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TIGHT–LOOSE COUPLING WITH CUSTOMERS: THE ENACTMENT OF CUSTOMER ORIENTATION

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This article argues that tight linkages with customers present a paradox for the firm. The research question of this study is: What is the behavioral and cognitive process by which a firm establishes close links with its customers, and how can this process be both beneficial and detrimental? Existing theory and data from apparel retailers suggest that firms forge these tight links by enacting their customer environment. In the process of enactment, cognitions and actions reinforce each other and become increasingly focused. The tight coupling generated through enactment comes at the price of increased commitment and restricted vision. The author argues that firms should balance the natural process of tight coupling with a deliberate effort at loose coupling, and draws implications for further research on the organization-environment interface.
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It is critical vision alone which can mitigate the unimpeded operation of the automatic.

Marshall McLuhan

Getting close to the customer has been touted by both scholars and managers (e.g., Peters and Waterman, 1982). Companies have been integrating their operations with their customers (e.g., through JIT), conducting satisfaction surveys to make sure they are pleasing their customers, defining quality from their customers' perspective (e.g., through Quality Function Deployment), developing products to cater to the desires of their customers, and building long-term relationships with customers. In the marketing discipline, a stream of research has emerged concerning market orientation, touting the benefits of being customer oriented (Jaworski and Kohli, 1993; Narver and Slater, 1990, are some of the seminal articles).

However, a few dissenting voices have been heard lately. Hamel and Prahalad (1994) warned of the tyranny of the served market. Christensen and Bower (1996) found that companies catering to their current customers got stuck in developing incremental new products, and missed the wave of disruptive technologies. Danneels (2002) emphasized the influence of current customers on a firm's trajectory of competence renewal. Slater and Narver (1998) warned that being customer led is but a short-term strategy. Day (1999: 10, 13) warned against firms becoming 'customer compelled' and stated that the 'concern about becoming more market-driven is the fear that it might focus inordinate attention on current markets so the company will fail to see emerging markets.' Probably the most extreme assertion was made in a *Fortune* article entitled 'Ignore Your Customer' (Martin, 1995).

How can one make sense of this apparent contradiction? The following study hopes to inform

Key words: organizational learning; tight–loose coupling; customer orientation; enactment; retailing
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this debate by proposing a paradox in firm–customer linkages. The focus of this article will be to clarify the process by which close links to customers arise, by using notions from organizational cognition to understand the dynamics of the firm–customer interface. To describe this paradox I borrow the notions of tight and loose coupling. In a loosely coupled system, elements are connected, but are not fully determined by the elements with which they are linked. In a tightly coupled system, elements are strongly mutually dependent, constrained, and determined (Orton and Weick, 1990; Weick, 1976). In the context of firm–customer interactions, linkages with customers can be loose or tight. I argue that these two types of linkage with customers present a paradox for the firm. Tight coupling leads to better understanding of customers' needs, closer tailoring of products and services, higher customer satisfaction, easier forecasting of demand, and closer relationships. Loose coupling with customers, on the other hand, is necessary to remain flexible in a dynamic environment, and to keep an open eye to opportunities and threats. The paradox is that the same process that enables the firm to develop efficient transactions with its market restricts environmental inquiry and limits available options. In other words, developing close links with customers is both beneficial *and* detrimental. The research question of the present study is: What is the behavioral and cognitive process by which a firm establishes close links with its customers, and how can this process be both beneficial *and* detrimental?

Organizational scholars have long recognized the tension between the goals of efficiency and flexibility, labeled by Thompson (1967) as the 'paradox of administration.' In what follows, I show how this paradox operates in the dynamics of the interaction of a firm with its customers. I build on empirical data and organizational theory to conceptualize how customer orientation is achieved through the business organization's interaction with its customers. I show that the firms I studied are engaged in a cyclical, reciprocal process of interaction with their customers, which I conceptualize as a process of enactment (Weick, 1979, 1988, 1993, 1995). According to the enactment perspective, organizations act upon their environment, interpret the environmental responses to their actions, and reshape their actions based on that environmental feedback. This process is summarized in Figure 1.

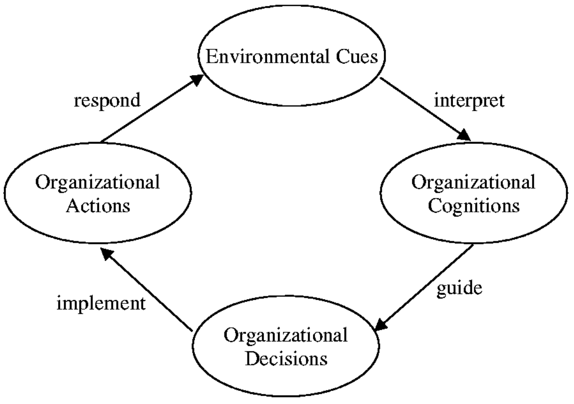

Figure 1. Model of enactment

In this process, organizations create mental representations of their environment based on inferences about the effects of their actions. The feedback from the environment in response to the organization's actions then changes existing cognitions. This perspective emphasizes the reciprocal link between cognition and action; enactment implies that taking actions produces cognitions, which then guide further actions. The process of enactment consists in the ongoing adjustment of an organization's actions and cognitions through its interaction with its environment. In other words, organizations receive cues from their environment as a result of their own actions upon that environment. These cues are then interpreted, and the interpretations form the basis of subsequent actions. Thus, in enactment, organizational behavior is modified as a result of the interpretation of its consequences. The enactment model presents 'an information-processing sequence in which individuals attend to cues in the environment, interpret the meaning of such cues, and then externalize these interpretations via concrete activities' (Porac, Thomas, and Baden-Fuller, 1989: 398).

The present article focuses on customers as a key dimension of an organization's environment. The interface with customers is crucial for an organization's survival and prosperity. Some prior work has applied the notion of tight–loose coupling to the firm–customer interface. Chase and Tansik (1983) examined the degree of contact between a service firm and its customers as a contingency variable for organization design, i.e., whether its organizational subunits should be tightly or loosely coupled. Kellogg and Chase (1995; see also Kellogg, 2000) use the notion of coupling between a service firm and its customers as tight or loose to characterize the nature of 'customer contact.' In this study, I will argue that firms build knowledge of their customers through generating responses from their customers, which they then interpret. In the enactment model presented in this article, marketing actions are responded to by customers, and the responses are interpreted. The interpretations give rise to a mental model of the customers, which is then acted upon in further marketing activities. I argue that, if successful, this process tends to produce tight coupling with current customers.

This article presents several contributions. First, this article explains the dual nature of building tight links with customers through enactment. This study will examine the cognitive and behavioral process through which enactment produces tight coupling with customers, and show how this process can have both beneficial and detrimental consequences. The benefits of close links with customers have long been recognized, and recently their downsides have been brought to the fore. Yet, we have little understanding about how close links with customers could be beneficial and detrimental. I propose that the close links created by enactment allow the firm to fine-tune its offering to its customers, but also commit the firm to its current customers. This article highlights the process by which organizations gradually become the captive of their own history of actions and cognitions.

Second, even though enactment is a powerful notion, it has received little empirical attention. Two empirical studies examined the role of enactment in how competitors form strategic groups (Osborne, Stubbart, and Ramaprasad, 2001; Porac *et al.*, 1989), and another empirical study showed how participants in a financial market enact a speculative bubble (Abolafia and Kilduff, 1988). This article extends the enactment literature by empirically examining the process and consequences of enactment in a different empirical context: the process of firm–customer interactions. I will show that actions towards and cognitions about customers are intimately connected, and highlight the dynamics of this link. That decision-makers act on a mental model of their environment has been widely recognized in both the management and marketing literature (e.g., Day and Nedungadi, 1994; Lyles and Schwenk, 1992; Sinkula, 1994). The process unraveled here goes beyond stating that mental models shape organizational actions. An enactment perspective emphasizes that organizational decision-makers not only act on a mental model of their environment, but also that actions based on mental models feed back into the mental models on which they are based. This study describes the reciprocal and self-reinforcing link between behavior and mental models, a link which is mediated by the environment. In other words, organizational actions are based on mental models, and through environmental responses feed back into the mental models, and so on.

Third, by integrating the literature on enactment, tight–loose coupling, schemas, commitment, and organizational learning, I offer a more complete theoretical framework to understand firm–customer interactions. As of yet, there is little or no literature in marketing nor management that has sought to unravel the process of firm–customer interactions. This article is the first to integrate diverse concepts drawn from various theoretical streams into a single framework to understand the firm–customer interface.

After discussing the data collection and data analysis procedures, I describe the process of enactment at work in the empirical context of apparel retailing, in which tailoring of the retail mix (action) and refinement of knowledge about customers (cognition) are linked in a self-reinforcing loop. The more successful this process, the tighter the link that the firm develops with its customers. The next section shows how both the cognitive and behavioral aspects of enactment tend to commit the firm to its current customers. Then, I discuss how enactment as experiential learning restricts the firm's range of cognitions and actions. In conclusion, I discuss ways in which firms may supplement the natural process of tight coupling with deliberate efforts at loose coupling, and I make suggestions for future research on the organization–environment interface.

DATA COLLECTION

Apparel retailing was chosen as the setting for the present study because retailers have direct exchanges with their customers. Furthermore, apparel products promised to yield rich theories-in-use concerning customers' motives and preferences. I used a semi-structured interview protocol to ensure collection of data on the background of the firm and the respondent's role in it, interviewee descriptions of their firm's retail mix, and their rationale for changes in the retail mix, views on customers and competitors, and use of market research. Although the interviews were conducted using a standard interview guide, respondents were allowed to expand, illustrate, and digress. Each interview lasted from 45 minutes to 2 hours and was taped. Thirty-nine interviews were conducted in Dutch, three in French, and two in English. Interview quotes were translated by the author, in collaboration with a certified translator.

I recruited respondents from a wide variety of apparel retail firms operating in Belgium. A purposely diverse sample of 31 retailers was obtained to cover all types of store-retail firms (non-store formats such as mail order and street market were excluded). The trade association and retailers commonly distinguish five types of store-format apparel retail channels, all of which are present in the sample, which includes: 13 independent (often owner-managed) retail stores with fewer than four outlets, nine chain stores (having four or more outlets under the same name), three supermarket/department stores, four franchised stores, and two wholesaler-run retail firms. The diversity of organizations achieved by this theoretical sample (Strauss, 1987) was expected to provide a rich empirical basis to generate insights during data analysis. All 31 retail practitioners interviewed were directly involved in marketing strategy formation. Interviewees include store owners/managers, general managers, marketing managers, and market researchers. They had from 5 to 30 years' experience in apparel retailing. Additionally, seven interviews were conducted with apparel industry experts, including four experts from apparel industry trade associations, one government agency research director, one management consultant, and one highly reputed marketing manager of an apparel manufacturing firm. These industry experts were interviewed because of their broad exposure to apparel retail practices and their unique perspective as outside observers. Interviews took place over the span of several years, simultaneously and in iteration with data analysis and literature study (see the next section). Interviews stopped when theoretical saturation was reached, i.e., when no significant additional insights could be generated from the data (see Lee, 1999; Strauss, 1987). Interview data were supplemented by secondary data: promotional materials, annual reports, proprietary market research and consulting reports shared by informants, business press articles, trade press articles, and government industry statistics. These additional data facilitated and contextualized the interpretation of the interview data and provided an external check. In particular, they provided information on company events prior to and following the interview, such as store openings, lay-offs, attempted repositionings, and shifts in sales.

To test the credibility of my interpretations, I subjected my analysis to member checks (Hirschman, 1986; Lincoln and Guba, 1985). I sent a copy of a draft of this article to eight especially insightful informants in the original sample. Four of these informants (three retailers and one industry expert) were willing and able to scrutinize the draft, and I set up a new interview with them. These interviews lasted from 40 minutes to 2 hours. To my pleasant surprise, these respondents took the time to carefully comb through the manuscript. Additionally, I made a presentation of my findings at a meeting of a professional association, attended by about 20 retailers. I obtained feedback from them during this presentation and in informal discussion afterwards. The informants who provided the member checks showed great interest and appreciated the opportunity to reflect on their daily activities. Overall, they agreed with the substance of the analysis and stated they could follow its logic. However, their comments pointed to one-sidedness in the original manuscript, which focused on the pitfalls of close links with customers. The informants pointed to the need to simultaneously maintain close links with and distance from customers. This insight led me to use the notion of tight vs. loose coupling with customers as the overarching theme of the article. Additionally, the member checks pointed to the special nature of apparel retailing, raising questions about the transferability of these findings to other industries (see Lincoln and Guba, 1985). Informants also requested managerial guidelines based on the findings. A revised manuscript was later sent to and discussed with two additional informants (two retailers) who were laudatory of the manuscript, stating that I had put into words a tension they struggle with in their daily practice, and fully agreeing with the analysis. These six in-depth member evaluations (some reported having spent 4 hours reading the manuscript) attest to the credibility of the following analysis.

DATA ANALYSIS

I used the extended case method (Burawoy, 1991) as a guide to data analysis. This methodological approach uses empirical data gathered through case study to reconceptualize and extend theory. This study contributes to the integration of concepts and theories by using the extended case method, which aims to integrate and synthesize existing bodies of work. Burawoy, the developer of this method, made this observation:

> The generation of theory from the ground up was perhaps imperative at the beginning of the sociological enterprise, but with the proliferation of theories reconstruction becomes ever more urgent. Rather than always starting from scratch and developing new theories, we should try to consolidate and develop what we have already produced. (Burawoy, 1991: 26)

Even though I draw on Burawoy (1991) as the primary methodological guide, other methodologists have proposed highly similar approaches. Locke (1996) noted that the developers of grounded theory (Glaser and Strauss, 1967) later took opposing views regarding the use of existing theory, in which Glaser espoused a strict grounded theory approach, urging the researcher to start with a blank slate, devoid of any theoretical preconceptions. Strauss, in contrast, proposed a more moderate view, in which prior theory and concepts play a guiding and sensitizing role (e.g., Strauss, 1987; Strauss and Corbin, 1990). Yin (1994) argued that developing a preliminary theory of the phenomenon under study is an essential aspect of study design. Similarly, the approach advocated by Vaughan (1992), which she calls 'theory elaboration,' also draws on extant theory, concepts, and models as a starting point for a study. As the study proceeds, theory, concepts, and models get refined, qualified, reassessed, confirmed, and specified in a continuous interplay with data collection and analysis, alternating deductive and inductive modes of theorizing (Vaughan, 1992). Orton (1997: 419) proposes 'iterative grounded theory, in which researchers cycle back and forth between process theory and process data to produce process knowledge.' Several noted studies by management scholars exemplify an extended case study approach to theory (re-)construction. For instance, Rafaeli and Sutton (1991: 757) developed their insights by 'an iterative process of traveling back and forth between the data, pertinent literature, and emerging theory.' Other exemplars include Bartlett and Ghoshal (1993), Hargadon and Sutton (1997), and Weick and Roberts (1993).

In contrast to a strict grounded theory approach, the primary focus of the extended case study is not to build *new* theory. The goal of the extended case method is to integrate and extend *existing* theory. The researcher examines the literature relevant to his/her problem area, and employs the empirical data to fill in its gaps, reveal its flaws, elaborate its meaning, and extend its coverage. My guiding question during the first phase of the research was how retailers achieve a customer orientation. The literature on market orientation served as a starting point. As the analysis of the data proceeded, it became clear that the literature on organizational cognition, commitment, and learning could be used to extend the conceptualization of how a customer orientation is achieved. I used the enactment perspective to frame the interaction of a firm with its customers, and gained insight into how enactment forms tight linkages with customers. At this point I regarded this process as unambiguously beneficial. However, forays into the commitment and learning literatures, as well as data on firms that had become 'locked in' by their customers, revealed a detrimental side to enacting customers. Ultimately, my focus became to understand how the same process could be both beneficial and detrimental.

The extended case method approach goes through many cycles of confrontation between data and theory, in each iteration directing the analyst to additional data and drawing on additional concepts and theories. The extended case method consists of two 'running exchanges' (Burawoy, 1991: 10–11): between literature review and data analysis, and between data analysis and data collection, represented as: literature review ↔ data analysis ↔ data collection.

The first running exchange involves the interplay of existing concepts/theories and analysis of empirical data. In the extended case method, intensive analysis of the data and exploration of the scholarly literature occur in conjunction. Data analysis points to relevant concepts and theories in the literature, while simultaneously the literature provides conceptual frameworks to aid in the interpretation of the data. For instance, I found the psychological concept of mental models applied well to the interviewees' descriptions of their customers (which I labeled 'customer understandings'). I became aware of the relevance of enactment, one of the core constructs in this study, about halfway into the data collection, and from then on used it to frame the interaction of a firm with its customers. The critical feedback obtained from the member checks pointed to Weick's concept of loose coupling.

In accordance with the second running exchange, I continuously moved back and forth between data collection and analysis. The analysis of initial interviews (itself informed by the first exchange) suggested additional information to be collected in subsequent interviews. For instance, as commitment became a central focus in the analysis, I probed deeper into the possibility of changing positioning to appeal to different customers. Data collection stopped when theoretical saturation was reached (Strauss, 1987), i.e., when additional data resulted in minimal incremental understanding (Lee, 1999).

I thoroughly read interview transcripts, notes, and documents, looking for themes and patterns (Miles and Huberman, 1994). Critical passages were highlighted and coded, and initial interpretations were recorded in marginal notes. When reading and analyzing transcripts, documents, and scholarly literature I generated memos. Memos are brief analytical notes, i.e., little pieces of insights that the researcher achieves as he/she proceeds with the analysis (Strauss, 1987). I continuously matched and contrasted memos to refine theoretical understanding (McCracken, 1988), and I systematically compared the emergent theoretical interpretations contained in the memos with the evidence from each case to assess how well or poorly they fit with the case data (Eisenhardt, 1989). This iterative process of constantly comparing emergent theory and data led to additional, often more qualified and refined memos. The following are examples of memos I generated:

> The interviewee from [firm name] strongly rejected my suggestion to her that apparel retailers arrive at their retail mix through trial and error. She interpreted this as my implying that they mess about. She said they don't mess about because they know their customers.

Following up on this memo, a few interviews later, I wrote:

> Interviewees describe their customers in detail. This understanding of their customers guides their decisions about their assortment, styles, appropriate price levels, i.e., their retail mix. This qualifies the notion of trial and error, it is in fact guided trial and error, not blind experimentation, but experimentation within the constraints of knowledge of their customers.

This memo then led to further memos developing the notions of guided trial and error and customer understandings, which became building blocks of my conceptual architecture.

As the study progressed, I sorted these memos and grouped them to arrive at conceptual clusters (Berg, 1989). Conceptual clusters are sets of closely related analytic ideas, for instance, 'customer understandings,' 'learning from experience,' 'commitment,' and 'crisis.' These conceptual clusters formed the basis of the organization of the following presentation of findings. Table 1 contains an overview of the conceptual clusters and the empirical phenomena to which they refer, which together constitute the theoretical framework developed in this article.

As discussed, analysis of the data and analysis of the existing literature were interwoven in deriving the findings of the study. Consistent with the method of constant comparison between data and theory used to derive the findings, the following sections will tell the data and theory stories jointly (Orton, 1997).

THE ENACTMENT OF CUSTOMER ORIENTATION

A model of the process of customer orientation enactment is summarized in Figure 2, which depicts how cognitions (understandings about customers) and actions (marketing mix elements) are intimately connected in an iterative process. The figure represents how a firm achieves a customer orientation through adjustment of its marketing mix to understandings that it develops about its customers. Retailers produce a marketing mix, or more specifically, a retail mix, to which customers respond (Dunne and Lusch, 1999). In an apparel retailing context, the retail mix consists of product lines (e.g., styles and sizes), brands, price levels, store design and layout, window displays, store location, customer services (e.g., return policy), sales people (number, their expertise, active vs. passive sales approach), and promotions (e.g., direct mail flyers, fashion shows, advertising). These elements of the store offering constitute the store concept. The interpretation by retailers of the

Table 1. Conceptual framework

Concept	Conceptual cluster	Key references	Empirical phenomena
Enactment	Guided trial-and-error Reciprocal: cyclical loop between action and cognition Self-reinforcing process Fine-tuning of action and cognition	Orton and Weick (1990) Porac, Thomas, and Baden-Fuller (1989) Weick (1976, 1979, 1982, 1988, 1993, 1995)	Retail mix modifications are small scale Retail mix modifications based on emerging customer understanding Getting a feel for type of customer
Customer understandings	Mental model of customers: schemas Customer responses Anticipation of customer responses	Day and Nedungadi (1994) Lyles and Schwenk (1992) Sinkula (1994) Taylor and Crocker (1981)	Insight into customer preferences, demographics, lifestyle, ... Getting a ‘feel’ for type of customer Guides retail mix decisions
Commitment	Tightening of feedback loop between action and cognition Choice—irreversibility—visibility Restriction of range of cognition Restriction of range of action Creeping commitment	Becker (1960) Ghemawat (1991) Milliken and Lant (1991) Porac, Thomas, and Baden-Fuller (1989) Salancik (1977, 1982) Weick (1993)	Cannot change retail mix drastically Bound to store image Not lose loyal customers Narrowing of target market definition Narrow attention to current customers Aging with customers
Experiential learning	Learning through enactment Range of learning from experience Experience from transactions with served customers	Christensen and Bower (1996) Hamel and Prahalad (1991) Levinthal and March (1993) Porac, Thomas, and Baden-Fuller (1989) Slater and Narver (1995)	Info from transactions more salient and available Database focuses on current customers
Environmental scanning	Scanning of non-enacted environment Sensemaking in crisis	Aguilar (1967) Hamel and Prahalad (1991) Lyles and Schwenk (1992) Milliken and Lant (1991) Porac, Thomas, and Baden-Fuller (1989)	Low vigilance of broader market Scanning outside served market induced by crisis

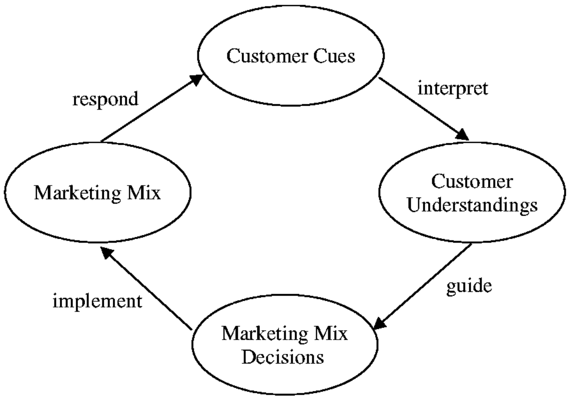

Figure 2. Model of customer orientation enactment

responses by customers to the retail mix shapes the mental model that retailers have of their customers (which I call customer understandings), which then guides subsequent marketing mix decisions. The model shows that the retail mix develops gradually as a result of an ongoing process of trial and error, i.e., that retailers iteratively adjust their retail mix to the market by reacting to the customer feedback to their mix. An industry expert described the development of the retail mix by apparel retailers as follows:

> The trial and error method is used. They are continually changing and then looking at the results rather than acting upon research. In other words, they learn the hard way.

Through repeated cycles, the scope of experimentation narrows as the retail mix is more closely targeted in accordance with the emerging customer understandings. Retailers engage in a cyclical process, in which continuous retail mix decisions and increasing refinement of customer understandings mutually reinforce each other. This process is evident in the following quote from an independent store owner who experimented with her window display:

> Once I changed the window display completely. I mixed the women's and men's clothing because we saw that certain women only bought clothes for themselves and never purchased anything for their husbands. It was as if they did not know that we had men's clothing. But after the change customers could not find their way anymore. We had to change the window display again. We felt that people did not feel comfortable, not in sales but in the reaction of the customers.

Some margin is left for trying out new things, in a continuous effort to adapt and improve. There is an ongoing stream of small-scale modifications:

> Our purchases are mostly aimed at the existing customers. But each year we try to bring something new, we try out a new product, some kind of experiment. (Marketing manager of chain)

> Every so often we try to extend, for instance by offering accessories. Then we wait and see whether or not it is a hit. Two years ago we started selling men's socks. This was a real hit. (Marketing manager of wholesaler-run retail firm)

Customers respond to the implemented retail mix in various ways. Customer feedback mainly takes the form of purchases, and comments and actions made on the shop floor. For instance, interviewees related receiving compliments and complaints from customers concerning certain items of clothing. Only in some large firms in this sample are customer responses gauged by systematic research. Sales are the most obvious way in which customers' reactions can be gauged. All retailers placed great emphasis on sales figures, for instance:

> We feel the reaction of our customers when we try something. Last winter, for example, we tried to sell a more expensive winter jersey. We purchased five jerseys, four of which were sold during sales and one at normal price. Profits down the drain. That is not exactly the purpose. So we feel we have to be careful with very expensive items. Someone who buys more expensive items wants a wide choice and wants to get it in a renowned store, so she/he can say 'I have been to that fancy store.' (Independent store owner)

This interview excerpt shows the interconnection between experimentation (selling a more expensive item), customer responses (no purchases), and the understanding generated in the process (people prefer to buy expensive items in prestigious stores with wide selection). This understanding impacted the manager's future mix decisions in that she did not carry items above a certain price anymore. This following quote illustrates the same process at work at a different retailer:

> More and more we know what we can pull off and what we have to stay away from. But we still make mistakes. After a few years you know what works and what doesn't. That makes a big difference from our beginnings, then we had to

> find our way. ... Let me give you an example. We tried a more expensive line of children's wear, because we thought you can tell the difference with our cheaper stuff, and people who want something nice will buy it from us. That wasn't true. Our customers compared and said: 'The less expensive item is nice too, let's buy that one.' I think they would then rather go to a store that has a better selection in expensive items. It stayed on the racks till sales time. (General manager of chain)

Customer responses are interpreted and incorporated into the customer understandings. Through examining the various cues from customers, retailers gradually come to an understanding of their customers. Feedback cues are thus linked to retail mix adjustments through continually evolving customer understandings. Adjustment of the retail mix thus goes hand in hand with development of customer understandings. The notion of mental models of customers draws on schema theory, as originally formulated in cognitive psychology. According to schema theory people organize information into cognitive structures, or schemas, that serve as mental templates that aid in interpreting incoming information and as guides for acting upon it (Dixon, 1992; Taylor and Crocker, 1981). Customer understandings are mental models or representations that managers use to make sense of their environment. The mental representations that retailers have of their customers are continuously refined as retailers experiment with their retail mix, and receive and interpret customer responses. They get a 'feel' for the type of customers they are serving:

> It was an evolution. You start with the purchasing, you look at the results, you evaluate, this is too expensive, too old, etc. Thus you get a picture of the clothing your customer buys, in other words you say 'That is our customer.' (Market researcher of chain)

The following are some examples of interviewees' understandings. They illustrate the integrated understanding of customers' identity, needs, lifestyles, and purchasing behavior:

> We have customers who want to spend a lot of money but who don't have a lot of time, who prefer a wide range of products in one spot, who are seeking efficient time use, who do not want a whole lot of service. They are fashion-conscious enough to put together their own wardrobe. (Marketing manager of chain)

> I have many customers who have a busy life. They don't like wasting time. I sometimes have customers who spend 100 000 francs (U.S. $3000), and don't even try on two items. They say: 'Is it my size, will it become me, does it look good? I don't have much time.' (Independent store owner)

As customer understandings are developed, retail mix decisions are increasingly guided by them. In other words, understandings entail an ability to anticipate customer responses to changes in the retail mix. Customer understandings enhance the manager's ability to anticipate the likely response that customers will exhibit to retail mix innovations, as this independent retailer testifies:

> If I were to use spotlights and mannequins, they would say 'What has gotten into her?' They would immediately think: 'This place no longer fits us, we should not be here. They want to sell to youngsters.' When I put a special item in the shop window people sometimes give the remark, 'Haven't you got anything for us anymore? Is it all stuff for the youngsters?' It is good that they tell me that.

In summary, the organization's actions and customer understandings are linked together in an enactment process, in which each partly determines the other. Tentative actions progressively lead to refinement of cognitive understandings of customers, which influence further actions, in effect producing a customer orientation. According to Weick (1982) the processes of sensemaking and acting are intertwined; organizations act, and make sense of their actions. Through the course of time the retail mix is gradually changed through a process of guided trial and error. The process is 'guided' in that experiments with the retail mix are not random, but rather informed by explicit or implicit understandings that retailers have acquired of their customers. These increasingly fine-grained insights are then used to further develop the store concept, and innovations in the retail mix are filtered on the basis of these understandings, and retail mix experiments become increasingly narrow in scope.

In the cyclical process, depicted in Figure 2, the retailers increasingly refine their cognition about and actions towards their customers. The organization and its customers are coupled in an interactive process. The more successful the enactment cycle, the stronger the positive feedback loop is, and the tighter the coupling of the firm with its customers. Success in these interactions acts as a reinforcer for decision-makers' interpretations and actions. This section has shown that enactment tends to produce a tight coupling between the organization and the section of the environment that is enacted, and described the beneficial consequences of tight coupling in terms of increasingly fine-tuned cognition and action. The next sections describe how the same process can also produce detrimental consequences.

ENACTMENT AND COMMITMENT

Weick (1988) shows how the tightening of the action–cognition link in enactment may lead to commitment. Organizations actively create the environment that subsequently impinges on them and constrains them (Weick, 1988). Through various mechanisms, commitment makes a course of action less changeable. Salancik (1977: 62) defined commitment to a course of action as 'a state of being in which an individual becomes bound by his actions and through these actions to beliefs that sustain the activities and his own involvement.' Thus, there are two sources of commitment, action and cognition, and those feed each other. Similarly, in the process described above, the enactment cycle narrows the firm's decision-makers' cognitions by the very actions based on these cognitions. In this cycle, the firm becomes increasingly committed to the current customers, both through cognitive and behavioral processes.

Tight coupling generates self-validating and compelling interpretations of the world (Weick, 1982). As retailers arrive at an increasingly specific definition of their customers, they become more focused on these customers. This market research manager of a franchise retail firm notes the narrowing effect of target market definition:

> When defining a target group you might limit yourself to such an extent that you may be successful within your target group, but you can forget that it is only a marginal part of the total market, which can be five hundred times as big. . . .Each time you try to focus you limit yourself more and more.

Porac *et al.* (1989: 399) found evidence of the narrowing of attention as a consequence of enactment in their empirical study of Scottish knitwear manufacturers, and concluded that 'beliefs about the identity of competitors, suppliers, and customers focus the limited attentional resources of decision-makers on some transactional partners to the exclusion of others.' The following illustrates how beliefs about what are the right target customers grow around past success, and lead to further focus:

> We are thinking about changing our focus in the direction of a bit older crowd, with a more classic collection. We have a number of lines varying from very fashionable to more classic. We have a hard time with the fashionable lines, we haven't made much money with those, as opposed to the less fashionable ones. We do best with the less fashionable, in terms of sales. Therefore we will focus more on that line. We will become a store for those over 35. More established people, less trendy, who are willing to pay for classic quality. That's our future. (Independent store owner)

These cognitions then further commit the firm through the actions that are based on them. Salancik (1982: 4) stated succinctly: 'To act is to commit oneself.' The degree of commitment derives from the extent to which these actions are binding. Actions have consequences, impose constraints on future actions, limit which options remain open, in other words, they restrain flexibility. However, the firm cannot avoid acting, in fact, it needs to act clearly, have a clear positioning:

> A clear image means that customers know what they can find with you. Then they will patronize you. If they don't know for sure what they can find with you, they will go to a store that they know carries what they want. (Marketing manager of chain)

Weick (1993) argued that whenever organizations act, their actions may become binding if those actions occur in a context of high choice, high irreversibility, and high visibility. All three conditions stated by Weick are present in the firm's choice of a target market: it involves key resources of the firm (indicating a choice by the firm), it is hard to undo, and the choice is hard to disown as it is highly public. The following quotes support these points:

> Of course we could change our stores. But I doubt if that would be successful, that's the problem. . . . We can't easily change the image we built over the years. We are well known for our styles. Changing that drastically would be very difficult and dangerous. (Independent store owner)

> The target group has developed over the years. You can't change it because you have a certain image. If we want to appeal to another group there's the potential danger that the usual, loyal customers won't come anymore and that there will be no new ones either. (General manager of chain)

Cognitive and behavioral commitments thus feed each other. The firm becomes engaged in a self-reinforcing feedback loop between action and cognition, which leads to increasing commitment to its current customers. The following quote shows how current customers feed into further marketing decisions, which consequently appeal to those same customers.

> We have a loyal clientele and we would like to keep it. We take into account our existing clientele in the different aspects, such as purchasing. (Marketing manager of department store)

Hamel and Prahalad (1991) suggest that companies that conduct market experiments by continuously launching new products learn about their market, and thus are likely to increase their 'hit rate.' Similarly, as the retail mix innovations become guided by increasingly refined customer understandings, the success rate of these innovations tends to increase. At the same time, however, the range of these experiments becomes narrower. Retailers are reluctant to make changes to a successful store concept. Every change means a risk of losing clientele. Changing target market is risky, and maintaining the existing customers is the main objective for most retailers. They recognize that although change is necessary (and unavoidable in product lines because of changing fashions), it must be made carefully and gradually in order not to lose existing clientele:

> We have always kept going in the same direction. Of course, you have to follow the trends a bit. But it is crucial to keep in the same line, so you don't make a sudden transformation that freaks customers out and makes then think: 'This is no longer for us.' (Independent store owner)

The customer group presents a strategic commitment that grows gradually through day-to-day decisions. Commitments are not necessarily made consciously and deliberately. A creeping commitment may arise though a series of decisions and actions, no one of which is crucial (Becker, 1960), as this marketing manager of a chain testifies:

> We didn't select a target group. It grew on us. It was only after several years of activity that we asked ourselves 'Who is our customer?' Everything went well, customers kept coming. As long as business goes well you don't ask yourself that many questions.

In other words, creeping commitment arose as over time the firm chose and defined its customers through a gradual and ongoing process, giving the consequence of this series of decisions for target market selection little thought. A striking illustration of commitment can be found in the often-noted tendency of retail stores to 'age' along with their customers, as described by this trade association expert:

> Some retailers age with their customers. The apparel sold in their store ages as their customers age. ... But as older people spend less on clothing, these businesses see their customers, whom they have been serving for years, spend less and less in their store.

The marketing manager of a major chain recognized this phenomenon and testified to his difficulties in trying to avoid it:

> We didn't want to be more and more old. We changed our product line slowly, being careful not to alienate all of the old clients. We tried to keep the old, classical clients, while we tried to get a new type of client with more fashionable clothes. Not top fashion, but more contemporary. ... We had to change gradually, because we didn't want to have our existing customers leave our company. Because if you are in business, you have to keep your market share. We had assured clients, we didn't send them away before having new clients. So, it's very difficult to change!

In sum, enacting a customer orientation generates organizational commitment over time, as actions and cognitions reinforce each other. The orientation towards certain customers, as opposed to others, is a 'commitment-intensive' strategic choice (Ghemawat, 1991) that gradually emerges over time. This strategic choice commits the firm as it locks the firm into a certain strategic course, simultaneously locking it out of alternative courses (Ghemawat, 1991).

ENACTMENT AS EXPERIENTIAL LEARNING

The enactment model shows how firms learn through transactions with their customers. Enactment entails organizational learning through learning from experience. Firms learn about their environment by acting on that environment and interpreting environmental responses to those actions. The process summarized in Figure 2 shows the retail/marketing mix as emerging and developing from an ongoing dialogue with customers. Learning occurs as firms loop through the steps of the model. Customer understandings are adjusted in a process of continuous learning through interactions with the environment (and customers specifically). In the process of learning, customers' responses to marketing actions are observed, interpreted, and assimilated into the organization's customer schemas. As pointed out, these customer understandings become increasingly refined and the marketing actions increasingly targeted.

When understood in terms of enactment, it becomes clear that experiential learning is self-limiting. Porac *et al.* (1989) found that enactment leads to a restriction of the range of market information that strategic decision-makers receive, limiting their vision of the marketplace. Because the market transactions of a firm occur with a limited and preselected group of customers, suppliers, and competitors, this network of transaction partners acts as an information filter. My data suggest that the range of learning about customers from experience is necessarily limited because the organization cannot possibly enact all sections of the customer environment, i.e., engage in transactions with all customers in the market, as pointed out by this general manager of a chain:

> You can't have everything. There are limits. If you offer a range of products at a lower price, you are going to appeal to a lower class. I think that is dangerous, because it's no longer our field. If you want to have everything, at some point the customers will no longer find their way.

When organizations learn through interacting with their environments, they learn only about the section with which they interact. In particular, enactment of the customer environment yields only knowledge of served customers. The firm may acquire information about the other sections of the market through environmental scanning, i.e., information gathering outside of current transaction partners. However, I found that market knowledge developed through enactment had a stronger impact than that derived from scanning, as it was more likely to be collected, attended to, and used. Information originating from transactions with current customers is likely to dominate information from non-customers (Christensen and Bower, 1996). In addition, market data from transactions are readily available, whereas data about non-customers require deliberate efforts at environmental scanning. This marketing manager of a chain corroborated this statement in a member check:

> We get most of our information from customers. We do little outside of that. That is not good in the long term, as you point out. . . . We sit on such a mound of data from our current customers, we don't even get around to analyzing all of those. It's difficult to go beyond those. . . . We don't look much to the broader market, we just react to what happens to us.

The use of information technology did not broaden the focus of the firms I studied, quite the opposite. Information technology was mainly used to create extensive, detailed databases of customer characteristics and past transactions with those customers, as this marketing manager of a department store notes:

> We know exactly the behavior of our good customers because they have a customer card. I can follow their movements, how loyal they are, what they purchase, for which amount, if they go to one store or more. It's important to know what they do. But, it's more important to know the prospects which are not clients. You can't get at that with customer cards. It is a danger if you only analyze that.

Customer databases obviously cover only served customers, and thus lead to even tighter coupling with customers. This finding corroborates Slater and Narver's (1995) warning that information technology may lead to too much focus on the served market. In a member check, this marketing manager of a chain identified with this problem, and gave an example:

> We are working on the issue that we sell more and more large sizes. We target that, and so after a while reinforce it. That is also as a result of information technology. We adjust lines per store,

> and consequently serve our target group better and better, and focus more on it. ... At the same time we see our customers' age increasing. Those two variables go together. We have success with them, so we continue.

These findings correspond with the limitations and dangers of experiential learning noted by Levinthal and March (1993: 97): 'The effectiveness of learning in the short run and in the near neighborhood of current experience interferes with learning in the long run and at a distance.' Learning from experience is limited to the domain of experience, as 'learners become increasingly removed from other bases of experience and knowledge and more vulnerable to change in their environments' (Levinthal and March, 1993: 102). The range of experience gained from enacting the customer environment is limited to signals from the served market.

The self-reinforcing success of experiential learning may lead to decreased vigilance with respect to environmental conditions, as a result of which decision-makers fail to foresee, or even attend to, environmental changes (Milliken and Lant, 1991). The retailers in this sample showed little incentive for scanning as long as transactions with current customers yielded satisfactory performance. I found that in this situation not much scanning occurred, or if it did, not much attention was paid to the information obtained from scanning. Because of this, firms tended to become insensitive to changes in the broader market environment. Several informants noted cases in which this myopia eventually led to performance problems (e.g., sharp declines in sales), and the development of a sense of crisis. When a change in a firm's performance cannot be adequately explained through the existing knowledge structure, a challenge to that existing knowledge structure arises (Lyles and Schwenk, 1992). Environmental scanning is used to make sense of the crisis. In this sample, some retailers conducted a market segmentation study in the hope of finding an explanation for declining performance. This process is exemplified in the following statement of a chain store research manager:

> In the beginning when you are the only one on the market and things are going well, you don't think about market research, you don't feel the need for research. It is only when competition grows that market research is considered. ... The last two years there had been a stagnation. Hence we began wondering 'Who are we and what has to happen?' We noticed something was going on, and that something had to be done.

Environmental scanning, such as segmentation research, is then used as an input for reorientation of the firm to a more viable position. Lant and Mezias (1992) demonstrated in a simulation study that experiential learning, as long as organizational performance is satisfactory, tends to lead to convergence of organizational practices. They argued that this convergence of practices increases efficiency while simultaneously decreasing flexibility. In the present data I found that the convergence of cognition and behavior increased the efficiency of serving current customers, while decreasing the flexibility of serving alternative customers. Figure 3 summarizes the narrowing effect of tight coupling described in the last two sections. It shows the emergence of tight coupling in iterative cognition–behavior cycles, which become more tightly coupled over time (the concentric arrows in Figure 3 become narrower).

Enactment entails a restriction of the range of actions and cognitions. The range of actions becomes narrower, and the section of the environment that is enacted also narrows. In other words, the domain of the organization, that section of the environment with which the organization interacts frequently (Thompson, 1967), contracts. Cognition also narrows as a function of more limited attention and knowledge. The self-reinforcing nature of the enactment process has the tendency to narrow attention to current customers, because current customers are the focus of the information that decision-makers receive and heed. Scholars have noted the deleterious effect of lack of environmental vigilance (e.g., Aguilar, 1967; Milliken and

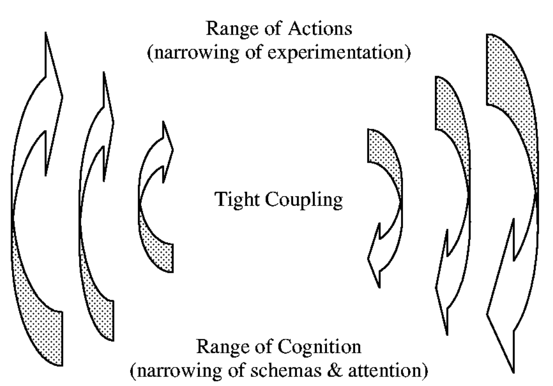

Figure 3. Tight coupling through cycles of enactment

Lant, 1991). The deleterious effect of tight coupling, however, results not from a lack of environmental scanning, but rather from a restriction in its range. In sum, cognition and action are coupled in a self-reinforcing feedback loop. The implications of these insights into the enactment process are examined in the concluding sections of this article.

DISCUSSION AND IMPLICATIONS

This article presented a paradox in the interface of a firm with its customers. The enactment of a customer orientation produces tight coupling with customers; enactment yields fine-grained understanding of customers, insights which are used to fine-tune the firm's offer to its customers, and allow the firm to serve its customers increasingly well. This process also has a down side. The firm may not only get close to customers, it may get too close. This study shows that a firm focused on understanding and serving current customers may become a captive of these customers. The feedback loop in Figure 2 does not include non-customers, and therefore contributes to a narrow view of the market, which may impede the search for and pursuit of opportunities. Hamel and Prahalad (1991: 83) call such a reduction in the range of opportunities pursued a 'contraction of the opportunity horizon.' Focusing exclusively on existing clientele may lead the firm to ignore potential customers, and thus to miss market opportunities. Market segments may exist that have not yet been recognized and addressed. Slater and Narver (1995: 67) warned: 'a substantial danger for many businesses that perceive themselves to be market oriented lies in the "tyranny of the served market",' borrowing the latter phrase from Hamel and Prahalad (1991). They continue, 'This danger is the result of narrowly focusing market intelligence efforts on current customers and competitors, thus, ignoring emerging markets and/or competitors' (Slater and Narver, 1995: 67). I argued that this focus is the natural result of enactment. This process yields increased coupling of a firm with its customers through a self-reinforcing pattern of interaction.

A *Fortune* article (Martin, 1995) was entitled: 'Ignore Your Customers.' To take this advice literally would be detrimental. Rather, a firm needs to supplement tight coupling with loose coupling in order to avoid the detriments of tight coupling discussed in this article. Tight coupling is necessary for serving current customers well, whereas loose coupling is necessary for flexibility, in other words, for exploring the attractiveness of alternative customers and for the firm to extricate itself from current commitments. Put in terms of the 'paradox of administration' (Thompson, 1967), tight coupling serves efficiency, while loose coupling serves flexibility. The argument made here for loose coupling is reminiscent of Granovetter's (1972) discussion of the strength of weak ties, in which he notes a similar paradox in sociological treatments of weak vs. strong social ties. Strong ties are credited with many beneficial outcomes (e.g., social cohesion), but weak ties are an indispensable source of information and opportunities.

A dynamic environment requires loose coupling with that environment, as the loose coupling is the source of innovativeness and adaptiveness. Loosely coupled elements are subject to spontaneous changes and indeterminacy (Orton and Weick, 1990). Loosely coupled organizational activities are constrained, but not determined, by existing mental models (which are the result of previous enactments). Innovative activity is only loosely based on mental models. The elements in Figure 1 should be linked together in a loosely coupled enactment process, in which each element is determined partly, but not solely, by the preceding. Loose coupling conveys the image that coupled elements of a process are responsive, but that each element preserves its identity and some evidence of its separateness (Weick, 1976). Loosely coupled elements are 'tied together either weakly or infrequently or slowly or with minimal interdependence' (Weick, 1976: 5).

In their extensive review of prior literature, Orton and Weick (1990) found that researchers have espoused a unidimensional interpretation of coupling, in which tight and loose coupling are viewed as polar ends of a continuum. Instead, Orton and Weick (1990) argued for a dialectical view of loose coupling, in which elements of a loosely coupled system are characterized by simultaneous distinctiveness and responsiveness. In other words, the system elements are responsive to each other, but yet retain their self-determination. In similar vein, I suggest that a unidimensional view of firm–customer coupling is misguided. In a dialectical view, firms can be responsive to customers, and yet retain their distinctiveness. As Day (1999: 15) put it, 'they can serve current customers and remain vigilant for unserved emerging markets.' Current thought about business organizations, both academic and popular, emphasizes achieving tighter coupling to customers by getting closer to customers, by satisfying them ever more, and building long-term relationships with them. Less attention has been devoted to maintaining loose coupling. How can a firm maintain its independence, its distinctiveness, its self-determinacy, and yet be responsive to its customers? The natural course of conducting business involves engaging in transactions with customers, and if this is done successfully, tight coupling with customers will ensue. It is in this sense that McLuhan's words in the epigraph are relevant. Tight coupling occurs 'automatically' as a result of going about the daily business of serving customers. Loose coupling, on the other hand, requires deliberate effort. An organization can maintain loose coupling by both behavioral and cognitive means. Encouraging loose coupling through action involves broadening the range of action (top of Figure 3), whereas encouraging loose coupling through cognition involves broadening the range of attention and scanning (bottom of Figure 3). In a study of organizational adaptation to environmental jolts, Meyer (1982) found that organizations that enact a broad domain and engage in keen environmental monitoring tend to anticipate and prepare for environmental changes. In contrast, organizations that enact narrow domains and monitor the other sectors of their environment perfunctorily tend to overlook or disregard environmental changes (Meyer, 1982). Broad enactment combined with diligent scanning activities enable the organization to anticipate environmental changes. Broad enactment entails marketing forays, possibly on a small scale, to get direct experience with previously unserved markets, referred to by Hamel and Prahalad (1991) as 'expeditionary marketing.' The best way to conduct experimental actions is probably to set up a separate organizational unit to do so (e.g., set up a different store under a different name to experiment with a different style). Separation is necessary to avoid the risk of alienating existing customers, i.e., to retain the relationships gained through tight coupling. Scanning should involve a deliberate effort to seek information from non-current customers, i.e., conduct a deliberate search outside the range of current transaction partners. Organizations that devote resources to environmental scanning, even when performing well, are more likely to spot critical changes in environmental contingencies (Milliken and Lant, 1991). This involves gathering and examining data on market trends and tracking market segments that the firm does not serve. Environmental scanning can also involve monitoring other firms in order to vicariously learn from their experience in different markets (see Dickson, 1992).

The direct experience from enacting different customers and the deliberate search outside of current customers will likely increase the salience of the possibility of serving different customers. The opportunity costs arising from not pursuing other customer segments are hard to evaluate because the firm has no direct experience with them; they are only abstract possibilities. Deliberate efforts at loose coupling will encourage and remind decision-makers to explicitly consider other courses of action (see Northcraft and Neale, 1986).

FUTURE RESEARCH

The process by which an organization situates itself in the environment, and establishes exchanges with various dimensions of its environment, is of essential interest to organizational scholars (Starbuck, 1976; Thompson, 1967). Enactment, i.e., acting upon the environment, is one way in which these linkages are established. This article has examined the dynamics and the nature of the linkages forged through enactment, in particular the linkages forged with customers. Further research could examine whether the process of enactment revealed here in the firm–customer interface also operates in the interface with other dimensions of the organization's environment, such as competitors, suppliers, human resources, technologies, regulatory agencies, etc. Does enactment of these kinds of environment show the same reciprocal feedback between action and cognition? Does enactment there also lead to tight coupling to the enacted section of the environment? Does enactment have dual, i.e., beneficial and detrimental, consequences? It is likely that enactments of various environmental dimensions are interdependent. Christensen and Bower (1996), for instance, found that firms only pursued new technologies that addressed the needs of their current customers; in other words, their choice of customers constrained their choice of technology.

This study focused exclusively on the enactment of the customer environment. In seminal discussions of market orientation, marketing scholars emphasized that this orientation includes both customer orientation and competitor orientation (Jaworski and Kohli, 1993; Narver and Slater, 1990). Prior research examined the enactment of the competitive environment (Porac *et al.*, 1989). Future studies might examine how enactment of both the customer and competitive environments intersects to situate the firm in its market environment. A firm imposes constraints on its own actions and cognitions both through enacting its customer and competitive environments.

This study examined the process of enactment in a specific empirical context. As the present sample is limited to only one industry in one country, further research is needed to determine whether the conclusions reached hold up in other contexts. Some of the specific features of the apparel retail business include that retailers are dependent on continually changing and seasonal supplier offerings, that customer tastes may change quickly and unpredictably, and that retailers compete within a geographically limited market. I suspect that the processes described above are especially important in industries with turbulent environments, i.e., environments that change rapidly and unpredictably. In the member checks informants pointed out the specific nature of apparel retailing. Apparel retailing is characterized by slow technological innovation, and major environmental changes involve primarily demographic and lifestyle evolutions, which can be more easily anticipated. On the other hand, customer preferences change continuously because of fashion. Further research should examine to what extent the findings presented above can be transferred to other industries. It may be that organizations operating in turbulent environments understand the danger of tight coupling, and deliberately supplement it with loose coupling. If so, the real danger of tight coupling would be in a previously stable environment that is suddenly confronted with a major change. Further research might examine the effect of environmental turbulence on the degree of tight and loose coupling, and whether the degree of loose coupling enhances organizational longevity in turbulent environments.

Further research should also use diverse methods. Jaworski and Kohli (1993) suggest in-depth studies of a few organizations to shed light on the processes involved in achieving a market orientation, in order to complement the correlational information provided by large-scale survey studies. This study followed a middle road between rich insights and number of organizations from which data are collected. Future studies could conduct participant observation research in one or more business organizations to get first-hand exposure to the processes under study, instead of solely relying on interviewee accounts, as these suffer from interviewee bias and memory failure (Mintzberg, Raisinghani, and Théorêt, 1976; Schwenk, 1985). Triangulation of results from different research projects employing various methods will allow for the broadest accumulation of knowledge.

This article also has implications for research on customer orientation, a topic traditionally addressed in the marketing literature that has recently gained interest in the management literature (e.g., Christensen and Bower, 1996; Goodman *et al.*, 1995; Lengnick-Hall, 1996; Ogden and Watson, 1999; Slater and Narver, 1998; Utterback, 1994). This study has generated insight into how a customer orientation is achieved, and what consequences it may have for the organization. Narver and Slater (1990: 21) define customer orientation as 'the sufficient understanding of one's target buyers to be able to create superior value for them;' in other words, to make marketing decisions based on one's understanding of one's customers. But knowledge of which customers? Practitioners and scholars alike need to ask what is meant by 'customers.' Current customers? Previous customers? One time customers? Loyal customers? Potential customers? How about potential customers that the company is not aware of? This study shows that serving current customers is a fundamentally different activity from exploring prospective customers, the former resulting from a process of enactment, the latter from a deliberate search outside the scope of current transaction partners. However, extant definitions and scales of market orientation do not distinguish between current and potential customers (e.g., Deshpandé, Farley, and Webster, 1993; Kohli, Jaworski, and Kumar, 1993; Narver and Slater, 1990). Market orientation measures do not explicitly probe for a company's exploration of potential customers, but focus on the firm's tight coupling to its current customers. This is not to say that measuring tight coupling is bad, rather to show that our current conceptualization of customer orientation has neglected loose coupling. Hamel and Prahalad (1994: 111) urge companies to direct attention to their customers of the future; 'Although it is important to ask how satisfied my customers are, it is especially important to ask which customers are we not even serving.' Therefore, future research may pursue a more fine-grained conceptualization and measurement of customer orientation.

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