidig gedrag, huidige enablers en huidige feitelijke processen

Bepaal de huidige processen van kennis-management

Beheer een portfolio van verbeterprojecten (zowel geplande als emergente)

Reflectie en verbetering

Reflectie en aanpassing

Herontwerp en implementeer processen

Pas enablers aan

Bouw organisatorisch geheugen

Figuur s3: *Finaal implementatie raamwerk*

vergroting van marktgerichtheid op te stellen.

Ook na dit onderzoek blijven nog vele vragen rond de implementatie van marktgerichtheid onbeantwoord. Een eerste suggestie voor toekomstig onderzoek betreft de condities waaronder investeringen in marktgerichtheid gerechtvaardigd zijn. Voor managers die een beslissing moeten nemen over het investeren in marktgerichtheid is het belangrijk om te weten hoe de meeropbrengsten zich verhouden tot de investeringen. Tot nog toe ontbreken empirisch onderbouwde inzichten op het gebied van marginale meeropbrengsten van marktgerichtheid. Ook verdient het aanbeveling om de hier voorgestelde implementatietheorie in andere bedrijven en andere sectoren toe te passen om zo de raamwerken nog verder te verfijnen.

De drie raamwerken geven managers zoals Alan Smithee richting in het managen van het veranderingsproces naar een meer marktgerichte organisatie. De raamwerken slaan een brug tussen de theorie over marktgerichtheid en de praktijk van de handelende professional. Tegelijkertijd biedt de conceptualisatie van marktgerichtheid als een stelsel van procesvaardigheden mogelijkheden om marktgerichtheid te plaatsen in meeromvattende theorieën over succes en falen van organisaties.

Erik Martijn van Raaij was born February 6, 1971, in Enschede, and spent most of his childhood in Alphen (N-Br.). He received his primary education at De Eekhoorn in Tilburg; the Yankee Ridge School in Urbana Champaign, IL, USA; the Oranje School in Tilburg; and the Hervormde Streekschool in Chaam, and his secondary education at the Mill Hill College in Goirle. In 1988 he entered the University of Twente to study business administration. His Master's thesis was completed in 1994 and was awarded the Hewlett-Packard Strategy Award 1994, for the best Dutch thesis in strategic management. He started his Ph.D. research in 1995 and was appointed as research assistant for four days a week at the department of Marketing, Strategy, and Entrepreneurship of the University of Twente. Parallel to his Ph.D. research, Erik van Raaij worked for TSM Business School as an assistant project manager, lecturer and coach since January 1994. In addition to his teaching and research responsibilities he has been the webmaster for the department's internet site. Just recently, Erik moved to London with his partner.

A selection of publications

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