Managers' Understanding of Theoretical Concepts: The Case of Market Orientation

Geir Grundvåg Ottesen
and
Kjell Grønhaug

Abstract

Managers are frequently exposed to abstract, theoretical concepts, of which some are attended to while others are neglected. To become meaningful for managers, new abstract concepts must be reflected upon and given content. In this paper, we explore how and to what extent managers understand and make use of the exemplar concept of "market orientation". The reported findings indicate that managers' understanding and use of the concept of market orientation, in their goal-directed effort to perform, are influenced by the actual context in which they are embedded and operate. Our findings also indicate that managers' understanding of market orientation can deviate substantially from the meaning reflected in the academic literature.

Key words: managers, theoretical and personal concepts, market orientation, performance.

Introduction

This paper addresses how and to what extent managers attend to new management concepts, and how concepts attended to and reflected upon influence their thinking and behaviours. Much academic research within marketing is concerned with developing and refining theoretical constructs. In such efforts, theoretical and empirical insights are usually derived from the researchers' "perspective". The resulting theories and concepts aim to provide understanding, explanation and prediction of phenomena (Frankfort-Nachmias and Nachmias, 1992). Usually, it is assumed that managers and other practitioners adopt and make use of new theories and concepts in order to improve their understanding and ultimately to perform better. New theories and concepts offered are multiple and their popularity may vary over time (Abrahamson, 1996; Carson *et al.*, 2000; Huczynski, 1993). Managers may learn about new concepts and theories in various ways, e.g. by attending presentations, reading the research literature and interacting with others such as managers and consultants. Managers may also modify and construct theories and concepts (cf. Galotti, 1994). Regardless of how they are acquired, the concepts held are important because they give focus, drive attention, and contribute to what is noted. Relatively little is, however, known about how managers make sense of and use new theoretical concepts. It should also be noted that present insights are modest regarding the extent to which the intended meanings of theoretically defined concepts overlap with how they are understood by practitioners.

In this study, we address these concerns by exploring how managers make sense of the exemplar concept of “market orientation”. The choice of market orientation has been made for several reasons. Since the contributions by Kohli and Jaworski (1990) and others began attracting attention a decade ago the construct of market orientation has received considerable interest among marketing scientists. Over the years, the concept of market orientation has been refined and extended. Operational measures have been developed and applied to capture the construct empirically (e.g. Kohli *et al.*, 1993; Narver and Slater, 1990). The consequences of being market-oriented have been examined as well. In empirical studies, market orientation has been found to have a positive impact on a range of performance variables such as new product development and profitability (e.g. Jaworski and Kohli, 1993; Narver and Slater, 1990). Second, the intended meaning of the theoretical concept of market orientation is available through a substantial number of journal articles, including management-oriented journals such as the *Harvard Business Review* (e.g. Shapiro, 1988) and *California Management Review* (e.g. Day, 1994). Third, the widespread “propaganda” in favour of being market-oriented has seemingly influenced the diffusion of this concept and contributed to it becoming a part of managers’ vocabulary. Fourth, due to incentives for managers to improve (e.g. they are perceived to be responsible for the performance of their organisations) and the claimed benefits of market orientation, we believe that managers are motivated to attend to, try to make sense of and implement the ideas underlying the market orientation construct.

From the above discussion it follows that “market orientation” makes a good “case” for exploring how managers make sense of a well-known concept, including to what extent their understanding overlaps with the intended meaning of the theoretical concept. It should be noted that researchers have yet to arrive at a consensus definition of the meaning of market orientation. However, the research literature agrees on several important points. For example, all studies of market orientation hold that a focus on customers’ needs and wants is the core element of market orientation. Competitors are also usually included in the domain of the concept (e.g. Dickson, 1992; Narver and Slater, 1990). Another important point is that most studies have adopted an information processing perspective on market orientation (e.g. Kohli and Jaworski, 1990; Day, 1994; Slater and Narver, 1995). This implies that market-oriented firms are assumed to stand out in their ability to collect, interpret, disseminate and respond to information about customers and competitors. Finally, it should be noted that independent firms and strategic business units are the most frequently used level of analysis for studies of market orientation. This is also the case in the present study.

The remainder of the paper is organised as follows: We first address the situation of managers. Here we also explain why and how managers acquire new concepts. In doing so, we also address some key characteristics and functions of concepts, and what is required to transform an abstract concept into a meaningful "thinking tool" (Zaltman *et al.*, 1982), influencing managers' (and others') thinking and enabling them to act purposefully in their embedded context. We then describe our research, an exploratory study encompassing four firms in the Norwegian fish farming industry. Then we report our findings. Finally we draw conclusions and highlight their implications.

Theoretical Perspective

In this section we focus on the situation of managers, on why and how they acquire new concepts while ignoring others. We also discuss how concepts are transformed from abstract "labels" to becoming a part of a manager's repertoire of personal concepts. Because the "reality" of managers (and other individuals) is constructed and grasped through the concepts they hold and how these concepts are understood and used, managers' (and other users') understandings of concepts become crucial. Managers' personal understanding of market orientation is assumed to influence their understanding of "the market reality" and therefore influence their decisions and actions.

Managers are by definition visible and held responsible for organisational performance. They are confronted with multiple tasks and demands and there is seldom room for extensive reflection (Mintzberg, 1973). Managers try to exhibit purposeful behaviours, constrained, however, as other individuals, by their limited cognitive capacity, i.e. they have limited capacity to notice, interpret, store, retrieve and make use of data. This does not mean that managers behave irrationally, but rather, as emphasised by Simon (1957), that "… the behaviour exhibited by the actors is intentionally rational, not only limited so" (p.xxiv).

To behave rationally (within their cognitive limitations), managers need knowledge. Insights, or knowledge, can be obtained in multiple ways. For example, they observe the outcomes of their own decisions and activities, and thus they can learn by “trial and error”, even though such learning can be imperfect (Levinthal and March, 1993). Organisations and their managers may also learn from observation and imitation of competitors, as dealt with in the extensive literature on imitation and mimetic processes (see e.g. Galaskiewicz and Wasserman, 1989; Haveman, 1993). Such focus can, however, be narrow and result in inadequate behaviour, as demonstrated in Levitt's (1960) classical *Harvard Business Review* article, “Marketing Myopia”. In his article, Levitt showed how whole industries faded away because management did not discover the eroding changes that had occurred.

To act, managers need knowledge about how to proceed, e.g. how to analyse competitors and customers, how to negotiate and so on, i.e. *procedural knowledge*. They also need knowledge about their actual competitors, their strategies, market size and developments, etc, i.e. *declarative* or contextual knowledge. Such knowledge is needed because firms do not operate in a vacuum. They are context-bound and thus knowledge about the context in which they are embedded is needed to operate rationally. In other words, managers, like others, need and make use of both procedural and contextual knowledge.

Concepts

Concepts serve several important functions (for insightful discussions, see Zaltman *et al.*, 1973). Concepts are the “building blocks” of any model, theory or explanation. When first confronted with a new concept (e.g. “market orientation”), it is very much like being confronted with a new “label”. Although it may attract attention, it contains little content and can seldom be applied adequately by the learner. To become useful for managers, new concepts must be given content and adjusted to the actual context in which they operate. This relates to cognitive processes involved in categorisation, i.e. basic cognitive activities related to conceptualisation and understanding (cf. Rosch, 1978). Categorisation influences the noticing and interpretation of stimuli (data) as well as what data are noted and how they are structured. As argued by Rosch *et al.* (1976), actors’ categories mainly develop through interactions with their environment. For example, studies of how managers perceive competitors show that perception is influenced by the particular categories they use (Gripsrud and Grønhaug, 1985; Porac and Thomas, 1989).

Through interaction, reading, attending speeches and presentations, watching television and listening to radio, managers are exposed to a range of new concepts and management ideas. In their efforts to improve, managers pay attention to such ideas and concepts. This is easily observed by looking at the focus on management "gurus" and the willingness to pay for their presentations and advice (Byrne, 1986).

When exposed to a new concept (capturing an idea or perspective, e.g. "market orientation", "business process redesign" or "total quality management"), managers, like other individuals, already possess more or less established knowledge structures or mental models. It has long been recognised that actors' knowledge structures are relatively stable and can be rather rigid (Sanford, 1987). New data and concepts may be integrated into existing knowledge structures and will thus not impact the actors' thinking. Exposure to and reflection upon new concepts and ideas may, however, also result in cognitive learning, changing the learners' insights and understanding. Such learning is, however, often time-consuming and requires motivated effort (Johnsen *et al.*, 1991). This is illustrated in Figure 1.

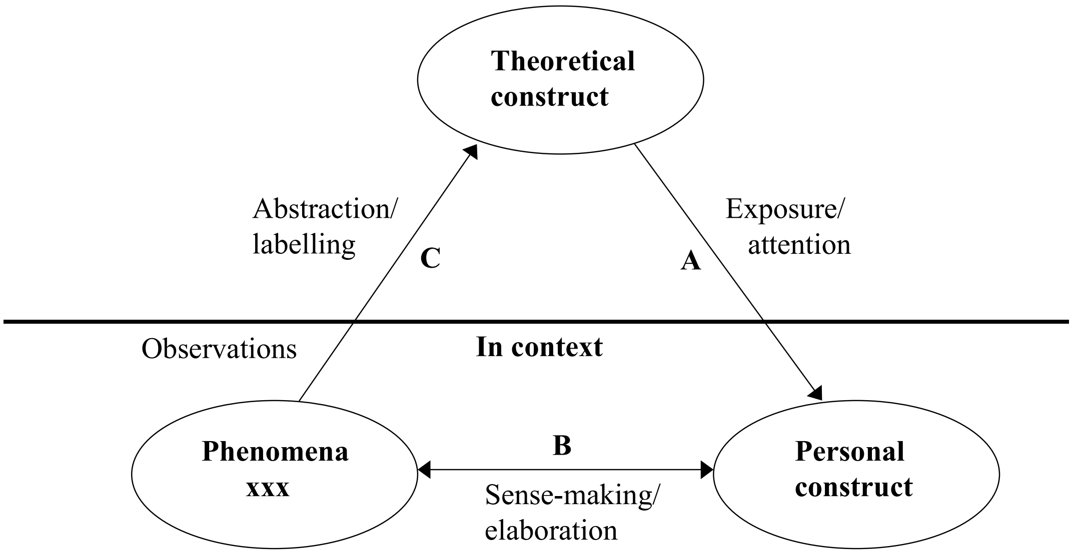

Figure 1. From Abstract, Theoretical Constructs to Personal Constructs.

Figure 1 is to be read in the following way: Theoretical constructs exposed and attended to (arrow A) can, through sense-making and elaboration within the actors' immediate context, become personal constructs (arrow B). The latter imply that the concept as understood by the actor relates to actual phenomena s/he subsumes under that concept. The process of constructing theoretical concepts is, however, in many ways the opposite, i.e. moving from the "concrete" to the abstract (cf. Arrow C in Figure 1). The researcher observing some phenomenon x_i, can initiate the construction of a new concept. A relevant example here is Kohli and Jaworski's (1990) effort to construct the market orientation concept: Besides an extensive literature review, they also conducted empirical research. More specifically, they conducted in-depth interviews with 62 managers in 47 organisations in four U.S. cities. Furthermore, two managers and 10 business academicians at two large U.S. universities were interviewed. From this mass of observations, Kohli and Jaworski created the abstract construct of "market orientation", which consists of three conceptually distinct dimensions, i.e. (1) generation, (2) dissemination, and (3) responsiveness to market information. In a subsequent study, the construct underwent further refinement and testing using a sample drawn from the Dun and Bradstreet list of the top 1000 U.S. firms (Kohli *et al.*, 1993). In some cases the concept constructors also define their constructed concept, i.e. pointing out what is unique to the concept (cf. Frankfort-Nachmias and Nachmias, 1992; Zaltman *et al.*, 1973), which is a prerequisite for adequately operationalising it. An example is Kohli and Jaworski's focus on key aspects of being market-oriented.

Present insights regarding whether and how managers understand and use the concept of market orientation are modest. Managers' attention and understanding are influenced by a range of factors such as educational background, the activities they are involved in and established knowledge structures (see e.g. Dearborn and Simon, 1958; Starbuck and Mezias, 1996). Consequently, we believe that the understanding of the market orientation construct, as well as marketing activities performed, may vary across managers even when operating in the same industry. Present insights, however, do not allow for precise predictions about such variations in understanding and subsequent behaviours.

Research Methodology

Due to modest a priori insights, an exploratory approach was chosen in the present study. In our research, we chose to focus on top managers. The reason for doing so is the crucial role of top managers, particularly in small- and medium-sized firms, as is the case here. In such firms, the top manager is the prime decision-maker.

Four managers in charge of medium-sized firms in the Norwegian salmon farming industry were selected as units of observation. The industry consists of multiple actors involved in activities such as farming, processing and exporting different types of salmon products (ranging from "bulk" products such as whole gutted fresh salmon to consumer packs of smoked and sliced salmon). Some firms concentrate on farming only, while others are engaged in multiple activities, e.g. farming and processing and/or exports. More than 95% of the industry's total production is exported. By selecting firms that vary greatly with regard to the value activities they are involved in, we have tried to obtain variation in the firms' (and managers') immediate contexts (Campbell, 1975), which are believed to influence the understanding and use of market orientation. Table I shows key characteristics of the firms and managers included here.

Table I. Some Characteristics of the Firms and their Top Managers

	Alpha	Beta	Delta	Gamma
1. Established	1986	1973	1991	1990
2. Activities	Farming	Farming/ Processing/ Exports	Farming/ Processing/ Exports	Exports
3. Sales (mill NOK 1997)	93	93	227	320
4. ROI (1997)	3,4%	12,4%	8,7%	11,9%
5. Customers	Norwegian exporters. 5 customers take 50% of sales.	Wholesalers/ institutions in, e.g. US, Japan, Canada. 5 customers take 50% of sales.	Mainly importers in Japan. 5 customers take 50% of sales.	Importers/ Wholesalers in, e.g. Russia, Japan, EU. 5 customers take 50% of sales.
6. Educational background of managers	Engineering (fish farming). Commercial college.	MBA	Commercial college.	Master of Science in fisheries (included courses in marketing).
7. Experience of managers	Managing director for 19 years, first in another division of the group, then in the salmon division for the last 13 years.	10 years in food industry before 5 years in the salmon farming industry, for the last 2 years as manager.	In the salmon farming industry for the last 15 years. Last two years in the firm.	Worked in the salmon farming industry for the last 18 years. Has been 5 years with the firm.

Inspection of Table I shows that the top managers all have extensive experience in the industry. It should also be noted that the firms vary in activities and markets/customer groups and that for all the firms a rather modest number of customers account for a substantial share of total sales.

To gain insights regarding the firms, their activities and performance, and their managers' interpretations of market orientation, we made use of multiple data sources. Secondary printed information, including annual reports, articles in the business press and accounting data from Dun and Bradstreet allowed us to trace the turnover and profitability of the firms included over a number of years.

In order to capture managers' thinking about market orientation, we conducted lengthy, semi-structured interviews to complement the secondary data. After the senior manager had been identified in each of the firms, appointments for the interviews were made prior to the interviews. General, broad questions formed the basis for discussions with the managers, e.g.: "What does market orientation mean to you?" and "What does a market-oriented firm do?" We asked for and tried to elicit the subjects' own interpretations of market orientation. The interviews showed that the managers were well acquainted with the concept of market orientation.

When confronted with a well-known concept or label (e.g. "market orientation"), managers are assumed to focus on and recall aspects central to their understanding of that concept. Because market orientation represents a specific way of thinking and behaving, it is also believed that managers hold ideas about influencing factors as well as the consequences of being market-oriented. This implies that "market orientation" has some kind of mental representation that can be captured by the researcher (Huff, 1990).

The interviews took place very much like conversations, with emphasis on letting the subjects play the active role. All interviews were tape-recorded and transcribed. The transcribed interviews were content-analysed by carefully inspecting the interviews, identifying and comparing subjects' use of words (categories) in order to understand how they had assigned meaning to the concept of market orientation. To allow the reader to assess our interpretations and conclusions, we report excerpts from the interviews (Kirk and Miller, 1986).

Findings

In this section, we present our findings regarding managers' understanding of market orientation. We first report how managers make sense of the concept of market orientation and proceed to report how and to what extent they relate market orientation to company profitability.

Market Orientation

The managers interviewed had few problems – if any – in explaining what *they* meant by market orientation. This indicates that the managers not only have been exposed to the concept but also that they have thought about and developed some understanding of it. The latter is evidenced by the fact that the managers varied in their interpretation of market orientation, as reflected in the quotes reported below. The first quote shows that this manager focuses on timing, product demand and markets (customers), i.e.:

> "You must produce what the market wants, not only what, but also *when* it is demanded" (our italics). (Beta)

The focus on "what the market wants" is very much in line with the literature on market orientation, where responding to customer demands is the cornerstone. However, this manager goes somewhat further than the extant literature on market orientation, as he also emphasises timing. This indicates that the manager's thinking about the market includes rather complex relationships, as consideration of timing would have to include anticipation of how different market forces affect demand and prices (this issue is discussed in more detail in a later section). This shows that when concepts are developed they become more fine-grained, incorporating hierarchical relations between subcategories of the broader concept (Huff, 1990). Another quote demonstrating reflection on the concept of market orientation is:

> "One of our sellers says that it's the customers who decide what we should produce" Our probe, "Do you do so?" produced the following answer: "No"! (Alfa)

The manager follows up his reasoning by addressing factors influencing profitability, e.g. how water temperature influences the growth rate of salmon. This indicates that, in an attempt to act purposefully (e.g. earn profits), this manager attends to several critical issues. Another manager reflected in the following way:

> "For us as producers it [market orientation] is primarily about becoming aware of what the market demands." (Delta)

This statement indicates that what the market (customers) demand(s) is perceived as important (in agreement with what is emphasised in the literature on market orientation).

Must a manager necessarily use a concept explicitly for it to influence his or her thinking? The following quote might give some insight into this question:

> "I don't use the word ("market orientation"), but we have to be market-oriented" (Gamma)

This quote is interesting in several ways. First, it indicates that the manager is aware of and has some personal understanding of the concept. In addition, it reflects the fact that he conceives forces related to the market (not specified here) as important, and that he (the firm) is trying to consider such factors. Indirectly, the quote may also indicate that managers make use of other concepts than those reflected in the academic literature to understand and explain the same phenomena.

Inspection of the above quotes shows that the managers have adopted the concept of "market orientation", and in doing so, they relate the concept to demand and customers, as well as to other factors believed to influence profitability. This indicates that they think in "causal" terms and try to exhibit purposeful behaviours, as assumed in the literature on mental models (Sanford, 1987).

The literature on market orientation frequently stresses that competitors must be monitored to stay competitive (Dickson, 1992; Narver and Slater, 1990). What do these firms do? Only one of the four managers mentioned competitors, as shown in the following quote:

> "We map the needs of our customers and monitor our competitors. If we discover that some [competitors] have lower prices than we do, we have to find out why." (Gamma)

Gamma is a "trader", buying whole gutted salmon from farmers and selling it in a highly competitive global market. In this situation, a single competitor's price bidding hardly affects the "market". The interest in competitors' prices can more likely be attributed to the possibility that such prices (and price changes) may hide other issues of interest, e.g. a new favourable contract with farmers that makes it possible to sell at a lower price without reducing margins, or some innovations that result in cost reductions. Thus, competitors' price bids provide a "signal" which triggers Gamma's manager to search for underlying issues, which in turn may reveal new practices that can be imitated. This indicates that firms and their managers are keen to learn from their observations and imitations of competitors (cf. Galaskiewicz and Wasserman, 1989; Haveman, 1993). In general, however, the managers studied do not seem to have a clear "picture" of their competitors either in terms of specific firms, or in terms of "prototypical" competitors (cf. Porac and Thomas, 1990). And as noted above, only one of the four managers related competitors to the concept of market orientation. How can these observations be explained? Apparently, it is more important for the managers interviewed to understand how different market segments "behave" in terms of supply and demand variations than it is to understand the behaviour of specific competitors in these markets. Our interpretation is as follows: In the markets where these firms operate, opportunities for making profits are "driven" by factors beyond the influence of specific competitors. The ability to compete effectively is likely to be determined by the ability to foresee or anticipate changes in the supply of salmon and how the "market" will react to such changes, in line with Abell's (1978) idea of "strategic windows". As noted above, the managers also focus on "specific customers". These observations imply that the managers need market information to learn what is going on, adjust and act. As emphasised in the market orientation literature, the gathering of market information plays a crucial role in market orientation (e.g. Day, 1994; Slater and Narver, 1995). What do these firms and managers do? The following quotes show that adequate information is conceived as important, but that such information is not necessarily easy to get, i.e.:

> "The problem is to find the information needed in the actual situation. (…) It is not always possible to ask customers what they want. Of course, you can take the plane to Japan and discuss things with customers. Once in a while ideas for improvements and new products come up this way." (Beta)

> "We feel it's difficult to keep ourselves updated with regard to the [changing] quality requirements among customers." (Delta)

> "Often customers with specific ideas visit us." (Beta)

It is also interesting to observe that they have learnt that asking questions is not always relevant, but that interactions with customers can sometimes be useful, and that customers can be an active "advice-giving" party. The latter is emphasised in the literature on new product development (see e.g. von Hippel, 1986). The quotes also reflect the fact that the information processing capacity of the managers (and their firms) is rather modest. The following quotes show that managers may make use of different sources (or channels) to keep themselves informed, i.e.:

> "To keep ourselves informed, we inspect the information from Kontali" (a bureau reporting information on current and anticipated production volume, sales, prices, etc.). (Alfa)

> "I gather the information I need through the 'jungle telegraph'". (Gamma)

> "We watch the prices. We gather price information so we can obtain the most (profit) ourselves." (Alfa)

Inspection of these quotes also shows that the information (data) attended to is influenced by the actual context. The last quote also indicates that the market is competitive and the firms are mainly “price takers”, that there are multiple suppliers, and the products offered are low to modestly differentiated. It is also seen that the managers’ (firms’) information environments vary, and that their information gathering is rather informal. This indicates that, although they survey intensively, gather and utilise information about their market(s), they would score low on, e.g. the MARKOR scale (Kohli *et al.*, 1993).

Activities and Profitability

From the above discussion it follows that the managers studied relate market orientation to profitability. In fact, their focus seems to be on rather complex relationships between various activities and the assumed impact on profitability, i.e. the emphasis is on causal, goal-directed thinking (and doing), as emphasised above. What factors do the firms emphasise? Table II reports our findings.

Table II. Factors Perceived as Most Important for Profitability

Alpha	Beta	Delta	Gamma
-Quality (heavily influenced by transportation) -Control of raw material -Capital -Direct contact with customers	-Cost-effective production -Control of raw material -Quality -Image	-Cost-effective production	-Customer debt

Inspection of Table II shows that the four firms, all operating in the same industry, emphasise partly different factors. For example, Alpha emphasises quality and control of raw material (as does Beta). But Alfa’s manager is the only one to emphasise direct contact with customers. Both Beta and Delta emphasise cost-effective production, which is easy to understand as they are price-takers and low cost is a prerequisite for survival and prosperity. The reported factors relate to the managers’ “reality constructions” (cf. Berger and Luckmann, 1967) and reflect experiences (e.g. customers who do not pay, see Gamma), expectations and attributions. It is also evident that the perceived “success factors” are influenced by the industrial and competitive context in which the firms are embedded.

Discussion

The purpose of this paper is to provide insights into the important, but so far poorly understood, question of how theoretical constructs can be understood and used by managers.

The reported findings indicate that managers are exposed to, attend and learn new concepts. Our findings show that the managers' understanding of the exemplar concept of market orientation is related to their market and competitive context, i.e. their perceived context. The findings also indicate that the managers studied relate market orientation to their firms' performance as well as factors influencing profitability. This indicates that their adoption and interpretation of the market orientation construct relate to their striving for improved, goal-directed behaviours. As such, the concept of market orientation functions as a "thinking tool" which helps them to sort and interpret new stimuli, as discussed at the outset.

It was also found that, even when embedded in the same industry and competitive environment, managers vary in their understanding of the market orientation concept. Their understanding of the concept partly deviates from the meaning reflected in the academic literature. This indicates that the managers studied here have only partly adopted the intended meaning of the theoretical construct. Why is this so? One explanation might be that these four managers are not acquainted with the marketing literature and are therefore restricted in their ability to adopt the concept. Inspection of their educational backgrounds (see Table I) gives little support for this explanation. As we see from Table I, all of the managers have some academic business education. In line with the above theoretical discussion, we believe that the managers we interviewed have created their *own* understandings of market orientation, adapted to the context in which they are embedded, in order to improve their goal-directed behaviours. They are influenced, however, by factors such as contextual experiences and expectations. This may explain why managers' personal constructs of market orientation vary, and why they deviate from the academic meanings (definitions).

In the above discussion, we have demonstrated that personally acquired concepts can be influenced by the immediate social context of the subject. This corresponds well with findings regarding the development of managerial competencies (knowledge). For example, Gilmore (1997) showed that managers' marketing competencies in a large ferry company changed as a result of both competitive pressures to become more customer-focused and new organisational arrangements to facilitate greater responsibility on the part of the managers.

Ottesen and Grønhaug (2001) provide another example of how concepts can be influenced by the immediate context. They find that an important dimension of the market orientation construct as perceived by managers in the fishing industry is the supply situation. In this context, this makes perfect sense because in order to satisfy customers and earn profits, firms must be able to secure adequate and timely supplies of raw materials (i.e. fish). Because supply is volatile and uncertain, the supply situation is continuously watched and taken into account. In the theoretical construct of market orientation developed by Kohli and Jaworski (1990) and others, this is not the case. In their development of the construct, besides inspecting the literature, they also conducted empirical studies in an empirical setting, which can be characterised in terms of "big business, mass consumer sovereignty, excess supply over demand and ever-increasing 'consumption'" (Brownlie and Saren, 1992, p.38). In such a situation, supply is almost "unproblematic" (i.e. there is no problem in securing supplies, even though organisation and management of supply is of importance for firms' profitability, as reflected in the extant literature on purchasing and logistics). This indicates that the development of theoretical constructs can also be influenced by the context in which they are developed (cf. Rosch *et al.*, 1976), and that such contextual influences may impact on the generalisability of theoretical constructs.

The reported study was conducted among small and medium sized firms (SMEs). Our findings indicate that SMEs operate somewhat differently than the larger firms typically studied in the market orientation literature. Thus, there is a possibility that the literature on market orientation is "large firm biased", and that SMEs adapt ideas and theories from this literature "to make it relevant to the way they do business" (Carson and Gilmore, 2000, p.3).

Conclusion

This paper is an initial attempt to examine how managers make sense of new theoretical concepts. Our findings show that managers adopting a new theoretical concept do so by *adjusting* it to the context in which they are embedded, as emphasised at the outset. Future studies on managers' understanding and use of theoretical concepts should include other concepts as well as managers from other types of firms and industries. Systematic variations in the backgrounds of managers, their firms and industries would allow for examining how such factors may influence the adoption and understanding of theoretical concepts.

Another avenue for future research is the investigation of processes of diffusion of new concepts. Interesting questions are, for instance: "Why do managers adopt some concepts while ignoring others?" and "From where do managers acquire new concepts?" Social information processing theory may provide a relevant starting point for pursuing such questions, since the views of others are especially likely to be influential in the ambiguous settings typically encountered by top managers (see e.g. Sutcliffe and Huber, 1998).

Our findings have practical implications as well. It follows from our study that managers embedded in changing environments need to update their theories and inherent concepts to cope and perform adequately. In changing environments, this implies a willingness to question established "truths" and beliefs (see e.g. Day and Nedungadi, 1994; Senge, 1992; Stata, 1989). This, however, is challenging because knowledge structures tend to be rather rigid over time (Sanford, 1987). Argyris's fascinating *Harvard Business Review* article, "Teaching smart people how to learn" demonstrates this point (Argyris, 1991). In his article, Argyris shows that well educated and committed professionals with key leadership positions, i.e. those organisation-members assumed to be the best learners, did not learn at all. According to Argyris, these individuals are unable to "break out" of their rigid knowledge structures, formed by long training and prior success. And, when they fail, they look outward to "put the blame on anyone and everyone but themselves" (p.6). What they really need is to reflect critically on their own thinking and behaviour, and thus learn to cope with new situations that deviate from the past.

An interesting issue underlying the present work is the inherent "tension" between theory and practice. To allow wide applications, theoretical constructs and the theories they are a part of should be sufficiently abstract. At the same time, however, constructs and theories are often criticised for being too general. For example, as noted by Jaworski and Kohli (1996), the market orientation literature has been criticised for not providing practical advice on how to implement the market orientation concept. Our findings indicate that managers themselves can sort out the issue of "how to" when they are motivated to do so. Successful application of general theoretical constructs require attention and motivated efforts by practitioners in addition to goal-directed and competent dissemination activities by the academic community.

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