Creating a Market Orientation

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Abstract

A market orientation is a business culture in which all employees are committed to the continuous creation of superior value for customers. However, businesses report limited success in developing such a culture. One approach to create a market orientation, the approach taken by most businesses, is the "programmatic" approach, an a priori approach in which a business uses education programs and organizational changes to attempt to implant the desired norm of continuously creating superior value for customers. A second approach is the "market-back" approach, an experiential approach in which a business continuously learns from its day-to-day efforts to create and maintain superior value for customers and thereby continuously develops and adapts its customer-value skills, resources, and procedures. Theory suggests that both approaches contribute to increasing a market orientation. It also suggests that when the a priori education of the programmatic approach is sharply focused on providing a foundation for the experiential learning, the combined effect of the two learning strategies is the largest. The implication is that the two strategies must be tailored and managed as a coordinated joint strategy for creating a market orientation.

Keywords: market orientation, customer value, organization culture, organization change

Creating a Market Orientation

The literature on the theory and effects of an organization being "market oriented" has grown rapidly in the last few years. Most of the recent research on the theory and effects of market orientation builds on two papers published in 1990, Kohli and Jaworski, and Narver and Slater. The two papers extend earlier research on the "marketing concept," the conceptual framework from which the concept of "market orientation" derives. A well-known antecedent argument of market orientation is Drucker (1954). Conceptual analyses

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of market orientation building on the two 1990 articles include Ruekert (1992), Homburg (1993), Jaworski and Kohli (1993), Day (1994), and Slater and Narver (1994).

There is considerable agreement that, in general, a market orientation is a culture in which all employees are committed to the continuous creation of superior value for customers (e.g., Narver and Slater, 1990; Deshpande, Farley and Webster, 1993; Day, 1994). A market orientation contains three major behavioral components: "customer orientation"—the continuous understanding of the needs of both the current and potential target customers and the use of that knowledge for creating customer value; "competitor orientation"—the continuous understanding of the capabilities and strategies of the principal current and potential alternative satisfiers of the target customers and the use of such knowledge in creating superior customer value; and "interfunctional coordination"—the coordination of all functions in the business in utilizing customer and other market information to create superior value for customers (Narver and Slater, 1990). In their synthesis study (reported elsewhere in this issue) in which they inductively derive a definition of market orientation, Deshpande and Farley (1997) define it as, "The set of cross functional processes and activities directed at creating and satisfying customers through continuous needs-assessment."

Empirical analyses to date have found, in general, a positive relationship between market orientation and business performance. In addition, findings suggest that a market orientation is positively related to business performance in all types of markets (e.g., Slater and Narver, 1994). Both cross sectional data (e.g., Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Deshpande, Farley and Webster, 1993; Slater and Narver, 1994; Pelham and Wilson, 1996; Oczkowski and Farrell, 1996) and longitudinal data (Narver, Jacobson and Slater, 1993) have been used. The Deshpande, Farley and Webster (1993) study includes measures of customer perceptions of a business' market orientation.

Given the substantial empirical evidence suggesting a positive relationship between market orientation and performance, the logical next question is how a business can best create and increase a market orientation. To the present, there has been little scholarly research on this essential question.

Two papers present some implications for increasing a market orientation. Jaworski and Kohli (1993) empirically identify some organizational antecedents to a market orientation, and Lichtenthal and Wilson (1992) examine the transorganizational nature of market orientation. However, neither paper analyzes strategies to create a market orientation.

The present paper examines the effectiveness of two principal strategies to create a market orientation. The paper first discusses the nature of a "market orientation culture" and its four critical customer-value manifestations. Next, it discusses the general requirements for an organization to change its culture. The paper then considers the nature, strengths, and weaknesses of two principal strategies for creating a market orientation. The paper concludes with theoretical expectations of the effectiveness of the strategies and their best use.

The Nature of a Market-Oriented Business

First and foremost, a market orientation must be understood as an organization's culture (see, e.g., Deshpande and Webster, 1989) and not merely a set of processes and activities separate from the organization's culture. Unless the desired customer-value commitments and behaviors emanate from the organization's culture, the commitments and behaviors will not endure, not to mention command the attention and allegiance of all functions in the organization. If creating a market orientation were merely a matter of directing that certain desired behaviors continuously occur, we would not see such large numbers of businesses failing to create and maintain a market orientation (for some accounts of efforts to create a market orientation see e.g., Felton, 1959; Webster, 1981; Payne, 1988; Day, 1990; Webster, 1994).

A market orientation consists of one overriding value: the commitment by all members of the organization to continuously create superior value for customers. Based on this value, the central principle of a market orientation is that every person in the organization understands that each and every individual and function can, and must, continuously contribute skills and knowledge to creating superior value for customers.

The idea that customer value will be maximized only if it is created from across a business' functional areas is not new (e.g., Porter, 1985; Webster, 1994). Rather, the newness is the challenge to create an organization in which cross-functional customer-value-creation processes and activities (Deshpande and Farley, 1997) are the norm and not the exception. And they can become the norm only if a business perceives and treats market orientation as a culture. We stress that only in an organization whose *core value* is the continuous creation of superior value for customers will there be the requisite leadership, incentives, learning, and skills to enable the continuous attraction, retention, and growth of the most profitable customers in each target market (see also Webster, 1994).

The relationship among market orientation, marketing, and culture is straightforward. A market orientation induces superior marketing—but marketing that incorporates the skills and knowledge of all functional areas in the organization (e.g., Deshpande and Farley (1997); Webster (1994); Narver and Slater (1990); and Drucker (1954) who insightfully observed long ago, "marketing is the *entire business* seen from the customer's point of view" (emphasis added)). In sum, if every individual and function is to remain committed to, and participating in, the creation of superior value for customers, nothing short of implanting the appropriate culture will suffice.

A market orientation manifests four especially important behaviors related to the creation of superior value for customers. All four of them are essential, and thus, all four must be well learned and executed. A business that is market oriented manifests: (1) Clarity on its value discipline(s) (Treacy and Wiersema, 1995) and its value proposition (and therein clarity on its market targeting, positioning and business definition) (e.g., Webster, 1994); (2) leading its customers, not merely following them (Prahalad and Hamel, 1994; Ohmae, 1988); (3) whatever its business, seeing it as a service business (e.g., Webster, 1994); and (4) managing in terms of key customers and employees for life (Reichheld and Sasser, 1990).

In a market orientation there is a pervasive mindset associated with the preceding four critical behaviors. The mindset is that "there is no such thing as a commodity"—i.e., with a continuous sufficient understanding of its customers, a business can always discover additional latent needs of the customers and thereby, additional substantive tangible or intangible benefits to offer the customers (e.g., Ohmae, 1988; Levitt, 1980). Thus, in this manner, any business can maintain some control over its price, which is totally opposite to the “commodity” situation (i.e., equal perceived benefits) in which a business has no control over its price.

General Requirements for Changing an Organization’s Culture

Every organization has a culture (Deal and Kennedy, 1982). To increase a market orientation means to increase a particular kind of culture. When Drucker (1954) first articulated the marketing concept by saying that marketing wasn’t a separate function but rather the whole business seen from the customer’s point of view, he was asserting a distinct organization culture, a fundamental shared set of beliefs and values that put the customer in the center of the firm’s thinking about strategy and operations (Deshpande and Webster, 1989).

What is “organization culture”? One close student of the subject defines it as:

> [T]he pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration—a pattern of assumptions that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems (Schein, 1983, p. 14).

The definition implies why an organization’s culture may be resistant to change (Deshpande and Webster, 1989; Trice and Beyer, 1993). Because a culture, per the above definition, is a pattern of assumptions based on experience, a new culture or new elements of it are accepted only if they are congruent with the experience of the members of the group and are perceived as offering a superior solution. As Schein (1983) says, only elements that solve group problems will survive.

The question underlying the choice of a strategy to create a market orientation is what does it take for a new culture or elements of it to be congruent with the experience of the members of the group and to be perceived as offering a superior solution? A strategy to create a market orientation that fails to meet these two objectives will, of course, create little or no cultural change.

Before examining the two strategies, we consider the role of top management.

Top-Management Leadership in Creating a Market Orientation

Top management plays a critical leadership role in changing a culture in general, and in creating a market orientation in particular. Building an organization’s culture and shaping its evolution is the “unique and essential function of leadership” (Senge, 1990).

Schein (1983) argues that the three most potent mechanisms for embedding and transmitting a culture are all manifestations of leadership. They are (1) deliberate role modeling, teaching, and coaching by leaders (see also Deal and Kennedy, 1982; Stata, 1989; Senge, 1990); (2) what leaders pay attention to, measure, and control (see also Beer, Eisenstat and Spector, 1990; Schaffer and Thomson, 1992); and (3) leader reactions to critical incidents and organizational crises (see also Senge, 1990). To promote continuous change, a leader must maintain a "creative tension" in the organization, the tension between the articulated vision and the current reality (Senge, 1990).

Kotter (1995) offers eight essential leadership steps for effecting organizational transformation. He argues that each step is the necessary foundation for the next step. The following is Kotter's eight-step leadership guideline adapted to the context of creating a market orientation:

1. Establish a sense of urgency in the organization for creating a market orientation

2. Form a powerful guiding coalition for creating a market orientation

3. Create a vision of a market orientation and a plan for its implementation

4. Communicate the vision of a market orientation

5. Empower others to act on the vision

6. Plan for and create short-term market wins

7. Consolidate improvements based on the market performance and produce still more change

8. Institutionalize continuous learning and improvement in attracting, retaining and growing targeted customers

The theory and findings in Jaworski and Kohli (1993) support the importance of top management leadership in creating a market orientation. They find that top managers' commitment to the continuous generation and use of market intelligence and top managers' willingness to assume risks are two key antecedents of a market orientation. From Jaworski and Kohli's research, other antecedents to a market orientation that stem from leadership are reducing interdepartmental conflict, increasing interdepartmental connectedness, orienting the reward systems, and decentralizing decision making.

The overriding conclusion from the aforementioned literature is that leadership is vital to achieving and maintaining a successful culture change in an organization. Without appropriate leadership, creating a market orientation is simply not possible.

The focus in the present paper is on two principal strategies to create a particular organization culture, a market orientation, and not on leadership per se. However, we address certain leadership issues in our examination of the alternative strategies.

Two Principal Strategies to Create a Market Orientation

Change is about learning (e.g., De Geus, 1988; Stata, 1989; Beer, Eisenstat and Spector, 1990; Senge, 1990). Therefore, strategies to create a market orientation must necessarily be strategies to achieve certain learnings.

To create a market orientation requires, first and foremost, implanting the core value of an organizational cross-functional commitment to continuously create superior value for customers. This core value then manifests itself in cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment (Deshpande and Farley, 1997).

Thus, creating a market orientation involves achieving two objectives. The first is to gain the organizational commitment to the core value, and the second is to develop the requisite resources, incentives, skills, and continuous learning to implement the core value. Casual evidence suggests that businesses have focused primarily on only one or the other of these two objectives with the unsurprising result of no enduring cultural change.

Let us juxtapose the dual objectives of gaining the commitment to the core value and developing its implementation with the requirement that the new culture be congruent with the experience of the members of the group and perceived as offering a superior solution. Intuition suggests that to achieve the necessary congruency and superiority, two types of learning are necessary: (1) an *a priori understanding* of the nature, purpose, and importance of a market orientation and the basics of the resources, processes, skills, and incentives required for its implementation; and (2) *experiential learning* from actual efforts to continuously create superior value for the business' targeted customers. Both types of learning contribute to achieving both of the objectives, though they contribute in different degree. With an a priori understanding of the nature, purpose, and importance of a market orientation, members of the organization are more open to a possible commitment to the new core value, just as an a priori understanding of the basics of the what and how to of creating superior value for customers helps prepare the organization for effective and efficient experiential learning.

As noted above, it is only through experiential learning that the key requirements for culture change—congruency with the experience of the members of the group and perception of a superior solution—can be met. By first attaining a clear general understanding of the what, why, and how of a market orientation, the critical experiential learning will be much more effective and efficient.

To summarize, there are two learning objectives in creating a market orientation—acceptance of the core value and development of its implementation. And there are two related strategies to accomplish this learning—a strategy that creates a priori understanding and a strategy that fosters experiential learning. Neither of the objectives nor neither of the strategies is sufficient to create a market orientation.[1]

Programmatic Approach

The first approach, which we label the "programmatic approach", is a learning strategy based on the teaching of various "principles" to achieve a critical level of understanding. In general, it consists of teaching individuals the nature and importance of a market orientation and the basic processes, approaches, and skills of creating superior value for customers. The programmatic approach, as typically used, also includes the teaching of how a business might change its structures and policies to better position itself for success in attracting, retaining, and growing desired customers. The key point is that the programmatic approach is a priori in nature, i.e., abstracted from the context of specific customers.

We must distinguish between the programmatic approach as it is typically used in the effort to change an organization's culture (Beer, Eisenstat and Spector, 1990) and a more sharply focused use as a complement to and foundation for experiential learning. Because creating a market orientation must include experiential learning, we agree with Beer, et al. that the programmatic approach is insufficient in itself. Moreover, whatever its merits, the programmatic approach can be, and typically is, overused. There is a rapidly decreasing marginal effectiveness of learning from the programmatic approach that can be easily overlooked. However, we, unlike Beer, et al., see some efficacy in aspects of the programmatic approach as a complement to experiential learning.

In its typical use, the programmatic approach to creating a market orientation consists of a business using "programs" to create what are believed to be the appropriate knowledge, structures, and skills for the continuous creation of superior value for customers. These programs for change generally (1) are brought into the organization from the top; (2) are used as centerpieces for launching and driving change throughout the whole organization; (3) tend to be standardized solutions rather than customized solutions to meet the individual needs of different subunits; and (4) tend, at any one time, to focus on one particular human resource management issue such as employee skills, leadership style, or organizational structure (see Beer, Eisenstat and Spector, 1990). As it is typically used, the programmatic approach may be characterized as a "deliberate" strategy as opposed to an "emergent" or feedback-correction strategy (Mintzberg, 1987). Based on logical "principles" regarding organization change and a market-oriented organization, the programmatic approach may be described as deductive, prescriptive, process focused, and largely top down (Beer, Eisenstat and Spector, 1990).

The belief held by many businesses that the programmatic approach is a sufficient strategy in itself to create a market orientation is premised on three assumptions: (1) change programs will best transform the organization; (2) the target for organization change should be at the individual level; and (3) organization change occurs by changing the organization's structure, systems, and individuals' attitudes. The great popularity of the programmatic approach is easy to understand: (1) change programs are actions that can be put into place quickly; (2) managers like to emulate well-known success stories (e.g., lessons of "excellent" companies, Japanese competitors, quality circles, etc.); and (3) programs are tangible and therefore easy to measure (Beer, Eisenstat and Spector, 1990; see also Schaffer and Thomson, 1992). Without doubt, the programmatic approach in its typical formulation has been the approach most used in attempting to create a market orientation (e.g., Felton, 1959; Payne, 1988; Webster, 1988; Day, 1990; Kohli and Jaworski, 1990).

There is, however, a very productive role for a *highly focused* programmatic approach, that is, one that is specifically designed to enhance experiential learning. To this end, first of all, the programmatic approach needs to be limited to educational programs and thus not include programs to change the structures and processes of the organization. Because markets and competitive contexts differ and change, how best to change the organization's structures and processes for the most effective customer-value creation in a given market can be known only through specific-context experiential learning and adaptation. Of course, a priori education can sharpen an understanding of the possibilities and contingencies that need to be continuously considered in actual customer contexts.

Second, the programmatic approach needs to be seen as the educational foundation for effective experiential learning. When properly focused, the programmatic approach comprises abstract learning that increases the effectiveness of the subsequent learning from experience. As the foundation for experiential learning, the a priori education should clarify the core value, the purpose, and the expected effects of a market orientation. It is essential that the a priori education also initiate learning of the what, why, and how of the four major manifestations of a market orientation that were mentioned earlier. In addition, related to the preceding learning, the a priori education can create an understanding of why any business can escape the ‘commodity trap’.

The a priori education must also create initial understandings of the resources, incentives, skills, and learning required to continuously create superior value for targeted customers. As further preparation for experiential learning, the a priori education can focus on relevant measures of various performance dimensions such as customer satisfaction, customer retention and loyalty, absolute growth and share of customer purchases, the identification of customers’ latent needs, and new-product success.

To summarize, the programmatic approach comprises various normative principles ranging from the meaning and purpose of a market orientation to the requisite skills, incentives, structures and policies for how best to create superior value for customers. We endorse a highly focused programmatic approach—one that is strictly focused on preparing for effective experiential learning in continuously creating superior value for the organization’s specific targeted customers. The nature of the programmatic approach is that it is abstracted from specific customer-value-creation activities, and thus, its marginal positive effect on learning decreases rapidly.

The Market-Back Approach

The second approach is a learning strategy focused on continuous experiential learning in how most effectively and profitably to create superior value for customers. In this approach a business adapts its processes, procedures, and structures based on its continuous learning from its actual customer-value-creation performance. We label this approach the “market-back approach.” The distinction we make between the programmatic approach and the market-back approach is in the spirit of the distinction by Schaffer and Thomson (1992) between “activities-centered programs” and “results-driven programs”.

It is only through experiential learning that the culture-change requirement of congruency with the experience of the members of the group and perception of a superior solution can be attained. As Kanter (1991, p. 9) observes, “Many companies begin Major Change Programs [sic] with training when they should really begin with doing. Experimentation produces options, opportunities, and learning. . . . A proliferation of modest experiments provides the organization’s own experience with elements of many different business models” (see also Kotter, 1995).

Assigning people to problem-solving contexts, both current and new, is the key to learning and thereby, the key to changing and reinforcing the culture (Beer, Eisenstat and Spector, 1990). The assumption that people who participate in defining problems and solutions will, as a result of that participation, become committed to the results of that process and thereby more committed to the organization, is one of the most fundamental of all organization behavior theories (Beer, Eisenstat and Spector, 1990; Ruekert, 1992; see also Jaworski and Kohli, 1993).

In the market-back approach the emphasis is on outcomes and on continuous improvement (cf. “logical incrementalism,” (Quinn, 1980); “kaizen,” (Imai, 1986); Peters (1987); see also Dumaine (1990); Schaffer and Thomson (1992)). The business’ performance reveals what works and what does not, with each increment of learning building on prior learning. Businesses introduce managerial and process innovations only if they are likely to improve some aspect of the business’ market effectiveness and efficiency. The continuous learning and adjustments drive the transformation and the reinforcement of the culture (Schaffer and Thomson, 1992; see also Jaworski and Kohli, 1993; and Ruekert, 1992).

The outcomes in the market-back approach are the performance the business achieves with respect to important short-term “customer-performance” objectives that are within the context of long-term objectives. (For an elaboration of the criteria for “results-driven” change see Shaffer and Thompson (1992)). The specific objectives should be performance outcomes that are integral to the business’ attaining superior market performance. The four manifestations of a market orientation permit relevant and important experiential learning.

The following are illustrations: (1) a short-term objective to increase by some specific amount within 2 months the target market’s understanding of the business’s value discipline and value proposition within the framework of a total increase in understanding of some specific amount within 12 months; (2) a short-term objective to increase customer retention by 2% in each of the next 12 months within the framework of a one-year 24% increase; (3) a short-term objective to increase the discovery of specific customers’ latent needs by X% in Y months within some long-term objective of total latent needs discovered; and (4) in conjunction with the discovery of the latent needs, a short-term objective to identify in 3 months an X number of relevant, possible customer-benefit products or services that meet some threshold profit potential within some long-term new-product/service objective. As Shaffer and Thompson (1992) emphasize, specificity and measurability of objectives within a stated time period are critical for learning.

Experiential learning can include experimentation. Arie de Geus (1988) and his colleagues at Shell found that the key to organizational survival and renewal is to run experiments at the edge of competitive boundaries and to continuously explore new product and market opportunities. Given the ever-rising expectations of customers, a business’ continuous learning with respect to the creation of superior value for customers necessarily forces the business “to learn how to learn better” (“deutero-learning” Argyris and Schon, 1978; see also Sinkula, 1994). The need to continuously learn how to discover customers’ latent needs more rapidly is another case in point. (The strong relationship between the learning in creating and maintaining a market orientation and a “learning organization” has been commented on elsewhere (Slater and Narver, 1995; see also Slater, 1995).)

The eight-step leadership framework for creating a market orientation presented earlier shows the critical role of experiential learning in implanting a new culture. From Step 5 onward, there is a results-driven character to the steps. To repeat, it is only through experiential learning that the culture-change requirement of congruency with the experience of the members of the group and perception of a superior solution can be attained.

The market-back approach may be characterized as inductive, pragmatic, bottom-up in style, and an "emergent" strategy (Mintzberg, 1987; see also Imai, 1986).

In summary, the market-back approach is a results-driven continuous improvement approach to learning about creating superior value for customers. By focusing on its successes and failures in attracting, retaining, and growing customers at a satisfactory profit, the organization learns ever better what is required to reinforce its market-performance successes and to avoid market-performance failures. The experiential learning in the market-back approach is the logical extension of the a priori learning in the programmatic approach. The requirement for a new culture to be perceived as superior to an extant culture can be satisfied only through personally perceived successes with the intended new culture.

Theoretical Expectations of the Effects of the Two Strategies to Create a Market Orientation

Learning is the key to creating a market orientation, for change is about learning. Therefore, strategies to create a market orientation must necessarily be strategies to achieve certain learnings.

A market orientation is a culture committed to the continuous creation of superior value for customers that manifests itself as a set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment. As we have argued, the first required learning is the acceptance of the central norm of a market orientation, and the second required learning is an understanding of how to implement the norm. The programmatic approach with its a priori learning is best suited to initiate learning regarding the norm and its implementation. The market-back approach with its experiential learning is best suited for reinforcement of the norm and *continuous* learning of its implementation.

The following research propositions are derived from the previous discussions of the two learning objectives and the two learning strategies in creating a market orientation. We stress that the term "programmatic approach" in the following research propositions has a narrow meaning, namely, a priori education that is addressed exclusively to the norm of market orientation and its implementation and is intended to be a foundation for experiential learning. As mentioned earlier, others (e.g., Beer, Eisenstat and Spector, 1990) use "programmatic approach" in a much broader sense that includes structure and process changes, among other things.

RESEARCH PROPOSITION 1: *The programmatic approach is positively related to market orientation with a diminishing marginal effect.*

Explanation: We expect, other things equal, that the programmatic approach with its abstract educational emphasis on the norm and its implementation is, over some range, positively related to market orientation. As we have noted, because the programmatic approach is abstracted from the context of actual customers, the marginal effectiveness of the programmatic approach continuously decreases, and at some point reaches zero. Thus, the programmatic approach is bounded in its positive effect on market orientation. Accordingly, we conject a diminishing marginal-return relationship between the programmatic approach and market orientation.

RESEARCH PROPOSITION 2: *The market-back approach is positively related to market orientation with an increasing marginal effect over a substantial range.*

Explanation: We expect, other things equal, that the market-back approach with its emphasis on experiential learning in the implementation of the continuous creation of superior value for customers is, throughout a substantial range of use, positively related to market orientation. We expect the relationship between market orientation and both the programmatic approach and the market-back approach to be positive but to differ in form. The a priori education in the programmatic approach will have a higher average effect at the outset of use than will the market-back approach. But we expect the programmatic approach to demonstrate a continuously decreasing marginal effect, whereas we expect the market-back approach to demonstrate an increasing marginal effect on market orientation over a considerable range of use. The obvious corollary question is what factors set the limit to the increasing marginal effect of experiential learning on market orientation.

RESEARCH PROPOSITION 3: *For businesses with a "low" market orientation, the average effect of the programmatic approach on market orientation will exceed the average effect of the market-back approach on market orientation. For businesses with a "high" market orientation, the average effect of the market-back approach on market orientation will exceed that of the programmatic approach.*

Explanation: In a sample of businesses, "low" market orientation can be defined as businesses whose market orientation is below the median market orientation of businesses in the sample, and "high" as businesses above the median market orientation of businesses in the sample. Research Proposition 3 is based on the expected decreasing marginal effectiveness of the programmatic approach and the expected increasing marginal effectiveness of the market-back approach over some range. Thus, businesses that are "low" in the spectrum of market orientation will show a larger average effect of the programmatic approach than the market-back approach, and businesses that are "high" in the spectrum of market orientation will show a larger average effect of the market-back approach than the programmatic approach.

RESEARCH PROPOSITION 4: *The correlation between the use of the programmatic approach and the use of the market-back approach is higher among low market-orientation businesses than among high market-orientation businesses.*

Explanation: The average effect of the programmatic approach is highest at the outset of its use, after which its marginal effectiveness continuously declines. The average effect of the market-back approach at the outset of its use is low but positive. Because the average effect of each of the two approaches is positive at the outset of their use, we would expect a greater combined use of the two strategies in low market orientation businesses than in high market orientation businesses. In high market-orientation businesses the market-back approach would be used almost exclusively. Thus, the use of the two strategies is more highly correlated in low market-orientation businesses than in high market-orientation businesses.

RESEARCH PROPOSITION 5: *The combined effect of the programmatic and market-back approaches on market orientation is synergistic.*

Explanation: The programmatic approach with its a priori education is the intended foundation for the market-back approach with its experiential learning. When the programmatic approach is sharply focused on creating understanding of the core value of a market orientation and its implementation, but is also sharply focused on the need to shift to the experiential learning approach as soon as practicable, there is a synergistic relation between the two learning strategies. Accordingly, their combined effect on market orientation is more than merely additive. Modeling the combined effect of the two strategies on market orientation as a synergistic relationship will have a larger explanatory power than modeling the combined effect as an additive relationship.

Summary and Conclusions

Market orientation is a business culture in which all employees are committed to the continuous creation of superior value for customers. Because of the superior market and financial performance that a market orientation produces, businesses strongly desire to create a market orientation. However, it is also true that businesses report only limited success in developing such a culture.

Creating a market orientation is all about learning. The first necessary learning is gaining an organization-wide commitment to the continuous creation of superior value for customers. The second necessary learning is creating an understanding of how to implement this norm. Both the abstract learning in the "programmatic approach" and the experiential learning in the "market-back approach" contribute to achieving the two desired learnings. The abstract learning achieves a tentative commitment to the norm and an initial understanding of how to implement it. The experiential learning from actual market successes reinforces the wisdom of the norm and encourages its full acceptance.

It is only through experiential learning that an organization can satisfy the requirement for the acceptance of a new culture—a congruence of the new culture with the experience of the members of the group and the perception that it is a superior solution. Experiential learning will be much more effective and efficient if it builds on a priori learning that is specifically designed to prepare for experiential learning in continuously creating superior value for customers.

We suggest that the reason most businesses fail to create a market orientation is that they emphasize abstract learning about a market orientation to the virtual exclusion of experiential learning in creating superior value for customers. The two learning strategies must be managed as a coordinated joint strategy, rather than as separate strategies, or worse as an emphasis solely on abstract learning. There are many reasons for the popularity of the abstract learning—its speed and ease of implementation being two of them. But, we stress, the programmatic approach is simply an insufficient strategy by itself.

In addition to the empirical testing of the research propositions that are discussed above, we offer the following research suggestions:

1. Theory suggests that the CEO and top management play an important role in creating a market orientation. A critical question is what styles of CEO and top-management leadership and guidance will best enable an organization's personnel to accept the norm of market orientation and prepare them for maximum effective learning from market experience?

2. The testing of the relationship between market orientation and the programmatic and market-back approaches in a longitudinal framework would provide insight into probable causation and enable the testing for any dynamic interaction between the two approaches.

In conclusion, a sustained coordinated strategy of a priori and experiential learning focused on the norm of a market orientation, its four critical manifestations, and its ongoing implementation will enable any business to continuously increase its market orientation.

Notes

1. Our conceptualization of the two strategies draws upon, but also in major respects differs from, some broadly parallel conceptualizations (Beer, Eisenstat and Spector, 1990; Schaffer and Thomson, 1992; Kotter, 1995).

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