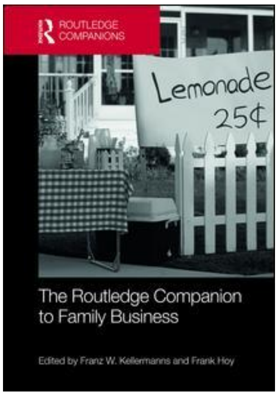

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Market Orientation and Innovativeness in Family Firms

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MARKET ORIENTATION AND INNOVATIVENESS IN FAMILY FIRMS

The Moderating Influence of Organizational Social Consciousness

Clay Dibrell, Cristina Bettinelli, and Kathleen Randerson

All family firms begin with the founder of the firm engaging in an entrepreneurial action to either start the venture or through some form of acquisition. The founder takes the risk and responsibility, and by extension, the shadow of this risk bears upon the founder's family. Following the call of Bettinelli, Fayolle, and Randerson (2014) and Uhlaner, Kellermanns, Eddleston, and Hoy (2012) to further explore how entrepreneurship permeates and invigorates family firms, we have chosen to study the entrepreneurial behaviors exhibited between the family and the firm in this book chapter. Further, as family firms are often an active member of the community in which they are embedded (e.g., Dyer & Whetten, 2006), we consider the extent to which family firms perceive their external environment (e.g., market orientation, social environment) and engage in entrepreneurial behaviors, such as innovativeness.

Although there have been many studies on market orientation (e.g., Narver & Slater, 1990) and its linkages with innovation (e.g., Beck, Janssens, Debruyne, & Lommelen, 2011; Dibrell, Craig, & Hansen, 2011), Zachary, McKenny, Short, and Payne (2011) suggest additional consideration of how market orientation affects entrepreneurial behaviors (e.g., innovativeness) in family firms is needed. Likewise, other family business scholars (e.g., Campopiano, De Massis & Chirico, 2014; Kellermanns, Dibrell, & Cruz, 2014; Van Gils, Dibrell, Neubaum, & Craig, 2014) call for a better understanding of how family emotions and images are linked with stakeholders. In response to these different appeals, we argue the impact of an organization's social consciousness (i.e., a firm which attempts to solve social problems through alignment of the firm's interests and its stakeholders, Dibrell, Craig, Kim, & Johnson, 2015) may contribute to our knowledge, and such an approach within an entrepreneurial family firm context is presently missing.

More recently, family business scholars have considered how family firms employ market orientation (i.e., a firm's orientation to its competitors, customers, and interfunctional coordination, Narver & Slater, 1990) to gain a competitive advantage (Tokarczyk, Hansen, Green, & Down, 2007; Zachary et al., 2011) through such efforts as firm innovation (Beck et al., 2011). Antithetically, family firms have been construed as being strategically conservative (Chrisman & Patel, 2012), often not willing to engage in R&D activities (Patel & Chrisman, 2014) unless threatened. On the other hand, family firms show a greater proclivity to engage in corporate social responsibility than nonfamily firms (e.g., Craig & Dibrell, 2006; Neubaum, Dibrell, & Craig, 2012; Uhlaner, van Goor-Balk, & Masurel, 2004). They are often more willing to engage in corporate social responsibility activities at the cost of profit maximization to embed themselves in their local communities (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010) and improve the reputation to increase socioemotional wealth (Cennamo, Berrone, Cruz, & Gómez-Mejía, 2012). Overall, there has been limited understanding of how market orientation, corporate social responsibility, and entrepreneurial behaviors are exhibited in family firms and the extent to which these behaviors exist in family firms.

In this current research, we propose that the interaction between market orientation, organizational social consciousness, and the family will augment the effect of market orientation on firm innovativeness. We argue that family firms who strategically emphasize their market orientation and organizational social consciousness will have increased levels of entrepreneurial behaviors than family firms who place less weight on these strategic orientations. To summate, we ask: is the relationship between market orientation and firm innovativeness moderated by organizational social consciousness in family firms? If so, how does the interaction of market orientation and organizational social consciousness affect innovativeness in family firms?

Our study contributes to the family entrepreneurship literature in multiple ways. First, we consider the alignment of stakeholders (i.e., market orientation) and broader social interests (i.e., organizational social consciousness) in relation to entrepreneurial behaviors (i.e., firm innovativeness) and socioemotional wealth creation (non-economic benefits for the family firm). Second, the construct of organizational social consciousness, or social orientation, is introduced to better elucidate why family firms are able to attain a competitive advantage. Third, we discover that in concert market orientation and organizational social consciousness lead to increasing innovativeness. Fourth, we further inform the strategic conservatism-entrepreneurial behavior conversation in regards to family firm behaviors.

We organize this chapter by beginning with a relevant literature review of market orientation, family entrepreneurship, and organizational social consciousness, as well as hypothesis development. Then, we present our methodology and provide the results of our hypothesis testing. Finally, we discuss our findings and implications for both researchers and practitioners.

Literature Review and Hypotheses

Narver and Slater (1990) established a culture-based approach to market orientation, characterized by employees that strive to provide superior value to customers resulting in a competitive advantage through a greater understanding of what customers want, how competitors respond, and the capability of employees to disseminate and to coordinate this information across and within departments. The outcome of a market-oriented approach is the increased likelihood of the provision of superior value to customers, widely considered key for maximizing long-term profitability.

Further, research has consistently exhibited a strong positive relationship between market orientation and innovativeness (Beck et al., 2011; Dibrell et al., 2011). Market orientation is comprised of three sub-components: competitor, customer, and interfunctional coordination (Narver & Slater, 1990). For competitor orientation, firms monitor the strategic actions of their competitors, and then attempt to reduce the impact of these initiatives or to proactively start new competitive initiatives to find and to keep customers. Customer orientation, similarly to competitive orientation, is to focus on and to predict the needs of the customer and then satisfy these needs. In both instances, the culture of the firm is oriented towards these two external constituencies. Interfunctional coordination is the dissemination of this external information among the internal areas of the firm. Interfunctional coordination is needed in order to deliver the needed strategic outcomes provided through the competitor and customer orientations (Slater & Narver, 1999; Hansen, Dibrell, & Down, 2006).

Innovativeness is an entrepreneurial behavior, which is often considered to be critical for the survival of the firm (Cohen & Winn, 2007; Lumpkin & Dess, 1996). Likewise, innovativeness has been positively identified as a key competitive competence in family firms (e.g., Craig, Dibrell, & Garrett, 2014). These authors state innovativeness is the "propensity of a firm to engage in innovative actions that materialize over time…[and] is an idiosyncratic family-influenced resource attribute" (2014: 232). Innovativeness may be manifested through new services, products, and/or processes (Slevin & Covin, 1995).

While it has been generally found that market-oriented firms are more prone to innovate to meet their customers' demand for products and services (Dibrell et al., 2011), extant literature has also stressed that family firms' orientation towards the market may have different antecedents and consequences (e.g., Beck et al., 2011). Indeed, market orientation is not a mere result of a rational strategic choice, rather the result of, and bound to a firm's specific culture. Thus, the way market orientation is implemented and related to a firm's innovativeness may depend on the organization's culture.

In the case of family firms, for example, market orientation seems to be promoted by some inherent and distinct qualities and resources that have been summarized under the term "familiness" (Tokarczyk et al., 2007). The extent to which a family firm's market orientation is translated into innovativeness depends very much on how these familiness qualities contribute to the creation of an appropriate environment that could facilitate, or hinder such development.

Some scholars have argued that one of the typical family business attributes is related to conservatism (e.g., Carney, Van Essen, Gedajlovic, & Heugens, 2015). Family firms seem to be particularly susceptible to remaining conservative and avoiding taking risks such as investing in R&D (Chrisman & Patel, 2012; Zahra, 2005). This tendency to become conservative, unwilling or unable to translate the information gained from the market into innovations, may be due to the fact that family members need to preserve a lasting legacy and mitigate the risk of destroying family economic or socioemotional wealth (Sharma, Chrisman, & Chua, 1997; Kellermanns et al., 2014). Thus, family firm leaders may be more likely to seek wealth preservation rather than wealth creation, and this may make them more hesitant to pursue innovations or engagement with their customers (Kellermanns, Eddleston, & Zellweger, 2012).

Conversely, we argue that there are at least three familiness qualities that may support a positive relationship between market orientation and innovativeness. First, close relations among family members, fast communication, and frequent interactions offer the cultural context that may facilitate the translation of identified market needs into appropriate innovations (Frank, Lueger, Nosé, & Suchy, 2010). Second, family members accumulate and transmit from generation to generation their lifelong exposure to business experience, this unique business acumen can be a determinant when it relation to interpreting in new ways customer needs to innovate (Pearson, Carr, & Shaw, 2008). Third, most family firms typically distinguish themselves for being relatively more flexible than nonfamily firms and for preferring dialogues without barriers and based on mutual respect (Sciascia, Clinton, Nason, James, & Rivera-Algarin, 2013). This communication approach may allow for identification and engagement of new opportunities to attain a rapid response to customers' needs through innovative solutions (Hoy, 2008). Following this logic, we present our first hypothesis:

Hypothesis 1

In family firms, market orientation is positively related to innovativeness.

Changing societal expectations regarding corporate social responsibility have continued to evolve from one of neglect or apathy to a greater concern for how the firm responds to its external stakeholders (Chan, 2005, Bergamaschi & Randerson, forthcoming). Firms are increasingly responding by being more proactive, such as a greater regard for natural environmental issues (Craig & Dibrell, 2006). Organizational social consciousness is indicative of the extent that "socially conscious organizations will engage in opportunities to predict and to solve social problems through alignment of the organization's interest with those of the social participants" (Dibrell et al., 2015: 592). As such, organizational consciousness may be defined, "as the transparent dimension that ties the organization together and forms a sense of meaning that jointly holds the organization as one" (Dibrell et al., 2015: 592).

Although much of the extant research on corporate social responsibiity activities focuses on large corporations, extending the investigation to family firms is pertinent since family values are transmitted to the business, such as long-term orientation, respect for, and protection of the employees, strong ties with the social and business community, integrity and continuity in the business policies, and concern for reputation (Miller & Le Breton-Miller, 2005; Neubauer, 1998; Ward, 2011) for example. In addition, much of this literature adopts an economic view of corporate social responsibility activities, meaning that firms will undertake such initiatives solely in the perspective of gaining a short-term competitive advantage (Bergamaschi & Randerson, forthcoming). Understanding how the inherent features of family businesses can support a more evolved perspective of corporate social responsibility is of great importance. In particular, it seems interesting to better understand how family firms behave in the social context and how the relationship between market orientation and innovativeness is for family firms that face corporate social responsibility challenges.

For instance, we know that Maignan et al. (1999) hypothesized that firms' market orientation would be positively related to corporate citizenship proactivity. This supposition was largely based on the views of Narver and Slater's (1990) idea that market oriented firms were particularly sensitive to any stakeholder which affects long-term performance. While research has investigated the corporate social responsibility of family firms (e.g., Uhlaner et al., 2004), studies have neglected concurrently investigating market orientation, organizational social consciousness, and innovativeness in family *and* nonfamily firms.

In the Sharma and Vredenburg (1998) study, family firms which were characterized to be proactive firms and actively engaged in corporate social responsibilities (e.g., natural environmental policy) were discovered to support opportunity seeking and experimentation. In other words, a strong natural environmental policy may result in enhanced innovativeness as firms are more open to, and aware of, societal/consumer trends and may be more proactive. Following this logic within the context of organizational social consciousness, it can be argued that a firm which has a high social consciousness will enlarge the field of information considered relevant by a firm, thereby increasing the number of ideas that can lead to innovations.

Family businesses have unique cultures which derive from the overlap of family, management, and ownership (Tagiuri & Davis, 1996), which has been empirically demonstrated to positively influence competitive advantages of these firms (e.g., Tokarczyk, et al., 2007; Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008). Due to family firms' unique culture, extant literature has shown that family and nonfamily firms are different in terms of social consciousness. For example, Adams, Taschian, and Shore (1996) compared the ethical practices of family and nonfamily businesses and found that, while family businesses did not often have a formal code of ethics, they were more likely to exhibit ethical behaviors through their actions. Gallo (2004) found that family businesses were more attentive than nonfamily business to the common good of the community. Dyer and Whetten (2006) studied businesses in the S&P 500 and found that

that family firms were more likely than nonfamily firms to be more fully engaged in socially responsible concerns.

More recently, Berrone et al. (2010), in their study of firms who were required to report their emission levels to regulatory agencies, found that family businesses presented significantly better environmental performance than their nonfamily counterparts. These differences can be attributed to the different cultural approach that family firms have and also to the fact that family firms seem to be more motivated to protect family assets and are concerned about the family firm's reputation (Dyer and Whetten, 2006).

Likewise, an organization's culture can induce an orientation toward the market (Narver & Slater, 1990) and toward corporate social responsibility (Uhlaner et al., 2004). Indeed, Aguinis and Glavas (2012) have indicated that at a firm level of analysis, instrumental and normative social responsibility motivations usually interact with other relevant firm attributes such as employee engagement and market orientation (Aguinis and Glavas, 2012) to influence firm behavior. Additionally, the values of the family are exhibited in the culture of the firm (e.g., Tokarczyk, et al., 2007; Zachary et al., 2011) and will positively enhance the effects of a firm's market orientation and social consciousness in relation to firm innovativeness to a greater extent than in nonfamily firms. For example, Delmas and Gergaud (2014) find that the intention to pass ownership and control to the next generation (considered as a unique family firm characteristic), is determinant in fostering a long-term orientation and engagement in both market-based and prosocial actions. In other words, in family firms, the alignment of stakeholders (i.e., market orientation) and social interests of the firm (i.e., organizational social consciousness) may contribute to increasing the extent of entrepreneurial behaviors in the form of firm innovativeness. Therefore, we posit our second hypothesis:

Hypothesis 2

In family firms, organizational social consciousness positively moderates the relationship between market orientation and family firm innovativeness, such that as organizational social consciousness increases, the relationship between market orientation and firm innovativeness increases.

Methodology

To test our hypotheses, we employed a survey research design. Sampling from the food processing industry, a questionnaire was mailed to the CEO of 2,297 firms located in Arizona, Idaho, Nevada, Oregon, Utah, and Washington. After removing 750 potential respondents from the sample pool due to issues such as against firm policy and incorrect addresses, 193 mostly completed questionnaires were returned, resulting in a final response rate of 12.5 percent.

The food processing industry was selected for multiple reasons. First, these firms produce products for human consumption. These products must be consistently safe and of good quality, which will influence the reputation of the firm. Second, food processing firms, working in the food chain, must be aware of what their customers' demand, due to the often limited shelf life of their produced inventory, which provides the firms with more immediate market feedback. Third, by limiting the sample to one industry, effects associated with the industry in which the firm operates are controlled for through the research design.

We further tested for the effects of common method bias through a one factor test, resulting in nine factors with Eigen values greater than 1. The first factor accounted for 23.26 percent of the 63.35 percent total variance indicating that common bias is not a primary concern. Likewise, we tested for non-response bias and found no significant differences between the first and last wave of respondent answers, suggesting the sample is representative of the population of food processors. For firm size, a broad range of firms had one to five employees (n = 54) to larger organizations consisting of 500 to 9,000 employees (n = 15). However, approximately 81 percent of the firms were under 100 full-time employees. For firm age, a preponderance of firms were 20 years or older (n = 133), followed by firms aged 10 to 20 years (n = 56). As we are interested in potential differences between family and nonfamily firms and following the guidance provided by Zahra et al. (2008), we asked respondents if they considered their firms to be a family firm. If respondent perceived their firm to be a family firm, then the firm was classified as a family firm, resulting in our final sample of family (n = 142) and nonfamily firms (n = 51). Considering that family firms are the most prevalent organizational form (Faccio & Lang, 2002; Holderness, 2009), this distribution of family and nonfamily firms may be expected.

Firm Innovativenes

Firm innovativeness encompasses all processes within the organization which are related to creating new products or services. We drew upon the work of Dibrell, Davis, and Craig (2008) who consider "the strategic emphasis placed on innovation" (2008: 203). The anchors for this scale ranged from 1 = not at all to 7 = very great extent, with the scale consisting of the following 4-items which asked respondents to indicate the extent to which their company emphasizes the following: (1) Developing new products; (2) Upgrading; (3) Specialty products; and, (4) Innovative market techniques. The mean score of items was used for this scale, as well as for the other constructs in this study.

Market Orientation

Following the approach employed by Narver and Slater (1990), we utilized a single market orientation score for hypotheses testing, which contained the customer, competitor, and interfunctional coordination sub-dimensions. Anchors for the scale ranged from 1 = Not at All to 5 = To an Extreme Extent, with the following items: (1) We constantly monitor our level of commitment and orientation to serving customers' needs; (2) We rapidly respond to competitive actions that threaten us; (3) All of our business functions (e.g., marketing/sales, manufacturing, etc.) are integrated in serving the needs of our target markets; (4) All of our business functions (e.g., marketing/sales, manufacturing, etc.) are integrated in serving the needs of our target markets; (5) Our salespeople regularly share information within our organization concerning competitors' strategies; (6) All the departments in our business are responsive to each other's needs and requests; (7) Our strategy for competitive advantage is based on our understanding of customer needs; (8) Top management regularly discusses competitors' strengths and strategies; (9) Our top managers from across the business regularly visit our current and prospective customers; (10) Our business strategies are driven by our beliefs about how we can create greater value for customers; (11) We target customers where we have an opportunity for competitive advantage; (12) We freely communicate information about our successful and unsuccessful customer experiences across our business; (13) We measure customer satisfaction systematically and frequently; (14) Our managers understand how everyone in our business can contribute to creating customer value; and (15) We give close attention to after-sales service.

Organizational Social Consciousnes

Drawn from the social entrepreneurship literature, we employed the Dibrell et al. (2015) three-item scale, which focused on how the firm uses its resources to innovatively solve social problems of its stakeholders. The questionnaire stem for this scale asked respondents to "please indicate the extent your business emphasizes each of these activities," using a 7-point Likert-type scale with the following anchors: (1) = Not At All; (4) = To a Moderate Extent; and, (7) To an Extreme Extent. The three items were: (1) Pursuit of opportunities for social problems; (2) Use of socially innovative business models; and, (3) Creation of innovations to solve social problems.

Control Variables

We used six control variables as part of our study. To control for the potential confounding effects of firm age and firm size (i.e., the number of full-time employees), we collected continuous demographic data on these two measures, with a natural log transformation for each measure. Similarly, we controlled for a firm's costs relative to its competitors to ascertain the ability of the firm to control its cost, the perceived extent of industry dynamism and the flexibility of the firm to respond to changes in its external environment, which both may affect a firm's emphasis on innovativeness. Lastly, we considered the extent to which the firm engages in recycling, as it has been demonstrated to effect a firm's level of innovativeness (Craig & Dibrell, 2006).

Analysis

Construct validity was tested through the use of confirmatory factor analyses using LISREL 8.52. To calculate the descriptive statistics, coefficient alphas, the correlation matrix, and conduct the regression analysis, we utilized SPSS 21.0. For hypothesis testing, we employed OLS regression, as we are examining interaction terms using cross-sectional data, using hierarchical moderated regression analysis (Jaccard & Turrisi, 2003). We tested four regression models, the first model including only control variables, then adding market orientation in the second step, followed by the organizational social consciousness construct, before adding the interaction term. With the inclusion of the interaction term, the variables of interest were mean-centered to reduce the effects of collinearity in the construction of interaction term.

Results

As provided in Table 13.1, the correlation results suggest that the different constructs are within an acceptable range ($r = -.11$ to $r = .45$), and there are relationships which merit further investigation with few signs of collinearity. Likewise, all variance inflation factor scores are under 1.6, well below the 10.0 threshold. Through a two-phase CFA approach to test for measurement invariance among the different constructs, we employed confirmatory factory analysis with maximum likelihood estimation. First, we tested the five-factor unconstrained factor model ($\chi^2 = 770.24$, d.f. = 367; CFI = .94; Delta2 = .94; RMSEA = .076; SRMR = .077), with all items loading above a .40 cutoff on their respective factors, supporting convergent validity, with the exception of one item in market orientation, which was dropped from further analysis. Second, we compared the unconstrained factor model to a constrained factor model. For the constrained five-factor model, all paths in the Φ matrix were set to one to create a baseline comparison model to gauge how well our studied model (i.e., unconstrained model) fit the data. In the constrained factor model (χ^2 = 1957.44, d.f. = 377; CFI = .79; Delta2 = .79; RMSEA = .15; SRMR = .12), the factors were not allowed to correlate, while in the unconstrained factor model the factors were allowed to correlate. The unconstrained factor model fit the data significantly better than the constrained factor model ($\Delta\chi^2 = 1187.20$; d.f. = 10; $p < .05$), suggesting discriminant validity. In addition, the average variance extracted and composite reliabilities for the studied constructs are reported in Table 13.1.

Table 13.1 Descriptives and Correlations of Family Firms[1]

	Mean (SD)	*Coefficient Alpha*	*Composite Reliability*	*Average Variance Extracted*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
1. Firm Innovativeness	4.21 (1.46)	.79	.80	49.73								
2. Firm Age	27.75 (26.78)	—			−.01							
3. Number of Employees	116.43 (427.10)	—			.14	.38**						
4. Firm Costs	2.12 (1.54)	—			.07	.05	.01					
5. Industry Dynamism	2.55 (1.85)	—			.29**	.05	−.01	.05				
6. Strategic Flexibility	3.56 (.77)	.85	.85	49.08	.32**	−.11	−.03	.12	.17*			
7. Environmental Recycling	3.12 (1.33)	.66	.67	70.50	.36**	.08	.23**	−.06	.09	.11		
8. Market Orientation	3.74 (.68)	.87	.88	35.54	.45**	.02	.09	.02	.19*	.44**	.18*	
9. Org. Social Consciousness	3.10 (1.50)	.87	.88	70.61	.35**	−.06	.01	−.06	.19*	.12	.40**	.25**

* Correlation is significant at the 0.05 level (two-tailed).
** Correlation is significant at the 0.01 level (two-tailed).
[1]In order to maintain statistical power for regression analysis, the linear trend at point technique was utilized to replace a few missing variables (Olinsky, Chen, & Harlow, 2003).

Our first hypothesis stated market orientation is positively related to firm innovativeness, while the second hypothesis suggested a two-way moderation between market orientation and social consciousness. As evidenced in Table 13.2, we found strong support ($b = .26$; $p < .01$; two-tailed) for Hypothesis 1, which falls in line with previous research (e.g., Dibrell et al., 2011).

To test for Hypothesis 2, a weakly significant relationship ($b = -.13$; $p < .10$; two-tailed) was discovered for family firms between market orientation and social consciousness indicating preliminary support for this hypothesis. The interaction term was graphed for further interpretation. As seen in Figure 13.1, the slope for high-market orientation and high-organizational social consciousness for family firms is positive providing support for Hypothesis 2. Overall, the adjusted R^2 for the full model with only the family firm sample was .336.

Discussion and Conclusion

This research focuses on shedding light upon family entrepreneurial behaviors, more specifically how family values and culture influence entrepreneurial behaviors of the firm. Indeed, although family firms have been considered as strategically conservative, even when the needed innovations are market driven (Chrisman & Patel, 2012; Miller and Le Breton-Miller, 2005; Uhlaner et al., 2012), we show here that family firms do behave entrepreneurially by engaging in innovative behaviors. These firms even have a double advantage: they are able to rely on their specificities to translate their market orientation into innovations, and this relationship becomes stronger when

Table 13.2 Firm Innovativeness in Family Firms with 2-Way Interaction[1]

Variable/Step	*Model 1*	*Model 2*	*Model 3*	*Model 4*
Firm Age	$-.15^{\dagger}$	$-.15^{\dagger}$	$-.13^{\dagger}$	$-.13^{\dagger}$
Number of Employees	$.15^{\dagger}$	.11	.12	.11
Firm Costs	.06	.07	.08	.08
Industry Dynamism	$.22^{**}$	$.20^{**}$	$.18^{**}$	$.20^{**}$
Strategic Flexibility	$.22^{**}$	.07	.07	.08
Environmental Recycling	$.28^{***}$	$.25^{***}$	$.20^{**}$	$.23^{**}$
Market Orientation		$.32^{***}$	$.30^{***}$	$.26^{**}$
Org. Social Consciousness			$.13^{\dagger}$	$.13^{\dagger}$
Market Orientation x Org. Social Consciousness				$-.13^{\dagger}$
R^2	.274	.350	.364	.378
R^2 (adjusted)	.242	.316	.326	.336
F-value	8.51^{***}	10.32^{***}	9.51^{***}	8.91^{***}
ΔR^2		.076	.014	.014
Partial F (for ΔR^2)		15.67^{***}	$2.84^{\dagger}$	$2.98^{\dagger}$

$^{\dagger}p < .10$ (two-tailed)
$^{*}p < .05$ (two-tailed)
$^{**}p < .01$ (two-tailed)
$^{***}p < .001$ (two-tailed)
[1]Reported results are standardized regression coefficients.

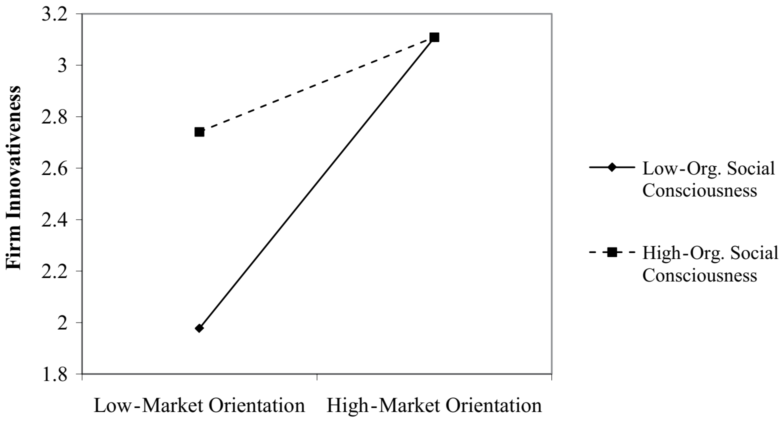

Figure 13.1 Market Orientation and Firm Innovativeness Moderated by Organizational Social Consciousness in Family Firms

an organizational social consciousness is concurrently emphasized. Market orientation and organizational social consciousness interact leading to higher levels of innovativeness.

Our findings show that the antecedents of entrepreneurial behaviors in family firms. Market orientation directly influences innovativeness, and the relationship between market orientation and innovativeness is enhanced by the firm's social orientation, leading to higher levels of innovativeness. We find that in family firms, the alignment of stakeholders (i.e., market orientation) and the firm's social interests (i.e., organizational social consciousness) contributes to entrepreneurial behaviors (i.e., firm innovativeness).

Family firms mobilize three of their idiosyncratic features (Craig, et al., 2014) to offer new products, services, and/or processes. First, they leverage on the family cultural context to induce the transformation of identified market needs into appropriate innovations (Frank, et al., 2010). Second, they use the stock of business acumen accumulated over generations to decipher customer needs to innovate (Pearson, et al., 2008; Hoy & Sharma, 2010). Third, they adopt management styles based on participation and mutual respect, resulting in greater flexibility (Sciascia, Clinton, Nason, James, & Rivera-Algarin, 2013).

The propensity of family firms to engage in corporate social responsibility activities derives directly from the integration of family values in the firm. Values such as long-term orientation, respect for, and protection of the employees, strong ties with the social and business community, integrity and continuity in the business policies, and concern for reputation (Miller & Le Breton-Miller, 2005; Neubauer, 1998; Ward, 2011) may weigh on the decision to undertake and maintain such activities. Whereas generally speaking nonfamily firms may undertake these activities with the aim of gaining a short-term competitive advantage and economic profit, family firms do so simply because it expresses the values they hold, through socioemotional wealth (Berrone et al., 2010; Kellermanns et al., 2012). We find evidence that on the contrary, social orientation contributes not only to the potential for socioemotional wealth but may also add to firm performance by supporting innovation.

This work also demonstrates the pertinence of organizational social consciousness as a construct to more effectively understand why family firms are able to attain long-term competitive advantage, as these firms are more engaged in their communities (Sharma & Sharma, 2010). Likewise, organizational social consciousness may be positively associated with the extent of socioemotional wealth in families (Berrone et al., 2010). Developing research based on organizational social consciousness would enlighten the socioemotional wealth literature and the futures of corporate social responsibility activities, helping family firms move toward more evolved models of corporate social responsibility (Bergamasci & Randerson, forthcoming).

For managers of family firms, our findings provide increasing evidence of the importance of aligning the social values of the family and the firm together. The social values of the family are embedded in the family business (Hoy & Sharma, 2010; Ward, 2011), and the resulting alignment of social values between the organization and its stakeholders is critical in increasing the effectiveness of market orientation strategies in strengthening firm innovativeness. Managers should strive to nurture an organizational culture which considers the social values of both the family and its stakeholders. In addition, we see the strength of market orientation to firm innovativeness. Seemingly, the benefits of market orientation are strong, and managers should continue to strategically emphasize this orientation in a family business. Family firms can draw upon their social values to be more innovative, which creates a unique competitive advantage.

Our analysis does suffer from limitations. Our use of cross-sectional data limits our findings, as well as increases the potential for common method bias, although the marginally significant interaction term diminishes these concerns. The findings of our study are limited only to other firms residing in industries which share similar attributes as the food processing industry. Our use of a single respondent may pose additional limitations of our findings as it provides only one perspective of the different attributes studied and does not consider other perspectives such as family and nonfamily employees.

Our study does not account for the heterogeneity of family firms. Miller, Le Breton-Miller, Lester, and Cannella (2007) discover lone-founding firms behave differently than family firms where the founder is not present, with the lone founder firms often acting more entrepreneurially. In our study, we were unable to test for this potential effect within the family firm context due to limitations of the data. However, firm age which may be considered a coarse proxy of the founder effects (i.e., a younger firm may be more likely to have the founder still heavily engaged in the strategic orientation of the firm), and our results in Table 13.2 indicate that firm age was not significant. This finding suggests lone founder effects may be diminished in our findings.

In future research, scholars may wish to consider how family firm heterogeneity, as well as the extent of family involvement in the family business, may influence the market orientation-organizational social consciousness-innovativeness relationship. For example, do lone-founder firms place a greater strategic emphasis on the market orientation to innovativeness relationship with less attention given to organizational social consciousness, compared to family firms with high family involvement and the founder no longer involved providing extensive emphasis on the organizational social consciousness at the possible expense of market orientation?

Scholars may also wish to consider organizational social consciousness as a possible proxy for socioemotional wealth, as have other corporate social responsibility behaviors been suggested to be a proxy (e.g., Berrone et al., 2010). If so, can the benefits associated with socioemotional wealth which accrues to the family be realized by employees, such as nonfamily employees? Is the strength of the relationship in the social values between the family firm and the employees the same for employees who are family members and employees who are not family members? How does this alignment or misalignment for nonfamily employees influence socioemotional wealth? Lastly, organizational social consciousness may be considered a measure of the social orientation of the firm, and further refinement of this scale to include additional family values which may directly influence the family firm's level of innovativeness is warranted.

Although family firms may be considered to be strategically conservative, we find that family firms who are able to integrate market orientation and organizational social consciousness behave more entrepreneurially than those family firms which do not engage in these activities.

There seems to be a strong link between the ability to understand the firm's customer and competitors (i.e., market orientation) and comprehending the social needs of the firm's stakeholders. Overall, an organization's strategic awareness of these different stakeholders provides a more open, communicative, innovative, and ultimately entrepreneurial work environment in family firms.

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