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Source: *Journal of Marketing*, Vol. 65, No. 2 (Apr., 2001), pp. 19-34
Published by: American Marketing Association
Stable URL: http://www.jstor.org/stable/3203378
Accessed: 26/11/2013 17:36

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Mark B. Houston, Beth A. Walker, Michael D. Hutt, & Peter H. Reingen

Cross-Unit Competition for a Market Charter: The Enduring Influence of Structure

Marketing strategists who operate in turbulent markets face a competitive landscape marked by volatility and evolving market structures. As customer requirements change, an organization that stays in alignment with its markets will form new business units or alter the market charters of existing business units. In a longitudinal study, the authors traced the structural realignments that accompanied a *Fortune*-500 firm's entry into the Internet market. As the charter moved from a freshly created unit to an established business unit, the authors found support for the prediction that the former organizational structure will continue to shape the identity, beliefs, and social ties of managers. The study highlights the structural, social, and cognitive factors that must be managed as corporate decision makers search for the best strategy–structure fit for an emerging market opportunity.

Aligning the structure of the modern corporation to capture emerging market opportunities is a continuing challenge for firms that compete in turbulent markets (Day 1997). In the multidivisional organization, various interdependent divisions are "chartered" to monitor one or more businesses and the associated market domains. However, fast-paced changes in customer requirements expose gaps in a firm's market alignment that top management attempts to fill by creating new business units or adjusting the market charters of existing business units. A charter is defined as the product and market arenas in which a business unit actively participates and for which it has been assigned responsibility within the firm (Galunic and Eisenhardt 1996). The product markets that constitute the domain of a business unit can be defined in terms of the customer benefits provided, the technologies applied, the customer segments served, and the level of integration represented in the value creation process (Abell 1980; Day 1984). Charter change, then, involves the assignment of responsibility for a particular product-market domain to a new or existing business unit. Charter changes can involve the creation of a new business unit, the addition of a product-market domain to an existing business unit, or the transfer of responsibility for a product market from one business unit to another. When markets are relatively stable, charter change is less critical, but when markets are turbulent, charter adjustments enable firms to focus on the most promising opportunities (Eisenhardt and Brown 1999). For example, to capitalize on its competencies in ink-jet printing and scanning technologies, Hewlett-Packard surprised competitors by forming a new business unit and assigning it responsibility for a promising new market—digital photography (Kaplan 1999). In line with Webster's (1997) and Cravens's (1997) work, charter change ignites a set of strategic processes that spotlights marketing's strategic role in the firm at both the corporate and business unit levels.

By guiding the strategic process of matching the firm's core competencies to customer needs, marketing assumes an active role in the charter change process. Central to the strategic dialogue at the corporate level is the question of which business unit is best equipped to deliver superior customer value and compete in this newly defined market domain. Instead of having a unitary voice from marketing, managers representing various business units may hold different views regarding the preferred path for marketing strategy and the desired form that the value proposition should take. These divergent positions are grounded in the distinct identities that various business units possess (Albert and Whetten 1985). A charter carves out the product and market arena that a business unit serves, defines its turf and relative status in the organization, and shapes the pattern of reward allocation observed (Kramer 1991). When a charter is won, a business unit may subsequently lose it, relinquishing responsibility to another business unit if performance lags or the expectations of top management are not met.

The context for our study was provided by the creation of a new business unit (referred to as INFOSERVE) at a *Fortune*-500 high-technology firm (referred to as COMMCO). The INFOSERVE unit was chartered by top management to lead the firm's entry into the Internet market. Rapidly changing perceptions of customer needs, combined with the recently announced entry of a formidable new competitor to INFOSERVE, provided added appeal to the market context. Because the Internet market constituted an attractive domain, rival business units had actively lobbied top management for the initial charter assignment. By failing to

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Journal of Marketing
Vol. 65 (April 2001), 19–34

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articulate a clear Internet strategy, INFOSERVE subsequently lost the charter, and senior management at COMMCO reassigned responsibility for the Internet market to a rival business unit. The purpose of this article is to examine the impact of charter change on the strategy beliefs, social ties, and identity of the affected managers. The study provides a rare opportunity to isolate the structural, social, and cognitive factors that hamper the development of marketing strategy when a charter is transferred from one business unit to another. Combining qualitative and quantitative methodologies, we first examined the beliefs of INFOSERVE executives and those of executives (including presidents) of competing business units regarding the strategic significance of the online venture and the critical strategic issues that confronted the initiative. Next, after top management reassigned the Internet charter to COMMCO's largest business unit, we again examined the beliefs of key participants and isolated managers' organizational identities and patterns of social ties that endured in the new organizational structure.

Our study differs from previous research on several counts. First, although a rich research tradition has centered on cross-functional working relationships in new product development (e.g., Griffin and Hauser 1996), scant attention has been given to the interplay among business units as established charters are altered to meet changing customer requirements or capture new market opportunities. By adopting the business unit as the unit of analysis, our study moves beyond cross-functional comparisons to reveal the strategy beliefs that divide senior executives and marketing managers who represent one business unit versus another. Although marketers are encouraged to play an integrative role in keeping the organization focused on the customer (Anderson 1982; Day 1992; Webster 1997), our study suggests that such integration efforts can be derailed by rigidities in managers' beliefs and communication patterns that are shaped by the organizational structure. Research by Homburg, Workman, and Krohmer (1999) reveals the influential role that marketing managers assume in shaping the strategic direction of business units. Our study contributes to the marketing literature by illuminating the politics of charter change and the special challenges that market strategists face in developing a value proposition for customers that will win the support of surrounding business units.

Second, charter change has received little attention in the marketing literature but assumes a prominent role in the strategies of leading firms, "where the new competitive reality includes volatility and evolving market structures" (Prahalad 1995, p. v). Rosa and colleagues (1999) demonstrate that producers and consumers possess shared knowledge structures that define product markets and that their understanding of markets evolves as these knowledge structures change. By contrast, our study illustrates how managers who represent different business units share markedly different beliefs regarding how a particular product market should be defined and addressed.

Third, Day (1997) argues that organizational design issues are rising to the top of the agenda for the future of marketing as organizations seek to continually adapt the alignment of strategies, activities, and distinctive capabilities to shifting market requirements (for a complete review of marketing organization, see Workman, Homburg, and Gruner 1998). Although a strong research tradition encircles strategic change (e.g., Pettigrew and Whipp 1991; Quinn 1980) and the strategy–structure–performance paradigm (for a comprehensive review, see Galunic and Eisenhardt 1994), there are no prior studies, to our knowledge, that have systematically examined the impact of a structural realignment on the identities, beliefs, and patterns of social ties of managers across business units. By addressing these issues, the present study contributes to this research stream and isolates important inertial barriers that emerge as an organization searches for the proper strategy–structure fit in a new market domain. Moreover, the study responds to the call of strategy researchers (e.g., Galunic and Eisenhardt 1994; Varadarajan 1992; Varadarajan and Clark 1994) for research that moves beyond a static view of product-market boundaries and considers the evolving nature of markets and the corresponding structural changes that are spawned in the organizations that serve them.

Our discussion is divided into three parts. First, we provide a synthesis of the collective action theory of strategic decision processes—a conceptual perspective particularly appropriate to our study—and explore the structural forces that shape the beliefs of various interest groups when a charter change is implemented. Second, we report research results from the examination of managers' strategy beliefs, both before and after a major change in organizational structure, and isolate the social ties and patterns of identification that emerged in the new structural home for the market initiative. Third, we conclude by discussing key managerial and research implications.

Cross-Unit Competition for a New Charter

Corporate strategy, business strategy, and marketing strategy interact to shape the competitive advantage of individual business units within a firm's portfolio of businesses (Varadarajan and Jayachandran 1999). By centering on issues that relate to the organization's domain and the allocation of resources across business units, charter change involves a strategic decision process that is best captured by theories of collective action (Walker, Ruekert, and Roering 1987). The process seeks to improve organizational performance by matching the firm's capabilities to a newly defined market space for the organization. Possible structural outcomes of the process include the creation of a new business unit or a change in the market charters of existing units. During strategic decision processes, interest groups form around formal objectives and the goals of business units; they also form around differences among groups at varying levels of the organizational hierarchy (Dickson 1992; Pettigrew and Whipp 1991). Drawing on Anderson's (1982) work, we define charter change as the outcome of a bargaining process among business unit coalitions.

Rapidly changing technologies and customer requirements create business opportunities that an organization might profitably serve, thereby creating a market for charters among business units (Galunic and Eisenhardt 1996). In this situation, the business units that constitute an organization are competing within an "economy of charters" for the

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opportunity to lead the firm's strategy in a choice market domain. Rather than compete only for financial resources within the organizational hierarchy, business units also actively compete for the information, power, support, and legitimacy that a new or expanded charter provides (Dutton 1993). The nature of competition among business units varies by organization.

Cooperative Versus Competitive Structures

Firms that emphasize cooperation versus competition have different internal configurations with regard to centralization, integration, control practices, and incentive systems (Hill, Hitt, and Hoskisson 1992). In cooperative organizations, cooperation between business units is fostered by senior corporate executives who exercise some degree of centralized control to achieve coordination across business units (Mintzberg 1983). Moreover, the corporate office also uses integrating mechanisms to achieve lateral communication among strategic business units, evaluates business unit performance on a range of subjective (e.g., extent of cooperation among interdependent units) and objective (e.g., market share, growth) criteria, and uses incentive systems for business unit managers that are linked to corporate rather than business unit profitability (Gupta and Govindarajan 1986; Keating 1997). In contrast, in competitive organizations, competition among business units is fostered by organizational arrangements that feature a decentralized structure and an arm's-length relationship between the corporate office and business units. Business unit managers are responsible for operating decisions, objective financial criteria are used to measure unit performance, and incentive systems are tied directly to business unit profitability. Because a newly chartered business unit requires an exchange of information, knowledge, and resources with other business units, cooperative structures are more conducive to charter development than competitive structures are. Cooperative behavior is also enhanced when organizational members have a common identity.

The Influence of Structure on Identity and Beliefs

Social identity theory (Tajfel and Turner 1985) suggests that people define their self-concepts through their connections with social groups. Although the self-concept may be composed of a variety of identities (e.g., gender, race, personality traits), organizations also offer an important source of identification (Ashforth and Mael 1989). Because identification assumes an important role in defining and enhancing the self-concept (Dutton, Dukerich, and Harquail 1994), people tend to identify most strongly with groups that are distinctive and prestigious and that compete with a salient set of out-groups. For example, a person's identity may be derived from organizational membership, department, function, or work group.

In a given context, organizational members can invoke higher-order identities (division or organization) or lower-level identities (function or work group) (Ashforth and Johnson 2001). In some firms, such as Hewlett-Packard, company-wide socialization programs are used to persuade employees to define themselves in terms of a higher-order rather than a lower-order identity (Tsui 1994). The more salient a higher-order identity, the more likely it is that an organizational member will pursue organizational goals ahead of narrow lower-order goals, interpret issues and events from a higher-order perspective, cooperate with other organizational members across units, and engage in organizational citizenship behaviors (Ashforth and Mael 1996; Dutton, Dukerich, and Harquail 1994). Although many organizations strive to create a shared identity among their members, scarce resources and reward systems that typically focus on subunit performance spawn heterogeneous identities (business unit, department, work group) that tend to conflict and compete (Ashforth and Mael 1989).

The structural categories of an organization—such as business units—determine the contours of social comparison (us versus them) while also shaping the pattern of reward allocation observed (Kramer 1991). Structural categories also define the pattern of interaction and tell organizational members who they are, what their role in the organization is, and where they fit in the formal and informal hierarchies that constitute the organization. Managers derive a sense of identity from the affiliation with an organization or their connection to social groups within the organization, such as functional area or business unit (Bhattacharya, Rao, and Glynn 1995; Fisher, Maltz, and Jaworski 1997). In large and heterogeneous organizations, managers tend to identify more strongly with their immediate work groups than with the organization as a whole (Ashforth and Mael 1989; Kramer 1991).

Organizational members who strongly identify with a particular unit engage in a pattern of in-group and out-group dynamics. Strong identification prompts increased cooperation with organizational members who are part of the group and increased competition with nonmembers (Dutton, Dukerich, and Harquail 1994). Social identity theory provides insights into the meaning that organizational members ascribe to strategic change. First, to the extent that the business unit domain defines the identity of organizational members and provides a base of power, members will be reluctant to see those boundaries altered. A threat to a group's domain tends to strengthen members' identification with the group. Cross-unit conflict intensifies as "group lines are drawn more sharply, values and norms are underscored, and we/they differences are accentuated" (Ashforth and Mael 1989, p. 25). To illustrate, Fisher, Maltz, and Jaworski (1997) find that marketing managers who identify more strongly with the marketing function than with the organization are more likely to use coercive influence strategies when dealing with people from other functions. Second, identification strongly influences cognition (by priming attention), affect (by defining what is valued), and behavior (by promoting identity-consistent acts) (Ashforth and Mael 1996). Identification helps organizational members direct interpretation by providing a reference point for gauging the importance of strategic issues, influencing perceptions of their legitimacy, and shaping their meaning (Dutton and Dukerich 1991). When that reference point is the organization as a whole (higher-order identity), organizational members are more likely to think, feel, and act in ways consistent with broader organization goals. Alternatively, when the reference point is the business unit, a strong identity can also promote what Dougherty (1990, 1992) describes as distinct "thought worlds," in which one unit focuses on different environmental contingencies and reflects different values, beliefs, and goals than another unit (Daft and Weick 1984; Frankwick et al. 1994).

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To recapitulate, these structural-cognitive perspectives suggest that cooperative structures, such as reward systems tied to organizational goals and senior management's success in making higher-order identities more salient to organizational members, will contribute to shared organizational beliefs regarding a strategic initiative for a new market. In contrast, for organizations that emphasize competitive structures and those in which lower-level identities (business unit) are more salient to organizational members, we predict that managers from different business units will form different interpretations regarding a strategic initiative for a new market: a charter change. By posing a threat to the boundaries and activity domain of some units and an opportunity for others, a change of charters spawns rivalry among units that wish to defend or expand their base of power within the organization. Specifically, we propose the following:

> H_1: Regarding a strategic initiative for a new market, (a) the beliefs of managers will vary by business unit, and (b) the beliefs that are shared among managers will vary by business unit.

Organizational Inertia

The importance of achieving a fit or consistency between organizational states and environmental demands is evident in conceptual perspectives from the strategy literature (e.g., Porter 1980). In a theory of organizational evolution, however, Tushman and Romanelli (1985) argue that the very forces that enhance success and create consistencies in a firm's operations become an impediment to change when environmental conditions change. They (p. 190) suggest that "internal requirements for coordinated activities and flows result in increased structural elaboration and social complexity." Organizational members build elaborate routines to gain greater control over their work, and these routines focus attention and filter information in support of the status quo. Moreover, through joint decision making, they develop shared commitments and beliefs that justify previous actions (Weick 1979).

Within organizations, these interdependent structural and social linkages increase individual and group commitments to the current strategy course but reduce the probability that fundamental change can be successfully introduced (Miller and Friesen 1980). Research suggests that cognitive inertia prevents managers from modifying their cognitive structure in response to new information from the environment (Reger and Palmer 1996). For example, Hodgkinson (1997) finds that managers' cognitions of competitive conditions in a volatile market are highly stable over time, despite significant changes in the market. Organization–environment consistencies also contribute to the development of a structurally and socially anchored inertia (Hannan and Freeman 1984; Tushman and Romanelli 1985). By competing in a particular industry or market domain, an organization develops webs of interdependent relationships with customers, suppliers, channel members, alliance partners, and other external constituents. As these relationships develop and become institutionalized, the organization develops inertia—a resistance to all but incremental change. As Ashforth and Mael (1996, p. 53) note, "Over time, identity and strategy tend to become more tightly coupled as the latter comes to symbolize the former." In support, Rosa and colleagues (1999) view product markets as socially constructed knowledge structures that are shared among producers and consumers. Neither orchestrated nor imposed by producers or consumers, product markets evolve from producer–consumer interaction feedback effects.

Drawing on these conceptual perspectives, we argue that the structural forces that advance performance and define a firm's activities in a particular market domain also create rigid cognitive and social boundaries that are difficult to erase as technologies and customer needs evolve. Although the formal organizational structure can be redesigned to meet changing market requirements, these inertial forces may continue to tie organizational members to the old structure, which provides an enduring source of identification. Such inertial forces may be especially strong in organizations characterized by multiple business unit identities rather than a salient higher-order identity and those that emphasize competitive versus cooperative structures. Special challenges confront newly chartered business units in forging ties with established business units that have deeply embedded systems, processes, and strategies. On the basis of this discussion, we propose the following:

> H_2: After a structural realignment, the former organizational structure will continue to shape the (a) business unit identity of affected managers, (b) strategy beliefs of managers, and (c) social ties of managers.

We contend that it is a manager's strength of identification with the unit, rather than mere membership in a business unit, that shapes strategy beliefs and social ties (Ashforth and Mael 1996). A market charter is created to combine organizational resources and competencies in a new way to capture a market opportunity. To succeed in the new market domain, members of the newly chartered unit depend on competency-related knowledge flows from other business units (Galunic and Rodan 1998). Such knowledge flows may include the exchange of information, know-how, and histories regarding competencies. However, competencies can become institutionalized, thereby creating rigidities that impede the flow of knowledge across areas (Leonard-Barton 1992). The more strongly a manager identifies with a particular competency, the higher is the resistance to new knowledge from other competency areas (Galunic and Rodan 1998). Boundaries between competencies pose a special problem for new market charters. As people interact within a competency area (e.g., Internet technology), they develop a common language and interpretive systems that facilitate internal information flows but restrict the dissemination of knowledge across competency areas. On the basis of this discussion, we propose the following:

> H_3: The strength of a manager's business unit identity will mediate the relationship between business unit membership and (a) the strategy beliefs of affected managers and (b) the social ties of managers.

Methodology

Context

We sought to identify a high-technology firm that featured multiple business units that were competing for a coveted

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market charter. Consistent with these criteria, the entrance of COMMCO, a *Fortune*-500 communications firm, into the Internet market provided an ideal context for our research. The senior leadership team at COMMCO believed that the development of an online service was critical to the firm's long-term strategic position. Initially, top management created a new business unit, INFOSERVE; staffed it with managers from other units within COMMCO; and assigned the unit the market charter for the Internet.

To draw on the collective strengths of COMMCO, top management also enlisted executives from other business units to provide the information, resources, and technical expertise that the INFOSERVE unit might require. From the outset, however, many executives from surrounding business units strongly opposed the INFOSERVE position on fundamental strategic issues (e.g., Should the online service be targeted to the consumer or business market?). Moreover, these executives argued that their respective business units were better equipped to serve online customers.

Executives from two focal business units at COMMCO were central players in the debate: one business unit that develops offerings targeted to the business market (the rival business unit) and a second business unit that is the firm's largest revenue and profit producer and serves the consumer market (the dominant business unit). For executives of a third business unit (the neutral business unit), the Internet initiative had little direct bearing on the core mission of the group. The result of the active internal debate regarding the strategic course for the Internet initiative was that the Internet charter and INFOSERVE's personnel were reassigned to the dominant business unit. In terms of physical location, former INFOSERVE managers were dispersed throughout the dominant business unit. This structural realignment occurred seven months after the INFOSERVE unit was created.

To test the hypotheses, we collected data at two points in time. In the first phase, we conducted depth interviews midway through INFOSERVE's seven-month existence as an independent unit to examine the impact of business unit membership on the valence, sharing, and content of managers' beliefs (Frankwick et al. 1994). In the second phase, a questionnaire was administered four months after INFOSERVE lost the charter. The goal in this phase was to capture the lingering effects of initial business unit membership on a manager's identity, beliefs, and patterns of social ties relevant to the online venture. In a turbulent environment, the managers who are directing a new market initiative face immediate pressure to perform from both the corporate level and surrounding business units (Galunic and Eisenhardt 1996). We believed that four months was an appropriate interval for the INFOSERVE members to transition fully into the dominant business unit. Therefore, seven and one-half months intervened between the first and second round of data collection. Our research is consistent with that of Van de Ven (1992), who admonishes researchers to study organizational phenomena in "real time," before participants know the final outcomes of decisions and actions.

Phase 1

A snowball sampling technique was used to identify the set of key managers that was most involved in shaping and competing for the Internet initiative within COMMCO. The technique isolates the relevant set of participants by asking each actor to identify others with whom he or she communicates about a specific issue. In this case, we asked managers the following questions: "Whom, within COMMCO, do you talk with about Internet initiatives?" and "Are there other influential people in or outside of your unit with whom we should talk about the Internet initiative?" In this study, our set of influential managers included executives who were mentioned by at least two other managers. This research approach isolated the executives who were most directly involved in the venture. Following this procedure, we identified 39 high-level executives (INFOSERVE, $n = 12$; dominant business unit, $n = 11$; rival business unit, $n = 8$; neutral business unit, $n = 8$). The INFOSERVE team included members who were formerly from the rival ($n = 7$), neutral ($n = 3$), and dominant ($n = 2$) business units. Our sample included the president of each participating business unit, corporate vice presidents, and important senior-level managers who represented marketing as well as other functional domains.

In Phase 1, a personal ($n = 17$) or telephone ($n = 22$) interview was conducted with each of the key participants. The interviews were conducted individually and were tape-recorded with the permission of the respondent. Respondents were assured that their replies would be kept confidential. Interviews averaged approximately one hour. Because the set of beliefs surrounding the Internet charter was not well defined, we used semistructured interviews (versus more structured elicitation techniques) to elicit the potentially wide range of issues that divided the business units (Dougherty 1992).

At first, respondents were asked to describe their personal role and the role of their business unit in the INFOSERVE initiative. Executive participants were then asked to describe the strategic significance of the INFOSERVE initiative to their business unit and to COMMCO as a whole. In addition, respondents outlined the factors they believed would drive the success (failure) of the INFOSERVE initiative. With probing, they provided support for their positions. Participants were also asked to detail other sensitive issues or areas of disagreement that surrounded the launch of the online service. Finally, to isolate the set of executives involved in shaping the INFOSERVE initiative, respondents were asked to identify other executives with whom they had communicated regularly about INFOSERVE as well as others involved in directing the online venture.

To capture differences in the beliefs that members of the focal business units held regarding INFOSERVE's Internet strategy, we systematically coded and analyzed the transcribed interviews. Using exploratory interviews, written communications from INFOSERVE's management, internal documents supplied by INFOSERVE's leadership, and several transcripts, we developed a dictionary for coding positive, neutral, and negative beliefs related to the Internet strategy. In addition, we identified five general categories or themes that reflected the content of the beliefs regarding the strategic significance of INFOSERVE and ten categories that captured the factors that executives perceived would facilitate or hinder its success. Each category reflected a set of beliefs that was positive, neutral, or negative. The dictio-

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nary included a definition of each category and sample phrases that reflected each theme.

Following a procedure similar to that used by Frankwick and colleagues (1994), two judges, working independently, coded a subset of the transcripts. The judges then discussed their decisions, fine-tuned category definitions, and considered adding new categories that emerged during the coding process. After reaching a satisfactory level of agreement, the judges completed the coding of the transcripts. Individual beliefs were counted only once, even if the belief was repeated several times during the interview. In completing the task, each judge coded all the transcripts. Calculating Perreault and Leigh's (1989) index of reliability (I_r), intercoder reliability was .847, exceeding the established benchmark ($I_r = .80$) for satisfactory reliability. All disagreements were resolved by discussion. Examples of the belief categories are reported in Table 1.

TABLE 1
Internet Strategy Belief Categories: Illustrative Beliefs

A: The Strategic Significance of INFOSERVE

Belief Category (Valence[a])	Illustrative Beliefs
1. Entry into an attractive new market. (+)	•Future of communication industry is the online market. •COMMCO should be seen as a technology leader
2. A dedicated market charter. (+)	•One unit should coordinate online effort. •A separate business unit can grow online profit.
3. Strengthen relationships in consumer market. (+)	•Add value to current customer's service experience. •Build core business in consumer market.
4. Units divided over target market. (–)	•Cannot separate business offering from consumer offering. •Develop singular offer for home and work.
5. Opposing unit pursues separate initiative. (–)	•INFOSERVE interferes with other desirable initiatives. •Other business units should also pursue the online market.

B: Critical Issues and Success Factors

Belief Category (Valence)	Illustrative Beliefs
1. Lever for growth in consumer business. (+)	•INFOSERVE will create market share. •Strategically compatible with COMMCO's core business.
2. Formidable competitors. (–)	•Many competitors already in market space. •Announced entry by powerful competitor poses a challenge.
3. Level of resource commitment. (=)	•Must invest in technology to win. •Success of INFOSERVE tied to the level of funding provided by COMMCO.
4. Units divided over target market. (–)	•Business–consumer market distinctions are wrong for online customers.
5. Relative size of INFOSERVE unit. (–)	•Difficult to be entrepreneurial in a large organization. •A small unit among giants.
6. Cross-unit collaboration. (–)	•INFOSERVE refuses help from other units. •INFOSERVE is a closed group.
7. Implementation by INFOSERVE unit. (–)	•Executing the strategy is difficult. •Internal priorities are unclear.
8. Credibility of INFOSERVE's leadership. (–)	•No track record. •Little marketing experience.
9. Rigid boundaries at COMMCO. (–)	•Vertical smokestacks provide a barrier for new initiatives. •COMMCO struggles with cross-unit ventures.
10. Dynamic new industry. (=)	•Marketing research needed to understand customers. •This is a young industry, and the demand for online services is uncertain.

[a](+) positive beliefs, (–) negative beliefs, (=) neutral beliefs.

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Phase 2

The purpose of Phase 2 was to examine the impact of the former organizational structure on the business unit identity of affected managers, beliefs about the Internet strategy, and the patterns of social ties among study participants. Four months after the Internet charter and INFOSERVE personnel were transferred to the dominant business unit, a mail survey was administered to the 39 respondents who had participated in Phase 1. Twenty-eight usable questionnaires (72%) were returned.

Identity. Following Bhattacharya, Rao, and Glynn (1995), we adapted a scale from Mael and Ashforth (1992) to assess each respondent's strength of identification with the INFOSERVE initiative, the current home business unit (former INFOSERVE members now belong to the dominant business unit), and COMMCO as a whole. To minimize the length of the questionnaire, we examined the items and correlations reported by Mael and Ashforth (1992) and selected four of the six original items for use in this study: (1) When someone criticizes [the INFOSERVE initiative, the home business unit, COMMCO], it feels like a personal insult; (2) I am very interested in what others think about [the INFOSERVE initiative, the home business unit, COMMCO]; (3) The successes of [the INFOSERVE initiative, the home business unit, COMMCO] are my successes; and (4) When someone praises [the INFOSERVE initiative, the home business unit, COMMCO], it feels like a personal compliment. Each item was rated using a five-point scale, where 1 = "strongly disagree" and 5 = "strongly agree." Thus, for each of the three levels (initiative, business unit, firm), a higher score on the scale indicated stronger identification. The coefficient alphas for identification with the INFOSERVE initiative, the home business unit, and COMMCO were .86, .91, and .87, respectively.

Means–end beliefs. Consistent with a belief measurement approach developed by Walker (1985), we assessed the means–end beliefs of key participants regarding various aspects of INFOSERVE's online strategy. According to Walker (1985), a means–end belief links a particular activity or action (e.g., "the planned Internet services") to a specific outcome (e.g., "reach younger, high-tech consumers"). Drawing on the interview data from Phase 1, we constructed 18 statements that reflected a relationship between INFOSERVE's online initiative (means) and a consequence or outcome of that initiative (end). Eleven of the statements depicted a positive means–end association (e.g., "The planned Internet services will help reduce customer turnover"), three of the statements were negatively valenced (e.g., "Development of complex service offerings by INFOSERVE unit increased time to market"), and four means–end beliefs were neutral (e.g., "Innovativeness of Internet strategy depends on COMMCO's financial support"). Using a five-point scale (where 1 = "very weak relationship" and 5 = "very strong relationship"), we asked respondents to rate the strength of the relationship between the means (listed on the left-hand side of the page) and the end (listed on the right-hand side of the page).

Social tie strength. Following the procedures and measures used in other studies of social networks within organizations (Brass and Burkhardt 1993), we provided respondents with a list identifying the key participants in the study. Using two seven-point scales, they rated one another on frequency of interaction (where 1 = "semiannually" and 7 = "daily") and personal closeness (where 1 = "very distant acquaintance" and 7 = "good friend"). A higher scale score indicated a stronger tie. The coefficient alpha for the two scales was .92.

Influence beliefs. Finally, respondents from the list of key participants were asked, "How influential do you feel each manager is to the direction of COMMCO's Internet and online strategies as a whole?" Beliefs about each manager's degree of influence were assessed on a seven-point scale, where 1 = "low influence" and 7 = "high influence."

Analysis and Results

In general, at Phase 1, the results reveal sharp differences across business units on beliefs about INFOSERVE and its Internet strategy. Especially pronounced are differences between INFOSERVE and the dominant and rival business units. Despite the change in charter ownership and resulting realignment that folded INFOSERVE into the dominant business unit several months later, a similar pattern of results emerges at Phase 2. These results suggest that the original business unit assignments continued to shape the identities, beliefs, and social ties of organizational members.

Phase 1 Results: Effects of Initial Business Unit Assignments on Beliefs

We identified four business units as the key players in the internal market for the Internet charter: INFOSERVE, the dominant business unit, the rival business unit, and the neutral business unit. To study the effects of initial business unit assignments on beliefs, we analyzed managers' responses to two questions: (1) What is the strategic significance of INFOSERVE's Internet initiative to your business unit and to COMMCO as a whole? and (2) What are the factors that will drive the success (failure) of INFOSERVE's Internet strategy? For each dependent measure, the responses to each question were analyzed in turn.

Belief valence. Consistent with H_1, the valence of managers' beliefs about the strategic significance of INFOSERVE's Internet initiative differed across business units (see Table 2). To test this hypothesis, we first computed the proportion of positive and negative beliefs elicited by each manager by dividing the number of positive and negative beliefs, respectively, by the total number of beliefs. For beliefs regarding the strategic significance of the Internet initiative, a one-way analysis of variance (ANOVA) revealed a significant relationship between business unit membership and the proportion of positive (and therefore negative) beliefs ($F = 13.66$, degrees of freedom [d.f.] = 3,35; $p < .001$). As reflected by the post hoc comparisons in Table 2, Part A, INFOSERVE managers have a greater proportion of positive beliefs and therefore a smaller proportion of negative beliefs about the strategic significance of the INFOSERVE initiative than managers from the dominant and especially the rival business units.

Similarly, for beliefs regarding the factors that would drive the success or failure of the Internet initiative, a repeated-measures ANOVA revealed a significant belief

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valence × business unit interaction (F = 4.56, d.f. = 3,35; p < .008). In line with beliefs about the strategic significance of the Internet initiative, note in Table 2, Part B, that INFOSERVE managers have a smaller proportion of negative beliefs compared with managers in the rival business unit. In contrast, managers from the dominant business unit have a greater proportion of positive beliefs than managers from INFOSERVE. Analysis of the content of the belief categories presented subsequently shows that whereas the dominant business unit focused on how the online service could bolster its business, INFOSERVE managers centered on the implementation challenges that were delaying their progress. Regardless of business unit membership, the proportion of negative beliefs (critical issues) far outweighed the proportion of positive thoughts (success factors) that surrounded the initiative (F = 74.07, d.f. = 1,35; p < .001). Thus, although INFOSERVE managers were enthusiastic about the strategic significance of the online initiative to COMMCO, they were concerned about the competitive and operational challenges the Internet market presented.

Belief sharing. Further support for H_1 was found for shared beliefs. Individually held beliefs may or may not be shared with other managers in a business unit. Sharing among business unit members was assessed through operations on a respondent (i) × belief (j) matrix (A). If respondent i has belief j, then cell ij contains a 1; otherwise, cell ij contains a 0. The number of beliefs shared among group members is given by AA^T. The average number of beliefs a respondent shares with other group members is determined by summing the off-diagonal elements in the matrix AA^T across rows (or columns) and dividing the sum by n – 1 (where n = group size). Similar to our analysis of belief valence, we analyzed the proportion of shared beliefs that were positive and negative.

A one-way ANOVA yielded a significant relationship between business unit membership and the proportion of shared positive beliefs (F = 9.99, d.f. = 3,34; p < .001) for beliefs related to the strategic significance of the initiative. In Table 2, Part C, we report the results of the post hoc comparisons of belief sharing between INFOSERVE and each of

TABLE 2
Belief Valence by Business Unit

A: Beliefs Regarding the Strategic Significance of INFOSERVE

	Business Units			
Valence of Beliefs	**INFOSERVE (n = 12)**	**Dominant Unit (n = 11)**	**Neutral Unit (n = 8)**	**Rival Unit (n = 8)**
Proportion of beliefs that are positive	.98	.69**	.87	.29***
Proportion of beliefs that are negative	.02	.31**	.13	.71***

B: Beliefs Regarding the Critical Issues and Success Factors Facing INFOSERVE

Valence of Beliefs	**INFOSERVE (n = 12)**	**Dominant Unit (n = 11)**	**Neutral Unit (n = 8)**	**Rival Unit (n = 8)**
Proportion of beliefs that are positive	.11	.28**	.05	.05
Proportion of beliefs that are negative	.54	.51	.38	.79*

C: Shared Beliefs Regarding the Strategic Significance of INFOSERVE

Valence of Beliefs	**INFOSERVE (n = 12)**	**Dominant Unit (n = 11)**	**Neutral Unit (n = 7)**	**Rival Unit (n = 8)**
Proportion of shared beliefs—positive	1.00	.68**	.84	.34***
Proportion of shared beliefs—negative	.00	.32**	.16	.66***

D: Shared Beliefs Regarding the Critical Issues and Success Factors Facing INFOSERVE

Valence of Beliefs	**INFOSERVE (n = 12)**	**Dominant Unit (n = 11)**	**Neutral Unit (n = 7)**	**Rival Unit (n = 8)**
Proportion of shared beliefs—positive	.15	.25*	.05	.05*
Proportion of shared beliefs—negative	.41	.39	.29	.74***

*p ≤ .05.
**p ≤ .01.
***p ≤ .001.
Notes: Data entries reflect the total number of times a positive (negative) belief was mentioned by managers within a particular business unit divided by the total number of beliefs (including neutral beliefs, where relevant) elicited by managers who were members of that unit. The shared belief data entries reflect the total number of positive beliefs that was shared by managers within a business unit divided by the total number of beliefs that was shared by managers within that unit. Post hoc analysis (least significant difference test) reflects comparisons of each business unit to INFOSERVE only.

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the other business units. These comparisons reveal that INFOSERVE members shared a significantly higher proportion of positive beliefs than the members of the dominant business unit and the rival business unit did. Note again that the members of INFOSERVE were the most positive, whereas managers from the rival business unit tended to be the least positive.

A similar pattern emerged for factors that would impede or facilitate the success of INFOSERVE's Internet strategy. A repeated-measures ANOVA revealed a significant shared belief valence × business unit interaction ($F = 8.54$, d.f. = 3,33; $p < .001$). In line with the analysis of strategic significance–related beliefs, observe in Table 2, Part D, that the INFOSERVE managers shared a greater proportion of positive beliefs and a smaller proportion of negative beliefs than those in the rival business unit. In contrast to the strategic significance results, executives in the dominant business unit shared a greater proportion of positive beliefs than INFOSERVE managers did. Overall, managers, including INFOSERVE executives, shared a greater proportion of negative (versus positive) beliefs ($F = 62.25$, d.f. = 1,35; $p < .001$).

Belief category. We now turn our attention to the contrasting perspectives held by business unit executives regarding the strategic significance of INFOSERVE's online initiative as well as the factors that would shape the initiative's success (failure) when INFOSERVE owned the market charter. Table 3 presents the one-way (business unit) ANOVA results and post hoc comparisons that analyze the average number of beliefs managers elicited for each of the belief categories related to the strategic significance of the initiative (Part A) and the critical issues and success factors (Part B), respectively.

Strategic significance-related beliefs. Overall, when executives considered the strategic significance of developing an Internet strategy, they viewed the Internet as an attractive new market for COMMCO and generally applauded the creation of a dedicated Internet market charter. Disagreement centered on INFOSERVE's particular approach to the Internet market. Note in Table 3, Part A, that significant differences across business units emerged regarding the goal of the online initiative ("strengthen relationships in the consumer market"), INFOSERVE's exclusive focus on the consumer versus the business market ("units divided over target market"), and the need to develop alternative Internet solutions within COMMCO ("opposing unit pursues separate initiative"). Analyses contrasting the beliefs of INFOSERVE with each of the other business units reveal the strongest differences with the rival business unit.

TABLE 3
Belief Categories by Business Unit

A: The Strategic Significance of INFOSERVE

		Business Units			
Belief Categories	**F**	**INFOSERVE (n = 12)**	**Dominant Unit (n = 11)**	**Neutral Unit (n = 8)**	**Rival Unit (n = 8)**
1. Entry into an attractive new market. (+)	1.25	.33	.73	.62	.25
2. A dedicated market charter. (+)	1.59	1.17	.91	1.12	.37*
3. Strengthen relationships in the consumer market. (+)	2.74*	2.67	2.09	1.37	.62**
4. Units divided over target market. (–)	7.02**	.00	.18	.00	1.00***
5. Opposing unit pursues separate initiative. (–)	3.35*	.25	1.09	.87	2.00**

B: Critical Issues and Success Factors

Belief Categories	**F**	**INFOSERVE (n = 12)**	**Dominant Unit (n = 11)**	**Neutral Unit (n = 8)**	**Rival Unit (n = 8)**
1. Lever for growth in consumer business. (+)	5.41**	1.33	2.64*	.57	.50
2. Formidable competitors. (–)	4.06**	1.17	.09**	.43	.37*
3. Level of resource commitment. (=)	4.71**	2.08	.54**	2.00	.25**
4. Units divided over target market. (–)	6.21**	.92	.27	.62	3.12**
5. Relative size of INFOSERVE unit. (–)	1.50	1.08	.27	.43	.25
6. Cross-unit collaboration. (–)	5.93**	.17	2.00***	.14	.50
7. Implementation by INFOSERVE unit. (–)	3.95*	2.42	.45**	.00**	.37*
8. Credibility of INFOSERVE's leadership. (–)	1.36	.33	1.81*	.86	1.00
9. Rigid boundaries at COMMCO. (–)	.09	.92	1.00	1.29	1.00
10. Dynamic new industry. (=)	.30	2.00	1.64	2.12	1.50

*$p \leq .05$.
**$p \leq .01$.
***$p \leq .001$.
Notes: Data entries reflect the total number of times a belief in a specific category was mentioned by managers within a particular business unit, divided by the total number of managers who were members of that business unit. Post hoc analysis (least significant difference test) reflects comparisons of each business unit to INFOSERVE only.

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To INFOSERVE managers, the strategic significance of the online initiative is to strengthen the loyalty bond that consumers feel toward COMMCO. One INFOSERVE executive stated, "I think we will capture customers for the online INFOSERVE business. My hope is that customers signed up with [the dominant business unit service offering] would have less reason to leave COMMCO and go to a competitor's firm." INFOSERVE executives viewed the online venture as enhancing COMMCO's presence in the consumer (versus business) market.

In contrast, rival business unit managers contended that INFOSERVE's exclusive focus on the consumer market was "all wrong." Noting the growth of the work-at-home market segment, the rivals suggested that the distinction between the consumer market and business market had become "a very fuzzy boundary for people." As one rival business unit executive stated, "The model is so broken. Chat service is very consumer oriented. Going online for information is very business oriented. Paying for it is a business proposition. People may want to do both." Frustrated with the exclusion of all business market considerations from INFOSERVE's online initiative, the rival business unit, more than any other unit, was a strong advocate for developing alternative online offerings within COMMCO.

Critical issues and success factors. Despite some agreement on the forces that would facilitate (hinder) the success of the INFOSERVE initiative (e.g., rigid boundaries within COMMCO), managers were largely divided on the issues they considered most critical to the future of the Internet strategy. Observe in Table 3, Part B, that significant differences across business units emerged regarding the link to the core business ("lever for growth in the consumer business"), the competition ("formidable competitors"), resources ("level of resource commitment"), the target market ("units divided over target market"), communication across units ("cross-unit collaboration"), and INFOSERVE's internal operations ("implementation by INFOSERVE unit").

Compared with other managers, INFOSERVE executives centered on three issues: formidable competitors, the level of resource commitment, and implementation by INFOSERVE unit. As an illustration, INFOSERVE, more than the dominant and rival business units, perceived the late entrance into an already crowded Internet market space as an important barrier to its success. For example, an INFOSERVE executive noted, "I am afraid of XYZ Co. [a pseudonym]. They are very, very rich; a very, very successful organization.... When that organization decides that they want to capture a business, they will invest quite heavily in that business." Although INFOSERVE managers clearly wanted their initiative to succeed, the daily challenges that confronted them dampened the prospects for their own success.

In contrast to INFOSERVE executives, managers from the dominant business unit identified lever for growth in consumer business and cross-unit collaboration as the key issues that determine the success of the online initiative. To dominant business unit executives, the strategic connection between INFOSERVE's initiative and COMMCO's core business would support and facilitate the success of the Internet strategy. One dominant business unit manager noted, "What's going to make [INFOSERVE] ultimately successful is the extent that they really find a way to be of value to the consumer franchise—draw on our expertise and combine it with their knowledge of the market.... That's what will make them and us more effective." However, the dominant business unit managers were surprised that the INFOSERVE unit was developing the Internet strategy in isolation and failed to tap their well-honed marketing skills. Overall, however, given their enthusiasm for the link between INFOSERVE's Internet strategy and the core business, managers from the dominant business unit were most optimistic about the initiative's success.

Consistent with our findings on strategic significance–related beliefs, managers from the rival business unit isolated one issue—units divided over target market—as their key concern. Except for implementation by the INFOSERVE unit, the beliefs of neutral business unit managers did not differ significantly from the critical issues and success factors that were raised by INFOSERVE managers (see Table 3, Part B).

Phase 2 Results: Effects of Initial Business Unit Assignments on Identification, Beliefs, and Tie Strength

In Phase 2, data were collected four months after the Internet charter and INFOSERVE managers were transferred to the dominant business unit. This provided an opportunity to examine the impact of the former organizational structure on managers' business unit identity, beliefs, and social ties. In H_2, we propose that despite charter change and the resulting structural realignment, the former organizational structure will continue to guide the identity, beliefs, and pattern of social ties among the relevant set of managers identified in Phase 1.

Strength of identification. In line with H_{2a}, managers' pattern of identification reflects the original (versus realigned) organizational structure. To examine this hypothesis, we measured how strongly each manager identified with (1) the INFOSERVE initiative, (2) their current business unit, and (3) COMMCO as a whole. Using the strength of identification as a within-subjects factor, an ANOVA revealed a significant strength of identification × business unit interaction ($F = 19.23$, d.f. = 3,24; $p < .001$). In Table 4, Part A, we report the post hoc comparisons between the former INFOSERVE executives and members from each of the other business units. Observe in Table 4, Part A, that there are no significant differences between the members of the former INFOSERVE unit and the other business unit members on strength of identification with COMMCO as a whole. However, although the former INFOSERVE members identify less strongly with their (new) home business unit (dominant business unit) than the other members of the dominant business unit, they also identify more strongly with the former INFOSERVE initiative than other business unit members, especially those in the rival business unit. Thus, even four months after joining the dominant business unit, the identification patterns of INFOSERVE executives are consistent with the former (versus realigned) organizational structure.

Belief valence. Analysis of the valence of managers' means–end beliefs confirmed our expectations defined in H_{2b}. To test this hypothesis, we examined managers' average ratings of 11 positive means–end belief statements and 3

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TABLE 4
Identity, Belief Valence, and Tie Strength by Business Unit

A: Identity[a]

	Business Units			
Strength of Identification with	**INFOSERVE (n = 11)**	**Dominant Unit (n = 7)**	**Neutral Unit (n = 7)**	**Rival Unit (n = 3)**
INFOSERVE initiative	3.82	3.18	2.75**	1.83***
Home business unit	3.05	4.32**	4.54***	3.92
COMMCO	3.07	3.86	3.36	4.00

B: Means–End Beliefs[b]

Valence of Beliefs	**INFOSERVE (n = 11)**	**Dominant Unit (n = 7)**	**Neutral Unit (n = 6)**	**Rival Unit (n = 3)**
Mean rating—positive beliefs	3.75	3.18*	3.57	2.45***
Mean rating—negative beliefs	2.55	3.48**	3.33*	3.78**

C: Shared Means–End Beliefs[c]

Valence of Beliefs	**INFOSERVE (n = 11)**	**Dominant Unit (n = 7)**	**Neutral Unit (n = 6)**	**Rival Unit (n = 3)**
Proportion of shared beliefs—positive	.69	.46**	.66	.30***
Proportion of shared beliefs—negative	.03	.22*	.02	.40*

D. Tie Strength[d]

Tie Strength	**INFOSERVE (n = 11)**	**Dominant Unit (n = 7)**	**Neutral Unit (n = 6)**	**Rival Unit (n = 3)**
Proportion of ties—strong	.66	.24**	.56	.53
Proportion of ties—weak	.26	.60**	.33	.47

*$p \leq .05$.
**$p \leq .01$.
***$p \leq .001$.
[a]Data entries reflect the average scale rating across four five-point scales, where 1 = "strongly disagree" and 5 = "strongly agree."
[b]Data entries reflect the average scale rating across 11 positive and 3 negative means–end beliefs, respectively.
[c]Data entries reflect the total number of positive (negative) means–end beliefs divided by the total number of means–end beliefs (including neutral beliefs).
[d]Data entries reflect the number of strong (weak) ties that a manager had with the other members of the business unit divided by the total number of other members within the unit.
Notes: Post hoc comparisons (least significant difference test) involve INFOSERVE only.

negative means–end belief statements, respectively. Each means–end belief linked an INFOSERVE activity or action (means) to a specific outcome (end). A repeated-measures ANOVA, using belief valence as the repeated factor, uncovered a significant belief valence × business unit interaction (F = 5.33, d.f. = 3,23; $p < .007$). Note in Table 4, Part B, that the former INFOSERVE managers agreed more strongly with positive means–end beliefs about the Internet initiative than their counterparts in the dominant business unit and (especially) the rival business unit and less strongly with the negative means–end beliefs about the initiative than all other business unit members.

Belief sharing. Additional support for H_{2b} was found when the pattern of shared beliefs was analyzed. To test this hypothesis, we considered respondents' agreement with all 18 means–end belief statements (11 positive, 3 negative, 4 neutral). We first dichotomized the ratings of relationship strength or agreement with each means–end dyad. We assigned a 1 to ratings above the scale midpoint to indicate that a respondent held the particular means–end belief; a 0 indicated otherwise. Next, we constructed a respondent (i) by belief (j) matrix (A) and computed belief sharing using the same procedures outlined in the Phase 1 analysis of shared beliefs. As in the previous analysis, we examined the proportion of shared positive and negative beliefs to the total number of beliefs (including neutral means–end beliefs).

A repeated-measures ANOVA, in which the proportion of shared beliefs (positive, negative) was the repeated factor, revealed a significant shared belief valence × business unit interaction (F = 5.59, d.f. = 3.22; $p < .006$). Note in Table 4, Part C, that the former INFOSERVE managers share significantly more positive and fewer negative beliefs than their new colleagues in the dominant business unit and their counterparts in the rival business unit. Thus, despite the structural realignment, this pattern of shared beliefs reflects the old (versus new) organizational structure.

Pattern of social ties. Consistent with the effects of old structural lines on patterns of identification and belief shar-

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ing, we also expected the pattern of social ties within the organization to reflect the former (versus realigned) organizational structure. To begin, we dichotomized executives' ratings of every other manager on interaction frequency and personal closeness. A social tie between two managers was designated as strong (weak) if the average rating across the two seven-point scales was five or greater (less than five). Because the sample size varied across business units, we then computed the proportion (versus number) of strong and weak ties that were held by each manager. Specifically, we calculated the proportion of strong and weak ties by dividing the number of strong and weak ties that a manager had with the other members of the same business unit by the total number of other members within that unit.

Using a repeated-measures ANOVA with tie strength (strong, weak) as the repeated factor, we found a significant tie strength × business unit interaction ($F = 4.17$, d.f. = 3,23; $p < .02$). Table 4, Part D, presents the post hoc comparisons. Observe that the former managers of INFOSERVE have significantly more strong ties and fewer weak ties than members of the dominant business unit. Because the initiative relied on the contributions of managers across the dominant business unit, the online strategy could not be effectively implemented if INFOSERVE remained a self-contained group. Despite the reorganization, the pattern of social relationships among former INFOSERVE managers reflects the old (versus new) structural lines.

Influence beliefs. Consistent with H_{2b}, we expected that the former organizational structure would continue to shape the managers' beliefs regarding where influence resides in setting the course for COMMCO's Internet strategy. To test this hypothesis, we divided the managers into two groups: former INFOSERVE executives and non-INFOSERVE executives. Then, we examined the influence ratings of each in-group (e.g., INFOSERVE and non-INFOSERVE managers' ratings of themselves) and compared these ratings with the influence ratings of each out-group (e.g., INFOSERVE and non-INFOSERVE managers' ratings of each other). Higher ratings of the in-group and lower ratings of the out-group would indicate the lingering effect of the old (versus new) organizational structure on perceptions of influence.

A repeated-measures ANOVA, in which group type (in-group, out-group) was the repeated factor, revealed a significant group × business unit interaction ($F = 6.20$, d.f. = 1, 26; $p < .02$). Consistent with a pattern of in-group/out-group bias, both groups of managers rated themselves (the in-group) as significantly more influential in directing COMMCO's online strategies than their counterparts (the out-group) rated them. Specifically, INFOSERVE executives rated themselves as significantly more influential than the non-INFOSERVE managers rated them ($M = 5.31$ and $M = 4.64$, respectively). In contrast, non-INFOSERVE managers rated themselves as more influential than the INFOSERVE managers rated them ($M = 3.04$ and $M = 2.75$, respectively).

Mediating role of identity. Finally, in H_3, we predicted that the relationships between business unit membership and the key dependent variables (beliefs, pattern of social ties) would be mediated by a manager's strength of identification with the INFOSERVE initiative. To test this hypothesis, we used analysis of covariance in which a manager's strength of identification with the INFOSERVE initiative served as the covariate. Support for mediation would be provided if the significant relationship between the independent (e.g., business unit membership) and dependent (e.g., beliefs, pattern of social ties) variables is reduced through the introduction of the covariate (Batra and Ray 1986).

We found partial support for H_3. Specifically, identity partially mediated business unit membership's relationships with means–end beliefs ($F = 5.33$, $p < .007$, $\eta^2 = .41$ was reduced to $F = 3.05$, $p < .05$, $\eta^2 = .29$) and belief sharing ($F = 5.59$, $p < .006$, $\eta^2 = .43$ was reduced to $F = 3.53$, $p < .04$, $\eta^2 = .33$). Identity completely mediated the link between business unit membership and influence beliefs ($F = 6.20$, $p < .02$, $\eta^2 = .19$ was reduced to $F = 2.51$, $p > .10$, $\eta^2 = .10$). The mediating effect of identity on the relationship between business unit membership and the pattern of social ties was not significant. Identification with the current home business unit and with COMMCO as a whole did not mediate the key relationships of interest.

Epilogue

Information derived from a poststudy interview with a key member of the original INFOSERVE team and corporate press releases provide some closure to the Internet story at COMMCO. Shortly after Phase 2 data collection, the charter for the Internet market and the personnel who constituted the original INFOSERVE unit were reassigned again—this time to the rival unit. The dominant unit was locked in a heated competitive battle in COMMCO's core business, and the Internet market was not a vital concern. Meanwhile, the president of the rival unit, who was moving ahead with a separate Internet initiative for the business market, actively sought the market charter and won control of it. Two months later, the rival unit narrowed the Internet strategy focus and scrapped the original strategy plans that had been forged by the INFOSERVE unit. INFOSERVE's former president was reassigned and subsequently left COMMCO, as did several other members of the original INFOSERVE unit. Although certain proprietary services planned by INFOSERVE were dropped, COMMCO became an Internet service provider.

Discussion and Implications

Although prior studies have identified boundaries that divide managers who represent different functions (Dougherty 1992; Frankwick et al. 1994; Hutt, Walker, and Frankwick 1995), our results reveal the divergent pattern of strategy beliefs across business units. More important, our results suggest that the identity, beliefs, and social ties of managers may endure after a structural alignment, thereby hampering the development and implementation of marketing strategy.

Consistent with H_1, the beliefs of executives involved in the Internet strategy differed markedly across business units, and a distinct pattern of belief sharing was evident in each of the focal units. The greatest differences emerged between INFOSERVE and the rival and dominant business units. Our findings provide a vivid portrait of the thought-world differences that can divide the business unit leaders and therefore even the marketing managers who serve one prescribed mar-

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ket domain in the firm versus another. These results support Rosa and colleagues' (1999) conceptualization of product markets as knowledge structures that are shared by managers. Indeed, the executives who guided strategy for the established business units held opposing views regarding the course of the Internet strategy, and those beliefs were closely aligned with the traditional product markets they addressed for COMMCO: The rival business unit conceptualized the strategy in a business market context, whereas the dominant business unit envisioned a consumer market initiative. In dynamic markets, Rosa and colleagues (1999) argue that mature and rigid knowledge structures can hinder a firm's ability to adapt when environmental contingencies shift.

Central to our contribution are the findings that demonstrate the inertial forces that develop around the product markets served by business units. After the INFOSERVE unit was disbanded and its personnel and charter were reassigned to the dominant business unit, the social and cognitive linkages that united INFOSERVE managers in the old structure continued to endure. In support of H_2, the former organizational structure continued to guide the business unit identity, strategy beliefs, and social ties of managers. Though remaining a cohesive group—even after being physically dispersed—in the new structure, the former INFOSERVE executives failed to forge the ties that would be needed to integrate the Internet strategy into the dominant business unit's ongoing operations. Although interpersonal proximity tends to facilitate interaction and strengthen identification (Ashforth and Mael 1989), the bond that united INFOSERVE managers endured despite the physical separation of the team members. To our knowledge, this is the first study to isolate empirically the inertial forces that an established organizational structure can continue to impose on the identity, beliefs, and social ties of managers after a structural realignment. Moreover, partial support was found for H_3, which isolated identity as the primary contributor to the social and cognitive inertia within the firm. Fisher, Maltz, and Jaworski (1997) find that a strong relative functional identity inhibits cross-functional communications, and our study illustrates that a strong business unit identity can impede the knowledge flows that a freshly chartered business unit was created to capture.

Limitations

To put our findings in a proper perspective, we must consider some limitations of the study. First, exploring the charter for a strategic market initiative in one organization limits the generalizability of the results. For example, COMMCO possesses an organizational structure that could be characterized as competitive and rewards business unit leaders on the basis of unit versus company performance. Further research might examine the way different reward systems influence the nature of charter change and the performance of firms entering newly defined product markets. Moreover, further research might examine the structural and strategic processes that organizations employ to promote cross–business unit cooperation as the organization is realigned to capture emerging market opportunities. The challenge of securing access to multiple organizations, especially to proprietary decision processes regarding market entry, led us to a single-firm focus. However, our design incorporated a full complement of decision makers across units, including business unit presidents, marketing managers, and others. Although these business unit presidents were members of the senior leadership team, we were unsuccessful in securing the participation of the chief executive officer and chief financial officer.

Second, a more comprehensive portrait of charter change might be secured by exploring the different ways in which charters are assigned within organizations. COMMCO awarded the Internet charter to a newly created business unit, and top management made subsequent transfers of that charter to other business units. Some firms let internal competition for a charter flourish across business units, especially when there is uncertainty about how the market will evolve (Eisenhardt and Galunic 2000).

Third, our insights into the evolution of the Internet charter at COMMCO are based on depth interviews with managers and an associated questionnaire that explored means–end relationships and patterns of social ties. We did not have complete access to their thoughts or the patterns of influence that may have been operative during the study period. However, field studies of a major strategic market initiative that incorporate a longitudinal component and include a cadre of executive decision makers are rare, both in the marketing and general strategy literature. Above all, the study responds to the criticism lodged at marketing by strategic management researchers (e.g., Biggadike 1981; Prahalad 1995), who question the degree of prominence accorded to the served market construct in the discipline, and addresses the recommendations of marketing scholars for research that more fully explores the realities of strategic market decision making in the firm (Day 1992; Varadarajan and Jayachandran 1999; Workman 1993).

Implications for Managers

First, in creating a charter for a new product market, the fundamental task for strategists at the corporate level is to develop a strategy map for the newly chartered market with which organizational members can strongly identify. Providing a sense of direction to organizational members, the strategy map identifies a projected future goal as an impetus and guide for achieving some desired changes in structure, process, and performance. For example, Gioia and Thomas (1996) describe how the future goal of becoming a top-ten research university provided a powerful stimulus for corresponding changes in the structures, processes, and performance of an institution. Marketing assumes a focal role in the strategic dialogue that surrounds the creation of charters for new product markets by analyzing customer needs and the capabilities of existing and potential competitors and by developing the firm's overall value proposition (Webster 1997). For charter change, this is a challenging task, because organizational members (including marketing managers) residing in different business units may hold opposing views of the preferred strategy course and how it fits into the value proposition of the firm. In line with managers' structural positions and associated identity, the transcripts of interviews from our research indicate that managers from some business units, for example, were strong advocates for

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addressing the business market first and then using this as a pathway into the Internet market at the consumer level. Meanwhile, the INFOSERVE unit was devoting primary attention to developing a value proposition for the consumer market. These divergent views demonstrate the challenging task that corporate-level strategists confront when creating a charter for an important new market: Link or meld the identities of the various business units into the organization's emerging identity and new concept of strategy (Fiol 1991).

Second, the data from our study revealed a pattern of social ties that united members of the INFOSERVE unit but included few strong links to managers outside the unit. Because a rigid internal focus was adopted, progress with the initiative was hampered and the legitimacy of INFOSERVE as an autonomous unit was damaged. Members of a newly chartered business unit must forge important links to other units and actively communicate the value proposition and proposed strategy to internal constituents. Marketing managers assume a central role in these boundary-spanning activities that center on melding the views of top management; coordinating cross-unit work flows and obtaining feedback; and scanning the organization and the environment for ideas and information about the competition, the market, and the technology (Ancona and Caldwell 1992). By building a shared understanding of the strategic market initiative within the organization, the legitimacy of a new venture is established (Dutton 1993).

Third, our results demonstrate how the forces of structural inertia pose a threat to a firm's efforts to realign the organization to capture new product markets. Established business units, communication flows, and organizational routines shape an organization's activities in each of the product markets. A new unit, such as INFOSERVE, faces a formidable challenge in breaking the established order, drawing on the collective strength of the enterprise, and linking its strategy to overall corporate strategy. The study also provides a rare demonstration of the enduring impact of structural boundaries on the beliefs of managers. When a restructuring initiative moved the INFOSERVE unit to COMMCO's most influential business unit, the identity and communication problems that were evident in the old structure continued to persist in the new structure. Research suggests that firms can break the stranglehold of structural inertia only by creating cultures marked by extensive cross-unit communication and placing collaborative decisions with the managers of businesses or product lines who understand both short-term tactics and long-term vision (Brown and Eisenhardt 1998).

Fourth, at a more fundamental level, Webster (1997) argues that instead of centering on strategy–structure fit, organizations must instead center on developing a capability for responding to the changing environment. The executive leadership at COMMCO developed a vision for the Internet market, but rapidly changing customer demands, quickly shifting technologies, and unexpected moves by competitors immediately challenged that vision of the future. Research on successful and rapidly changing firms in the computer industry signals an alternative path that COMMCO might have followed (Brown and Eisenhardt 1997). Instead of investing in one version of the future, managers at these firms rely on experimentation, practice improvisation in new product development (Moorman and Minor 1998), and launch a series of low-cost probes across markets. These probes take the form of experimental products and services, strategic alliances with leading providers of complementary products, and regular meetings among managers that look to the future. These low-cost probes are valuable because they can be used to create options for the future, uncover threats, reveal the unexpected, and speed learning about new markets.

Implications for Researchers

By exploring the evolution of a charter for a new product market and the belief patterns that united and divided managers, we offer several implications for strategy research. First, fast-paced changes in customer needs and technologies, combined with a host of other environmental forces, spawn frequent structural changes in organizations. However, strategy research has given only limited attention to the question of "how firms move from one strategy-structure position to another" (Galunic and Eisenhardt 1994, p. 246). Research is needed on the alternative approaches that firms use in implementing charter changes and the performance consequences of those approaches. Moreover, some firms demonstrate a record of success in responding to rapidly changing market conditions, whereas others in the same industry do not. A comparison of firms that fit these contrasting profiles may yield valuable insights into market responsiveness.

Second, restructuring initiatives by large, diversified firms represent a clear move toward a greater degree of focus with respect to product–market–technology scope (Varadarajan 1992). For example, research suggests that the performance of firms that diversified into businesses requiring a highly skilled workforce was enhanced by a centralized multidivisional structure (Markides and Williamson 1996). In this structure, the corporate center exercises strategic and financial control over the divisions and intervenes in their operating decisions. Further research is needed to explore how alternative structural configurations inhibit or support the creation of new charters and the transfer of knowledge across business units.

Third, research might also examine the strategic decision processes that underlie the creation of market charters that fall outside the scope of a firm's current strategy. On the basis of a field study of the evolution of Intel's corporate strategy, Burgelman (1991) argues that such initiatives are most likely to emerge at a level in the organization at which managers are directly in contact with new technological developments and changes in market conditions. Through the interaction of various types of champions and top management, these autonomous initiatives may become part of the organization's strategy. A valuable and interesting line of inquiry might examine the relative performance of new market charters that emerged from top-down versus bottom-up processes. Alternatively, Christensen and Bower (1996) study the global disk drive industry and find that successful disruptive technologies were more likely to emerge when developed by an independent unit rather than within the mainstream organization. Projects tended to stall within the mainstream organization because "programs addressing the needs of the firms' most powerful customers always pre-

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empted resources from the disruption technologies" (Christensen and Bower 1996, p. 207). Research is needed to assist firms in choosing the appropriate structural fit for a new charter. Under what conditions should a charter for a new product market be located in a separate organizational unit or added to the market domain that an existing unit serves? Likewise, what steps can marketing managers take to integrate new market charters and personnel into an established business unit?

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