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Family Firms and Market Orientation in the Forest Industry

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Description: Study of family businesses and how they use market orientation to maintain competitiveness.

Methods: Personal Interviews

Data Source: Executives/Owners of family owned businesses (4 forest products firms – 9 executives and 4 food products firms – 12 executives).

Key Findings:

- 1) "Familiness" (unique bundle of resources particular to a family owned firm as a result of its systems, family interaction, members, and business itself) does play a positive role in the overall success of the business.
- 2) "Familiness" is positively associated with creation of an environment that promotes a market oriented culture.

Introduction

Today's business world is both complex and competitive. The challenge of growing a firm in the face of rising costs and global competition can be daunting for even the largest firms. Under a traditional business view, (see Figure 1) smaller firms face even greater challenges as they hold fewer resources when compared to larger, better positioned rivals.

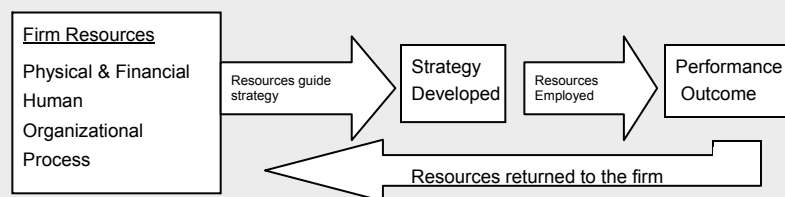


Figure 1: Traditional Model of Resource Deployment

Despite a lack of resources, many small family firms not only remain competitive, but prosper through successive generations. This ability to compete raises the question, "does being family owned and controlled lead to the development of unique resources that can be parlayed into competitive advantages?" Past research would say yes, noting that despite smaller size and limited resources, family firms are often "dynamic, and rich in intangible resources."^a As such, firms with these qualities are well positioned for sustained success in the face of intense competition.

The expectation that intangible resources lead to competitive advantage is supported by the

Resource Based View (RBV) of the firm. The RBV is an evaluation framework that looks beyond traditional business resources (physical capital, human capital, etc.) and accounts for the "idiosyncratic, immobile, inimitable intangible bundle of resources" commonly found in family firms^a. Under this view, the term, "*familiness*," is used to describe this unique bundle of resources^a. Accordingly, under the RBV every family firm is unique in terms of the degree/extent of "familiness" it possesses

Past research concludes that enhanced consumer trust, increased employee dedication, long-term decision-making, patient capital, and parsimony in "scarce environments^b" are all enhanced by "familiness." Accordingly, this research seeks to evaluate the contribution of "familiness" to establishment of an effective market orientation.

Under the *market concept*, marketing is a general management responsibility, not just a departmental concern, and meeting customer needs profitably should be an overriding priority for the entire organization^c. Companies embracing the market concept are said to be market oriented.

Success of a market orientation is largely a function of company culture. Execution of a market orientation is improved when employees share a culture where providing superior customer value is recognized as key to maximizing long-term profit. Towards this end, multiple "familiness" qualities identified in previous research lend themselves to establishment and maintenance of a market orientation. Specific family firm resources or

"familiness" traits beneficial to being market oriented include but are not limited to:

- Inspired and motivated workforce
- Enhanced customer relationships
- Flexibility in decision making capability
- Increased creativity and new developments
- Routine discussion of competitive environment

Family firms often excel at customer interaction, market research, and developing an understanding of customer needs. These traits coupled with a natural tendency to shift products and or processes to meet evolving needs provides a strong market orientation foundation.

Market oriented organizations are characterized by a "set of behaviors and activities" that revolve on three core themes: 1) customer focus, 2) coordinated marketing, and 3) profitability. These elements are realized through

- Intelligence generation (identifying customer needs)
- Intelligence dissemination (throughout the firm)
- Responsiveness (action in response to intelligence)

Kohli, A.K. and B.J. Jaworski. (1990). Market orientation: The construct, Research propositions, and managerial implications. *Journal of Marketing*. 54(2):1-18.

Figure 2: Characteristics of a market orientation

Results

Several qualities were found to be attributed to family ownership and important to sustained success and execution of a market orientation. Specific qualities are grouped in categories termed: (1) strategic orientation (2) family relationships (3) customer orientation and (4) operational benefits (see Table 1).

Executives and owners drive a firm's strategic orientation and in this research, *avoiding a commodity orientation* and being *customer/marketing driven* were desired business strategies. Despite participating in what are largely commodity driven industries, each of the firms has managed to develop sustainable niche markets. Moreover, by not following a production focus these firms avoid price and cost battles where size and resources could become a factor and liability.

Table 1. Interview Comments suggesting "Familianness" Qualities³ contributing to Competitive Advantages

"Familianness" Qualities	Comment Frequency	
	Food Firm	Forest Firm
Strategic Orientation		
<i>Avoid Commodity Orientation</i>	12	24
<i>Customer/Marketing Driven</i>	12	9
Family Relationship		
<i>Engaging Stakeholder Environ.</i>	3	7
<i>Communication Flow</i>	4	3
Customer Orientation		
<i>Customer Communication</i>	14	9
<i>Customization Capability</i>	7	11

Values reflect number of comments that correspond with familianness qualities.

Complimenting a market orientation, multiple interviewees referenced a high degree of interaction between employees and customers. This quality described as **family relationships**, focuses on the *engaging stakeholder environment* and high degree of *communication flow* within interviewed firms. Among these qualities, the opportunity for employee interaction without barriers characterized by informality, flexibility, and mutual respect is paramount and serves to motivate employees and engage customers. Interviewees attribute the presence of these qualities to active ownership, limited size, and flat structure.

For firms pursuing strategies involving niche or specialty markets, a **customer oriented culture** is a prerequisite for success. In this research, all interviewed firms embodied this quality and referenced several key focus points, *customer communication* and *customization capability* as being critical to continued firm success. Of these focus points, *customer communication* refers to in-place mechanisms directed at initiating, maintaining, and expanding dialogue with customers in an effort to assess and better understand product use, expectations, and satisfaction. Complementing this focus, *customization capability* refers to the ability and willingness to customize products and meet unique needs.

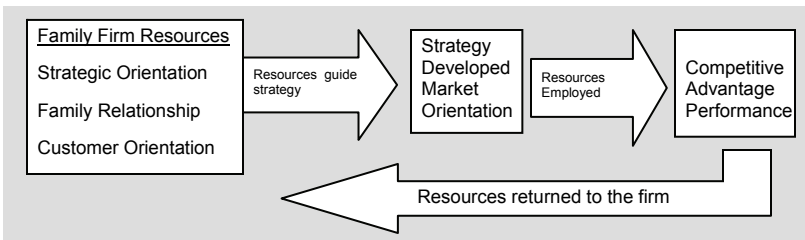


Figure 3: Characteristics of a market orientation

Conclusions

Successful pursuit of a market orientation is, in part, bound to and a product of an organization's culture. In this research, firms regularly identified and credited firm culture qualities critical to developing and maintaining a successful market orientation. Among these, strategic orientation, family relationships, and customer orientation were most frequently identified. These results support the "familianness" concept of multiple intangible resources within the firm. Also, each firm independently identified "familianness" qualities that position them well to execute a market orientation.

Under the resource based view, qualities contributing to a successful market orientation are derived from the dynamics and environment inherent to family firms (see figure 3). Also, as past research notes, there is substantial work relating market orientation to firm success and given what is necessary for a successful market orientation and consistency with the "familianness" qualities identified here, it suggests a positive relationship between familianness, market orientation, and business success.

Literature Cited

- ^a Habbershon, T. & Williams, M. (1999). A resource-based framework for assessing the strategic advantage of family firms. *FBR*, 12(1): 27-39
- ^b Carney, M. (2005). Corporate Governance and Competitive Advantage in Family Firms. *Entrepreneurship Theory and Practice*, 29(4): 249-265.
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- ^e Porter, M. (1985). *Competitive advantage*. New York, NY: Free Press.



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