Learning *with* the market: Facilitating market innovation

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ABSTRACT

This paper generates new insights into the market innovation process by merging literatures on higher-level learning and market shaping. The research shows that market learning expands the traditional organizational learning literature in three ways: it extends the unit of analysis from individual and organizational learning to inter-organizational learning; it implies a shift from adaptive to higher-level transformative learning; and it positions learning outcomes as changes in market-level properties rather than the mere cognitive developments of individual actors. A key contribution to the understanding of market learning is the development of a market-learning cycle framework that delineates the market-learning process into distinct phases. The framework structures the field in which focal actors with market driving strategies operate as they proactively engage other market actors during the different phases of the market-learning cycle. The usefulness of the framework is illustrated by a longitudinal case.

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1. Introduction

According to Kjellberg et al. (2012), markets are socially constructed (Granovetter, 1992) and hence malleable and subject to multiple change efforts. Markets are always in the making: markets are not; they become. This insight opens up questions about how market actors can influence the process of becoming—about how they can facilitate market innovations.

This questioning resonates with discussions addressing customer-led versus lead-the-customer innovation (Baker & Sinkula, 2007; Narver, Slater, & MacLachlan, 2004) and market driven versus market driving strategies (Jaworski, Kohli, & Sahay, 2000; Kumar, Scheer, & Kotler, 2000; Varadarajan, 2010). Firms applying market driving strategies need to start with their own subjective view on which market(s) to drive. Jaworski et al. (2000) define market driving strategies as changing the configuration and/or behavior of actors in a market. Storbacka and Nenonen (2011a, p. 251) term this process 'market scripting', which they define as "conscious activities conducted by a single market actor in order to alter the current market configuration".

Storbacka and Nenonen (2011b) argue that markets evolve in a perpetual reciprocal process as various actors introduce new ideas in the form of new or modified business model elements that influence the market practices actors engage in (see also Andersson, Aspenberg, & Kjellberg, 2008). This progression results in a multiplicity of co-existing market versions (Kjellberg & Helgesson, 2006): markets

take on multiple forms as actors develop their subjective definitions of the market and then attempt to make their respective definitions a shared definition through a reciprocal process among relevant market actors.

The managerial consequence of reciprocity and multiplicity is the need for a better understanding of the market. Effort to secure that understanding is a key feature of research relating to market orientation (see Baker & Sinkula, 2005, for an overview). Market orientation concerns the acquisition, sharing, and utilization of knowledge about customers and market conditions (Slater & Narver, 1995; Weerawardena, 2003). Narver et al. (2004) divide this process into responsive market orientation (learning about customers and the factors that influence customers) and proactive market orientation (focusing on identifying latent customer needs). The market orientation research has, however, largely been built on the assumption that the market is a given and that the objective of the firm is to learn 'about the market' (Day, 2002; Hult & Ferrell, 1997; Kohli & Jaworski, 1990; Moorman, 1995), that is, to identify opportunities as precursors of business development.

Building on the service-dominant logic (Vargo & Lusch, 2004, 2011), we posit that actors wanting to influence the becoming of markets are more likely to focus on learning 'with the market' (Bergh, Thorgren, & Wincent, 2011). This kind of learning is differentiated from that described and discussed in the majority of the learning literature in three ways. First, it acknowledges the need to change the unit of analysis as the locus of learning moves beyond individual and organizational learning into inter-organizational learning (Toiviainen, 2007). Second, it implies a shift from adaptive learning to 'higher-level' learning that challenges existing constraints and requires individuals and organizations to develop new practices and new ways of looking at the world (Cope, 2003). Third, it recognizes the importance of broadening the concept of

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learning from purely cognitive processes and outcomes to the socio-material domain (Araujo, 1998).

Although there is considerable research on organizational learning, knowledge management, and dynamic capabilities (Teece, 2007; Teece, Pisano, & Shuen, 1997), surprisingly little is known about how focal actors actively engage in these higher levels of learning whenever they attempt to create or shape markets. Our aim has been to contribute to this research gap by investigating how focal actors exercising market driving strategies can proactively engage other market actors in higher-level market-learning processes. Thus, our specific purposes in this paper are to:

1. Generate insights into the process of market learning by bringing a higher-level learning perspective to the extant market shaping literature;
2. Develop a framework that delineates the process of market learning; and
3. Interpret the developed framework from the viewpoint of a focal actor wishing to implement market driving strategies.

The paper has five sections. The first describes the abductive research approach used in the paper. The particular focus here is on the development of a focal actor view of market learning. The second section discusses, with reference to relevant literature, market learning from a market network perspective. The third introduces our analytical framework, the market-learning cycle, which delineates market-learning processes into distinct phases. The fourth illustrates the usefulness of the framework in a single case context, again applying a focal actor viewpoint. The fifth and final section discusses the contributions of the paper and identifies further research avenues.

2. Research approach

Our methodological choices and theorizing in this paper are characterized by an analytical process of identifying and delineating that falls into the broader gambit of discovery rather than justification (MacInnis, 2011). Our research approach is abductive, which means our aim is directed towards theory building through the use of "creative synthesis of existing ideas" (Yadav, 2010, p. 2) from both literature and empirical reality, and combining induction and deduction (Locke, 2010). The process is thus a non-linear, non-sequential, iterative one of systematic and constant movement between the literature, the model, and the empirical world, during which the conceptual framework is further developed as directed by empirical findings (Dubois & Gadde, 2002) and continuous review of the literature. These reflective processes make it possible to combine components from various inputs in order to establish emergent patterns and then refine the constructs used to portray reality (Eisenhardt, 1989).

Two elements of pre-understanding (Normann, 1977) form the foundation of our research process. First, we have had a long-term (five-plus years) research interest in developing a better understanding of the market phenomenon in order to reconnect marketing to markets (Araujo, Finch, & Kjellberg, 2010). This research interest has resulted in a number of previously published studies (e.g., Storbacka & Nenonen, 2011a,b, 2012). Second, we have 10-plus years of experience gained from consulting to firms exploring new ways to define their markets, either because the markets as they are defined today are mature, or because the dynamics in the markets have opened up numerous and sometimes confusing opportunities.

This ongoing, longitudinal conceptual and managerial exposure to market driving strategies has geared our research approach towards discovering the opportunities that influence market learning, particularly from the perspective of the focal firm. And it has grounded in us not only the idea of markets as networks developed within the IMP Group (Mattsson, 1997) and Kjellberg and Helgesson's (2006) work on market practices but also the notion, developed from within the ambit of service-dominant logic, of markets as ecosystems (Vargo &

Lusch, 2011). These outcomes, in turn, have directed us towards identifying and delineating ways to describe the dynamic development of markets. As Araujo (1998) illustrated, a systems view of the market has many similarities to ideas about learning in a networked context (Knight, 2002; Knight & Pye, 2005; Powell, Koput, & Smith-Doerr, 1996). Hence, the starting point for our current research was to intersect these related research areas (market studies and learning in networks) in an effort to identify new perspectives pertinent to firms wanting to facilitate market innovation.

We began by conducting a literature review of scientific databases (e.g., Emerald, Science Direct, SciVerse Scopus, JSTOR, Google scholar) in order to identify contemporary views on the market phenomenon and on inter- and intra-organizational learning. The review covered marketing, strategic management, and management studies. By moving back and forth between the identified articles, we created our first definitions of market learning and, from there, developed our first version of a conceptual framework focused on the phases of the market-learning process.

We then exposed this initial framework to empirical reality by populating it with previously gathered empirical data. That step led to our second version, which we presented at three different academic conferences/forums between 2010 and 2012. We continued the development work until we deemed the framework robust enough to allow us to illustrate it in a case context. With the case we aimed at using the framework to illustrate how a focal firm can systematically engage with market-learning processes and thus facilitate market innovation. Therefore, the purpose of the case was not to validate the proposed market-learning framework but rather to support interpretation and refinement of the framework from within an empirical context. Based on the feedback we received from conference attendees and from our work with the case illustration, we realized that our initial framework versions were too linear in their approach. Hence, it directed us towards literature that better covers the non-linear, non-sequential, iterative, and continuous nature of market learning. As a result of this work we developed the final market-learning cycle framework presented in the paper (Fig. 1).

In order to identify a suitable firm for the case illustration, we developed three criteria. First, we wanted to find a firm that had a publicly stated strategy of aiming to influence its market, that is, a firm with a market driving strategy (Jaworski et al., 2000). Second, the firm needed to have been engaged in this strategy for at least three years in order to provide us with opportunities for longitudinal analysis. Third, we wanted to access data providing as rich a description as possible of how the focal firm had approached market learning over time (Coleman, 1996; Lee, 1993).

The data-generation process, which involved the collection of both primary and secondary data, followed the idea of purposive sampling (Wallendorf & Belk, 1989), wherein each sampled unit is selected on the basis of previously sampled units. Because we conducted our study from a focal actor viewpoint, we collected the data mainly through involvement with the case firm, Wärtsilä Corporation, an international company that provides lifecycle power solutions for the marine and energy markets.

Our primary data were elicited through our interactions with senior management in charge of and involved in the corporation's market driving activities. Much of this interaction occurred during four interactive public presentations, which involved detailed discussions related to the researched market-learning process. These sessions, which lasted between 47 and 150 minutes, focused on the activities initiated by the case firm. We then interviewed two representatives of senior management—an executive from Wärtsilä's India organization and a general manager involved in strategy development for Wärtsilä's Power Plants division. The executive from Wärtsilä India focused on describing the case from the Indian perspective, covering both the market shaping efforts of the focal firm and the changes in the market-level properties. The general manager of strategy recounted the case emphasizing